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# **STATEMENT OF ACCOUNTS**

2011/12

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# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HAMMERSMITH & FULHAM**

## **Opinion on the Authority financial statements**

I have audited the financial statements of London Borough of Hammersmith & Fulham for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. 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 2011/12.

This report is made solely to the members of London Borough of Hammersmith & Fulham in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

## **Respective responsibilities of the Executive Director of Finance and Corporate Governance and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Executive Director of Finance and Corporate Governance 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, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Finance and Corporate Governance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the financial position of London Borough of Hammersmith & Fulham as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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## **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

## **Opinion on the pension fund financial statements**

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 2011/12.

This report is made solely to the members of London Borough of Hammersmith & Fulham in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

## **Respective responsibilities of the Executive Director of Finance and Corporate Governance and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Executive Director of Finance and Corporate Governance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Finance and Corporate Governance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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## **Opinion on financial statements**

In my opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

## **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Respective responsibilities of the Authority and the auditor**

The Authority is responsible for putting in place proper arrangements to secure 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.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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**Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, London Borough of Hammersmith & Fulham put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

**Certificate**

I certify that I have completed the audit of the accounts of London Borough of Hammersmith & Fulham in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Jon Hayes  
District Auditor

Audit Commission  
1st Floor  
Millbank Tower  
Millbank  
London SW1P 4HQ

28 September 2012

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**CERTIFICATION BY CHAIRMAN OF THE AUDIT  
PENSIONS and STANDARDS COMMITTEE**

I confirm that these accounts were approved by the Audit,  
Pensions and Standards Committee on 27 September 2012



**Councillor Michael Adam**  
27th September 2012

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## **STATEMENT OF ACCOUNTS CONTENTS**

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## FOREWORD

### INTRODUCTION

- 1 The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2011-12 and its Balance Sheet at 31 March 2012. This covers the General Fund, Housing Revenue Account, Pension Fund and the Collection Fund.
- 2 The Statement of Accounts comprises 'key' financial statements, explanatory notes and supplementary financial statements:

The **Movement in Reserves Statement (MiRS)** is a summary of the changes to the Council's reserves during the course of the financial year. The reserves represent the Council's net worth and are analogous to the equity of a private company. Reserves are divided into 'usable' and 'unusable' reserves. Usable reserves can be used to fund expenditure or reduce the council tax; unusable reserves cannot.

The **Comprehensive Income and Expenditure Statement (CIES)** reports all of the Council's gains and losses during the financial year. The CIES is prepared in accordance with International Financial Reporting Standards and the detail will therefore differ from the Council's management accounts and revenue budgets. However, the Council's financial position i.e. the working balance and usable reserves, will be the same.

The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities and reserves on 31 March 2012. The reserves are always equal to the Council's assets less the Council's liabilities. Assets represent everything owned by the Council and money owed to it. Liabilities are the sums that the Council owes to others.

The **Cash Flow Statement** shows the changes to the Council's cash and 'cash equivalents' during the financial year. Cash equivalents are assets that can be readily converted into cash and have a low likelihood of a change in value. The statement shows cash flows from: 'operating' activities, which are the cash flows from the Council's services; 'investing' activities, which are the cash flows from the Council's capital investment, investments and asset sales; and 'financing' activities, which are primarily the cash flows relating to the Council's borrowings.

The **Notes** provide more detail about the items contained in the key financial statements, the Council's accounting policies and other information that helps interpretation and understanding of the key financial statements and accounts.

The **Supplementary Financial Statements** include:

The **Housing Revenue Account** shows the income and expenditure relating to the provision of housing and associated services to the council tenants and leaseholders and includes the Statement of Movement on the HRA Fund Balance. This reflects the statutory obligation of the council to account separately for the cost of its activities as a landlord in the provision of council housing.

The **Collection Fund Account** summarises the income and expenditure relating to the collection of council tax and national non-domestic rates, including the precept collected on behalf of the Greater London Authority. It sets out the contribution of Hammersmith and Fulham council tax payers to the costs of local services and its distribution to the Greater London Authority.

The **Pension Fund Account** sets out a summary of the transactions during the year (Fund Account) and the overall financial position of the fund at 31st March 2012 (Net Assets Statement).



3 The Annual Governance Statement is a statement by the Leader of the Council and the Chief Executive on the arrangements and systems for internal control across the council and the governance arrangements of the Council.

4 The outturn for 2011-12 includes

- a General Fund under-spend of £6.9 million after departmental carry forwards of £3.4 million;
- General Fund and earmarked reserves at 31 March 2012 of £69 million (compared to £58 million at 31 March 2011); and
- a stable balance sheet. Total net assets have increased, but this is substantially due to the cancellation of £197.5m of debt within the HRA under HRA reform, partially offset by an increased 'actuarial' pension liability of £95m (a figure which has, historically, been markedly volatility).

## 2011-12 BUDGET

5 Annually, the Council sets the budget. In brief the 2011-12 budgets included:

- a Council Tax freeze;
- savings of over £26 million offsetting cost pressures and grant losses; which produced
- a revenue budget requirement of £189 million funded from Council Tax and Formula Grant from government within a gross budget of £703 million.

## REVENUE SPENDING

6 The draft Statement of Accounts sets out the Council's spending and funding in line with accounting requirements. The position below explains the same information in the form of the Council's management accounts. The Council's financial position (for example, total usable reserves and final working balance) is the same in both formats.

7 The net under-spend on the General Fund was £6.9m, reflecting 1 per cent under-spending by departments after agreed carry forwards of budgets to 2012-13 of £3.4 million. The balance of the under-spend has been transferred to the efficiency reserve, IT reserve and a small amount to capital reserve.

8 The summary outturn position is as set out below:

Department	Budget	Actual	Over/ (Under) Spend
	£'000	£'000	£'000
Children's Services	67,161	67,047	(114)
Unaccompanied Asylum Seeking Children	1,300	1,309	9
Adult Social Care	79,176	78,447	(729)
Housing & Regeneration	8,672	7,352	(1,320)
Transport and Technical Services	19,814	20,006	192
Controlled Parking Account	(16,961)	(19,489)	(2,528)
Environment, Leisure and Residents Services	38,302	38,301	(1)
Finance and Corporate Services	18,609	18,309	(300)
Centrally Managed Budgets	(13,868)	(15,995)	(2,127)
<b>Net Operating Expenditure</b>	<b>202,205</b>	<b>195,287</b>	<b>(6,918)</b>
Net Contribution to Earmarked Reserves	7,678	13,178	5,500
Net Contribution to General Reserves	-	1,418	1,418
<b>Total Net Expenditure</b>	<b>209,883</b>	<b>209,883</b>	<b>-</b>
Funded by:			
Formula Grant	124,719	124,719	-
Core Grants	20,047	20,047	-
Council Tax	65,117	65,117	-
<b>Total Funding</b>	<b>209,883</b>	<b>209,883</b>	<b>-</b>
<b>Final Position</b>	<b>-</b>	<b>-</b>	<b>-</b>

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## Housing Revenue Account (HRA)

- 9 The Statement of Accounts also includes the ring-fenced Housing Revenue Account for the provision of social housing. The Housing Revenue Account showed a surplus of £1.9 million and increased its working balance by the same amount. Full details are set out in the draft Statement of Accounts.

### 31 MARCH 2012 BALANCE SHEET

- 10 The balance sheet as at 31 March is summarised below. Aside from pension liabilities that are re-estimated each year and thus volatile, the overall position is substantially stable.

	<b>31 March 2012</b>	<b>31 March 2011 (Restated)</b>
	<b>£m</b>	<b>£m</b>
Long Term Assets	1,482	1,470
Current Assets	211	152
Current Liabilities	(115)	(127)
Net Pension Liabilities	(420)	(324)
Other Long Term Liabilities	(318)	(500)
<b>Net Assets</b>	<b>840</b>	<b>671</b>
Represented by:		
Usable Reserves	(97)	(85)
Unusable reserves	(743)	(586)
<b>Total Reserves</b>	<b>(840)</b>	<b>(671)</b>

- 11 The breakdown of the usable reserves is set out below:

	<b>2011/12 £m</b>
General Fund	(80)
Schools Reserves	(12)
Housing Revenue Account	(5)
<b>Total</b>	<b>(97)</b>

### CAPITAL SPENDING AND FUNDING

- 12 In 2011/12, the actual capital expenditure (outturn) totalled £64.341 million. The table below summarises capital expenditure by service area:

<b>Department</b>	<b>2011/12 £'000</b>
Adult Social Care	1,375
Children's Services	9,142
Environment, Leisure & Resident's Services	5,021
Finance & Corporate Services	127
Housing Revenue Account	37,822
Housing & Regeneration	1,535
Transport & Technical Services	9,319
<b>Total</b>	<b>64,341</b>

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13 The financing of the capital expenditure incurred in 2011/12 is summarised in the table below:

### Capital Financing

	<b>£'000</b>
Capital Receipts	25,179
HRA Supported Capital Expenditure	208
Grants	17,521
Major Repairs Allowance (MRA)	12,723
Section 106 - Private Sector contributions	3,440
Revenue Contribution to Capital Outlay	188
Capital Reserves	749
Others	4,333
<b>Total</b>	<b>64,341</b>

### ACCOUNTING POLICIES

- 14 The 2011-12 accounts are compliant with International Financial Reporting Standards (IFRS). They comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2011 (the Code) which is based on IFRS.
- 15 The accounting policies adopted by the Council comply with the Code and are set out on pages 16 to 29. These are substantially unchanged from 2010-11 with the addition, as required under the Code, of the Council's new accounting policy relating to heritage assets.

### GROUP ACCOUNTS

- 16 As with the 2010/11 Statement of Accounts, Group Accounts have not been included in the 2011/12 Statement of Accounts on the grounds that they do not have a material effect on the overall statements and therefore their inclusion does not provide any more usefulness to readers. It should be noted that the Council considers the Hammersmith and Fulham Bridge Partnership (HFBP) as a Subsidiary. Details on the total 2011/12 net assets and profit and loss for HFBP (with 2010/11 comparators) can be found in Note 39 (Interest in Companies) to the key financial statements, along with contact details for the procurement of the full accounts for both companies.
- 17 It should be noted that the Council's Management Agreement with H&F Homes ended on 31st March 2011 and the business transferred back to the Council.

### FUTURE OUTLOOK

- 18 For 2012-13 the Council reduced its Council Tax by 3.75%. Funding reductions and cost pressures were matched by £23 million in budget reductions - bringing total budget reductions to £49 million over two years.
- 19 The national economic outlook remains grim. The Government is holding to previously announced and substantial cuts to local government funding for 2013-14 and beyond. Major changes to the system of local government financing are due to be introduced from 1 April 2013 (localisation of business rates and Council Tax benefit). These present financial challenges in themselves. Despite these challenges, the Council remains well positioned to weather economic storms.

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- 20 The Council has embedded the Medium Term Financial Strategy (MTFS) within its business planning framework. The MTFS will continue to be the vehicle for allocating resources to the Council's priorities, driving through efficiency savings and monitoring their delivery. It provides the Council with a robust 3-year financial plan and a forum for challenging budget and service proposals, identifying and developing savings and efficiencies; and dealing with significant financial risks. The scale of the funding reductions requires the Council to deliver £49 million in savings over the period 2012/13 to 2014/15, beginning with £23 million in savings for 2012/13. This continues to be more challenging than the savings plans the Council has faced in the recent past. The route for delivering this scale of savings is both as an individual authority and the Tri-borough Programme for combining services with the Royal Borough of Kensington and Chelsea and the City of Westminster.
- 21 The Council's 2012/13 Budget Strategy recognised the challenge in delivering this scale of budget reduction and recommended that the range for the optimal level of general balances be maintained at £10m - £17m. The actual balances carried forward at the close of 2011/12 are £17.4m



**Jane West**

Executive Director of Finance and Corporate Governance  
27 September 2012

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# **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

## **The Council's Responsibilities**

The Council is required to:

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

## **Responsibilities of the Executive Director of Finance and Corporate Governance**

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

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

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

The Executive Director of Finance and Corporate Governance has also:

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

## **CERTIFICATE OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE**

I certify that the Accounts present a true and fair view of the financial position of the London Borough of Hammersmith and Fulham and the London Borough of Hammersmith and Fulham Pension Fund as at 31 March 2012 and income and expenditure for the year for the financial year 2011/12.



Jane West  
Executive Director of Finance and Corporate Governance  
**27 September 2012**

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## **CORE FINANCIAL STATEMENTS**

Movement in Reserves Statement

Comprehensive Income and Expenditure Statement

Balance Sheet

Cash Flow Statement

Notes to the Accounts

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Notes	General Fund (GF) Balance £000	Schools Balance £000	Earmarked Reserves £000	Capital Grants Unapplied £000	Housing Revenue Account (HRA) £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2010</b>		<b>(15,000)</b>	<b>(12,552)</b>	<b>(34,491)</b>	<b>(5,187)</b>	<b>(3,241)</b>	<b>(19,633)</b>	<b>(3,526)</b>	<b>(648)</b>	<b>(94,278)</b>	<b>(873,836)</b>	<b>(968,114)</b>
<b>Movement in Reserves during 2010/11</b>												
(Surplus) or Deficit on Provision of Services		(77,215)	-	-	-	508,421	-	-	-	431,206	-	431,206
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	-	(133,839)	(133,839)
<b>Total Comprehensive Income and Expenditure</b>		<b>(77,215)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>508,421</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>431,206</b>	<b>(133,839)</b>	<b>297,367</b>
Adjustments between accounting basis & funding basis under regulations	7	67,060	-	-	(324)	(508,287)	19,633	70	(349)	(422,197)	422,197	-
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>(10,155)</b>	<b>-</b>	<b>-</b>	<b>(324)</b>	<b>134</b>	<b>19,633</b>	<b>70</b>	<b>(349)</b>	<b>9,009</b>	<b>288,358</b>	<b>297,367</b>
Transfers to/(from) Earmarked Reserves	8	9,085	(1,123)	(7,932)	-	-	-	-	-	30	(30)	-
<b>(Increase)/Decrease in 2010/11</b>		<b>(1,070)</b>	<b>(1,123)</b>	<b>(7,932)</b>	<b>(324)</b>	<b>134</b>	<b>19,633</b>	<b>70</b>	<b>(349)</b>	<b>9,039</b>	<b>288,328</b>	<b>297,367</b>
<b>Balance at 31 March 2011 (Restated)</b>		<b>(16,070)</b>	<b>(13,675)</b>	<b>(42,423)</b>	<b>(5,511)</b>	<b>(3,107)</b>	<b>-</b>	<b>(3,456)</b>	<b>(997)</b>	<b>(85,239)</b>	<b>(585,508)</b>	<b>(670,747)</b>
<b>Movement in Reserves during 2011/12</b>												
(Surplus) or Deficit on Provision of Services		(12,566)	-	-	-	(229,678)	-	-	-	(242,244)	-	(242,244)
Other Comprehensive Income and Expenditure		-	2,628	-	-	-	-	-	-	2,628	70,166	72,794
<b>Total Comprehensive Income and Expenditure</b>		<b>(12,566)</b>	<b>2,628</b>	<b>-</b>	<b>-</b>	<b>(229,678)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(239,616)</b>	<b>70,166</b>	<b>(169,450)</b>
Adjustments between accounting basis & funding basis under regulations	7	(8)	-	-	1,698	227,661	-	(1,705)	-	227,646	(227,647)	(1)
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>		<b>(12,574)</b>	<b>2,628</b>	<b>-</b>	<b>1,698</b>	<b>(2,017)</b>	<b>-</b>	<b>(1,705)</b>	<b>-</b>	<b>(11,970)</b>	<b>(157,481)</b>	<b>(169,451)</b>
Transfers to/(from) Earmarked Reserves	8	11,206	(1,436)	(10,000)	30	94	-	-	117	11	(11)	-
<b>(Increase)/Decrease in 2011/12</b>		<b>(1,368)</b>	<b>1,192</b>	<b>(10,000)</b>	<b>1,728</b>	<b>(1,923)</b>	<b>-</b>	<b>(1,705)</b>	<b>117</b>	<b>(11,959)</b>	<b>(157,492)</b>	<b>(169,451)</b>
<b>Balance at 31 March 2012 carried forward</b>		<b>(17,438)</b>	<b>(12,483)</b>	<b>(52,423)</b>	<b>(3,783)</b>	<b>(5,030)</b>	<b>-</b>	<b>(5,161)</b>	<b>(880)</b>	<b>(97,198)</b>	<b>(743,000)</b>	<b>(840,198)</b>

## Comprehensive Income and Expenditure Statement

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

	Notes	Year Ended 31 March 2012			Year Ended 31 March 2011 (Restated)		
		Gross	Gross	Net	Gross	Gross	Net
		Expenditure	Income	Expenditure	Expenditure	Income	Expenditure
		£000	£000	£000	£000	£000	£000
Central services to the public		27,770	(25,500)	2,270	31,787	(32,257)	(470)
Cultural and Related Services		14,398	(3,255)	11,143	17,031	(4,639)	12,392
Environment and Regulatory Services		32,375	(5,111)	27,264	32,862	(5,379)	27,483
Planning Services		12,115	(6,170)	5,945	13,411	(7,986)	5,425
Education and children's services		212,266	(145,477)	66,789	237,069	(176,351)	60,718
Highways and transport services		37,042	(35,081)	1,961	34,207	(32,725)	1,482
Local authority housing (HRA)	10	70,823	(83,905)	(13,082)	572,208	(85,466)	486,742
Other housing services		181,909	(167,333)	14,576	170,496	(159,092)	11,404
Adult social care		105,591	(27,170)	78,421	105,632	(33,371)	72,261
Corporate and democratic core		5,770	(131)	5,639	8,171	(124)	8,047
Non distributed costs - General	10	4,877	(1,834)	3,043	11,007	(90,116)	(79,109)
<b>Cost of Services</b>		<b>704,936</b>	<b>(500,967)</b>	<b>203,969</b>	<b>1,233,881</b>	<b>(627,506)</b>	<b>606,375</b>
Other Operating Expenditure	11	4,327	(36,877)	(32,550)	24,789	(517)	24,272
Financing and Investment Income and Expenditure: Other	12	77,132	(62,753)	14,379	80,209	(49,610)	30,599
Financing and Investment Income and Expenditure: HRA	10/12	53,989	-	53,989	-	-	-
Self-Financing Settlement (Premium)							
Taxation and non-specific grant income: Other	13	-	(230,688)	(230,688)	-	(230,041)	(230,041)
Taxation and non-specific grant income: HRA Self-Financing Settlement (Principal and Premium Credit)	10/13	-	(251,343)	(251,343)	-	-	-
<b>(Surplus) or Deficit on Provision of Services</b>				<b>(242,244)</b>			<b>431,205</b>
Surplus or deficit on revaluation of Property, Plant and Equipment assets				(20,113)			15,215
Surplus or deficit on revaluation of available for sale financial assets				-			-
Actuarial gains/losses on pension assets / liabilities	34			90,279			(149,054)
Schools converted to Academy Status				2,628			-
<b>Other Comprehensive Income and Expenditure</b>				<b>72,794</b>			<b>(133,839)</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>(169,450)</b>			<b>297,366</b>



## Balance Sheet

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

	Notes	31 March 2012 £000	31 March 2011 (Restated) £000	1 April 2010 (Restated) £000
Property, Plant and Equipment	14	1,393,132	1,391,526	1,923,354
Heritage Assets	17	8,023	8,023	8,023
Investment Property	15	77,520	62,448	44,129
Intangible Assets	16	1,194	1,398	830
Assets Held for Sale	23	-	-	-
Long Term Investments	27	100	2,816	2,654
Long Term Debtors	27	2,373	3,312	3,544
<b>Long Term Assets</b>		<b>1,482,342</b>	<b>1,469,523</b>	<b>1,982,534</b>
Assets Held for Sale	23	19,313	234	740
Short Term Investments	27	25,503	30,413	70,398
Short Term Debtors	21	65,371	62,055	57,005
Inventories		190	209	207
Cash and Cash Equivalents	22	101,016	58,600	81,958
<b>Current Assets</b>		<b>211,393</b>	<b>151,511</b>	<b>210,308</b>
Bank Overdraft	22	(849)	(4,329)	(14,230)
Short Term Borrowing	27	(3,891)	(21,855)	(5,855)
Short Term Creditors	24	(107,803)	(95,500)	(128,999)
Provisions	26	(865)	(590)	-
Grants and Contributions Receipts in Advance	37	(2,020)	(4,756)	(5,983)
<b>Current Liabilities</b>		<b>(115,428)</b>	<b>(127,030)</b>	<b>(155,067)</b>
Long Term Borrowing	27	(262,303)	(459,670)	(475,289)
Long Term Creditors	27	(100)	(100)	(100)
Provisions	26	(3,038)	(2,644)	(4,565)
Other Long Term Liabilities	25	(431,460)	(337,580)	(560,639)
Grants and Contributions Receipts in Advance	37	(41,208)	(23,263)	(29,068)
<b>Long Term Liabilities</b>		<b>(738,109)</b>	<b>(823,257)</b>	<b>(1,069,661)</b>
<b>NET ASSETS</b>		<b>840,198</b>	<b>670,747</b>	<b>968,114</b>
Usable Reserves	7	(97,198)	(85,239)	(94,278)
Unusable Reserves	7	(743,000)	(585,508)	(873,836)
<b>TOTAL RESERVES</b>		<b>(840,198)</b>	<b>(670,747)</b>	<b>(968,114)</b>

## Cash Flow Statement

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

	Notes	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Net surplus or (deficit) on the provision of services		242,244	(423,335)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	29	(172,609)	476,681
Adjust for items in the net deficit on the provision of services that are investing or financing activities		(47,691)	(27,992)
<b>Net cash flows from Operating Activities</b>	29	<b>21,944</b>	<b>25,354</b>
Investing Activities			
Purchase of Property, plant and equipment, investment property and intangible assets		(55,130)	(87,760)
Purchase of short-term and long-term investments		-	(422)
Proceeds from sale of property, plant and equipment, investment property and intangible assets		47,691	27,991
Proceeds from short-term and long-term investments		7,626	260
Other receipts from investing activities		32,046	14,973
<b>Net cash flows from Investing Activities</b>		<b>32,233</b>	<b>(44,958)</b>
Financing Activities			
Cash receipts of short and long term borrowing		-	40,000
Other receipts from financing activities		10,089	497
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(885)	(819)
Repayments of short and long term borrowing		(17,485)	-
Other payments for financing activities		-	(33,531)
<b>Net cash flows from Financing Activities</b>		<b>(8,281)</b>	<b>6,147</b>
<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>45,896</b>	<b>(13,457)</b>
Cash and cash equivalents at the beginning of the reporting period		54,271	67,728
<b>Cash and cash equivalents at the end of the reporting period</b>	22	<b>100,167</b>	<b>54,271</b>

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## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **1. Statement of Accounting Policies**

#### **i. GENERAL PRINCIPLES**

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) and the Service Reporting Code of Practice 2011/12 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Regulation 7 of the 2011 Regulations.

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012.

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.

#### **ii. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS**

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

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

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

#### **iii. 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 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 the exact amount of a debtor or creditor was not known at the time of closing the accounts then an estimated amount has been used.

Any known uncollectable debts are written off and where there is uncertainty over debt recovery a provision for doubtful debt is made. In both instances a charge is made to revenue for the income that might not be collected.

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## **1. Statement of Accounting Policies (cont'd)**

### **iv. OVERHEADS AND SUPPORT SERVICES**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Service Reporting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

### **v. GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **vi. CHARGES TO REVENUE FOR NON-CURRENT ASSETS**

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

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

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

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## **1. Statement of Accounting Policies (cont'd)**

### **vii. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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

### **viii. PROPERTY, PLANT AND EQUIPMENT**

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

#### **Recognition**

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

The threshold for capital expenditure has been set at £10,000.

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

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

- infrastructure, community assets and assets under construction - depreciated historical cost.
- dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH).
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Depreciated Replacement Cost is used as an estimate of fair value where there is no market-based evidence of fair value because of the specialist nature of an asset, for example schools.

Depreciated Historical Cost basis is used as a proxy for fair value where non-property assets have short useful lives or low values (or both).

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## 1. Statement of Accounting Policies (cont'd)

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair 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 Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

All items of property, plant and equipment, except Council Dwellings, are revalued on a five year rolling programme by each department. Council Dwellings are revalued annually.

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

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

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

### Impairment

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

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

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

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

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for Surplus Assets, 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).

The estimated life is determined at the time of acquisition or when the asset has been revalued. Assets are depreciated from the year after their acquisition or completion, and are depreciated in the year of disposal. Depreciation is calculated on a straight line basis with no residual value.

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## 1. Statement of Accounting Policies (cont'd)

The following depreciation treatment has been adopted for the various categories of assets; the useful lives stated below cover the majority of assets in each category:

- All Buildings (including Council dwellings) are depreciated over periods ranging from 35 to 100 years. Further enhancement expenditure is depreciated over a shorter period (from 4 to 10 years).
- Infrastructure is depreciated over periods ranging from 3 to 40 years.
- Vehicles, Plant and Equipment are depreciated over periods ranging from 4 to 48 years.
- Community Assets are generally depreciated over a 4 to 73 year period.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

### Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government.

The balance of receipts is required to be credited to 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). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

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## **1. Statement of Accounting Policies (cont'd)**

### **ix. HERITAGE ASSETS**

A tangible heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

#### **Valuation Policy**

The Council has decided to disclose Heritage Assets on a market valuation basis on the balance sheet. Heritage assets are accounted for in accordance with the Council's accounting policies on property, plant and equipment except "where it is not practical to obtain a valuation at cost which is commensurate with the benefits to users of the financial statements, heritage assets shall be measured at historical cost (less any accumulated depreciation, amortisation and impairment losses)." (refer to 4.10.2.8 of the CIPFA Accounting Code of Practice). "Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations." (refer to 4.10.2.9 of the CIPFA Code). The 2011/12 IFRS Code adopts the requirements of FRS30 Heritage Assets for the first time.

#### **Depreciation, amortisation and impairment policy**

The Council has a policy of not charging depreciation or amortisation on heritage assets which have indefinite lives. The carrying amount of a heritage asset shall be reviewed where there is evidence of impairment; for example, where an asset has suffered physical deterioration or breakage or new doubts arise as to its authenticity.

The Council has reported four categories of heritage assets:

##### **(i) Art Collections**

This category consists of pictures and works of art including historical paintings, sketches and other artwork including the Cecil French Bequest and is reported in the balance sheet at market valuation. These valuations are reviewed periodically as appropriate. These are deemed to have indeterminate lives and high residual values. Hence the Council does not deem it appropriate to charge depreciation for these assets.

##### **(ii) Books & Printed Materials**

This category consists of books, and other printed material such as press, pictures, drawings and prints. These valuations are reviewed periodically as appropriate. These are deemed to have indeterminate lives and high residual values. Hence the Council does not deem it appropriate to charge depreciation for these assets.

##### **(iii) Ceramics & Glass**

This category consists of ceramics and glass. These valuations are reviewed periodically as appropriate. These are deemed to have indeterminate lives and high residual values. Hence the Council does not deem it appropriate to charge depreciation for these assets.

##### **(iv) Other Heritage Assets**

This category consists of clocks, watches, coins, general items, jewellery, silver items, vertu, other decorative arts and the Mylne Bequest. These valuations are reviewed periodically as appropriate. These are deemed to have indeterminate lives and high residual values. Hence the Council does not deem it appropriate to charge depreciation for these assets.

### **x. INVESTMENT PROPERTY**

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



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## **1. Statement of Accounting Policies (cont'd)**

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. 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.

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

### **xi. LEASES**

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

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

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

#### **The Council as Lessee**

##### **Finance Leases**

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

Lease payments are apportioned between:

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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## **1. Statement of Accounting Policies (cont'd)**

### **Operating Leases**

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

### **The 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

### **Operating Leases**

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

### **Sale and Leaseback Assets**

Where the Council has sold a property but is leasing it back, the substance of the lease is reviewed to determine if it falls under this policy.

Where the leaseback is a finance lease the lease is accounted for as any other finance lease with any apparent initial gain on the disposal deferred and amortised over the lease term.

Where the leaseback is an operating lease the lease is accounted for as any other operating lease and the asset disposed of is treated as an Asset Held for Sale and accounted for accordingly.

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## **1. Statement of Accounting Policies (cont'd)**

### **xii. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor.

As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For this scheme the liability was written down by an initial capital contribution of £2.9m.

Long term assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

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

- fair value of the services received during the year - debited to Adult Social Care service in the Comprehensive Income and Expenditure Statement
- finance cost - an interest charge between 8-16% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

### **xiii. INTANGIBLE ASSETS**

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

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.

An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The depreciable amount of an intangible asset is amortised over its useful life, usually 4 years but range between 3 to 10 years, to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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## **1. Statement of Accounting Policies (cont'd)**

### **xiv. INVENTORIES**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

### **xv. 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, having originally been invested for a period no longer than three months.

Cash equivalents are investments that, having originally been invested for no longer than three months, are repayable on demand or readily convertible to known amounts of cash with an insignificant risk of change in value. Fixed Deposits are not considered to be readily convertible since they are only repayable at the point of maturity and cannot be traded or redeemed without penalty.

Cash and Cash Equivalents are held to meet the daily cash flow needs of the Council. These are distinct from investments that are held for the purposes of capital protection or appreciation and/or earning a return.

Cash and cash equivalents are shown separately to bank overdrafts.

### **xvi. FINANCIAL INSTRUMENTS**

#### **Financial Liabilities**

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

For most of the borrowings that the 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 Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

#### **Financial Assets**

The Council only has one type of financial asset - investments and receivables - which are assets that have fixed or determinable payments but are not quoted in an active market.

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## **1. Statement of Accounting Policies (cont'd)**

Investments and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For all of the investments that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (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 Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the borrower, 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 Comprehensive Income and Expenditure Statement 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.

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

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

### **xvii. EMPLOYEE BENEFITS**

#### **Benefits Payable During Employment**

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

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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## 1. Statement of Accounting Policies (cont'd)

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

### Pension Schemes

Employees of the Council are members of the following pension schemes:

- Under the provisions of the Local Government Pension Scheme: the London Borough of Hammersmith and Fulham Pension Fund, administered by London Borough of Hammersmith and Fulham.
- Also under the Local Government Pension Scheme: the London Pensions Fund Authority (LPFA) Pension Fund, administered by the LPFA.
- Also under the Local Government Pension Scheme: the Hammersmith & Fulham Homes (HFH) Pension Fund, administered by the LGPS.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

All schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

### **The Local Government Pension Scheme**

Pension funds under the Local Government Scheme are accounted for as defined benefits schemes:

- The liabilities of the Funds 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 of **5.5% (5.5% in 2010/11)** based on the indicative rate of return on high quality corporate bond iBoxx AA rated over 15 year corporate bond index.
- The assets of the Funds 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 **seven components**:
  - **current service cost** (the increase in liabilities as a result of years of service earned this year) allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - **past service cost** (the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier year) debited to the Surplus or Deficit on the Provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

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## 1. Statement of Accounting Policies (cont'd)

- **interest cost** (the expected increase in the present value of liabilities during the year as they move one year closer to being paid) debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **expected return on assets** (the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return) credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- **gains or losses on settlements and curtailments** (the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees) debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- **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) debited to the Pensions Reserve.
- **contributions paid to the Funds** - 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 Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### Discretionary Benefits

The 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.

## xvii. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the 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 to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

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## **1. Statement of Accounting Policies (cont'd)**

### **Contingent Liabilities**

A contingent liability arises where:

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts if the sums involved are likely to be material.

### **Contingent Assets**

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts if the sums involved are likely to be material.

### **xix. RESERVES**

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

Certain reserves are kept to manage the accounting processes for non-current assets (e.g. Revaluation Reserve), financial instruments, retirement (e.g. Pensions Reserve) and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

### **xx. INTERESTS IN COMPANIES AND OTHER ENTITIES**

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities it is required to prepare group accounts.

The Council has interests in a number of companies and other entities however, based on consideration of criteria to determine what constitutes a material interest, the Council has determined that a full set of Group Accounts is not required for 2011/12. Companies in which the Council has an interest are detailed in Note 39 to the Core Financial Statements. Group Accounts were not prepared since 2008/09.

### **xxi. EVENTS AFTER THE BALANCE SHEET DATE**

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

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

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



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## **1. Statement of Accounting Policies (cont'd)**

### **xxii. FOREIGN CURRENCY TRANSLATION**

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

### **xxiii. 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.

## **2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted**

The International Accounting Standards Board (IASB) has amended *IFRS 7 Financial Instruments: Disclosures* to help users of financial statements:

- evaluate the risk and exposures relating to the transfer of financial assets by an entity to another entity when either those assets are not derecognised or an entity has continued involvement in financial assets transferred to another entity;
- consider the effect of those risks on an entity's financial position; and
- promote transparency in the reporting of such transfers, particularly those that involve the securitisation of financial assets.

The transfer of financial assets to or from local authorities is extremely rare. Therefore, the changes to IFRS 7 have no impact on the accounting policies of the Council, the financial position of the Council and the disclosures required in this Statement of Accounts.

## **3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired.
- The Council is entering into combining service arrangements with neighbouring local authorities, the City of Westminster and the Royal Borough of Kensington and Chelsea. These arrangements are currently referred to as "tri-borough working". Current proposals will not reduce the level of service provided by the Council and plans to align systems are not yet fully developed. Therefore, the Council believes that it is not necessary to impair any non-current asset in light of tri-borough working.
- The Council has been required to take a view on which school assets are recognised on the Council's balance sheet. The Council has recognised Community schools and Voluntary Controlled schools. The Council has not recognised Voluntary Aided, Free, or Academy Schools as it is of the view that these school assets are - to varying degree - beyond the control of the Authority.

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#### 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Non-current Assets / Investment Properties	Asset valuations are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties. During the past financial year, the property market in the Borough appeared to grow slowly, but the number and relevance of asset sales against which the Council could judge the fair value of its property assets was low. Therefore, the Council judged that no alteration to the estimates that underpin the valuation of its properties and dwellings was required at year end. Should evidence emerge in 2012-13 that causes the Council to amend these estimates, the estimated fair value of its property and dwellings could change.	A reduction in estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). For example, a 10 per cent reduction in the value of Council Dwellings (£89.7 million) would result in a reduction of the Revaluation Reserve of £3.3 million and a £86.4 million charge to the CIES. Conversely, an increase in value would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the CIES. Depreciation charges for operational buildings will change in direct proportion to the change in estimated fair value. The net book value of non-current assets subject to potential revaluation is £1.247 billion.
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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings (including council dwellings) would increase by £532k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £17.2m and £0.6m for the respective pensions funds (LBHF and LPFA). However, the assumptions interact in complex ways and the impact of minor changes in assumptions cannot be easily measured.

#### 5. Events after the Balance Sheet Date

The Statement of Accounts have been prepared up to 31 March 2012 were authorised for issue by the Executive Director of Finance & Corporate Governance on 27 September 2012. There are no material events after the balance sheet date to report.

## 6. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive Management Team on the basis of budget reports analysed across Departments.

These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- expenditure on some support services is budgeted for centrally and not charged to Departments.

**(a) The income and expenditure of the Council's Departments recorded in the budget reports for the year is as follows:**

<b>Department Income and Expenditure 2011/12</b>	<b>Children's Services £000</b>	<b>Adult Social Care £000</b>	<b>Housing and Regeneration £000</b>	<b>Finance and Corporate Services £000</b>	<b>Centrally Managed Budgets £000</b>	<b>Environmental Services (Including Controlled Parking Services) £000</b>	<b>Residents' Services £000</b>	<b>Housing Revenue Account £000</b>	<b>Total £000</b>
Customer & Client Receipts	(3,952)	(1,252)	(10,512)	(3,431)	1,107	(41,949)	(8,170)	(72,790)	(140,949)
Government Grants	(126,380)	(1,440)	(3,040)	(3,710)	(162,332)	-	(27)	(208,323)	(505,252)
Internal Recharge Income	(94)	(1,017)	-	(5,344)	-	(9,412)	(3,450)	(100)	(19,417)
Other Reimbursements & Contributions	(14,918)	(24,968)	(837)	(2,868)	(18,665)	(4,825)	(1,741)	(1,373)	(70,195)
<b>Total Income</b>	<b>(145,344)</b>	<b>(28,677)</b>	<b>(14,389)</b>	<b>(15,353)</b>	<b>(179,890)</b>	<b>(56,186)</b>	<b>(13,388)</b>	<b>(282,586)</b>	<b>(735,813)</b>
Capital Charges	10,562	7,755	233	587	(111)	12,300	2,442	22,897	56,665
Employee Expenses	117,785	15,978	8,644	24,935	3,477	21,096	10,417	17,481	219,813
Other	(1)	1,416	-	(127)	(25,752)	9	844	(10,140)	(33,751)
Premises Related Expenditure	13,134	976	6,240	1,033	51	7,141	2,030	22,487	53,092
Supplies and Services	32,816	20,034	1,653	3,420	3,881	8,214	3,373	4,713	78,104
Support Services	10,549	5,115	2,398	(30,992)	4,130	(2,397)	5,069	5,571	(557)
Third Party Payments	28,486	46,705	1,396	26,396	-	9,928	25,240	559	138,710
Transfer Payments	2,843	8,150	1,153	8,370	178,335	1	2	372	199,226
Transport Related Expenditure	2,861	995	24	40	1	430	2,272	243	6,866
Use of Balances & Reserves	(5,335)	-	-	-	14,479	(19)	-	218,403	227,528
<b>Total Expenditure</b>	<b>213,700</b>	<b>107,124</b>	<b>21,741</b>	<b>33,662</b>	<b>178,491</b>	<b>56,703</b>	<b>51,689</b>	<b>282,586</b>	<b>945,696</b>
<b>Net Expenditure</b>	<b>68,356</b>	<b>78,447</b>	<b>7,352</b>	<b>18,309</b>	<b>(1,399)</b>	<b>517</b>	<b>38,301</b>	<b>-</b>	<b>209,883</b>

**6. Amounts Reported for Resource Allocation Decisions (cont'd)**

<b>Department Income and Expenditure 2010/11 Comparative Figures</b>	<b>Children's Services £000</b>	<b>Adult Social Care £000</b>	<b>Housing and Regeneration £000</b>	<b>Finance and Corporate Services £000</b>	<b>Centrally Managed Budgets £000</b>	<b>Environmental Services (Including Controlled Parking Services) £000</b>	<b>Residents' Services £000</b>	<b>Housing Revenue Account £000</b>	<b>Total £000</b>
Customer & Client Receipts	(4,629)	(1,503)	(9,405)	(6,368)	807	(37,621)	(8,815)	(68,928)	(136,462)
Government Grants	(149,896)	(4,348)	(5,760)	(11,876)	(162,842)	-	(508)	(14,465)	(349,695)
Internal Recharge Income	(1,368)	(507)	-	(4,323)	-	(9,537)	(4,284)	(31)	(20,050)
Other Reimbursements & Contributions	(21,757)	(25,995)	(1,929)	(5,689)	(13,246)	(4,551)	(1,800)	(2,902)	(77,869)
<b>Total Income</b>	<b>(177,650)</b>	<b>(32,353)</b>	<b>(17,094)</b>	<b>(28,256)</b>	<b>(175,281)</b>	<b>(51,709)</b>	<b>(15,407)</b>	<b>(86,326)</b>	<b>(584,076)</b>
Capital Charges	3,910	1,289	152	623	7,151	11,692	1,250	519,831	545,898
Employee Expenses	131,435	19,856	9,447	23,044	(87,719)	22,595	13,808	2,561	135,027
Other	-	1,340	(43)	(57)	668	(63)	972	(483,976)	(481,159)
Premises Related Expenditure	13,192	2,072	6,096	1,691	523	967	3,908	21,375	49,824
Supplies and Services	53,348	24,656	3,281	(7,202)	(71)	9,281	4,122	2,771	90,186
Support Services	6,599	1,607	2,635	(18,804)	4,819	1,375	3,115	812	2,158
Third Party Payments	27,893	50,096	926	35,833	-	9,078	24,417	23,211	171,454
Transfer Payments	3,185	6,487	686	6,104	170,413	2	2	79	186,958
Transport Related Expenditure	5,019	1,070	18	44	1	566	2,871	46	9,635
Use of Balances & Reserves	(3,500)	-	-	-	83,651	-	(8)	(384)	79,759
<b>Total Expenditure</b>	<b>241,081</b>	<b>108,473</b>	<b>23,198</b>	<b>41,276</b>	<b>179,436</b>	<b>55,493</b>	<b>54,457</b>	<b>86,326</b>	<b>789,740</b>
<b>Net Expenditure</b>	<b>63,431</b>	<b>76,120</b>	<b>6,104</b>	<b>13,020</b>	<b>4,155</b>	<b>3,784</b>	<b>39,050</b>	<b>-</b>	<b>205,664</b>

**(b) Reconciliation of Department Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

This reconciliation shows how the figures in the analysis of Department income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	<b>2011/12 £000</b>	<b>2010/11 £000 (Restated)</b>
Net expenditure in the Department Analysis	209,883	205,664
Net expenditure of services and support services not included in the Analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-	-
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(5,914)	400,711
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>203,969</b>	<b>606,375</b>

## 6. Amounts Reported for Resource Allocation Decisions (cont'd)

### (c) Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Department income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Department Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CIES Net Cost of Services £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
<b>2011/12</b>								
Customer & Client Receipts	(140,949)	-	-	3,658	-	(137,291)	(1,680)	(138,971)
Government Grants	(505,252)	-	-	197,354	-	(307,898)	(321,803)	(629,701)
Internal Recharge Income	(19,417)	-	-	4,092	-	(15,325)	-	(15,325)
Other Reimbursements & Contributions	(70,195)	-	-	1,169	-	(69,026)	-	(69,026)
Interest and Investment Income	-	-	-	-	-	-	(1,705)	(1,705)
Pension Expected Return on Assets	-	-	-	-	-	-	(37,967)	(37,967)
Other Operating Income	-	-	-	-	-	-	(2,789)	(2,789)
Income from Council Tax	-	-	-	-	-	-	(65,117)	(65,117)
Income from NNDR	-	-	-	-	-	-	(95,111)	(95,111)
<b>Total Income</b>	<b>(735,813)</b>	<b>-</b>	<b>-</b>	<b>206,273</b>	<b>-</b>	<b>(529,540)</b>	<b>(526,172)</b>	<b>(1,055,712)</b>
Capital Charges	56,665	-	-	(51)	-	56,614	-	56,614
Employee Expenses	219,813	-	-	(4,063)	-	215,750	-	215,750
Other	(33,751)	-	-	33,810	-	59	-	59
Premises Related Expenditure	53,092	-	-	(1,335)	-	51,757	166	51,923
Supplies and Services	78,104	-	-	(1,155)	-	76,949	-	76,949
Support Services	(557)	-	-	(1,448)	-	(2,005)	-	(2,005)
Third Party Payments	138,710	-	-	(1,652)	-	137,058	-	137,058
Transfer Payments	199,226	-	-	-	-	199,226	-	199,226
Transport Related Expenditure	6,866	-	-	(173)	-	6,693	-	6,693
Use of Balances & Reserves	227,528	-	-	(236,120)	-	(8,592)	-	(8,592)
Interest Payments	-	-	-	-	-	-	82,744	82,744
Precepts and Levies	-	-	-	-	-	-	2,412	2,412
Pension Interest Cost	-	-	-	-	-	-	48,377	48,377
Payments to the Housing Receipts Capital Receipts Pool	-	-	-	-	-	-	1,915	1,915
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(32,574)	(32,574)
Income and expenditure in relation to investment properties and changes in their fair value	-	-	-	-	-	-	(23,081)	(23,081)
<b>Total Expenditure</b>	<b>945,696</b>	<b>-</b>	<b>-</b>	<b>(212,187)</b>	<b>-</b>	<b>733,509</b>	<b>79,959</b>	<b>813,468</b>
<b>Surplus or deficit on the provision of services</b>	<b>209,883</b>	<b>-</b>	<b>-</b>	<b>(5,914)</b>	<b>-</b>	<b>203,969</b>	<b>(446,213)</b>	<b>(242,244)</b>

**6. Amounts Reported for Resource Allocation Decisions (cont'd)**

	Department Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CIES Net Cost of Services £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
<b>2010/11 Comparative Figures</b>								
Customer & Client Receipts	(136,462)	-	-	3,422	-	(133,040)	(3,422)	(136,462)
Government Grants	(349,695)	-	-	-	-	(349,695)	(59,291)	(408,986)
Internal Recharge Income	(20,050)	-	-	4,816	-	(15,234)	(4,816)	(20,050)
Other Reimbursements & Contributions	(77,869)	-	-	(2,840)	-	(80,709)	2,840	(77,869)
Interest and Investment Income	-	-	-	-	-	-	(1,902)	(1,902)
Pension Expected Return on Assets	-	-	-	-	-	-	(32,819)	(32,819)
Other Operating Income	-	-	-	-	-	-	(517)	(517)
Income from Council Tax	-	-	-	-	-	-	(64,300)	(64,300)
Income from NNDR	-	-	-	-	-	-	(105,590)	(105,590)
<b>Total Income</b>	<b>(584,076)</b>	<b>-</b>	<b>-</b>	<b>5,398</b>	<b>-</b>	<b>(578,678)</b>	<b>(269,817)</b>	<b>(848,495)</b>
Capital Charges (Restated)	545,898	-	-	(929)	-	544,969	107	545,076
Employee Expenses	135,027	-	-	(2,700)	-	132,327	2,700	135,027
Other (Restated)	(481,159)	-	-	405,359	-	(75,800)	(19,251)	(95,051)
Premises Related Expenditure	49,824	-	-	(987)	-	48,837	987	49,824
Supplies and Services	90,186	-	-	(1,772)	-	88,414	1,772	90,186
Support Services	2,158	-	-	(2,064)	-	94	2,064	2,158
Third Party Payments	171,454	-	-	(1,378)	-	170,076	1,378	171,454
Transfer Payments	186,958	-	-	(1)	-	186,957	1	186,958
Transport Related Expenditure	9,635	-	-	(215)	-	9,420	215	9,635
Use of Balances & Reserves	79,759	-	-	-	-	79,759	-	79,759
Interest Payments	-	-	-	-	-	-	29,748	29,748
Precepts and Levies	-	-	-	-	-	-	2,653	2,653
Pension Interest Cost	-	-	-	-	-	-	50,461	50,461
Payments to the Housing Receipts Capital Receipts Pool	-	-	-	-	-	-	1,366	1,366
Gain or Loss on Disposal of Fixed Assets (Restated)	-	-	-	-	-	-	20,446	20,446
<b>Total Expenditure</b>	<b>789,740</b>	<b>-</b>	<b>-</b>	<b>395,313</b>	<b>-</b>	<b>1,185,053</b>	<b>94,647</b>	<b>1,279,700</b>
<b>Surplus or deficit on the provision of services</b>	<b>205,664</b>	<b>-</b>	<b>-</b>	<b>400,711</b>	<b>-</b>	<b>606,375</b>	<b>(175,170)</b>	<b>431,205</b>

## 7. 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 the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

### Movement on Usable Reserves 2010/11

	General Fund Balance £000 (Restated)	School Balances £000	Earmarked Reserves £000	Capital Grants Unapplied £000	Housing Revenue Account £000 (Restated)	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Reserves £000	Total Usable Reserves £000
<b>Balance at 1 April 2010</b>	<b>(15,000)</b>	<b>(12,552)</b>	<b>(34,491)</b>	<b>(5,187)</b>	<b>(3,241)</b>	<b>(19,633)</b>	<b>(3,526)</b>	<b>(648)</b>	<b>(94,278)</b>
Surplus or (deficit) on the provision of services	(77,215)	-	-	-	508,421	-	-	-	431,206
Schools converted to Academy Status	-	-	-	-	-	-	-	-	-
<b>Total Comprehensive Income and Expenditure</b>	<b>(77,215)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>508,421</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>431,206</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>									
Depreciation of Property, Plant and Equipment	(19,568)	-	-	-	(455)	-	-	-	(20,023)
Amortisation of Intangible Assets	(174)	-	-	-	(49)	-	-	-	(223)
Dwelling Depreciation	-	-	-	-	-	-	-	-	-
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	-	(1,099)	(12,169)	-	-	(13,268)
Impairment/Revaluation losses (charged to the I&E)	(7,393)	-	-	-	(508,656)	-	-	-	(516,049)
Revenue expenditure funded from capital under statute	(538)	-	-	-	(138)	-	538	-	(138)
Movements in the market value of investment properties	13,222	-	-	-	1,667	-	-	-	14,889
Difference between fair value depreciation and historical cost depreciation	-	-	-	-	-	-	-	-	-
Capital grants and contributions applied	22,541	-	-	392	-	-	-	-	22,933
Capital grants and contributions applied (REFCUS)	-	-	-	-	-	-	-	-	-
Use of capital receipts reserve to finance capital expenditure (including REFCUS)	-	-	-	-	-	-	26,732	-	26,732
Use of capital reserve to finance capital expenditure	-	-	-	-	-	-	-	-	-
Capital expenditure charged against the General Fund and HRA balances	1,050	-	-	-	-	-	-	-	1,050
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	31,802	-	-	31,802
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (CIES)	716	-	-	(716)	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(20,254)	-	-	-	(1,397)	-	-	-	(21,651)
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	236	-	-	-	1,604	-	(28,514)	(349)	(27,023)
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (In-Year)	-	-	-	-	-	-	28	-	28
Removal of revaluation reserve balances for Property, Plant and Equipment disposed of in prior year	-	-	-	-	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	(80)	-	(80)
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (Deferred Costs)	(1,366)	-	-	-	-	-	1,366	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Govt Capital Receipts Pool (Housing Pooled Capital Receipts)	-	-	-	-	-	-	-	-	-
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	4,309	-	-	-	-	-	-	-	4,309
Voluntary repayment of debt (above Minimum Revenue Provision)	232	-	-	-	-	-	-	-	232
HRA Self-Financing Resettlement	-	-	-	-	-	-	-	-	-
Statutory provision for finance lease liabilities	(2)	-	-	-	-	-	-	-	(2)
Reversal of items relating to retirement benefits debited or credited to the CIES made in accordance with IAS19 (Note 34)	49,829	-	-	-	(270)	-	-	-	49,559
Employer's pensions contributions and direct payments to pensioners	23,627	-	-	-	-	-	-	-	23,627
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(13)	-	-	-	519	-	-	-	506
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	877	-	-	-	-	-	-	-	877
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	(271)	-	-	-	(13)	-	-	-	(284)
<b>Total Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>67,060</b>	<b>-</b>	<b>-</b>	<b>(324)</b>	<b>(508,287)</b>	<b>19,633</b>	<b>70</b>	<b>(349)</b>	<b>(422,197)</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(10,155)</b>	<b>-</b>	<b>-</b>	<b>(324)</b>	<b>134</b>	<b>19,633</b>	<b>70</b>	<b>(349)</b>	<b>9,009</b>
Transfers (to)/from Earmarked Reserves (Note 8)	9,085	(1,123)	(7,932)	-	-	-	-	-	30
<b>(Increase)/Decrease in year</b>	<b>(1,070)</b>	<b>(1,123)</b>	<b>(7,932)</b>	<b>(324)</b>	<b>134</b>	<b>19,633</b>	<b>70</b>	<b>(349)</b>	<b>9,039</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>(16,070)</b>	<b>(13,675)</b>	<b>(42,423)</b>	<b>(5,511)</b>	<b>(3,107)</b>	<b>-</b>	<b>(3,456)</b>	<b>(997)</b>	<b>(85,239)</b>

**7. Adjustments between Accounting Basis and Funding Basis under Regulations (cont'd)**
**Movement on Usable Reserves 2011/12**

	General Fund Balance £000	School Balances £000	Earmarked Reserves £000	Capital Grants Unapplied £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Reserves £000	Total Usable Reserves £000
<b>Balance at 1 April 2011</b>	<b>(16,070)</b>	<b>(13,675)</b>	<b>(42,423)</b>	<b>(5,511)</b>	<b>(3,107)</b>	-	<b>(3,456)</b>	<b>(997)</b>	<b>(85,239)</b>
<b>Surplus or (deficit) on the provision of services</b>	(12,566)	-	-	-	(229,678)	-	-	-	(242,244)
Upward revaluation of assets	-	-	-	-	-	-	-	-	-
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit	-	-	-	-	-	-	-	-	-
Accumulated gains on assets sold or scrapped	-	-	-	-	-	-	-	-	-
Actuarial gains or losses on pensions assets and liabilities	-	-	-	-	-	-	-	-	-
Schools converted to Academy Status	-	2,628	-	-	-	-	-	-	2,628
<b>Total Comprehensive Income and Expenditure</b>	<b>(12,566)</b>	<b>2,628</b>	-	-	<b>(229,678)</b>	-	-	-	<b>(239,616)</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>									
Depreciation of Property, Plant and Equipment	(19,139)	-	-	-	(460)	-	-	-	(19,599)
Amortisation of Intangible Assets	(221)	-	-	-	(48)	-	-	-	(269)
Dwelling Depreciation	-	-	-	-	-	(12,723)	-	-	(12,723)
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	-	(2,094)	-	-	-	(2,094)
Impairment/Revaluation losses (charged to the I&E)	(12,602)	-	-	-	(7,364)	-	-	-	(19,966)
Revenue expenditure funded from capital under statute	(5,347)	-	-	-	(208)	-	-	-	(5,555)
Movements in the market value of investment properties	4,036	-	-	-	19,045	-	-	-	23,081
Difference between fair value depreciation and historical cost depreciation	-	-	-	-	-	-	-	-	-
Capital grants and contributions applied	20,211	-	-	1,258	-	-	-	-	21,469
Capital grants and contributions applied (REFCUS)	3,572	-	-	279	-	-	-	-	3,851
Use of capital receipts reserve to finance capital expenditure (including REFCUS)	-	-	-	-	-	-	25,179	-	25,179
Use of capital reserve to finance capital expenditure	-	-	-	-	-	-	-	-	-
Capital expenditure charged against the General Fund and HRA balances	901	-	-	-	-	-	-	-	901
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	12,723	-	-	12,723
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (CIES)	(161)	-	-	161	-	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(4,725)	-	-	-	(7,052)	-	-	-	(11,777)
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	18,173	-	-	-	28,733	-	(47,753)	-	(847)
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (In-Year)	(109)	-	-	-	(203)	-	312	-	-
Removal of revaluation reserve balances for Property, Plant and Equipment disposed of in prior year	-	-	-	-	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	(127)	-	(127)
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (Deferred Costs)	(672)	-	-	-	(1,572)	-	-	-	(2,244)
Contribution from the Capital Receipts Reserve to finance the payments to the Govt Capital Receipts Pool (Housing Pooled Capital Receipts)	(1,915)	-	-	-	-	-	1,915	-	-
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	3,066	-	-	-	-	-	-	-	3,066
Voluntary repayment of debt (above Minimum Revenue Provision)	249	-	-	-	-	-	-	-	249
HRA Self-Financing Resettlement	-	-	-	-	197,354	-	-	-	197,354
Statutory provision for finance lease liabilities (including PFI)	888	-	-	-	-	-	-	-	888
Voluntary application of capital receipts	-	-	-	-	-	-	18,769	-	18,769
Reversal of items relating to retirement benefits debited or credited to the CIES made in accordance with IAS19 (Note 34)	(27,894)	-	-	-	(1,055)	-	-	-	(28,949)
Employer's pensions contributions and direct payments to pensioners	20,999	-	-	-	1,646	-	-	-	22,645
Pension reserve adjustment relating to the transfer of H&F Homes	-	-	-	-	833	-	-	-	833
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	208	-	-	-	198	-	-	-	406
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	338	-	-	-	-	-	-	-	338
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	136	-	-	-	(92)	-	-	-	44
<b>Total Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(8)</b>	-	-	<b>1,698</b>	<b>227,661</b>	-	<b>(1,705)</b>	-	<b>227,646</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(12,574)</b>	<b>2,628</b>	-	<b>1,698</b>	<b>(2,017)</b>	-	<b>(1,705)</b>	-	<b>(11,970)</b>
Transfers (to)/from Earmarked Reserves (Note 8)	11,206	(1,436)	(10,000)	30	94	-	-	117	11
<b>(Increase)/Decrease in year</b>	<b>(1,368)</b>	<b>1,192</b>	<b>(10,000)</b>	<b>1,728</b>	<b>(1,923)</b>	-	<b>(1,705)</b>	<b>117</b>	<b>(11,959)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>(17,438)</b>	<b>(12,483)</b>	<b>(52,423)</b>	<b>(3,783)</b>	<b>(5,030)</b>	-	<b>(5,161)</b>	<b>(880)</b>	<b>(97,198)</b>



7. Adjustments between Accounting Basis and Funding Basis under Regulations (cont'd)

Movement on Unusable Reserves 2010/11 (Restated)

	Revaluation Reserve £000 (Restated)	Capital Adjustment Account £000 (Restated)	Deferred Capital Receipts Reserve £000	Pensions Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable Reserves £000	Total Usable Reserves £000	Total Reserves £000
<b>Balance at 1 April 2010</b>	<b>(91,776)</b>	<b>(1,332,327)</b>	<b>(3,266)</b>	<b>546,735</b>	<b>2,301</b>	<b>1,078</b>	<b>3,419</b>	<b>(873,836)</b>	<b>(94,278)</b>	<b>(968,114)</b>
<b>Surplus or (deficit) on the provision of services</b>	-	-	-	-	-	-	-	-	<b>431,206</b>	<b>431,206</b>
Upward revaluation of assets	-	-	-	-	-	-	-	-	-	-
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	15,215	-	-	-	-	-	-	15,215	-	15,215
Accumulated gains on assets sold or scrapped	-	-	-	-	-	-	-	-	-	-
Actuarial gains or losses on pensions assets and liabilities	-	-	-	(149,054)	-	-	-	(149,054)	-	(149,054)
<b>Other Comprehensive Income and Expenditure</b>	<b>15,215</b>	-	-	<b>(149,054)</b>	-	-	-	<b>(133,839)</b>	-	<b>(133,839)</b>

Adjustments between accounting basis & funding basis under regulations

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement

Depreciation of Property, Plant and Equipment	-	20,023	-	-	-	-	-	20,023	(20,023)	-
Amortisation of Intangible Assets	-	223	-	-	-	-	-	223	(223)	-
Dwelling Depreciation	-	-	-	-	-	-	-	-	-	-
Reversal of Major Repairs Allowance credited to the HRA	-	13,268	-	-	-	-	-	13,268	(13,268)	-
Impairment/Revaluation losses (charged to the I&E)	-	516,049	-	-	-	-	-	516,049	(516,049)	-
Revenue expenditure funded from capital under statute	-	138	-	-	-	-	-	138	(138)	-
Movements in the market value of investment properties	-	(14,889)	-	-	-	-	-	(14,889)	14,889	-
Difference between fair value depreciation and historical cost depreciation	1,065	(1,065)	-	-	-	-	-	-	-	-
Capital grants and contributions applied	-	(22,933)	-	-	-	-	-	(22,933)	22,933	-
Use of capital receipts reserve to finance capital expenditure	-	(26,732)	-	-	-	-	-	(26,732)	26,732	-
Use of capital reserve to finance capital expenditure	-	-	-	-	-	-	-	-	-	-
Capital expenditure charged against the General Fund and HRA balances	-	(1,050)	-	-	-	-	-	(1,050)	1,050	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	(31,802)	-	-	-	-	-	(31,802)	31,802	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (CIES)	-	-	-	-	-	-	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	16,822	4,829	-	-	-	-	-	21,651	(21,651)	-
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (In-Year)	-	27,023	-	-	-	-	-	27,023	(27,023)	-
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (In-Year)	-	(28)	-	-	-	-	-	(28)	28	-
Removal of revaluation reserve balances for Property, Plant and Equipment disposed of in prior year	460	(460)	-	-	-	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	80	-	-	-	-	80	(80)	-
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (Deferred Costs)	-	-	-	-	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Govt Capital Receipts Pool (Housing Pooled Capital Receipts)	-	-	-	-	-	-	-	-	-	-
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	-	(4,309)	-	-	-	-	-	(4,309)	4,309	-
Voluntary repayment of debt (above Minimum Revenue Provision)	-	(232)	-	-	-	-	-	(232)	232	-
HRA Self-Financing Resettlement	-	-	-	-	-	-	-	-	-	-
Statutory provision for finance lease liabilities	-	-	2	-	-	-	-	2	(2)	-
Reversal of items relating to retirement benefits debited or credited to the CIES made in accordance with IAS19 (Note 34)	-	-	-	(49,559)	-	-	-	(49,559)	49,559	-
Employer's pensions contributions and direct payments to pensioners	-	-	-	(23,627)	-	-	-	(23,627)	23,627	-
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	(506)	-	-	(506)	506	-
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory	-	-	-	-	-	(877)	-	(877)	877	-
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	-	-	-	-	-	-	284	284	(284)	-
<b>Total Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>18,347</b>	<b>478,053</b>	<b>82</b>	<b>(73,186)</b>	<b>(506)</b>	<b>(877)</b>	<b>284</b>	<b>422,197</b>	<b>(422,197)</b>	<b>-</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>33,562</b>	<b>478,053</b>	<b>82</b>	<b>(222,240)</b>	<b>(506)</b>	<b>(877)</b>	<b>284</b>	<b>288,358</b>	<b>9,009</b>	<b>297,367</b>
Transfers (to)/from Earmarked Reserves (Note 8)	-	(30)	-	-	-	-	-	(30)	30	-
<b>(Increase)/Decrease in year</b>	<b>33,562</b>	<b>478,023</b>	<b>82</b>	<b>(222,240)</b>	<b>(506)</b>	<b>(877)</b>	<b>284</b>	<b>288,328</b>	<b>9,039</b>	<b>297,367</b>
<b>Balance at 31 March 2011 carried forward (Restated)</b>	<b>(58,214)</b>	<b>(854,304)</b>	<b>(3,184)</b>	<b>324,495</b>	<b>1,795</b>	<b>201</b>	<b>3,703</b>	<b>(585,508)</b>	<b>(85,239)</b>	<b>(670,747)</b>

7. Adjustments between Accounting Basis and Funding Basis under Regulations (cont'd)

Movement on Unusable Reserves 2011/12

	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipts Reserve £000	Pensions Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable Reserves £000	Total Usable Reserves £000	Total Reserves £000
<b>Balance at 1 April 2011</b>	<b>(58,214)</b>	<b>(854,304)</b>	<b>(3,184)</b>	<b>324,495</b>	<b>1,795</b>	<b>201</b>	<b>3,703</b>	<b>(585,508)</b>	<b>(85,239)</b>	<b>(670,747)</b>
<b>Surplus or (deficit) on the provision of services</b>	-	-	-	-	-	-	-	-	<b>(242,244)</b>	<b>(242,244)</b>
Upward revaluation of assets	(23,854)	-	-	-	-	-	-	(23,854)	-	(23,854)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	3,741	-	-	-	-	-	-	3,741	-	3,741
Accumulated gains on assets sold or scrapped	-	-	-	-	-	-	-	-	-	-
Actuarial gains or losses on pensions assets and liabilities	-	-	-	90,279	-	-	-	90,279	-	90,279
Schools converted to Academy Status	-	-	-	-	-	-	-	-	2,628	2,628
<b>Other Comprehensive Income and Expenditure</b>	<b>(20,113)</b>	-	-	<b>90,279</b>	-	-	-	<b>70,166</b>	<b>2,628</b>	<b>72,794</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>										
Depreciation of Property, Plant and Equipment	-	19,599	-	-	-	-	-	19,599	(19,599)	-
Amortisation of Intangible Assets	-	269	-	-	-	-	-	269	(269)	-
Dwelling Depreciation	-	12,723	-	-	-	-	-	12,723	(12,723)	-
Reversal of Major Repairs Allowance credited to the HRA	-	2,094	-	-	-	-	-	2,094	(2,094)	-
Impairment/Revaluation losses (charged to the I&E)	-	19,966	-	-	-	-	-	19,966	(19,966)	-
Revenue expenditure funded from capital under statute	-	5,555	-	-	-	-	-	5,555	(5,555)	-
Movements in the market value of investment properties	-	(23,081)	-	-	-	-	-	(23,081)	23,081	-
Difference between fair value depreciation and historical cost depreciation	749	(749)	-	-	-	-	-	-	-	-
Capital grants and contributions applied	-	(21,469)	-	-	-	-	-	(21,469)	21,469	-
Capital grants and contributions applied (REFCLUS)	-	(3,851)	-	-	-	-	-	(3,851)	3,851	-
Use of capital receipts reserve to finance capital expenditure (including use of capital reserve to finance capital expenditure)	-	(25,179)	-	-	-	-	-	(25,179)	25,179	-
Capital expenditure charged against the General Fund and HRA balances	-	(901)	-	-	-	-	-	(901)	901	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	(12,723)	-	-	-	-	-	(12,723)	12,723	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (CIES)	-	-	-	-	-	-	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	11,777	-	-	-	-	-	11,777	(11,777)	-
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (In-Year)	-	-	847	-	-	-	-	847	(847)	-
Removal of revaluation reserve balances for Property, Plant and Equipment disposed of in prior year	798	(798)	-	-	-	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	127	-	-	-	-	127	(127)	-
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (Deferred Costs)	-	2,244	-	-	-	-	-	2,244	(2,244)	-
Contribution from the Capital Receipts Reserve to finance the payments to the Govt Capital Receipts Pool (Housing Pooled Capital Receipts)	-	-	-	-	-	-	-	-	-	-
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	-	(3,066)	-	-	-	-	-	(3,066)	3,066	-
Voluntary repayment of debt (above Minimum Revenue Provision)	-	(249)	-	-	-	-	-	(249)	249	-
HRA Self-Financing Resettlement	-	(197,354)	-	-	-	-	-	(197,354)	197,354	-
Statutory provision for finance lease liabilities (including PFI)	-	(885)	(3)	-	-	-	-	(888)	888	-
Voluntary application of capital receipts	-	(18,769)	-	-	-	-	-	(18,769)	18,769	-
Reversal of items relating to retirement benefits debited or credited to the CIES made in accordance with IAS19 (Note 34)	-	-	-	28,948	-	-	-	28,948	(28,949)	(1)
Employer's pensions contributions and direct payments to pensioners	-	-	-	(22,645)	-	-	-	(22,645)	22,645	-
Pension reserve adjustment relating to the transfer of H&F Homes	-	-	-	(833)	-	-	-	(833)	833	-
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	(406)	-	-	(406)	406	-
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	-	-	-	-	-	(338)	-	(338)	338	-
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	-	-	-	-	-	-	(44)	(44)	44	-
<b>Total Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>1,547</b>	<b>(234,847)</b>	<b>971</b>	<b>5,470</b>	<b>(406)</b>	<b>(338)</b>	<b>(44)</b>	<b>(227,647)</b>	<b>227,646</b>	<b>(1)</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(18,566)</b>	<b>(234,847)</b>	<b>971</b>	<b>95,749</b>	<b>(406)</b>	<b>(338)</b>	<b>(44)</b>	<b>(157,481)</b>	<b>(11,970)</b>	<b>(169,451)</b>
Transfers (to)/from Earmarked Reserves (Note 8)	-	(11)	-	-	-	-	-	(11)	11	-
<b>(Increase)/Decrease in year</b>	<b>(18,566)</b>	<b>(234,858)</b>	<b>971</b>	<b>95,749</b>	<b>(406)</b>	<b>(338)</b>	<b>(44)</b>	<b>(157,492)</b>	<b>(11,959)</b>	<b>(169,451)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>(76,780)</b>	<b>(1,089,162)</b>	<b>(2,213)</b>	<b>420,244</b>	<b>1,389</b>	<b>(137)</b>	<b>3,659</b>	<b>(743,000)</b>	<b>(97,198)</b>	<b>(840,198)</b>

## 8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Movement Between Reserves 2010/11 £000	Balance at 31 March 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Movement Between Reserves 2011/12 £000	Balance at 31 March 2012 £000
<b>General Fund</b>									
1. Insurance Fund	(3,443)	101	(4,273)	-	(7,615)	284	(388)	-	(7,719)
2. Controlled Parking Fund	(223)	120	(450)	-	(553)	-	(802)	-	(1,355)
3. Computer Replacement Fund	(798)	-	(118)	-	(916)	254	(89)	(445)	(1,196)
4. IT Infrastructure	-	-	(490)	-	(490)	-	(2,323)	-	(2,813)
5. Price Pressures	-	-	(152)	-	(152)	-	(20)	-	(172)
6. Efficiency Projects Reserve	(5,060)	2,606	(1,840)	-	(4,294)	2,363	(3,536)	(213)	(5,680)
7. Planned Maintenance	-	-	(192)	-	(192)	-	(44)	-	(236)
8. Environment Services Redundancy	-	-	(211)	-	(211)	34	-	-	(177)
9. Economic Downturn Reserve	(788)	170	(124)	-	(742)	-	(676)	-	(1,418)
10. Debtors/Creditors Review	(182)	104	(2)	-	(80)	-	-	(122)	(202)
11. PCT Integration Reserve	(150)	-	(621)	-	(771)	-	(3,943)	-	(4,714)
12. Dilapidations/Office Moves	(2,001)	416	(612)	-	(2,197)	20	-	-	(2,177)
13. Housing Benefit	(1,209)	257	(450)	-	(1,402)	188	-	(15)	(1,229)
14. DWP Grant for Housing Benefit Changes	-	-	(52)	-	(52)	52	-	-	-
15. Income System Enhancement	(491)	211	-	-	(280)	-	-	280	-
16. Planning Inquiries	(118)	159	(80)	-	(39)	-	(1)	-	(40)
17. LPFA Sub Fund	(379)	-	(690)	-	(1,069)	-	-	-	(1,069)
18. Single Status	(1,778)	32	-	-	(1,746)	-	(128)	1,874	-
19. Bishops Park	(1,200)	-	-	-	(1,200)	355	-	-	(845)
20. Performance Reward Grant	(950)	2	-	-	(948)	948	-	-	-
21. Imperial Wharf	(800)	-	-	-	(800)	-	-	-	(800)
22. No Recourse to Public Funds	(100)	-	-	-	(100)	-	-	-	(100)
23. 24/7 Policing	(2,064)	2,184	(121)	-	(1)	1	-	-	-
24. Civic Accommodation Reserve	(941)	34	-	-	(907)	102	-	-	(805)
25. PFI Reserve	(565)	565	(133)	-	(133)	-	-	-	(133)
26. Online Housing Application	(300)	-	-	96	(204)	145	-	-	(59)
27. Enhanced Housing Options	-	44	-	(96)	(52)	52	-	-	-
28. Temporary Accommodation	(541)	-	-	-	(541)	-	-	-	(541)
29. S117 Reserve	(122)	-	-	-	(122)	65	-	-	(57)
30. Participle Projects	-	-	(256)	-	(256)	185	-	-	(71)
31. Strokes Association Payments	-	-	(100)	-	(100)	-	-	(11)	(111)
32. Preventative Services & Early Intervention	-	-	(350)	-	(350)	58	-	-	(292)
33. Pressures & Demands	-	-	(2,729)	-	(2,729)	1,794	(2,396)	-	(3,331)
34. Parks Reserve	-	-	-	-	-	-	(30)	-	(30)
35. Archives Reserve	-	-	-	-	-	-	(50)	-	(50)
36. Marketing Reserve	-	-	-	-	-	-	(50)	-	(50)
37. Cemeteries Reserve	-	-	-	-	-	-	(60)	-	(60)
38. Community Safety Reserve	-	-	-	-	-	-	(22)	-	(22)
39. Local Lead Flood Authority	-	-	-	-	-	-	(123)	-	(123)
40. Business Incubator Units	-	-	-	-	-	-	(37)	-	(37)
41. Contribution to Local Election	-	-	-	-	-	-	(75)	-	(75)
42. Radios Reserve	-	-	-	-	-	-	(28)	-	(28)
43. Finance Development Initiative	-	-	-	-	-	-	(165)	165	-
44. Electronic Data Mgt System	-	-	-	-	-	-	(100)	-	(100)
45. Housing Options Re-org Implementation	-	-	-	-	-	-	(75)	-	(75)
46. Temp Accom Health & Safety Implementation	-	-	-	-	-	-	(196)	-	(196)
47. Review of Housing Register	-	-	-	-	-	-	(100)	-	(100)
48. Tenants Incentive Scheme	-	-	-	-	-	-	(27)	-	(27)
49. Human Resources Reserve	-	-	-	-	-	-	-	(1,874)	(1,874)
50. Capital Reserves	-	-	-	-	-	-	(400)	-	(400)
51. White City Neighbourhood	-	-	-	-	-	-	(730)	-	(730)
52. Continuing Care Pressures	(897)	624	-	-	(273)	273	-	-	-
53. Corporate Redundancy	-	-	(1,000)	-	(1,000)	-	(964)	-	(1,964)
54. Other Funds	(6,830)	4,066	(2,224)	-	(4,988)	1,366	(204)	300	(3,526)
<b>General Fund Sub-Total</b>	<b>(31,930)</b>	<b>11,695</b>	<b>(17,270)</b>	<b>-</b>	<b>(37,505)</b>	<b>8,539</b>	<b>(17,782)</b>	<b>(61)</b>	<b>(46,809)</b>
55. HRA - Regeneration Projects	-	-	-	-	-	-	(46)	-	(46)
56. HRA IT Recharges Reserve	-	-	-	-	-	-	(115)	-	(115)
<b>HRA Sub-Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(161)</b>	<b>-</b>	<b>(161)</b>
(Cont'd Overleaf)									

## 8. Transfers to/from Earmarked Reserves (cont'd)

	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Movement Between Reserves 2010/11 £000	Balance at 31 March 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Movement Between Reserves 2011/12 £000	Balance at 31 March 2012 £000
<b>Revenue Grants</b>									
57. ESA Implementation	(35)	-	-	-	(35)	-	-	35	-
58. Temp Accommodation Set-Up Costs	(6)	-	-	-	(6)	-	-	6	-
59. Regen Grant - LDA	(37)	37	(37)	-	(37)	37	-	-	-
60. Regen Grant	(42)	-	-	-	(42)	42	-	-	-
61. Migrant Impact Fund	(172)	-	(99)	-	(271)	-	-	-	(271)
62. LABGI	(451)	745	(451)	-	(157)	102	-	-	(55)
63. Regeneration Job Centre	(73)	73	(73)	-	(73)	73	-	-	-
64. Contact Point	(82)	82	-	-	-	-	-	-	-
65. Assistive Technology	(69)	69	-	-	-	-	-	-	-
66. Carers	(271)	211	-	-	(60)	61	(1)	-	-
67. Emergency Respite	(20)	20	-	-	-	-	-	-	-
68. Training Support	(588)	552	(32)	-	(68)	-	-	-	(68)
69. HRA & Climate Change	-	-	(8)	-	(8)	-	-	8	-
70. Catalyst Housing Support	-	-	(2)	-	(2)	-	-	-	(2)
71. Stroke Care	-	-	(90)	-	(90)	79	-	11	-
72. Single Regen Budget	-	-	(70)	-	(70)	-	-	-	(70)
73. TFL Street Management	-	-	(129)	-	(129)	-	-	-	(129)
74. Supporting People	-	-	(1,833)	-	(1,833)	-	(1,059)	-	(2,892)
75. LAA Waste Grant	-	-	(55)	-	(55)	3	-	-	(52)
76. Homelessness Grant	(294)	1,350	(1,633)	-	(577)	360	(129)	1	(345)
77. Overcrowding Grant	-	-	-	-	-	30	(39)	-	(9)
78. Probation Service Grant	-	-	-	-	-	-	(27)	-	(27)
79. Crime & Disorder	-	-	-	-	-	-	(39)	-	(39)
80. S106 - Revenue Schemes	(421)	107	(1,091)	-	(1,405)	56	(102)	-	(1,451)
81. Sports Grant	-	-	-	-	-	-	(4)	-	(4)
82. Barclays Sports Grant	-	-	-	-	-	-	(39)	-	(39)
<b>Sub-Total</b>	<b>(2,561)</b>	<b>3,246</b>	<b>(5,603)</b>	<b>-</b>	<b>(4,918)</b>	<b>843</b>	<b>(1,439)</b>	<b>61</b>	<b>(5,453)</b>
<b>Total</b>	<b>(34,491)</b>	<b>14,941</b>	<b>(22,873)</b>	<b>-</b>	<b>(42,423)</b>	<b>9,382</b>	<b>(19,382)</b>	<b>-</b>	<b>(52,423)</b>

## 9. Earmarked Reserves Description

The main purpose of each earmarked reserve is explained below:

1. Insurance Fund	- this was established to underwrite a proportion of the Council's insurable risks.
2. Controlled Parking Fund	- the surplus from the running of the Controlled Parking operations within the Borough is accumulated in this Fund. In the past, this reserve had to be used to meet expenditure on transport and highways related activities.
3. Computer Replacement Fund	- this is for the enhancement to the Council's IT systems required to meet existing commitments and future demands.
4. IT Infrastructure	- this reserve has been set up for future IT improvement programmes.
5. Price Pressures	- this reserve is to address inflationary pressures to the council.
6. Efficiency Projects Reserve	- this reserve will fund future revenue expenditure and capital investment that will provide future revenue savings.
7. Planned Maintenance	- this reserve is an underspend on revenue planned maintenance.
8. Environment Services Redundancy	- this reserve is a carry forward for major reorganisations.
9. Economic Downturn Reserve	- this reserve has been set up to deal with any effects of the current worldwide economic downturn.
10. Debtors/Creditors Review	- this reserve is set aside to meet the cost of a review of all balance sheet debtors and creditors held by the Council and to meet any costs of adjusting those balances.
11. PCT Integration Reserve	- this reserve was set up to fund any potential costs of the integration of the Hammersmith & Fulham PCT.
12. Dilapidations/Office Moves	- this reserve has been set up to fund potential office moves and the repair of office accommodation dilapidations.
13. Housing Benefit	- the completion of the audit of the housing benefit subsidy claim often results in a reduction in subsidy paid for the previous financial year. This reserve is used to meet the cost of any adjustments.
14. DWP Grant for Housing Benefit Changes	- Grants received from DWP to make changes to systems for Housing Benefit changes.
15. Income System Enhancement	- this reserve was originally set up to fund the replacement or upgrade of the Council's cash collection IT system.
16. Planning Inquiries	- this reserve has been established to fund possible future costs of planning inquiries that may become chargeable to the General Fund.
17. LPFA Sub Fund	- this reserve has been set aside to cover a potential pensions liability to the LPFA.
18. Single Status	- this reserve was created to meet the costs of the implementation of Single Status. Local Authorities were required to introduce harmonised pay and conditions for staff by 31 March 2007.
19. Bishops Park	- this reserve has been set aside as part of the Bishops Park lottery funded development scheme.
20. Performance Reward Grant	- this was a reserve set up to hold funds from the Reward Grant passed to the Council by the Department of Communities & Local Government.
21. Imperial Wharf	- this reserve has been set up to under write the construction of Imperial Wharf Overground station.
22. No Recourse to Public Funds	- this reserve was established to provide services to people who have no recourse to public funds.
23. 24/7 Policing	- this reserve has been set up to fund the extension of the Safer Neighbourhood Teams 24/7 policing scheme.
24. Civic Accommodation Reserve	- this reserve is set aside to meet the preliminary costs that are emerging in connection with the Council's Civic Accommodation project.
25. PFI Reserve	- this reserve has been set up to meet the future indexations costs of the Council's Private Finance Initiative.
26. Online Housing Application	- set up to fund the development of an on-line Housing applications register.
27. Enhanced Housing Options	- this reserve has been set up to help fund the Enhanced Housing Options programme.
28. Temporary Accommodation	- this reserve has been set up to deal with possible shortfalls arising out of the introduction of a cap on rental income received for temporary accommodation.
29. Section 117 Reserve	- this money was set aside to meet the costs of any new cases arising out of charging for care under Section 117 of the Mental Health Act, 1983, that come to light.

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## 8. Transfers to/from Earmarked Reserves (cont'd)

30.	Participle Projects	- this reserve was set up to cover the Participle Projects scheme funded from non-recurrent funds from social care grants and the PCT.
31.	Strokes Association Payments	- this reserve was set up to cover the Strokes Association scheme funded from non-recurrent funds from social care grants and the PCT.
32.	Preventative Services & Early Intervention	- this reserve was set up to cover the Preventative & Early Intervention scheme funded from non-recurrent funds from social care grants and the PCT.
33.	Pressures & Demands	- this reserve is to address non-recurring new financial pressures.
34.	Parks Reserve	- this was set up for the parks lighting inspection programme and redevelopment of Hurlingham Park to enhance safety.
35.	Archives Reserve	- the reserve is to help fund the Archives Service in 2012/13.
36.	Marketing Reserve	- this reserve is to promote the Commercial Services in 2012/13.
37.	Cemeteries Reserve	- this is to fund the digitalisation of the cemeteries service.
38.	Community Safety Reserve	- this is for funding the Integrated Offender Management Support Programme.
39.	Local Lead Flood Authority	- DEFRA grant monies given under the Flood & Water Management Act 2010.
40.	Business Incubator Units	- the reserve was set up for the Townmead and Sullivan Business Incubator units.
41.	Contribution to Local Election	- Funds set aside to fund next local election in 2016.
42.	Radios Reserve	- reserve to fund any liabilities incurred with the suppliers.
43.	Finance Development Initiative	- To fund IT & improvement initiatives within Finance and Corporate Governance.
44.	Electronic Data Mgt System	- To fund improvements in electronic data systems.
45.	Housing Options Re-org	- this is to fund the advice and support of Housing Options reorganisation.
46.	Temp Accom Health & Safety	- this reserve is to help fund any budgetary requirements in Temporary Accommodation.
47.	Review of Housing Register	- this reserve has been set up to review the housing register system.
48.	Tenants Incentive Scheme	- reserve for incentive payments to HRA tenants.
49.	Human Resources Reserve	- this is a reserve to fund any requirements in relation to Human Resources.
50.	Capital Reserve	- this is to facilitate the revenue cost of capital disposals.
51.	White City Neighbourhood	- this reserve is to fund the White City Community Budgets.
52.	Continuing Care Pressures	- this reserve has been set up to meet the demands of a potential future increase of cost related to social care.
53.	Corporate Redundancy	- this reserve was set up to cover any redundancy costs.
54.	Other Funds	- these comprise a number of other reserves held by various departments of the Council.
55.	HRA - Regeneration Projects	- this is a reserve to fund any costs of disposals exceeding the national cap.
56.	HRA IT Recharges Reserve	- this reserve is to fund any budgetary pressures with IT charges.
57. - 82.	Revenue Grants	- these are grants which have been transferred as an earmarked reserve due to the implementation of International Financial Reporting Standards (IFRS).

### 9(a) Usable Reserves

The Council's usable reserves are explained below:

1.	General Fund Balances	- The General Fund includes any surplus after meeting net expenditure on Council Services.
2.	School Balances	- This balance is comprised of unspent revenue balances of schools and other educational establishments at the year end, which may be applied in the following year. The balances can only be used by the schools or establishments and are not available to the Council for general use.
3.	Earmarked Reserves	- Note 8 describes each Earmarked Reserve in detail.
4.	Capital Grants Unapplied	- These are capital grants with no payback conditions and have had no associated expenditure in 2011/12.
5.	Housing Revenue Account	- This reserve provides a working balance for the Housing Revenue Account, for which transactions are ring-fenced under the provisions of the Local Government and Housing Act 1989.
6.	Major Repairs Reserve	- The Major Repairs Reserve is available for financing major repairs to the Council's housing stock.
7.	Capital Receipts Reserve	- This reserve relates to the capital receipts from the sale of assets, such as Right-To-Buy properties and other general
8.	Capital Reserves	- This is to hold retained capital receipts from the sale of assets.

### 9(b) Unusable Reserves

The Council's unusable reserves are explained below:

1.	Revaluation Reserve	<p>The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:</p> <ul style="list-style-type: none"><li>• revalued downwards or impaired and the gains are lost</li><li>• used in the provision of services and the gains are consumed through depreciation, or</li><li>• disposed of and the gains are realised.</li></ul> <p>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.</p>
2.	Capital Adjustment Account	<p>The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.</p> <p>The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. 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.</p>

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**8. Transfers to/from Earmarked Reserves (cont'd)**

- |    |  |  |
|----|--|--|
| 3. | Deferred Capital Receipts Reserve        | The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.  |
| 4. | Pensions Reserve                         | The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council 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 Council 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 Council 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. |
| 5. | Financial Instruments Adjustment Account | The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.   |
| 6. | Collection Fund Adjustment Account       | The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.   |
| 7. | Accumulated Absences Account             | The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.   |

## 10. Material Items of Income and Expense

### Transactions in 2011/12

On March 28 2012, as part the national transition to HRA self-financing (under plans in the Localism Bill), the Government cancelled £197.4m of the Council's loans within the HRA. This has been recognised as taxation and non-specific grant income in the HRA (and consequently the Comprehensive Income and Expenditure Statement). It has been matched with a transfer to the Capital Adjustment Account to ensure no impact on the HRA or General Fund balance. A notional premium of £54.0m - associated with the cancellation of these loans - has been recognised within the Interest Payable and Similar charges line with the HRA (and the overall CIES) and matched with an associated credit in capital grants and contributions, again ensuring no net impact to the HRA or General Fund balance.

### Transactions in 2010/11

In 2010/11 the Government announced that it plans to increase future pensions in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This change has resulted in a reduction of past service pension costs of £88.655 million. This has been recognised within "Non-distributed costs - General" in the Comprehensive Income and Expenditure Statement in accordance with SeRCOP.

In 2010/11 the Government revised the adjustment factor, applied to the cost of housing dwelling stock to derive an Existing Use Value - Social Housing (EUUV-SH) valuation, from 37% to 25%. In addition the Council conducted a full revaluation of its dwelling stock as at 1 April 2010 in line with the proper practice set out in the Government guidance "Stock Valuation for Resource Accounting: Guidance for Valuers - 2010". Our last full revaluation was conducted as at 1 April 2005. As a result of these two factors a proportion of the assets were revalued downwards and revaluation losses in excess of the Revaluation Reserve balances for those assets totalled £465m, which is mainly the impact of the change in adjustment factor (£352m.) This has been recognised within "Local authority housing (HRA)" in the Comprehensive Income and Expenditure Statement in accordance with SeRCOP.

## 11. Other Operating Expenditure

	2011/12 £000	2010/11 (Restated) £000
Levies	2,412	2,654
Payments to the Government Housing Capital Receipts Pool	1,915	1,366
Gains/losses on the disposal of non-current assets	(32,574)	20,446
Trading Operations [See Below]	(1,514)	323
Other Operating Income	(2,789)	(517)
	<b>(32,550)</b>	<b>24,272</b>

The following Trading Operations operated during the year. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. The table illustrates the surplus or deficit for each service.

	2011/12			2010/11		
	Turnover £000	Expenditure £000	(Surplus)/ Deficit £000	Turnover £000	Expenditure £000	(Surplus)/ Deficit £000
Highways Division	(1,171)	1,090	(81)	(1,114)	1,113	(1)
Construction & Property Related Services	(637)	1,442	805	(301)	1,007	706
Catering	(9)	53	44	(35)	308	273
Industrial Estates and Misc Properties	(2,737)	292	(2,445)	(1,954)	1,014	(940)
Other	(104)	267	163	(540)	825	285
<b>Net surplus on trading operations</b>	<b>(4,658)</b>	<b>3,144</b>	<b>(1,514)</b>	<b>(3,944)</b>	<b>4,267</b>	<b>323</b>

## 12. Financing and Investment Income and Expenditure

	2011/12 £000	2010/11 (Restated) £000
Interest payable and similar charges	28,755	29,748
Pensions interest cost	48,377	50,461
HRA Self-Financing Settlement (Premium)	53,989	-
Expected return on pensions assets	(37,967)	(32,819)
Interest receivable and similar income	(1,705)	(1,902)
Income and expenditure in relation to investment properties and changes in their fair value	(23,081)	(14,889)
	<b>68,368</b>	<b>30,599</b>

## 13. Taxation and non-specific grant income

	2011/12 £000	2010/11 £000
Council Tax Income	(65,117)	(64,300)
Non domestic rates	(95,111)	(105,590)
Non-ringfenced government grants	(49,757)	(36,651)
Capital grants and contributions	(20,703)	(23,500)
	(230,688)	(230,041)
HRA Self-Financing Settlement (Principal and Premium Credit)	(251,343)	-
	<b>(482,031)</b>	<b>(230,041)</b>

## 14. Property, Plant and Equipment

### (i) Movements on Balances

#### Movements in 2011/12

	Council Dwellings £000	Other Land and Buildings £000	Infrastructure Assets £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
<b>Cost or Valuation</b>									
At 1 April 2011	880,943	369,552	165,855	29,199	14,455	13,564	580	<b>1,474,148</b>	18,080
Additions	37,615	5,257	7,774	392	4,729	-	2,152	<b>57,919</b>	-
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,125	9,254	-	-	-	48	-	<b>12,427</b>	2,070
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(16,627)	(10,299)	-	-	-	(8,073)	-	<b>(34,999)</b>	-
Derecognition – disposals	(6,952)	(1,291)	-	-	-	-	-	<b>(8,243)</b>	-
Derecognition – other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(1,131)	(7,832)	-	-	-	(2,300)	-	<b>(11,263)</b>	-
Assets reclassified (to)/from Investment Properties	180	(7,820)	-	-	-	5,066	-	<b>(2,574)</b>	-
Other reclassifications	-	2,732	-	-	-	-	(2,732)	-	-
Other movements in cost or valuation	17	(4,170)	36	141	(632)	3,157	-	<b>(1,451)</b>	-
<b>At 31 March 2012</b>	<b>897,170</b>	<b>355,383</b>	<b>173,665</b>	<b>29,732</b>	<b>18,552</b>	<b>11,462</b>	-	<b>1,485,964</b>	<b>20,150</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2011	(151)	(7,941)	(53,111)	(19,693)	(1,726)	-	-	<b>(82,622)</b>	(660)
Depreciation charge	(14,818)	(6,736)	(9,788)	(2,194)	(881)	-	-	<b>(34,417)</b>	(660)
Revaluation	14,969	7,751	-	-	-	-	-	<b>22,720</b>	1,320
Derecognition – disposals	-	20	-	-	-	-	-	<b>20</b>	-
Derecognition – other	-	2	-	-	(2)	-	-	-	-
Other movements in depreciation and impairment	-	1,467	(4)	(41)	45	-	-	<b>1,467</b>	-
<b>At 31 March 2012</b>	-	<b>(5,437)</b>	<b>(62,903)</b>	<b>(21,928)</b>	<b>(2,564)</b>	-	-	<b>(92,832)</b>	-
<b>Net Book Value</b>									
<b>at 31 March 2012</b>	<b>897,170</b>	<b>349,946</b>	<b>110,762</b>	<b>7,804</b>	<b>15,988</b>	<b>11,462</b>	-	<b>1,393,132</b>	<b>20,150</b>



#### 14. Property, Plant and Equipment (cont'd)

##### Movements in 2010/11 (Restated)

	Council Dwellings £000	Other Land and Buildings £000	Infrastructure Assets £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
<b>Cost or Valuation</b>									
At 1 April 2010 (Restated)	1,411,345	387,336	159,318	27,879	10,766	12,366	236	<b>2,009,246</b>	18,080
Additions	57,647	11,239	6,537	1,346	4,115	900	467	<b>82,251</b>	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(57,979)	9,525	-	-	-	165	-	<b>(48,289)</b>	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(508,656)	(6,794)	-	-	-	(439)	-	<b>(515,889)</b>	-
Derecognition – disposals	(18,130)	(21,322)	-	(26)	(426)	(112)	(123)	<b>(40,139)</b>	-
Derecognition – other	(422)	(9,001)	-	-	-	(315)	-	<b>(9,738)</b>	-
Assets reclassified (to)/from Held for Sale	-	(274)	-	-	-	-	-	<b>(274)</b>	-
Other reclassifications	-	-	-	-	-	-	-	-	-
Other movements in cost or valuation	(2,862)	(1,157)	-	-	-	999	-	<b>(3,020)</b>	-
<b>At 31 March 2011</b>	<b>880,943</b>	<b>369,552</b>	<b>165,855</b>	<b>29,199</b>	<b>14,455</b>	<b>13,564</b>	<b>580</b>	<b>1,474,148</b>	<b>18,080</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2010	-	(23,438)	(43,981)	(17,244)	(1,229)	-	-	<b>(85,892)</b>	-
Depreciation charge	(13,268)	(7,398)	(9,130)	(2,468)	(548)	-	-	<b>(32,812)</b>	(660)
Revaluation	13,088	12,363	-	-	-	-	-	<b>25,451</b>	-
Derecognition – disposals	4	2,633	-	19	51	-	-	<b>2,707</b>	-
Derecognition – other	-	7,859	-	-	-	-	-	<b>7,859</b>	-
Other movements in depreciation and impairment	25	40	-	-	-	-	-	<b>65</b>	-
<b>At 31 March 2011</b>	<b>(151)</b>	<b>(7,941)</b>	<b>(53,111)</b>	<b>(19,693)</b>	<b>(1,726)</b>	<b>-</b>	<b>-</b>	<b>(82,622)</b>	<b>(660)</b>
<b>Net Book Value</b>									
<b>at 31 March 2011</b>	<b>880,792</b>	<b>361,611</b>	<b>112,744</b>	<b>9,506</b>	<b>12,729</b>	<b>13,564</b>	<b>580</b>	<b>1,391,526</b>	<b>17,420</b>

##### (ii) Depreciation and useful life

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

Council Dwellings	35 - 75 years
Other Land and Buildings	4 - 100 years
Infrastructure	3 - 40 years
Vehicles, Plant, Furniture & Equipment	4 - 48 years
Community Assets	4 - 73 years

## 14. Property, Plant and Equipment (cont'd)

### (ii) Depreciation and Useful life (cont'd)

The amount charged to services in 2011/12 was:

	£000
Central services to the public	95
Cultural & Related Services	1,887
Environmental & Regulatory Services	884
Planning Services	795
Education and children's services	4,886
Highways and transport services	8,488
Local authority housing (HRA)	15,278
Other housing services	46
Adult social care	1,259
Non distributed costs - General	704
Other Operating Expenditure (Trading Operations)	95
	<b>34,417</b>

### (iii) Effect of Changes in Estimates

In 2011/12 the Authority made no material changes to its accounting estimates for Property, Plant and Equipment.

### (iv) Revaluation

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The Authority has used the external valuation contractor Lambert Smith & Hampton to carry out the valuations under instruction from the authority's internal Valuation and Property Services. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations have an effective date of 1 April 2011.

The significant assumptions applied in estimating the fair values are:

- Valuations of owner occupied properties reflect special adaptations or particular suitability of the premises for the existing use, but specifically exclude, so far as possible value attributable to goodwill and alternative uses.
- No allowance has been made for any national or local tax whether existing or which may arise in the future.
- For non-Council Dwellings, the properties have been valued on an individual basis, thus envisaging that they will be marketed individually or in groups over an appropriate period of time.
- Except where specific information is available, properties have been properly maintained and are in good repair and condition.

	Council Dwellings £000	Other Land and Buildings £000	Infrastructure Assets £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carrying value under Cost Model	1,365,698	412,995	110,762	7,804	15,988	12,131	-	<b>1,925,378</b>
Carried at Historical Cost	-	1,047	110,762	7,804	15,988	-	-	<b>135,601</b>
Valued at fair value as at:								
31 March 2012	897,170	171,215	-	-	-	5,460	-	<b>1,073,845</b>
31 March 2011	-	177,408	-	-	-	6,002	-	<b>183,410</b>
31 March 2010	-	-	-	-	-	-	-	-
31 March 2009	-	276	-	-	-	-	-	<b>276</b>
31 March 2008	-	-	-	-	-	-	-	-
	<b>897,170</b>	<b>349,946</b>	<b>110,762</b>	<b>7,804</b>	<b>15,988</b>	<b>11,462</b>	<b>-</b>	<b>1,393,132</b>

#### 14. Property, Plant and Equipment (cont'd)

##### (v) Capital Commitments

Service Department	2011/12 £'000	2010/11 £'000
Environment, Leisure & Resident Services	3,038	4,100
Housing Revenue Account	8,700	17,600
Housing and Regeneration	2,200	9,300
	<b>13,938</b>	<b>31,000</b>

Capital commitments on major schemes at 31 March 2012 totalled £13.9m across the Council. The contractual commitments for ELRS relates to the Bishops Park / Fulham Palace project (£0.7m) and the Shepherds Bush Common (£2.3m) project. The Housing Revenue Account contractual commitment relates to the Decent Homes Programme - Partnering framework £8.7m. The Housing and Regeneration Service commitment relates to Edward Woods estate regeneration - Tower Block Overcladding £2.2m.

##### (vi) Impairment Losses

The Council values its dwellings in accordance with the proper practice set out in the Government guidance "Stock Valuation for Resource Accounting: Guidance for Valuers - 2010". Under the requirements of the "beacon system" of valuation and 75 per cent discount applied to the open market valuation of the dwellings using the "Existing Use Valuation - Social Housing" methodology, the Council's capital expenditure on its dwelling stock does not increase the value of the assets on a pound-for-pound basis; at best the value of a dwelling will be increased by only 25 per cent of the capital expenditure incurred upon it. The Code and associated Guidance Notes for Practitioners require the Council to impair an asset accordingly where the value of an asset increases by less than the capital expenditure incurred on it. The Council has impaired £28.1m it spent enhancing its dwelling stock and charged the impairment to the Surplus or Deficit on the Provision of Services.

The Council conducted a full revaluation of its dwelling stock as at 1 April 2010 in line with the proper practice set out in the Government guidance "Stock Valuation for Resource Accounting: Guidance for Valuers - 2010." Subsequently, a desk-top revaluation on dwellings as at 1 April 2011 was completed. A proportion of the assets were revalued downwards and revaluation losses in excess of the Revaluation Reserve balances for those assets totalling £0.6m were debited to the Surplus or Deficit on the Provision of Services.

#### 15. Investment Properties

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

	2011/12 £000	2010/11 £000
Rental income from investment property	(6,200)	(3,828)
Direct operating expenses (including repairs and maintenance) arising from investment properties	176	273
<b>Net (gain)/loss</b>	<b>(6,024)</b>	<b>(3,555)</b>

##### (i) Revaluation

In 2011/12 the Council commissioned a full revaluation of its investment properties including an inspection of each property where appropriate as at the balance sheet date of 31st March 2012. The work was undertaken by our independent external valuers - Lambert, Smith, Hampton, whose staff are qualified surveyors with the Royal Institution of Chartered Surveyors (RICS). The valuation bases are in accordance with the Statement of Asset Valuation Practices and Guidance Notes of RICS.

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

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

	31 March 2012 £000	31 March 2011 (Restated) £000
Balance at start of the year	62,448	44,129
Additions:		
• Purchases	-	18,021
• Construction	-	-
• Subsequent expenditure	772	1,429
Disposals	(3,320)	(6,026)
Net gains/losses from fair value adjustments	23,080	2,058
Transfers:		
• to/from Inventories	-	-
• to/from Property, Plant and Equipment	2,574	2,837
• to/from Assets Held for Sale	(8,050)	-
Other changes	16	-
<b>Balance at end of the year</b>	<b>77,520</b>	<b>62,448</b>

## 16. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include only purchased licenses.

### (i) Movements on Balances

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

	2011/12			2010/11		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
<b>Balance at start of year:</b>						
• Gross carrying amounts	-	3,666	3,666	-	2,896	2,896
• Accumulated amortisation	-	(2,268)	(2,268)	-	(2,066)	(2,066)
<b>Net carrying amount at start of year</b>	<b>-</b>	<b>1,398</b>	<b>1,398</b>	<b>-</b>	<b>830</b>	<b>830</b>
<b>Additions:</b>						
• Internal development	-	-	-	-	-	-
• Purchases	-	97	97	-	811	811
• Acquired through business combinations	-	-	-	-	-	-
Assets reclassified as held for sale	-	-	-	-	-	-
<b>Disposals - Cost</b>	-	-	-	-	(41)	(41)
Disposals - Amortisation	-	-	-	-	21	21
Revaluation increases or decreases	-	-	-	-	-	-
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-	-	-	-	-
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
Amortisation for the period	-	(269)	(269)	-	(223)	(223)
Amortisation transferred to/(from) PPE	-	4	4	-	-	-
Other changes	-	(36)	(36)	-	-	-
<b>Net carrying amount at end of year</b>	<b>-</b>	<b>1,194</b>	<b>1,194</b>	<b>-</b>	<b>1,398</b>	<b>1,398</b>
<b>Comprising:</b>						
• Gross carrying amounts	-	3,728	3,728	-	3,666	3,666
• Accumulated amortisation	-	(2,534)	(2,534)	-	(2,268)	(2,268)
	<b>-</b>	<b>1,194</b>	<b>1,194</b>	<b>-</b>	<b>1,398</b>	<b>1,398</b>

There are no items of capitalised software that are individually material to the financial statements.

### (ii) Amortisation and Useful Life

All intangible assets are given a finite useful life, based on assessments of the period that the intangible asset is expected to be of use to the Council. The useful lives assigned to intangible assets range from 3 years to 10 years.

The carrying amount of intangible assets is amortised on a straight-line basis. £61k of the amortisation of £269k charged to revenue in 2011/12 was charged to the service headings in the Net Expenditure of Services where appropriate. The balance was charged to the Service Management and Support Services cost centres and then absorbed as an overhead across all services.

The amount charged to services in 2011/12 was:

	£000
Central Service to the Public	31
Cultural & Related Services	17
Environmental & Regulatory Services	16
Planning Services	36
Children's & Education Services	42
Highways and Transport Services	23
HRA	48
Other Housing Services	15
Adult Social Care	39
Non-Distributed Costs	2
	<b>269</b>

## 16. Intangible Assets (cont'd)

### (iii) Effect of Changes in Estimates

In 2011/12 the Authority made no changes to its accounting estimates for intangible assets.

### (iv) Revaluation

IAS 38 allows an intangible asset to be carried at a revalued amount only where its fair value can be determined by reference to an active market. There is no active market for the Authority's intangible assets and therefore intangible assets are not revalued. Intangible assets are therefore carried at its cost less any accumulated amortisation and any accumulated impairment loss.

### (v) Capital Commitments

The Council does not have any major commitments in relation to Intangible Assets.

## 17. Heritage Assets

Reconciliation of the carrying value of heritage assets held by the authority.

### (i) Movements on Balances

	Art Collections £000	Books & Printed Materials £000	Ceramics & Glass £000	Other Heritage Assets £000	Total Assets £000
<b>Cost or Valuation</b>					
At 1 April 2010	7,688	131	118	86	8,023
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Revaluations	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-
Impairment losses/(reversals) recognised in Surplus/Deficit on the Provision of Services	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>At 31 March 2011 (Restated)</b>	<b>7,688</b>	<b>131</b>	<b>118</b>	<b>86</b>	<b>8,023</b>
<b>Cost or Valuation</b>					
At 1 April 2011	7,688	131	118	86	8,023
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Revaluations	-	-	-	-	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-
Impairment losses/(reversals) recognised in Surplus/Deficit on the Provision of Services	-	-	-	-	-
Depreciation	-	-	-	-	-
<b>At 31 March 2012</b>	<b>7,688</b>	<b>131</b>	<b>118</b>	<b>86</b>	<b>8,023</b>

### Heritage Assets

Tangible Heritage assets owned by the Council are mostly held in the following 3 locations: (i) Leighton House Museum (ii) the Lilla Huset Archive and (iii) Hammersmith Town Hall. Leighton House Museum which is located in Kensington & Chelsea has been loaned a collection of bequeathed paintings known as the Cecil French Bequest. The Lilla Huset Archive is open to the public and has collections of Heritage assets which are held in support of increasing the knowledge, understanding and appreciation of Hammersmith & Fulham's history and local area, including the Mylne Bequest. Hammersmith Town Hall principally holds the Mayor's regalia and related artefacts.

### Heritage Assets Policy

The Authority's policy for the acquisition, preservation, management and disposal of heritage assets is described below:

- There is no proactive Council policy to acquire heritage assets through purchases, however heritage assets may be donated and received by the Council. The volume of bequests is currently static and is generally very stable and is not subject to significant change / movement.
- The preservation and management of heritage assets contained within the Cecil French Bequest and the borough's archives is the responsibility of the Director of Cleaner, Greener & Cultural Services and Head of Culture within the Environment, Leisure and Residents' Services Department of the Council. All other heritage assets are maintained and preserved for historical and cultural purposes by the relevant Department. Insurance, planning and finance services are also indirectly involved with the management of these assets through record-keeping etc. There are no directly employed archivists or curators, the service relies on volunteers for support.
- There is currently no known intention to dispose of any heritage assets owned by the Council and typically the disposal of bequests and donations are restricted under the terms in which they are gifted to the Authority. If disposals were to occur in the future, any proceeds would be accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment.

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## 17. Heritage Assets (cont'd)

### Valuation Policy

Bonhams - International Auctioneers and Valuers were commissioned by Hammersmith & Fulham Council to carry out a **market basis valuation** on their significant heritage assets in accordance with **Council policy. The effective date of the valuation was 21 March 2012, and was conducted by an experienced professional Valuer. The Council has disclosed Heritage Assets on a market valuation basis on the balance sheet.** The valuation portfolio comprised of three separate components - the Cecil French Bequest, some items held at Lilla Huset and Hammersmith Town Hall. The Cecil French Bequest consists of 51 separate items which are visited by the public and are sometimes loaned for overseas exhibitions. A market valuation of over 147 assets at Lilla Huset and valuations of over 19 items at Hammersmith Town Hall are reported.

### (ii) Further analysis

Heritage assets are analysed in 4 categories by the Council as below:

	<b>Art Collections (A)</b>	<b>Books &amp; Printed Materials (B)</b>	<b>Ceramics &amp; Glass (C)</b>	<b>Other Heritage Assets (D)</b>	<b>Total £000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
The Cecil French Bequest	7,648	-	-	-	7,648
The Lilla Huset	40	131	118	23	312
Hammersmith Town Hall	-	-	-	63	63
<b>At 31 March 2012</b>	<b>7,688</b>	<b>131</b>	<b>118</b>	<b>86</b>	<b>8,023</b>

#### A Art Collections

This category consists of pictures and works of art including historical paintings, sketches and other artwork totalling £7.7m. The Cecil French Bequest was recognised at a market value of £7.6m. For the remaining art collection category items, these are all located at Lilla Huset and valued at £40k.

##### **Cecil French Bequest**

This is a collection of British drawings and watercolours, and Victorian and traditionalist pictures which were bequeathed to the then Metropolitan Borough of Fulham by Cecil French.

#### B Books & Printed Materials

This category consists of books and other printed material including pictures, drawings and prints.

##### **Pictures, Drawings and Prints**

This is a collection of pictures, engravings, drawings and prints, many of which have local significance for example, they are views of Hammersmith or Fulham or both.

#### C Ceramics & Glass

This category consists of ceramics and glass (also refer to the Decorative Arts paragraph below).

#### D Other Heritage Assets

This category consists of clocks, watches, coins, general items, jewellery, silver items, vertu, other decorative arts and the Mylne Bequest.

##### **Decorative Arts**

This is a collection of ceramics, stoneware, clocks, watches, coins, jewellery and vertu. Much of this is of historic local significance; for example Fulham Pottery and Martin Brothers (Fulham) stoneware.

##### **Mylne Bequest**

This is a collection of mainly silver dinnerware, plated objects and manuscripts bequeathed by a Jessy Mylne and located in the Lilla Huset. She was local resident who donated her house and its contents to the then Metropolitan Borough of Hammersmith in 1940.

##### **Authority Records of Heritage Assets**

A description of the records maintained by the authority of its collection of heritage assets and information on the extent to which access to the assets is permitted is as follows:

For heritage assets which are located within the borough, but where there is lack of conclusive evidence that the Council possesses direct ownership of those assets, the policy is to not bring the value of the asset (if known) onto the balance sheet. The Council is aware of various artworks/historic sculptures which are located in parks. However a review of these assets by our Planning team has concluded that ownership of these by the Council is uncertain so no values (these are not readily available) are reported in respect of these assets in the balance sheet. It would be not practicable or economically viable to report these assets other than disclose knowledge of the listings.

##### **Historic Sculptures**

An online database of historic sculptures, artefacts and monuments in the borough has been produced in association with the Hammersmith and Fulham Historic Buildings Group and English Heritage and is located on the LBHF website. For the historic sculptures - these have not been valued and so are not stated in the balance sheet. It was primarily deemed "not practicable to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements" in the absence of basic historical cost information which may have indicated the extent of the economic value and whether a more up-to-date valuation would be beneficial to obtain within the Council's budget constraints (in accordance with para 4.10.2.8 of the CIPFA Accounting Code of Practice).

##### **Other Information**

It is not practicable to provide information including the cost of acquisition of heritage assets, the value of the assets, any disposals and any impairments for the four accounting periods before 1 April 2010. However, information is provided for the year beginning 1 April 2010 and this is contained within Note 42.

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## 18. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, 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 second part of this note.

	2011/12 £000	2010/11 £000
<b>Opening Capital Financing Requirement</b>	551,109	552,972
<b>Capital Investment</b>		
Property, Plant and Equipment	57,916	77,813
Investment Properties	772	6,490
Intangible Assets	98	811
Revenue Expenditure Funded from Capital under Statute	5,555	6,482
<b>Sources of Finance</b>		
Capital receipts - used to fund Capital Expenditure	(25,179)	(27,298)
Government grants and other contributions	(38,054)	(60,667)
Sums set aside from revenue:		
Direct revenue contributions	(901)	(953)
MRP/loans fund principal	(4,200)	(4,541)
Voluntary Application of Capital Receipts	(18,769)	-
Deferred costs of capital disposals	2,243	-
Debt Resettlement (HRA)	(197,354)	-
<b>Closing Capital Financing Requirement</b>	<b>333,236</b>	<b>551,109</b>
<b>Explanation of movements in year</b>		
Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	(3,744)	(812)
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	(249)	(232)
Debt Resettlement (HRA)	(197,354)	-
Voluntary application of Capital Receipts to repay debt	(18,769)	-
Deferred costs of capital disposals	2,243	-
Assets acquired under finance leases	-	(717)
Assets acquired under PFI/PPP contracts	-	(102)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(217,873)</b>	<b>(1,863)</b>

## 19. Leases (Finance and Operating)

### Council as Lessee

#### Finance Leases

The Council has acquired some office space, much of its IT and some vehicles under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2012 £000	31 March 2011 £000
Other Land and Buildings	326	435
Vehicles, Plant, Furniture and Equipment	2,507	3,193
	<b>2,833</b>	<b>3,628</b>

## 19. Leases (Finance and Operating) (cont'd)

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

	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Finance lease liabilities (net present value of minimum lease payments):		
• current	856	771
• non-current	2,328	3,184
Finance costs payable in future years	766	1,164
Minimum lease payments	<b>3,950</b>	<b>5,119</b>

The lease payments will be payable over the following periods:

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Not later than one year	1,169	1,169	856	771
Later than one year and not later than five years	2,780	3,738	2,328	2,991
Later than five years	-	212	-	193
	<b>3,950</b>	<b>5,119</b>	<b>3,184</b>	<b>3,955</b>

The Council has neither sub-let any of the accommodation or equipment held under the finance leases nor is paying any rental in excess of the contractual minimum lease payments

### *Operating Leases*

The Council has acquired some office accommodation, hostels, depot facilities and a range of vehicles and office equipment by entering into operating leases.

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

	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Not later than one year	1,390	1,677
Later than one year and not later than five years	3,151	3,441
Later than five years	5,812	6,436
	<b>10,353</b>	<b>11,554</b>

The Council has sub-let some of the accommodation and equipment held under these leases. At 31st March 2012 the minimum income expected to be received under non-cancellable sub-leases was £422,000 (£542,000 at 31st March 2011).

The expenditure charged to the service revenue accounts during the year in relation to these leases was:

	<b>2011/12 £000</b>	<b>2010/11 £000</b>
Minimum lease payments	2,246	2,558
Contingent rents	774	738
Sublease payments receivable	(118)	(130)
	<b>2,902</b>	<b>3,166</b>



## 19. Leases (Finance and Operating) (cont'd)

### Council as Lessor

#### Finance Leases

In 2011/12 the Council had two properties let on long term commercial leases which qualified as finance leases. One of these leases was disposed of in February 2012. The Council has a gross investment in the remaining lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. 2010/11 Comparatives have been revised to better reflect the disclosure requirements of IAS17. There is no impact on primary financial statements. The gross investment is made up of the following amounts:

	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Finance lease debtor (net present value of minimum lease payments):		
• current	1	2
• non-current	1,327	1,454
Unearned finance income	10,255	11,070
Unguaranteed residual value of property	890	927
Gross investment in the lease	<b>12,473</b>	<b>13,454</b>

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

	<b>Gross Investment in the Lease</b>		<b>Minimum Lease Payments (Net Present Values)</b>	
	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Not later than one year	134	165	126	128
Later than one year and not later than five years	534	649	437	446
Later than five years	11,805	12,640	1,656	2,137
	<b>12,473</b>	<b>13,454</b>	<b>2,218</b>	<b>2,711</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into such as rent reviews. In 2011/12 £415,000 contingent rents were receivable by the council (£412,000 in 2010/11).

#### Operating Leases

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

- for the provision of community services, such as sports facilities, day centres and community centres.
- for economic development purposes providing suitable affordable accommodation for local businesses.
- as an investment to make the use of the Council's assets.

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

	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Not later than one year	2,275	2,265
Later than one year and not later than five years	7,553	7,608
Later than five years	24,653	24,401
	<b>34,480</b>	<b>34,274</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £320,000 contingent rents were receivable by the Council (2010/11 £341,000).

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## 20. Private Finance Initiative

2011/12 was the seventh year of a 25-year Private Finance Initiative (PFI) to provide new services for vulnerable older people in the borough. The PFI has created three new nursing homes (one of which was completed one year later than the other two). Hammersmith & Fulham PCT also share the services provided at these sites through a back-to-back agreement with the Council.

This is a 25 year contract, at the end of which ownership of the homes reverts to the Council. There have been no variations made to the contract in 2011/12. Payments are adjusted annually for RPI.

### Property Plant and Equipment

The assets used to provide services at the residential care and nursing homes and sheltered accommodation are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 14.

### Payments

The Council makes an agreed payment each year (Unitary Charge) which is adjusted each year by inflation and three yearly by market conditions, and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. The annual Unitary Charge has been split into service charge, liability and interest.

Payments remaining to be made under the PFI contract at 31 March 2012 (excluding the effect of changes in market conditions and availability/performance deductions) are as follows:

	<b>Payment</b>			
	<b>for</b>			
	<b>Services</b>	<b>Liability</b>	<b>Interest</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Payable in 2012/13	5,112	129	1,287	6,528
Payable within two to five years	20,905	708	4,956	26,569
Payable within six to ten years	28,460	1,571	5,510	35,541
Payable within eleven to fifteen years	31,532	3,014	4,067	38,613
Payable within sixteen to twenty years	23,257	3,587	1,287	28,131
	<b>109,266</b>	<b>9,009</b>	<b>17,107</b>	<b>135,382</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows:

	<b>2011/12</b>	<b>2010/11</b>
	<b>£000</b>	<b>£000</b>
Balance outstanding at start of year	9,123	9,224
Payments during the year	(114)	(101)
Capital expenditure incurred in the year	-	-
Balance outstanding at year-end	<b>9,009</b>	<b>9,123</b>

## 21. Debtors

	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Central government bodies	14,573	16,937
Other local authorities	2,352	-
NHS bodies	3,519	738
Public corporations and trading funds	12	-
Other entities and individuals	44,915	44,380
<b>Total</b>	<b>65,371</b>	<b>62,055</b>

## 22. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	<b>Current Assets</b>		
	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>	<b>01 April 2010 £000</b>
Cash held by the Council	534	395	320
Bank current accounts	2,560	2,401	2,061
School bank accounts	13,622	15,404	12,577
Short-term deposits	84,300	40,400	67,000
<b>Total</b>	<b>101,016</b>	<b>58,600</b>	<b>81,958</b>

	<b>Current Liabilities</b>		
	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>	<b>01 April 2010 £000</b>
Bank overdraft	(849)	(4,329)	(14,230)
	<b>(849)</b>	<b>(4,329)</b>	<b>(14,230)</b>
<b>Net Cash and Cash Equivalents</b>	<b>100,167</b>	<b>54,271</b>	<b>67,728</b>

## 23. Assets Held For Sale

All Assets Held for Sale have been classified as Current as sales are expected within 12 months from balance sheet date.

	<b>Current Assets</b>	
	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
<b>Balance outstanding at start of year</b>	234	740
Assets newly classified as held for sale:		
• Property, Plant and Equipment	11,263	-
• Intangible Assets	-	-
• Investment Properties	8,050	234
• Other assets/liabilities in disposal groups	-	-
Revaluation losses	-	-
Revaluation gains	-	-
Assets declassified as held for sale:		
• Property, Plant and Equipment	-	-
• Intangible Assets	-	-
• Investment Properties	-	-
• Other assets/liabilities in disposal groups	-	-
Assets sold	(234)	(740)
Transfers from non-current to current	-	-
Other movements	-	-
<b>Balance outstanding at year-end</b>	<b>19,313</b>	<b>234</b>

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**24. Creditors**

	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Central government bodies	(19,604)	(27,894)
Other local authorities	(9,346)	-
NHS bodies	(635)	(425)
Public corporations and trading funds	(35)	-
Other entities and individuals	(78,183)	(67,181)
<b>Total</b>	<b>(107,803)</b>	<b>(95,500)</b>

**25. Other Long Term Liabilities**

	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Net Pensions Liability	(420,245)	(324,496)
Long Term Lease Liability	(11,208)	(13,077)
Deferred Liabilities	(7)	(7)
<b>TOTAL</b>	<b>(431,460)</b>	<b>(337,580)</b>

**26. Provisions**

	<b>Insurance £000</b>	<b>Other Provisions £000</b>	<b>Total £000</b>
<b>Balance at 1 April 2010</b>	(4,225)	(340)	(4,565)
Additional provisions	-	(2,389)	(2,389)
Amounts used	-	85	85
Unused amounts reversed	3,635	-	3,635
Unwinding of discount	-	-	-
<b>Balance at 31 March 2011/1 April 2011</b>	<b>(590)</b>	<b>(2,644)</b>	<b>(3,234)</b>
Additional provisions	(275)	(1,683)	(1,958)
Amounts used	-	1,227	1,227
Unused amounts reversed	-	62	62
Unwinding of discount	-	-	-
<b>Balance at 31 March 2012</b>	<b>(865)</b>	<b>(3,038)</b>	<b>(3,903)</b>
<i>Of which:</i>			
Next twelve months	(865)	-	(865)
Over twelve months	-	(3,038)	(3,038)
<b>Balance at 31 March 2012</b>	<b>(865)</b>	<b>(3,038)</b>	<b>(3,903)</b>

## Insurance

The council has increased the insurance provision by £275k (held for known future insurance claims resulting from the Authority's self-insurance of liability risks and fire damage) as a result of the recent review of Insurance claims. The updated provision is based on figures from insurers (Zurich) and reflects claims they have currently received for which they expect payment in the next 12 months.

## Other Provisions include:

- £950k to cover potential shortfalls in funding for Specific Childcare.
- £580k to cover a potential shortfall in funding for Unaccompanied Asylum Seeking Children.
- £563k was raised for PFI inflation rate which the Council is negotiating with the contractor.
- £443k for anticipated redundancy costs as a result of Tri- Borough working initiatives.
- £221k for a possible risk of a judicial review against a ruling in respect of a potential refund for 5 Section 117 cases living in a supported accommodation.
- £188k to cover any potential shortfall in the funding of New Deal for Communities.
- £93k for various provisions.

## 27. Financial Instruments

### (i) Categories of Financial Instruments

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

	Long Term			Current		
	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000	31 March 2012 £000	31 March 2011 £000	1 April 2010 £000
<b>Financial Assets:</b>						
<b>Loans and Receivables</b>						
Investments	100	2,816	2,654	25,503	30,413	70,398
Cash & cash equivalents	-	-	-	101,016	58,600	81,958
Long Term Debtors	2,372	3,312	3,544	-	-	-
Trade Debtors	-	-	-	60,081	60,041	46,110
<b>Total</b>	<b>2,472</b>	<b>6,128</b>	<b>6,198</b>	<b>186,600</b>	<b>149,054</b>	<b>198,466</b>
<b>Financial Liabilities :</b>						
<b>Measured at amortised cost</b>						
Borrowings	(262,302)	(459,670)	(475,289)	(3,891)	(21,855)	(5,855)
Bank overdraft	-	-	-	(849)	(4,329)	(14,230)
Long Term Creditors	(100)	(100)	(100)	-	-	-
Trade Creditors	-	-	-	(22,429)	(66,022)	(60,491)
<b>Total</b>	<b>(262,402)</b>	<b>(459,770)</b>	<b>(475,389)</b>	<b>(27,169)</b>	<b>(92,206)</b>	<b>(80,576)</b>
<b>Other Long Term Liabilities</b>						
PFI & Finance Lease liabilities	<b>(9,005)</b>	<b>(14,238)</b>	<b>(15,513)</b>			

**Note 1** - Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent including accrued interest.

**Note 2** - Fair value has been measured by direct reference to published price quotations in an active market.

The amounts for trade debtors and creditors are the values identified in Notes 21 and 24 to the accounts gross of any

### (ii) Reclassifications

No financial instruments have been reclassified between valuation at amortised cost and valuation at fair value during 2011/12 or previous years.

### (iii) Income, Expense, Gains and Losses

	2011/12			2010/11		
	Financial Liabilities at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	26,646	-	26,646	29,748	-	29,748
Losses on derecognition	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-
Impairment losses	-	-	-	-	139	139
Fee expense	-	-	-	131	-	131
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>26,646</b>	<b>-</b>	<b>26,646</b>	<b>29,879</b>	<b>139</b>	<b>30,018</b>
Interest income	-	(1,705)	(1,705)	-	(1,902)	(1,902)
Increases in fair value	-	-	-	-	-	-
Gains on derecognition	-	-	-	-	-	-
Fee income	-	-	-	-	-	-
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(1,705)</b>	<b>(1,705)</b>	<b>-</b>	<b>(1,902)</b>	<b>(1,902)</b>
<b>Net gain/(loss) for the year</b>	<b>26,646</b>	<b>(1,705)</b>	<b>24,941</b>	<b>29,879</b>	<b>(1,763)</b>	<b>28,116</b>

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## 27. Financial Instruments (cont'd)

### (iv) Fair Values of Assets and Liabilities

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

- Public Works Loan Board (PWLB) loans have been valued using the new borrowing rates published by the Debt Management Office (DMO) on 31st March 2012.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- The fair value of trade debtors and creditors are taken to be the invoiced amounts.
- The fair value of cash, overdrafts and other cash equivalents is taken to be the carrying value.

The amount for long term debtors at 31/3/2012 represents outstanding mortgages, firstly on sold Council Houses of £268,000 (£392,000 at 31/3/2011), secondly private sector mortgages of £9,000 (£9,000 at 31/3/2011, net of impairments), and lastly a long term loan to the Hammersmith & Fulham Bridge Partnership (HFBP), balance £2,094,000 (£2,910,000 at 31/3/2011). As the interest rate charged to mortgagees is linked to the market rate and given the relatively small amount outstanding fair value is taken to be the carrying value. The HFBP loan is charged at current market rates. Therefore any difference between carrying and fair value on long term debtors would be insignificant.

£100,000 of the Long Term investment at 31/3/2011 (£100,000 at 31/3/2012) shown above relates to the Council's investment in the GLE Group matched by the long term creditor of the same amount. Again as any difference in values would be insignificant the fair value is taken to be the carrying value for both the investment and the liability.

The fair values calculated for the remaining instruments which consist of the Council's borrowings and investments are as follows:

	31 March 2012		31 March 2011	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Liabilities</b>				
<u>Borrowings</u>				
PWLB Debt	(262,067)	(291,736)	(481,525)	(473,362)
<b>Total</b>	<b>(262,067)</b>	<b>(291,736)</b>	<b>(481,525)</b>	<b>(473,362)</b>
<b>Financial Assets</b>				
<u>Loans and receivables</u>				
Money market loans less than one year	25,503	25,503	33,129	33,052
Money market loans greater than one year	-	-	-	-
<b>Total</b>	<b>25,503</b>	<b>25,503</b>	<b>33,129</b>	<b>33,052</b>

The fair value for financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans. The calculation above uses the PWLB new borrowing rate as the discount factor. If the premature redemption rate were to be used, the fair value would be £377,448,499.29 as at 31st March 2012.

The fair value for financial liabilities have been determined by reference to the PWLB redemption rules and prevailing PWLB loan rates at each Balance Sheet date. They include accrued interest.

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## 27. Financial Instruments (cont'd)

At 31st March 2012, all money market loans and receivables are repayable within one year. Therefore, the carrying amount is assumed to be approximate fair value; the figure for both years includes accrued interest. The prevailing comparator market rates have been taken from indicative investment rates at the Balance Sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference is not likely to be material.

## 28. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks

- credit risk - the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments
- Re-financing risk: the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

### Overall Procedures for Managing Risk

- by formally adopting the requirements of the Code of Practice on Treasury Management in the Public Services;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting the Council's:

- o overall borrowing;

- o maximum and minimum exposures to fixed and variable rates;

- o maximum and minimum exposures for the maturity structure of its debt;

- o maximum annual exposures to investments maturing beyond a year; and

- by approving an investment strategy for the forthcoming year that sets criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the Council's Council Tax is set and Revenue Budget approved. These items are reported within the Annual Treasury Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

These policies are implemented by the treasury team. The Council maintains written principles for overall risk management and written policies (Treasury Management Practices – TMPs) covering specific areas such as interest rate risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed regularly.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions as well as credit exposure to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also considers maximum amounts in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirement of the investment criteria. Additional selection criteria are also applied after this initial criteria is applied.

The Council uses the creditworthiness service provided by Sector. This service uses a modelling approach with credit ratings from all three rating agencies – Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries

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## 28. Nature and Extent of Risks Arising from Financial Instruments (cont'd)

The Council's minimum ratings are:

### Sovereign Rating AA+

	Long Term	Short Term	Individual	Support
Fitch	A-	F2	bbb-	2
Moody's	A3	P-2	C	
S&P	A-	A-3		

### UK Institutions provided with support from the UK Government

The Council's maximum exposure to credit risk in relation to its investments in bank cannot be assessed generally as the risk of any institutions failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31st March 2012 that this was likely to crystallise.

While the ongoing crisis in international markets has raised the overall possibility of default, the Council maintains strict credit criteria for investment counterparties using only UK banks, AAA Money Market Funds and the Debt Management Office.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparty in relation to outstanding deposits or non investment activity related to financial instruments.

Exposure to customers is assessed by reference to past experience, age of debt, and stage of recovery process. Details of these debts are reported in Note 21. The sums shown are net of a prudent provision for their impairment amounting to £32.650 million at 31/3/2012 (£28.258 million at 31/3/2011). The council does not normally allow credit for its customers.

The past due but not impaired amount can be analysed by age as follows:

	31 March 2012 £000	31 March 2011 £000
Less than three months	27,397	49,437
Three to six months	6,049	2,591
Six months to one year	6,805	1,804
More than one year	19,830	6,208
	<b>60,081</b>	<b>60,040</b>

### Liquidity Risk

The Council manages its liquidity position through the risk management procedure set out above and through cash flow management procedures required by the Code of Practice on Treasury Management in the Public Services. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow needs, while the PWLB provides access to longer term funds, it also acts as a lender of last resort to local authorities (although it will not provide funding to an authority whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Thus there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

### Refinancing and Maturity Risk

The council maintain a significant debt and investment portfolio. While the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.



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## 28. Nature and Extent of Risks Arising from Financial Instruments (cont'd)

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments for greater than one year in duration are the key parameters used to address this risk. The Council's treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

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

The maturity analysis of **financial liabilities** is as follows:

	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Less than one year	-	16,000
Between one and two years	11,556	174
Between two and five years	25,689	52,882
Between five and ten years	33,090	70,400
More than ten years	191,832	336,064
<b>Total</b>	<b>262,167</b>	<b>475,520</b>

The maturity analysis of **financial assets** is as follows:

	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
Less than one year	23,031	149,054
Between one and two years	-	3,656
Between two and three years	-	-
More than three years	2,472	2,472
<b>Total</b>	<b>25,503</b>	<b>155,182</b>

The above tables exclude trade payables and receivables and cash and cash equivalents all of which are due to be paid/received within one year. The table also excludes the effect of premia and discounts.

### Market Risk

**Interest Rate Risk:** The Council is exposed to interest rate movement on its borrowings and investments. Movement in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instruments durations. For instance, a rise in variable and fixed interest rates would have the following effects.

Borrowings are not carried out at fair value on the Balance Sheet, 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 borrowing and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Strategy Report draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. The Strategy sets a treasury indicator that provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitors market and forecast interest rates within the year and adjusts exposure appropriately. For instance, during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns; similarly the drawing of longer term fixed rate borrowing would be postponed.

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## 28. Nature and Extent of Risks Arising from Financial Instruments (cont'd)

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

The Council has no variable rate borrowing and no fixed rate investments. If all interest rates had been 1 per cent higher with all other variables held constant the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowing	-
Increase in interest receivable on variable rate investments	(1,020)
Impact on the CIES	(1,020)
Increase in Government grant receivable for financing costs	-
Decrease in fair value of fixed rate investment assets	-
Decrease in fair value for fixed rate borrowings liabilities (no impact (CIES))	31,391

The approximate impact of a 1 per cent fall in interest rates would be as above, but with the movement being reversed. These assumptions are based on the same methodology as used in the note: Fair Value of Assets and Liabilities carried at Amortised Cost.

**Price risk:** the Council, excluding the Pension Fund, does not generally invest in equities or marketable bonds.

**Foreign exchange risk:** the Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movement in exchange rates.

## 29. Cash Flow Statement - Net Cash Flow from Operating Activities

	2011/12 £000	2010/11 £000
Adjustment for items included elsewhere in the Cash Flow Statement		
Capital Grants	(32,046)	(14,973)
Adjustment for 'non-cash' items included in the Comprehensive Income and Expenditure Statement:		
Depreciation and Amortisation of non-current assets	34,687	33,035
Impairments and revaluations	(3,116)	513,830
Value of non-current assets derecognised on disposal	11,539	27,713
Assets transferred to 'Assets Held for Sale'	19,316	391
(Increase)/decrease in Capital Debtors	(204)	-
Increase/(decrease) in Capital Creditors	(3,451)	2,645
(Increase)/decrease in Long-term Debtors	940	232
Net adjustment made in respect of IAS 19 (Pensions)	5,470	(73,186)
Transfer of assets on the conversion of schools to Academy status	(2,628)	-
Amortisation of Premia and Discounts	(493)	506
Impairment of Financial Instruments	-	(140)
HRA Debt Resettlement	(197,354)	-
Adjustment for Collection Fund Debtors and Creditors	-	33,034
Movement in non-cash assets and liabilities:		
(Increase)/decrease in short-term Debtors	(7,783)	(5,050)
Increase/(decrease) in short-term Creditors	5,696	(33,499)
(Increase)/decrease in 'Assets Held for Sale'	(19,079)	506
(Increase)/decrease in Inventories	19	(2)
Increase/(decrease) in Provisions	669	(1,331)
Increase/(decrease) in Grants and Contributions Receipts in Advance	15,209	(7,031)
<b>Net Cash Flow from Operating Activities</b>	<b>(172,609)</b>	<b>476,681</b>

The cash flows for operating activities include the following items:

	2011/12 £000	2010/11 £000
Interest Received	1,545	2,082
Interest Paid	(28,098)	(29,360)

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### 30. Agency Services

The Council acts as agent under agreements with various bodies and receives financial reimbursement for the costs of such services from the bodies concerned. A summary of the expenditure involved is contained in the table below.

The expenditure and income relating to agency services is not included in the Income and Expenditure Account, since it is not incurred as part of the authority's normal responsibilities. However, a surplus of £127,000 has been made in relation to Thames Water, for whom collection from tenants is carried out. This surplus is included in the Housing Revenue Account Net Cost of Service.

	<b>2011/12</b>	<b>2010/11</b>
	<b>£000</b>	<b>£000</b>
Capital Ambition - Revenue	3,078	8,705
Capital Ambition - Capital	646	3,400
Joint Improvement Programme	1,787	2,202
Thames Water - Collection from Tenants	3,974	3,532
<b>Total</b>	<b>9,485</b>	<b>17,839</b>

### 31. Members' Allowances

The Council paid the following amounts to members of the council during the year.

	<b>2011/12</b>	<b>2010/11</b>
	<b>£000</b>	<b>£000</b>
Members' Allowances	870	878

### 32. Officers' Remuneration

The remuneration as paid through the Council's payroll to the Council's Chief Executive, Executive Directors and employees earning over £150,000 in 2011/12 are as follows:

	Notes		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Geoff Alltimes - Chief Executive	1	2011/12	108,945	-	-	-	18,218	127,163
		2010/11	215,591	10,194	-	-	55,881	281,666
Jane West - Executive Director of Finance & Corporate Governance		2011/12	154,552	13,910	-	-	-	168,462
		2010/11	151,522	13,637	-	-	40,974	206,133
Nigel Pallace - Bi-Borough Executive Director Transportation & Technical Services	2	2011/12	149,610	11,221	-	-	39,725	200,556
		2010/11	146,676	10,267	-	-	38,922	195,865
James Reilly - Chief Executive of CLCH	3	2011/12	166,545	-	-	-	41,137	207,682
		2010/11	139,566	6,607	-	-	34,604	180,777
Andrew Christie - Tri-Borough Executive Director of Children's Services	4	2011/12	62,338	-	323	-	15,397	78,058
		2010/11	146,676	11,734	689	-	39,268	198,367
Lyn Carpenter - Bi-Borough Executive Director Environment, Leisure & Residents Services	5	2011/12	146,709	9,879	-	-	38,677	195,265
		2010/11	124,913	8,652	-	-	33,237	166,802
Melbourne Barrett - Executive Director of Housing & Regeneration		2011/12	121,290	7,200	-	-	26,667	155,157
		2010/11	-	-	-	-	-	-
Michael Cogher - Director of Legal Services	6	2011/12	114,803	13,020	17	-	31,572	159,412
		2010/11	114,062	5,703	11	-	29,644	149,420
Andrew Webster - Tri-Borough Executive Director of Adult Social Care	7	2011/12	46,667	-	-	-	11,527	58,194
		2010/11	-	-	-	-	-	-
Sir William Atkinson - Head Teacher Phoenix High School	8	2011/12	89,532	-	9,628	-	-	99,160
		2010/11	166,180	-	-	-	23,431	189,611

**Note 1** - Geoff Alltimes left LBHF on 31 October 2012. Derek Myers took over the role of Chief Executive on a job sharing arrangement with the Royal Borough of Kensington & Chelsea (RBKC). Derek Myers, who is on the RBKC payroll, received total remuneration in 2011/12 from RBKC of £266,991. The proportion of this cost met by LBHF was £59,693.

**Note 2** - Nigel Pallace was appointed Bi-Borough Executive Director of Transportation & Technical Services on 3 January 2012 with RBKC. Nigel Pallace remains on the LBHF payroll and his total remuneration for the year is shown in the table above. In 2011/12 the proportion of this cost met by RBKC was £9,370.

**Note 3** - James Reilly is the Chief Executive of the Central London Community Healthcare NHS Trust (CLCH) since February 2011. The salary incurred by LBHF is fully recharged to the CLCH. He was previously the Director of Adult Social Care.

**Note 4** - Andrew Christie's employment with LBHF was transferred to RBKC on 1 September 2011 as part of the tri-borough programme. Andrew Christie's total remuneration for the year was £183,832. This includes the amount shown in the table above (£78,058) which was the cost borne by LBHF prior to the Tri-Borough arrangement. The remaining £105,774 is disclosed in the RBKC Statement of Accounts who became the host authority on 1 September 2011. Of the remuneration incurred following the Tri-Borough arrangement, LBHF have contributed £46,240.

**Note 5** - Lyn Carpenter was appointed Bi-Borough Executive Director of Environment, Leisure and Residents' Services on 3 January 2012 with RBKC. Lyn Carpenter remains on the LBHF payroll and her total remuneration for the year is shown in the table above. In 2011/12 the proportion of this cost met by RBKC was £23,012.

**Note 6** - The full salary of the Director of Legal Services is given above. A job sharing arrangement with the RBKC has been in place since June 2009. In 2011/12 £75,450 (2010/11: £75,000) was received from RBKC in respect of this arrangement.

**Note 7** - Andrew Webster was appointed Tri-Borough Executive Director of Adult Social Care on 1 December 2011. In 2011/12 £13,160 was received from RBKC and £20,175 from WCC in respect of this arrangement.

**Note 8** - Pay decisions for the head teachers disclosed above rest with the School Governing Body and not the Council.

### 32. Officers' Remuneration (cont'd)

These numbers do not include senior employees shown on the previous page.

Remuneration Band	Including Redundancies		Excluding Redundancies	
	2011/12 Number of Employees	2010/11 Number of Employees	2011/12 Number of Employees	2010/11 Number of Employees
£145,000 - £149,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£135,000 - £139,999	2	1	2	1
£130,000 - £134,999	-	1	-	1
£125,000 - £129,999	-	1	-	1
£120,000 - £124,999	1	-	1	-
£115,000 - £119,999	2	-	1	-
£110,000 - £114,999	-	2	-	1
£105,000 - £109,999	5	3	5	3
£100,000 - £104,999	10	6	10	6
£95,000 - £99,999	4	9	4	8
£90,000 - £94,999	14	8	11	6
£85,000 - £89,999	3	9	3	7
£80,000 - £84,999	15	17	13	16
£75,000 - £79,999	14	13	14	13
£70,000 - £74,999	27	22	25	21
£65,000 - £69,999	34	42	31	39
£60,000 - £64,999	37	34	38	35
£55,000 - £59,999	50	54	50	51
£50,000 - £54,999	131	145	128	138
<b>Total</b>	<b>349</b>	<b>367</b>	<b>336</b>	<b>347</b>

Of the 349 employees listed above in 2011/12, 161 (46%) were employees where pay decisions rest with the School Governing Body and not the Council. The corresponding figure for 2010/11 was 153 (42%).

Of the 336 employees listed above in 2011/12, 157 (47%) were employees where pay decisions rest with the School Governing Body and not the Council. The corresponding figure for 2010/11 was 153 (44%).

This note discloses officers in the council's payroll who may be shared via the Tri-Borough and Bi-Borough arrangements.

#### Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of packages by cost band		Total cost of exit packages in each band	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
£0 - £20,000	231	66	3	60	234	126	1,333,573	878,881
£20,001 - £40,000	18	11	1	14	19	25	560,290	666,860
£40,001 - £60,000	1	1	-	1	1	2	43,352	97,556
£60,001 - £80,000	-	-	-	1	-	1	-	66,292
£80,001 - £100,000	-	-	-	-	-	-	-	-
Over £100,001	-	-	-	1	-	1	-	195,490
<b>Total</b>	<b>250</b>	<b>78</b>	<b>4</b>	<b>77</b>	<b>254</b>	<b>155</b>	<b>1,937,215</b>	<b>1,905,079</b>

This includes exit packages agreed by School Governing Bodies.

### 33. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council 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 Council 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 2011/12, the Council paid £5.70 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £5.58 million and 14.1%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. During 2011/12 the costs arising from additional benefits amounted to £338.1k (2010/11: £335.7k).

### 34. Defined Benefit Schemes

#### Participation in Pension Schemes

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

The Council participates in three post employment schemes:

- The Local Government Pension Scheme administered locally by London Borough of Hammersmith and Fulham (LBHF LGPS).
- The Local Government Pension Scheme administered by London Pensions Fund Authority (LPFA LGPS).
- The Local Government Pension Scheme administered by Hammersmith & Fulham Homes (HFH LGPS).

The schemes are funded defined benefit final salary schemes, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

We recognise 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 we are required to make 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:

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme		HFH Local Government Pension Scheme	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
Comprehensive Income and Expenditure Statement						
<i>Cost of Services:</i>						
• current service costs	16,068	20,526	316	429	1,755	-
• past service gains	-	(85,666)	-	(2,989)	-	-
• settlements and curtailments *	860	499	34	-	491	-
<i>Financing and Investment Income and Expenditure</i>						
• interest cost	43,141	48,153	2,056	2,308	3,180	-
• expected return on scheme assets	(32,134)	(31,085)	(1,805)	(1,734)	(4,028)	-
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>27,935</b>	<b>(47,573)</b>	<b>601</b>	<b>(1,986)</b>	<b>1,398</b>	<b>-</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>						
• actuarial gains and losses	81,671	(131,923)	1,886	(17,131)	6,722	-
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>109,606</b>	<b>(179,496)</b>	<b>2,487</b>	<b>(19,117)</b>	<b>8,120</b>	<b>-</b>
Movement in Reserves Statement						
• reversal of net charges made to the Surplus or Actual amount charged against the General Fund Balance for pensions in the year:	(6,472)	70,836	(75)	2,350	244	-
• employers' contributions payable to scheme	19,049	20,705	518	545	1,639	-

\* Settlement and curtailments are recognised in the Comprehensive Income and Expenditure statement as Non Distributed Costs - General.

### 34. Defined Benefit Schemes (cont'd)

#### Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme		HFH Local Government Pension Scheme		
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	
	£000	£000	£000	£000	£000	£000	
Opening balance 1 April	(789,559)	(988,478)	(38,285)	(50,981)	(56,895)	-	-
Current service cost	(16,068)	(20,526)	(316)	(429)	(1,755)	-	-
Interest cost	(43,141)	(48,153)	(2,056)	(2,308)	(3,180)	-	-
Contributions by Scheme participants	(5,454)	(5,969)	(84)	(103)	(580)	-	-
Actuarial gains and losses	(87,976)	163,820	(2,086)	9,812	(7,511)	-	-
Benefits paid	29,112	22,126	2,209	2,698	1,281	-	-
Past service gain	-	85,666	-	2,989	-	-	-
Unfunded pension payments	2,207	2,454	33	37	-	-	-
Curtailments	(992)	(499)	(34)	-	(491)	-	-
Settlements	959	-	-	-	-	-	-
<b>Closing balance at 31 March</b>	<b>(910,912)</b>	<b>(789,559)</b>	<b>(40,619)</b>	<b>(38,285)</b>	<b>(69,131)</b>	-	-
Funded liabilities	(884,671)	(765,798)	(40,346)	(37,861)	(69,131)	-	-
Unfunded liabilities	(26,241)	(23,761)	(273)	(424)	-	-	-

Reconciliation of fair value of the scheme (plan) assets:

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme		HFH Local Government Pension Scheme		
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	
	£000	£000	£000	£000	£000	£000	
Opening balance 1 April	467,218	463,379	36,130	29,345	57,728	-	-
Expected rate of return	32,134	31,085	1,805	1,734	4,028	-	-
Actuarial gains and losses	6,305	(31,897)	200	7,319	789	-	-
Employer contributions	21,463	23,262	526	364	1,642	-	-
Contributions by scheme participants	5,454	5,969	84	103	580	-	-
Benefits paid	(31,319)	(24,580)	(2,242)	(2,735)	(1,281)	-	-
Entity combinations	-	-	-	-	-	-	-
Settlements	(827)	-	-	-	-	-	-
<b>Closing balance at 31 March</b>	<b>500,428</b>	<b>467,218</b>	<b>36,503</b>	<b>36,130</b>	<b>63,486</b>	-	-

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

The actual return on scheme assets in the year was £38.438m (2010/11 £22.985m) for the LBHF Local Government Pension Scheme, £2.005m (2010/11 £3.438m) for the LPFA Local Government Pension Scheme and £4.818m for the HFH Local Government Pension Scheme.

#### Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12
<i>Present Value of Liabilities</i>					
LBHF Local Government Pension Scheme	(680,440)	(651,744)	(988,478)	(789,559)	(910,912)
LPFA Local Government Pension Scheme	(35,936)	(34,576)	(50,981)	(38,285)	(40,619)
HFH Local Government Pension Scheme	-	-	-	-	(69,131)
<i>Fair Value of Assets</i>					
LBHF Local Government Pension Scheme	393,485	357,372	463,379	467,218	500,428
LPFA Local Government Pension Scheme	31,903	27,825	29,345	36,130	36,503
HFH Local Government Pension Scheme	-	-	-	-	63,486
<i>Surplus/(deficit) in the scheme</i>					
LBHF Local Government Pension Scheme	(286,955)	(294,372)	(525,099)	(322,341)	(410,484)
LPFA Local Government Pension Scheme	(4,033)	(6,751)	(21,636)	(2,155)	(4,116)
HFH Local Government Pension Scheme	-	-	-	-	(5,645)
<b>Total</b>	<b>(290,988)</b>	<b>(301,123)</b>	<b>(546,735)</b>	<b>(324,496)</b>	<b>(420,245)</b>

The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total liability of £420.235m has a substantial impact on the net worth of the council as recorded in the Balance Sheet, resulting in a negative overall balance of £420.235m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- deficits on the local government schemes will be made good by increasing contributions as necessary over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made by the council in the year to 31 March 2013 is £19.840m to the LBHF Local Government Pension Scheme, £0.528m to the LPFA Local Government Pension Scheme and £2.167m to the HFH Local Government Pension Scheme.

### 34. Defined Benefit Schemes (cont'd)

#### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The LBHF Local Government Pension Scheme, LPFA Local Government Pension Scheme and HFH Local Government Pension Scheme have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2011.

The principal assumptions used by the actuary have been:

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme		HFH Local Government Pension Scheme	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
<b>Long-term expected rate of return on assets in the scheme:</b>						
Equities	7.4%	7.5%	7.2%	7.3%	7.4%	-
Cashflow matching	-	-	4.4%	4.5%	0.0%	-
Gilts	4.4%	4.5%	-	-	4.4%	-
Alternative Assets	7.4%	7.5%	-	-	7.4%	-
Target Return Portfolio	-	-	5.0%	5.0%	-	-
Cash	3.0%	3.0%	3.0%	3.0%	3.0%	-
<b>Mortality Assumptions</b>						
<i>Life expectancy from age 65 - retiring today</i>						
Men	20.00	19.70	19.90	18.40	20.00	-
Women	24.00	23.80	23.30	21.60	24.00	-
<i>Life expectancy from age 65 - retiring in 20 years</i>						
Men	22.00	21.80	22.00	20.40	22.00	-
Women	25.90	25.70	25.20	23.40	25.90	-
<b>Financial Assumptions</b>						
Rate of Inflation - RPI	3.2%	3.5%	3.2%	3.5%	3.2%	-
Rate of Inflation - CPI	2.4%	2.7%	2.4%	2.7%	2.4%	-
Rate of Increase in Salaries	4.6%	5.0%	4.1%	4.5%	4.6%	-
Rate of Increase in Pensions	2.4%	2.7%	2.4%	2.7%	2.4%	-
Expected Return on Assets	6.2%	6.9%	4.3%	5.1%	6.2%	-
Discount Rate	4.7%	5.5%	4.7%	5.5%	4.7%	-
Take up of option to convert annual pension to retirement lump sum	50.0%	50.0%	50.0%	50.0%	50.0%	-

The assets of the schemes consist of the following categories, by proportion of the total assets held:

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme		HFH Local Government Pension Scheme	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Equities	57.0%	55.0%	13.0%	14.0%	57.0%	-
Cashflow matching	-	-	31.0%	33.0%	-	-
Gilts	2.0%	13.0%	-	-	2.0%	-
Cash	1.0%	2.0%	2.0%	-	1.0%	-
Target Return Portfolio	-	-	54.0%	53.0%	-	-
Alternative Assets	40.0%	30.0%	-	-	40.0%	-
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>



### 34. Defined Benefit Schemes (cont'd)

#### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets					
LBHF Local Government Pension Scheme	-10.40	-18.3	20.1	-6.8	1.30
LPFA Local Government Pension Scheme	3.95	-16.50	6.90	20.30	0.50
HFH Local Government Pension Scheme	-	-	-	-	1.20
Experience gains and losses on liabilities					
LBHF Local Government Pension Scheme	-0.50	0.0	0.7	11.6	-0.30
LPFA Local Government Pension Scheme	-4.22	0.03	0.00	9.40	0.40
HFH Local Government Pension Scheme	-	-	-	-	0.10

### 35. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors:

	2011/12 £000	2010/11 £000
Fees payable to Audit Commission with regard to external audit services carried out by the appointed auditor for the year	360	400
Fees payable to Audit Commission in respect of statutory inspections	-	-
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	91	81
Fees payable to the Audit Commission for National Fraud Initiative	-	2
Audit and IFRS rebates	(29)	(37)
<b>Total</b>	<b>422</b>	<b>446</b>

### 36. 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 ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2011/12 are as follows:

Notes	Central Expenditure £000	ISB £000	Total £000
A Final DSG for 2011/12	12,193	96,062	108,255
B Plus Brought forward from 2010/11	729	-	729
C Less Carry forward to 2012/13 agreed in advance	-	-	-
D Agreed budgeted distribution in 2011/12	12,922	96,062	108,984
E Less Actual central expenditure	(10,754)	-	(10,754)
F Less Actual ISB deployed to schools	-	(96,062)	(96,062)
G Plus Council contribution for 2011/12	-	-	-
H Carry forward to 2012/13	<b>2,168</b>	<b>-</b>	<b>2,168</b>

#### Notes Explained

- A: DSG figure as issued by the Department on June 2011.
- B: Figure brought forward from 2010/11 as agreed with the Department.
- C: Any amount which the Council decided after consultation with the schools forum to carry forward to 2012/13 rather than distribute in 2011/12.
- D: Budgeted distribution of DSG, adjusted for carry-forward, as agreed with the schools forum.
- E: Actual amount of central expenditure items in 2011/12.
- F: Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the Council once it is deployed to schools' budget shares).
- G: Any contribution from the Council in 2011/12 which will have the effect of substituting for DSG in funding the Schools Budget.
- H: Carry forward to 2012/13.

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### 37. Grant Income

The Council credited the following grants, contributions and donations which were greater than £50,000 to the Comprehensive Income and Expenditure Statement in 2011/12:

	2011/12 £000	2010/11 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Council Tax Income	(65,117)	(64,300)
Non domestic rates	(95,111)	(105,590)
Non-ringfenced government grants	(49,757)	(36,651)
Capital grants and contributions	(20,703)	(23,500)
<b>Total</b>	<b>(230,688)</b>	<b>(230,041)</b>
<b>Credited to Services</b>		
Housing & Council Tax Benefit Subsidy	(162,491)	(159,841)
Dedicated Schools Grant	(108,264)	(94,387)
Housing subsidy	(10,953)	(14,253)
Sixth Form Grant	(8,391)	(17,595)
Adult Learning	(1,622)	(1,671)
Transport for London / Surface Transport	(1,313)	(1,516)
Children's Workforce Development Council grants	(1,230)	(1,028)
Supporting People	(1,098)	(3,199)
Further Education	(994)	(1,114)
NNDR Cost of Collection Allowance	(603)	(614)
Unaccompanied Asylum Seeking Children	(482)	(650)
Drug Intervention Programme	(361)	(1,041)
Section 106	(291)	(1,010)
Social Care Reform Grant	(168)	(947)
New Deal for Communities - revenue	(147)	(1,006)
Homelessness	(38)	(1,288)
Standards Funds and Schools Standards grants	-	(16,084)
Sure Start, Early Years & Childcare	-	(7,508)
Housing Benefit/ Council Tax Benefit Administration grant	-	(2,439)
Child Poverty Pilot	-	(595)
Think Family	-	(517)
Other grants and contributions individually less than £0.5m	(2,782)	(6,694)
<b>Total</b>	<b>(301,228)</b>	<b>(334,997)</b>

\* Treated as part of Non-ringfenced government grants in 11/12

\*\* Now part of Dedicated Schools Grant from 11/12 onwards

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

	31 March 2012 £000	31 March 2011 £000
<b>Grants and Contributions Receipts in Advance (Current)</b>		
Children's Workforce Development Council	(753)	(485)
Learning & Skills Council - revenue	(558)	(809)
Social Care Reform - revenue	(251)	(637)
Standards Fund - revenue	-	(1,169)
Other revenue grants	(458)	(1,656)
<b>Total</b>	<b>(2,020)</b>	<b>(4,756)</b>

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**37. Grant Income (cont'd)**

	<b>31 March 2012 £000</b>	<b>31 March 2011 £000</b>
<b>Grants and Contributions Receipts in Advance (Non-Current)</b>		
Developer contributions	(13,784)	(14,023)
Standards Fund - capital	(22,510)	(6,552)
Sure Start - capital	(677)	(925)
Capital Investment Comm Grant	(475)	-
Major Works Income	(2,229)	37
TfL	(450)	17
Other revenue grants	104	(167)
Other capital grants	(1,187)	(1,650)
<b>Total</b>	<b>(41,208)</b>	<b>(23,263)</b>

**38. Related Parties**

The Council is required to disclose material transactions with related parties. These bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.

**Central Government**

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates and provides the majority of its funding.

Grants received from government departments are set out in Note 6 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 37.

**Members**

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 31.

Information regarding reportable transactions has been collated by requiring all Members and Chief Officers to declare any related party transactions. A review was also carried out of the Council's Register of Declarations of Interests and of the Register of Pecuniary and Non-Pecuniary Interests of Councillors drawn up from declarations made at Committee and other meetings.

During 2011/12, the Council engaged in various transactions with related parties which is disclosed in the information provided by Councillors and Chief Officers to the value of £12.1 million. The most significant transactions are to environmental concerns (£8.3m), cultural organisations (£1.5m), health care support (£1.0m), charitable organisations (£0.8m), legal support in the borough (£0.4m) and Housing Associations (£0.1m)

In addition to the above, 22 Councillors serve as School Governors in the borough's schools.

**Other Public Bodies**

The Council is the administering authority of the Pension Fund. During the financial year the Pension Fund had an average balance of £535k of surplus cash deposited with the Council. The Council paid the Fund £6,199 of interest on these monies. The Council charged the Fund £741k for expenses incurred in administering the fund. A detailed summary of the Pension Fund Accounts is included within this Statement of Accounts in the Supplementary Financial Statements section.

**Entities Controlled or Significantly Influenced by the Council**

Hammersmith & Fulham Bridge Partnership (HFBP) is a joint venture between Agilisys (80.1%) and the Council (19.9%). The contract between HFBP and the Council is for ten years and commenced on 1st November 2006. HFBP provides IT services to the council and provides significant capital investment in a range of projects.

The Council is deemed to have a significant influence over HFBP. This is exerted through active participation in policy decision-making and implementation. The Council comprises one third of the memberships of the Board of Directors in HFBP.

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### **39. Interest in Companies**

The Council has an involvement with a number of associated companies which are set out below, two of which were referred to in the Related Parties Note 38. The assets and liabilities of these companies are not included in the Council's accounts as the materiality of the relationship does not justify such consolidation. Information is provided as to the general purpose of the company, its financial position, and any other material financial issues affecting the Council.

#### **(i) Lyric Theatre Hammersmith Limited**

This is a company limited by guarantee and a registered charity. Its main business is the promotion and encouragement of lively arts and theatre management. The Council supplies funding under an agreement to enable the company to carry out its charitable objectives. The contributions were £299,520 in 2011/12. The latest audited accounts available, those relating to 2010/11, show net assets of £3,902,564 (£2,793,450, restated in 2009/10) and a profit on its activities in that year of £1,107,095 (surplus of £55,995 restated in 2009/10). The Funding agreement also provides the financial arrangements and responsibilities of the Council and Theatre respectively as a consequence of the Company occupying its premises on the basis of a sub under lease from the Council. Copies of the accounts may be obtained from the Executive Director, Lyric Theatre, King Street, London W6 0QL.

#### **(ii) Hammersmith and Fulham Urban Studies Centre**

This charity is a charitable company limited by guarantee and was set up in 1983. Its objectives are the advancement of environmental education at all levels, particularly in the London Borough of Hammersmith and Fulham. The Council is the main source of grant funding for the charity. The charity's latest audited accounts available, those relating to 2010/11 show net assets worth £67,442 (£66,638 in 2009/10). A surplus of £804k has been reported for 2010/11 (£12,932 surplus in 2009/10). Copies of the accounts may be obtained from the Company Secretary, Hammersmith and Fulham Urban Studies Centre, The Lilla Huset, 191 Talgarth Road, London, W6 8BJ.

#### **(iii) Hammersmith & Fulham Bridge Partnership (HFBP)**

As referred to in Note 38 HFBP is a joint venture between Agilisys (80.1%) and the council (19.9%). Although HFBP has been included in the Group Accounts of the Council as an Associate of the Council in previous years, the issue of materiality was considered and the conclusion was that inclusion would not make a material difference to the usefulness of the Statement of Accounts for readers. The audited accounts for the year 2011/12 showed total net assets of £0.55million (£0.53million net liabilities in 2010/11) with a profit before tax of £1.47million (£2.55million in 2010/11) of which 19.9% would apply to the Council's Group accounts if these had been prepared. Copies of HFBP accounts may be obtained from HFBP, 2nd Floor, 26-28 Hammersmith Grove, Hammersmith, London, W6 7AW.

#### **(iv) Hammersmith & Fulham Homes (HFH)**

HFH was a company limited by guarantee and did not have any share capital. The company was set up as an Arms Length Management Organisation (ALMO) in June 2004 to provide housing management services in relation to the Council's housing stock. This agreement ended on the 31st May 2010. However, members agreed to an extension of the ALMO Management contract until 31st March 2011 to allow for the completion of the Decent Homes programme and internal reorganisations of housing management services.

HFH did not trade in the 2011/12 financial year based on the termination of their Management Contract mentioned above. Based on HFH's external auditors advice no year end accounts have been prepared. £1,867,678 Surplus after payments of suppliers and creditors was paid to LBHF and has been captured in the Housing Revenue Account in the 2011/12 financial year. The company submitted a Resolution to striking off to Companies House which is currently still in progress. Copies of H&F Homes 2010/11 accounts may be obtained from Housing and Regeneration, 3rd Floor, Hammersmith Town Hall Extension, King St, London, W6 9JU.

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## 40. Contingent Assets and Contingent Liabilities

### Contingent Assets

Imperial Wharf: Discounted Market Sale Units

Through various Section 106 Agreements, the Council has received a 30% equity share on properties that are being sold at a discount at various sites in the borough. The total number of such properties currently stands at 177 units with an estimated valuation of £38.4m. This represents a potential asset to the Council of £11.5m, however this is subject to market fluctuations. At any time the owners of such properties can request that they buy the remaining 30% share. Such a purchase would realise additional capital resources for the Council which can be invested in affordable housing projects, but the level and timing of such resources is uncertain.

### Contingent Liabilities

The Council's Contingent Liabilities cover various ongoing litigations and guarantees, a summary of which is shown below. The total expected value of these liabilities is £0.7m. In addition, in 2012 it was determined that a number of NNDR (rate payer) accounts have historically been underbilled. In accordance with guidance, Hammersmith and Fulham - as the billing authority - are in the process of re-billing for these amounts. Investigations into this matter are on-going and it is not possible at this stage to estimate a liability, should one exist.

#### Guarantees

Underwriting of Loans to Third Parties

#### **Total Guarantees**

2011/12 £'000
350
<b>350</b>

In February 2012 The Council agreed to provide a loan guarantee to Fulham Palace Trust, underwriting a loan from the Architectural Heritage Fund (AHF). This guarantee will remain in place for the 5 year loan period.

#### Litigations

The council has a number of litigations that were ongoing as at the 31st March 2011 but their outcome is not yet determined. A summary of these litigations by type is shown below:

Prosecutions

#### **Total Litigations**

2011/12 £'000
350
<b>350</b>

The council is undertaking a number of prosecutions in addition to being subject to a prosecution. These cases remain as Contingent Liabilities. If the council is unsuccessful in these prosecutions, then the council may be liable for costs and associated fine and compensation. All the above litigations are prudent estimates of the potential cost to the council. It is not possible, due to considerations of legal privilege to either provide further information or to give an assessment of the likelihood of success of any of the litigations.

## 41. Trust Funds

The Mayor and Burgesses of the Council are the Trustees of the Wormwood Scrubs Charitable Trust. The Trust's objective is to hold Wormwood Scrubs Open Space "upon trust for the perpetual use thereof the inhabitants of the Metropolis for exercise and recreation" as defined by the Wormwood Scrubs Act of 1879. The table below shows the operating costs and income of the Trust:

	2011/12 £000	2010/11 £000
<b>Balance at 1st April</b>	<b>(5,679)</b>	<b>(5,698)</b>
Income	(579)	(654)
<b>Sub total</b>	<b>(6,258)</b>	<b>(6,352)</b>
Less:		
Expenditure and Transfers	687	673
<b>Balance at 31 March</b>	<b>(5,571)</b>	<b>(5,679)</b>

## 42. Prior Year Adjustments

There have been three material adjustments to the amounts presented in the 2010/11 financial statements and the equivalent amounts presented in the 2011/12 financial statements. These were the result of:

- the *Service Reporting Code of Practice for Local Authorities* (SeRCOP) requiring that Cultural, Environment, Regulatory and Planning Services be split within the Comprehensive Income and Expenditure Statement into three components
- the *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* introducing a change to the treatment in accounting for heritage assets held by the Council and
- reconciliation work on the Council's properties.

The following tables explain the material differences between the amounts presented in the 2010/11 financial statements and the equivalent amounts presented in the 2011/12 financial statements.

### 2010/11 Comprehensive Income and Expenditure Statement

Cost of Services (Net)

	2010/11 Published £000	Cultural, Environment, Regulatory and Planning Services £000	Heritage Assets £000	Property Reconciliation £000	2010/11 Adjusted £000
Central services to the public	(470)	-	-	-	(470)
Cultural, Environment, Regulatory and Planning Services	45,461	(45,461)	-	-	-
Cultural and Related Services	-	12,509	-	(117)	12,392
Environment and Regulatory Services	-	27,525	-	(42)	27,483
Planning Service	-	5,427	-	(2)	5,425
Education and children's services	60,723	-	-	(5)	60,718
Highways and transport services	1,482	-	-	-	1,482
Local authority housing (HRA)	486,824	-	-	(82)	486,742
Other housing services	11,404	-	-	-	11,404
Adult social care	72,298	-	-	(37)	72,261
Corporate and democratic core	8,047	-	-	-	8,047
Non distributed costs	(78,572)	-	-	(537)	(79,109)
	<b>607,197</b>	<b>-</b>	<b>-</b>	<b>(822)</b>	<b>606,375</b>

### Cost of Services

Other Operating Expenditure	2,621	-	-	21,651	24,272
Financing and Investment Income and Expenditure	43,558	-	-	(12,959)	30,599
Taxation and non-specific grant income	(230,041)	-	-	-	(230,041)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>423,335</b>	<b>-</b>	<b>-</b>	<b>7,870</b>	<b>431,204</b>
Surplus or deficit on revaluation of Property, Plant and Equipment assets	19,667	-	-	(4,451)	15,216
Actuarial (gains)/losses on pension assets/liabilities	(149,054)	-	-	-	(149,054)
<b>Other Comprehensive Income and Expenditure</b>	<b>(129,387)</b>	<b>-</b>	<b>-</b>	<b>(4,451)</b>	<b>(133,838)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>293,948</b>	<b>-</b>	<b>-</b>	<b>3,419</b>	<b>297,366</b>

### 2010/11 Movement in Reserves Statement – Unusable Reserves

	2010/11 Published £000	Cultural, Environment, Regulatory and Planning Services £000	Heritage Assets £000	Property Reconciliation £000	2010/11 Adjusted £000
<b>Balance at 31 March 2010</b>	<b>(865,813)</b>	<b>-</b>	<b>(8,023)</b>	<b>-</b>	<b>(873,836)</b>
<b>Movement in Reserves during 2010/11</b>					
(Surplus) or Deficit on Provision of Services	-	-	-	-	-
Other Comprehensive Income and Expenditure	(129,387)	-	-	(4,452)	(133,839)
<b>Total Comprehensive Income and Expenditure</b>	<b>(129,387)</b>	<b>-</b>	<b>-</b>	<b>(4,452)</b>	<b>(133,839)</b>
Adjustments between accounting basis & funding basis under regulations	414,326	-	-	7,871	422,197
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>284,939</b>	<b>-</b>	<b>-</b>	<b>3,419</b>	<b>288,358</b>
Transfers to/(from) Earmarked Reserves	(30)	-	-	-	(30)
<b>(Increase)/Decrease in 2010/11</b>	<b>284,909</b>	<b>-</b>	<b>-</b>	<b>3,419</b>	<b>288,328</b>
<b>Balance at 31 March 2011</b>	<b>(580,904)</b>	<b>-</b>	<b>(8,023)</b>	<b>3,419</b>	<b>(585,508)</b>

**42. Prior Year Adjustments (Cont'd)****Opening 1 April 2010 Balance Sheet**

	<b>2010/11 Published £000</b>	<b>Cultural, Environment, Regulatory and Planning Services £000</b>	<b>Heritage Assets £000</b>	<b>Property Reconciliation £000</b>	<b>2010/11 Adjusted £000</b>
Property, Plant and Equipment	1,923,354	-	-	-	1,923,354
Heritage Assets	-	-	8,023	-	8,023
Investment Property	44,129	-	-	-	44,129
Intangible Assets	830	-	-	-	830
Long Term Investments	2,654	-	-	-	2,654
Long Term Debtors	3,544	-	-	-	3,544
<b>Long Term Assets</b>	<b>1,974,511</b>	<b>-</b>	<b>8,023</b>	<b>-</b>	<b>1,982,534</b>
Assets Held for Sale	740	-	-	-	740
Short Term Investments	70,398	-	-	-	70,398
Short Term Debtors	57,005	-	-	-	57,005
Inventories	207	-	-	-	207
Cash and Cash Equivalents	81,958	-	-	-	81,958
<b>Current Assets</b>	<b>210,308</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>210,308</b>
Cash Balances Overdrawn	(14,230)	-	-	-	(14,230)
Short Term Borrowing	(5,855)	-	-	-	(5,855)
Short Term Creditors	(128,999)	-	-	-	(128,999)
Provisions	-	-	-	-	-
Grants and Contributions Receipts in Advance	(5,983)	-	-	-	(5,983)
<b>Current Liabilities</b>	<b>(155,067)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(155,067)</b>
Long Term Borrowing	(475,289)	-	-	-	(475,289)
Long Term Creditors	(100)	-	-	-	(100)
Provisions	(4,565)	-	-	-	(4,565)
Other Long Term Liabilities	(560,639)	-	-	-	(560,639)
Grants and Contributions Receipts in Advance	(29,068)	-	-	-	(29,068)
<b>Long Term Liabilities</b>	<b>(1,069,661)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,069,661)</b>
<b>NET ASSETS</b>	<b>960,091</b>	<b>-</b>	<b>8,023</b>	<b>-</b>	<b>968,114</b>
Usable Reserves	(94,278)	-	-	-	(94,278)
Unusable Reserves	(865,813)	-	(8,023)	-	(873,836)
<b>TOTAL RESERVES</b>	<b>(960,091)</b>	<b>-</b>	<b>(8,023)</b>	<b>-</b>	<b>(968,114)</b>

**Closing 31 March 2011 Balance Sheet**

	2010/11 Published £000	Cultural, Environment, Regulatory and Planning Services £000	Heritage Assets £000	Property Reconciliation £000	2010/11 Adjusted £000
Property, Plant and Equipment	1,405,687	-	-	(14,161)	1,391,526
Heritage Assets	-	-	8,023	-	8,023
Investment Property	51,706	-	-	10,742	62,448
Intangible Assets	1,398	-	-	-	1,398
Long Term Investments	2,816	-	-	-	2,816
Long Term Debtors	3,312	-	-	-	3,312
<b>Long Term Assets</b>	<b>1,464,919</b>	<b>-</b>	<b>8,023</b>	<b>(3,419)</b>	<b>1,469,523</b>
Assets Held for Sale	234	-	-	-	234
Short Term Investments	30,413	-	-	-	30,413
Short Term Debtors	62,055	-	-	-	62,055
Inventories	209	-	-	-	209
Cash and Cash Equivalents	58,600	-	-	-	58,600
<b>Current Assets</b>	<b>151,511</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>151,511</b>
Cash Balances Overdrawn	(4,329)	-	-	-	(4,329)
Short Term Borrowing	(21,855)	-	-	-	(21,855)
Short Term Creditors	(95,500)	-	-	-	(95,500)
Provisions	(590)	-	-	-	(590)
Grants and Contributions Receipts in Advance	(4,756)	-	-	-	(4,756)
<b>Current Liabilities</b>	<b>(127,030)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(127,030)</b>
Long Term Borrowing	(459,670)	-	-	-	(459,670)
Long Term Creditors	(100)	-	-	-	(100)
Provisions	(2,644)	-	-	-	(2,644)
Other Long Term Liabilities	(337,580)	-	-	-	(337,580)
Grants and Contributions Receipts in Advance	(23,263)	-	-	-	(23,263)
<b>Long Term Liabilities</b>	<b>(823,257)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(823,257)</b>
<b>NET ASSETS</b>	<b>666,143</b>	<b>-</b>	<b>8,023</b>	<b>(3,419)</b>	<b>670,747</b>
Usable Reserves	(85,239)	-	-	-	(85,239)
Unusable Reserves	(580,904)	-	(8,023)	3,419	(585,508)
<b>TOTAL RESERVES</b>	<b>(666,143)</b>	<b>-</b>	<b>(8,023)</b>	<b>3,419</b>	<b>(670,747)</b>



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**a. Cultural, Environment, Regulatory and Planning Services**

For 2011/12, the *Best Value Accounting Code of Practice* has been updated and expanded to keep pace with the needs of modern local government; particularly the Transparency agenda, Best Value and public services reform. To reflect this, it has been renamed the *Service Reporting Code of Practice for Local Authorities* (SeRCOP).

As a result of the update Cultural, Environment, Regulatory and Planning Services have now been split into three services:

- Cultural and Related Services.
- Environment and Regulatory Services and
- Planning Services.

**b. Heritage Assets**

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in our summary of significant accounting policies, the Authority now requires heritage assets to be carried in the balance sheet at valuation.

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies (see Note 1 ix.)

In applying the new accounting policy, the Authority will recognise an additional £8.023 million for the recognition of heritage assets that were not previously recognised in the Balance Sheet. This increase is recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy. Depreciation or amortisation is not required on heritage assets which have indefinite lives, as is the case.

**c. Property Reconciliation**

During 2011/12 a reconciliation exercise was completed, primarily a comparison between the Fixed Asset Register and the Property Asset database CAMSYS records. The findings have resulted in the restated figures for 2010/11 as presented. The net adjustment to the 2010/11 Balance Sheet was £3.419million. This comprised assets brought onto to the Balance Sheet of £17.398million (this figure being the valuation figure) and assets written off amounting to £20.817million.

The Authority has disclosed this information in view of the extent of the gross material amounts involved affecting the accuracy of the final accounts both historically and in the future, and for transparency reasons. To conclude that the net effect of the transactions is minimal, below the materiality threshold and the impact on accuracy for the 2011/12 Statement of Accounts has been significantly enhanced.

**43. Acquired and Discontinued Operations**

In 2011/12 the Council re-acquired control of the management of its social-housing stock. This had previously been managed by H&F Homes which was set up as an Arms Length Management Organisation, or ALMO, in 2004. The residual assets of H&F Homes have now transferred to the Council. These comprised a net cash asset of £1.8m and pension asset of £0.8m.

Two of the Authority's schools transferred to Academy status in 2011/12. The assets and liabilities and associated reserves have been written out of the Council's accounts and transferred to the school.

The Council does not consider these transactions to be material and as such has not undertaken specific accounting required for acquired and discontinued operations. These transactions have been treated as in-year entries within the Council's accounts.

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## **SUPPLEMENTARY FINANCIAL STATEMENTS**

Collection Fund Account  
Housing Revenue Account  
Pension Fund Account

## Collection Fund Account

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

	Notes	2011/12 £000	2010/11 £000
<b>Income</b>			
Council Tax	1	(75,032)	(73,925)
Transfers from the General Fund:			
Council Tax Benefits		(16,333)	(16,673)
Income collectable from business ratepayers	2	(183,695)	(161,657)
		<b>(275,060)</b>	<b>(252,255)</b>
<b>Expenditure</b>			
Precepts and Demands	3	89,502	88,665
Business rate:			
Payment to the national pool	2	176,779	154,565
Costs of collection		568	554
Business Rate Supplement			
Payment to the Greater London Authority	2	6,316	6,478
Costs of collection		32	60
Impairment of debts/appeals:			
Write-offs of uncollectable amounts		1,081	1,058
Allowance for impairment		315	698
Distribution/Recovery of previous year's estimated Collection Fund surplus/(deficit)		-	(1,028)
		<b>274,593</b>	<b>251,050</b>
Movement on Fund balance		(467)	(1,205)
(Surplus)/Deficit as at 1 April		277	1,482
<b>(Surplus)/Deficit as at 31 March</b>	<b>4</b>	<b>(190)</b>	<b>277</b>

### Notes to the Collection Fund Account

#### 1. Income from Council Tax

Council Tax Income is the amount payable by council tax payers, inclusive of changes arising during the year for successful appeals against valuation banding, new properties, disabled relief and exempt properties. The Council's tax base is based on the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings. For 2011/12 it was calculated as follows:

Band	Estimated number of taxable properties after discounts and exemptions	Ratio to Band D	Band D equivalent dwellings
A	2598	6/9	1732
B	4488	7/9	3490
C	11162	8/9	9922
D	19879	1	19879
E	12764	11/9	15600
F	7870	13/9	11367
G	9568	15/9	15946
H	1851	18/9	3702

#### 2. National Non-Domestic Rates

NNDR is organised and administered on a national basis. The government specifies an amount (43.3 pence to the pound in 2011/12) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

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In 2011/12 the council was also required to collect a Business Rate Supplement (BRS) from NNDR taxpayers. This BRS is then paid over to Greater London Authority (GLA) who have responsibility for applying it to the Crossrail project across London.

The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of the population.

The NNDR income (after reliefs and provisions) was £183.695 million for 2011/12 (£161.657 million for 2010/11). The rateable value at 31st March 2012 was £468.635 million (£470.214 million at 31st March 2011).

### 3. Precepts and Demands

The 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 Development Agency and the core GLA functions.

	<b>2011/12</b>	<b>2010/11</b>
	<b>£000</b>	<b>£000</b>
London Borough of Hammersmith and Fulham	64,779	64,173
Greater London Authority	24,723	24,492
	<b>89,502</b>	<b>88,665</b>

### 4. Collection Fund Balance

A proportion of the Collection Fund balance above is properly attributable to the GLA 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 with the remainder treated as a debtor.

	<b>31 March</b>	<b>31 March</b>
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
London Borough of Hammersmith and Fulham	(138)	201
Greater London Authority	(52)	76
	<b>(190)</b>	<b>277</b>

## Housing Revenue Account (HRA)

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

### HRA Income and Expenditure Statement

	Notes	2011/12 £000	2010/11 £000 (Restated)
<b>Income</b>			
Dwelling Rents		(60,465)	(57,461)
Non-dwelling rents		(2,511)	(2,513)
Charges for services and facilities		(9,961)	(10,555)
Contributions towards expenditure		(15)	(684)
HRA Subsidy receivable	8	(10,953)	(14,253)
		<b>(83,905)</b>	<b>(85,466)</b>
<b>Expenditure</b>			
Repairs and maintenance and management			
Repairs and maintenance		12,867	14,634
Supervision and management		31,090	25,410
Special Services		2,253	7,490
Rents, rates, taxes and other charges		1,054	1,483
Depreciation and impairment of non-current assets	7	22,690	522,427
Movement in the allowance for bad debts		536	501
Debt management costs		125	125
Revenue Expenditure Funded from Capital Under Statute		208	138
		<b>70,823</b>	<b>572,208</b>
<b>Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		<b>(13,082)</b>	<b>486,742</b>
HRA services' share of Corporate and Democratic Core		497	497
<b>Net (Income)/Cost for HRA Services</b>		<b>(12,585)</b>	<b>487,239</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>			
(Gain)/loss on sale of HRA non-current assets		(19,907)	(206)
Interest payable and similar charges		76,634	22,691
Amortisation of Premiums and Discounts		83	378
Pensions interest cost and expected return on pensions assets		(644)	273
Interest and investment income		(168)	(287)
Income and expenditure in relation to investment properties and changes in their fair value		(19,045)	(1,667)
Capital grants and contributions		(251,343)	-
Other Operating Income		(2,703)	-
<b>(Surplus)/deficit for the year on HRA services</b>		<b>(229,678)</b>	<b>508,421</b>
<b>Movement on the HRA Statement</b>			
<b>Balance on the HRA at the end of the previous year</b>		<b>(3,107)</b>	<b>(3,241)</b>
(Surplus)/deficit for the year on the HRA Income and Expenditure Statement		(229,678)	508,421
Adjustments between accounting basis and funding basis under statute	1	227,661	(507,188)
Net (increase)/decrease before transfers to/(from) reserves		(2,017)	1,233
Transfers to/(from) reserves			
Major Repairs Reserve		-	(1,099)
Earmarked Reserves*		94	-
<b>(Increase)/decrease in year on the HRA</b>		<b>(1,923)</b>	<b>134</b>
<b>Balance on the HRA at the end of the current year</b>		<b>(5,030)</b>	<b>(3,107)</b>

\* For movements in HRA Earmarked Reserves refer to Note 8 of the Core Financial Statements.

## Notes to the Housing Revenue Account

### 1. Adjustments between accounting basis and funding basis under statute

	2011/12 £000	2010/11 £000 (Restated)
Impairment/Revaluation losses (charged to the I&E)	(7,364)	(508,656)
Movements in the market value of investment properties	19,045	1,667
Charges for depreciation of non-dwellings	(508)	(504)
Reversal of Major Repairs Allowance credited to the HRA	(2,094)	
Gain or loss on sale of HRA non-current assets	19,906	207
Deferred charges	(208)	(138)
HRA Self-Financing Resettlement	197,354	-
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	198	519
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(92)	(13)
HRA share of contributions (to)/from the Pensions Reserve	1,424	(270)
	<b>227,661</b>	<b>(507,188)</b>

### 2. Housing Stock

The average number of dwellings during 2011/12 was 12,866. 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.

	Dwellings Number	Hostels Number	Equity Share Number	Total Number
Number at 1 April 2011	12,896	112	14	13,022
Additions	1	-	-	1
Sales	(61)	-	(1)	(62)
<b>Number at 31 March 2012</b>	<b>12,836</b>	<b>112</b>	<b>13</b>	<b>12,961</b>

### 3. Stock Valuation

The net balance sheet value of land, housing dwellings and other assets within the HRA is as follows:

	31 March 2012 £000	1 April 2011 £000
<b>Operational Assets</b>		
Housing Dwellings	897,170	880,793
Other Land and Buildings	9,477	12,152
Vehicles, Plant, Equipment	503	681
Intangible Assets	142	190
<b>Non Operational Assets</b>		
Surplus Assets	3,800	-
Investment Properties	55,399	36,804
	<b>966,491</b>	<b>930,620</b>

The open market, vacant possession value of hostels, houses and flats within the HRA as at 1 April 2011 was £3.546 billion. This compares to the balance sheet value of £897.2 million for the Council's hostels, houses and flats as at 1 April 2011. This is an indication of the economic and social cost of providing Council housing at less than full market rents.

## Notes to the Housing Revenue Account (cont'd)

### 4. 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 Allowance which forms part of the overall Housing Subsidy arrangements. 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.

	2011/12 £000	2010/11 £000
<b>Balance as at 1 April</b>	-	(19,633)
Depreciation Charges to HRA	(15,326)	(13,805)
Adjusting transfer from HRA:		
Depreciation on Non-Dwellings	508	537
Excess/(Shortfall) of Depreciation on Dwellings over MRA	2,095	1,099
Funding of Capital Expenditure	12,723	31,802
<b>Balance as at 31 March</b>	<b>-</b>	<b>-</b>

### 5. Capital Expenditure Financing

	2011/12 £000	2010/11 £000
Borrowing	208	9,893
Major Repairs Reserve	12,723	31,802
Other Grants and Contributions	6,279	9,876
Capital Receipts	18,612	6,215
<b>Total</b>	<b>37,822</b>	<b>57,786</b>

### 6. Capital Receipts

During the year the following net capital receipts from disposals were received:

	2011/12 £000	2010/11 £000
Dwellings & Hostels	(28,303)	(23,832)
Non-Dwellings	(474)	-
<b>Total</b>	<b>(28,777)</b>	<b>(23,832)</b>

### 7. Depreciation and Impairment

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

	2011/12 £000	2010/11 £000
<b>Operational Assets</b>		
Depreciation		
Dwellings	14,818	13,268
Other Land and Buildings	282	277
Vehicles, Plant, Equipment and Intangible Assets	226	226
Revaluation Loss	7,364	-
Impairment*	-	508,656
<b>Total</b>	<b>22,690</b>	<b>522,427</b>

\* Note 10 of the Core Statement of Accounts provides a detailed explanation of the Impairment for 10/11.

### 8. HRA Subsidy

The calculation of HRA subsidy for the year, in line with the subsidy determination is set out below:

	2011/12 £000	2010/11 £000
Allowance for Management	(13,329)	(13,285)
Allowance for Maintenance	(20,806)	(20,136)
Allowance for Major Repairs	(12,723)	(12,169)
Charges for Capital	(25,349)	(25,912)
Other Items	(242)	(1,073)
Rent	61,516	58,411
Interest on Receipts	24	34
Adjustment for Previous Year	(44)	(123)
<b>Total</b>	<b>(10,953)</b>	<b>(14,253)</b>

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**Notes to the Housing Revenue Account (cont'd)****9. Rent Arrears and Bad Debt Provisions**

Gross rent arrears were as follows:

	<b>2011/12 £000</b>	<b>2010/11 £000</b>
Main Council Stock	3,175	3,357
Hostels	439	409
<b>Total</b>	<b>3,614</b>	<b>3,766</b>

Bad debt provisions at 31 March 2012 were:

	<b>2011/12 £000</b>	<b>2010/11 £000</b>
Main Council Stock	(2,198)	(1,959)
Hostels	(415)	(391)
<b>Total</b>	<b>(2,613)</b>	<b>(2,350)</b>

**10. IAS19 Retirement Benefits**

The Council 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 HRA Statement (see Note 1).

Note 33-34 to the Core Financial Statements provides further details.

**11. Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

REFCUS comprises capital expenditure on non-asset related items and maintenance that is capital expenditure under statute but revenue expenditure under accounting rules.

REFCUS is charged to the Comprehensive Income and Expenditure Statement, although there is no effect on the bottom line on the Housing Revenue Account.



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## **PENSION FUND ACCOUNTS**

Fund Account

Net Assets Statement

Notes to the Pension Fund

## Fund Account

	Note	2011/12		2010/11	
		£000	£000	£000	£000
<b>Dealings with members, employers and others directly involved in the scheme</b>					
<b>Contributions</b>					
From Employers	14	23,234		24,924	
From Members	14	6,906	30,140	7,564	32,488
Individual Transfers In from other Pension Funds	2(a)		1,906		6,746
Other Income			20		45
<b>Benefits</b>					
Pensions	15	(17,373)		(16,358)	
Pensions Increases on Pensions and Lump Sum Benefits	15	(6,911)		(6,399)	
Lump Sum Retirement Benefits	15	(6,102)		(3,866)	
Lump Sum Death Benefits	15	(750)	(31,136)	(208)	(26,831)
<b>Payments to and on account of leavers</b>					
Individual Transfers Out to other Pension Funds	2(a)		(2,575)		(4,693)
Refund of Contributions			(3)		(10)
Other Expenditure			(57)		(3)
<b>Administrative Expenses</b>					
			(867)		(902)
<b>Net Additions (Withdrawals) from dealings with members</b>					
			<b>(2,572)</b>		<b>6,840</b>
<b>Returns on Investments</b>					
Investment Income	12		9,579		7,766
Taxes on Income (Irrecoverable Withholding Tax)			(133)		(154)
<b>Profit and losses on disposal of investments and changes in value of investments</b>					
Realised	8		37,698		26,207
Unrealised	8		1,572		3,681
<b>Investment Management Expenses</b>					
	2(c)		(3,222)		(2,936)
<b>Net Returns on Investments</b>					
			<b>45,494</b>		<b>34,564</b>
<b>Net Increase (Decrease) in the net assets available for benefits during the year</b>					
			<b>42,922</b>		<b>41,404</b>
<b>Opening Net Assets of the Scheme</b>					
			<b>595,718</b>		<b>554,314</b>
<b>Closing Net Assets of the Scheme</b>					
			<b>638,640</b>		<b>595,718</b>

## Net Assets Statement

The objective of the fund's accounts is to provide information about the financial position of the fund. The accounts summarise the transactions of the fund and show the net assets of the fund at the end of the financial year. The accounts do not take account of liabilities to pay pensions and benefits which fall due after the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 4 of these accounts.

	Note	31 March 2012 £000	31 March 2011 £000
<b>Investment Assets</b>			
Fixed Interest Securities	Public Sector	-	-
	Private Sector	-	-
Index Linked Securities	Public Sector	13,211	11,871
	Private Sector	-	-
Equities	UK	100,574	96,072
	Overseas	177,048	164,106
Pooled Investment Vehicles			
	Managed Funds – UK Fixed Interest	-	63,331
	Managed Funds – UK Equities	66,562	62,786
	Managed Funds – Overseas Equities	1,206	865
	Managed Funds – Libor Plus 1 Fund	59,637	59,254
	Managed Funds – LDI Bespoke Fund	81,804	-
	Managed Funds – Illiquid Strategies Fund of Funds	1,570	1,740
	Managed Funds – Dynamic Asset Allocation Funds	114,821	108,900
	Managed Funds – Ruffer Baker Steel Gold Fund	684	2,504
	Managed Funds – Red Kite Fund	371	648
	Managed Funds – Private Equity	13,142	12,628
Cash Deposits		8,366	8,379
Other Investment Balances			
	Amounts Outstanding on Sale of Investments	1,041	765
	Investment Income Due	1,470	1,061
<b>Investment Liabilities</b>			
	Amounts Outstanding on Purchase of Investments	(127)	(746)
<b>Total Investment Assets</b>	9	<b>641,380</b>	<b>594,164</b>
<b>Current Assets</b>			
	Contributions due from Employers	45	144
	Contributions due from Members	134	45
	Combined Benefits	32	44
	Administration Expenses	13	(10)
<b>Current Liabilities</b>			
	Unpaid Benefits	(429)	(43)
	Investment Management Expenses	(637)	(502)
	Other Current Assets	(1)	1
	Cash Balances	(1,897)	1,875
<b>Net assets of the scheme available to fund benefits at the period end.</b>		<b>638,640</b>	<b>595,718</b>

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# Notes to the Pension Fund Accounts

## 1. INTRODUCTION

The Pension Fund is part of the Local Government Pension Scheme and is administered by Hammersmith and Fulham Council. It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of Hammersmith and Fulham Council and the admitted and scheduled bodies in the fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. The benefits payable are based on an employee's final salary and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from interest and dividends on the fund's investments.

The Fund is governed by the Superannuation Act 1972 and is administered in accordance with the following secondary legislation: the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended), the LGPS (Administration) Regulations 2008 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2009 (as amended). The regulations are updated on a regular basis by central government. A revised scheme came in to effect from 1st April 2008.

The Council has delegated the investment arrangements of the scheme to the Audit and Pensions Committee (the Committee) who decide on the investment policy most suitable to meet the liabilities of the fund and have the ultimate responsibility for the investment policy. The Committee is made up of six elected representatives of the Council, including two opposition party representatives, each having voting rights. Members of the admitted bodies, representatives of the Trade Unions and one co-opted member may attend the committee meetings but have no voting rights.

The Committee reports to the full Council and has full delegated authority to make investment decisions. The Committee obtains and considers advice from the Executive Director of Finance and Corporate Governance, and as necessary from the fund's appointed actuary, investment managers and advisor.

The Committee has delegated the management of the fund's investments to professional investment managers, appointed in accordance with the regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Hammersmith & Fulham Pension Fund include:

- Scheduled bodies, which are local authorities and 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.

The following table is a membership summary of the scheme:

	31 March 2012	31 March 2011
Contributing employees	3,835	4,064
Pensioners receiving benefit	4,461	4,285
Deferred Pensioners	5,409	5,217

Details of the scheduled and admitted bodies in the scheme are shown in Notes 14 (contributions receivable) and 15 (benefits payable.)

## 2. ACCOUNTING POLICIES

### (a) General Principles

The accounts have been prepared in accordance with IAS 26 and the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (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 an accrual basis in accordance with the Code, apart from transfer values which have been accounted for on a cash basis.

### (b) Valuation of Investment Assets

Quoted Securities and Pooled Investment Vehicles have been valued at the bid price and fixed interest securities are recorded at net market value based on their current yields at the balance sheet date. Quoted securities are valued by Northern Trust, the fund's custodian and Pooled Investment Vehicles at the bid prices quoted by their managers.

Where appropriate, market values, cash deposits and purchases and sales outstanding listed in overseas currencies are converted into sterling at the rates of exchange ruling at the balance sheet date. The values of the investment in Private Equity are based on valuations provided by the general partners to the private equity funds. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

There are no significant restrictions affecting the ability of the scheme to realise its investments at the accounting date or at the value at which they are included in the accounts apart from the investments in private equity which, by their nature, will be realised over a long period of time.

### **(c) Investment Management Expenses**

The Committee has appointed external investment managers to manage the investments of the Fund. These managers are paid a fee based on the market value of the investments they manage and/or a fee based on performance. The cost of obtaining investment advice from the external consultant is included in the investment managements expenses.

## **3. ACTUARIAL VALUATION**

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Hammersmith & Fulham Pension Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates.

The latest full triennial valuation of the London Borough of Hammersmith and Fulham Pension Fund was carried out by Barnett Waddingham, the fund's actuary, as at 31 March 2010 in accordance with the Funding Strategy Statement of the Fund and Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008. The results were published in the triennial valuation report dated 31 March 2011 and this is available on the Council's Internet site.

The following statement has been prepared by the Actuary to the Fund.

### **2010 Valuation Results**

The 2010 valuation certified a common contribution rate of 21.5% of pensionable pay to be paid by each employing body participating in the London Borough of Hammersmith and Fulham Pension Fund. In addition to this each employing body has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

### **Contribution Rates**

The contribution rates were calculated using the Projected Unit Method.

The contribution rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- a) the additional annual accrual of benefits allowing for future pay increases and increases to pension in payment when these fall due; plus
- b) an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

### **Asset Value and Funding Level**

The smoothed market value of the Fund's assets as at 31 March 2010 for valuation purposes was £531.7m which represented 74% (70% at 31st March 2007) of the Fund's accrued liabilities at that date allowing for future increases in pay and pensions in payment.

To be consistent with the market related valuation of assets the liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date as follows:

- Rate of return on investments - 6.7% per annum
- Rate of increases in pay - 5.0% per annum
- Rate of Increases to pensions in payment - 3.0% per annum

### **Post Valuation Events – Changes in market conditions**

Since March 2010 investment returns have been slightly less than assumed at the 2010 valuation and liabilities may have slightly increased due to a decrease in the real discount rate underlying the valuation funding model.

Overall we estimate that the funding level as at 31 March 2012 will be slightly less than as at the 2010 valuation.

The next actuarial valuation is due as at 31 March 2013 and the resulting contribution rates required by the employers will take effect from 1 April 2014. We will continue to monitor the financial position of the Fund.

**Alison Hamilton FFA**  
**Partner, Barnett Waddingham**  
**10 May 2012**

#### 4. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The table below shows the total net liability of the Fund as at 31st March 2012. The figures have been prepared by Barnett Waddingham, the fund's actuary, only for the purposes of providing the required information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

In calculating the required numbers the actuary adopted methods and assumptions that are consistent with IAS19.

	31 March 2012 £'000	31 March 2011 £'000
Present Value of Promised Retirement Benefits*	1,079,048	899,733
Fair Value of Scheme Assets (bid value)	(638,640)	(595,718)
Net Liability	<b>440,408</b>	<b>304,015</b>

\*Present Value of Promised Retirement Benefits comprises of approximately £918,319,000 (£774,653,000 in 2010/2011) and £160,729,000 (£125,080,000 in 2010/2011) in respect of vested benefits and non-vested benefits respectively as at 31 March 2012.

#### 5. INVESTMENT STRATEGY

The investment strategy of the Fund consists of having four main portfolios, UK Equity, Global (ex UK) Equity, Dynamic Asset Allocation and a Matching Fund (to match some of the Fund's liabilities). The investment strategy is designed to give asset diversification and specialisation to reduce exposure to market risk and achieve optimum return against the Liability Benchmark.

Within the four portfolios external investment managers have been appointed with clear strategic benchmarks which place maximum accountability for performance against that benchmark on the investment manager.

The UK Equity portfolio was managed by Majedie Asset Management, the Global (ex UK) portfolio by MFS International (UK) Ltd, the Dynamic Asset Allocation portfolio was split 75% to Baring Asset Management Ltd and 25% to Ruffer LLP and the Matching Fund was split between Goldman Sachs Asset Management and Legal and General Investment Management.

Additionally, the Committee has agreed to invest up to £15 million in four private equity fund of funds. Two are managed by Invesco, which has approximately 75% invested in the United States and 25% in Europe, and the other two are managed by Unigestion which are invested almost entirely in Europe.

The market value and proportion of the investments managed by each fund manager at 31st March is as follows:

	31 March 2012		31 March 2011	
	Market Value £000	Total %	Market Value £000	Total %
Majedie Asset Management	165,450	25.8	155,398	26.2
MFS International	167,753	26.1	156,527	26.3
Baring Asset Management	114,060	17.8	108,900	18.3
Ruffer LLP	39,533	6.2	37,708	6.3
Goldman Sachs	59,638	9.3	59,262	10.0
Legal and General	81,804	12.7	63,335	10.7
Invesco Private Equity	7,600	1.2	6,677	1.1
Unigestion Private Equity	5,530	0.9	6,316	1.1
Barings English Growth Fund	12	0.0	41	0.0
	<b>641,380</b>	<b>100.0</b>	<b>594,164</b>	<b>100.0</b>

The Panel has appointed Northern Trust as its global custodian. They are responsible for safe custody and settlement of all investment transactions, collection of income and the administration of corporate actions. The bank account for the Pension Fund is also held with Northern Trust. Northern Trust has an issuer credit rating of AA- with both Fitch and S&P rating's agencies.

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## 6. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. The Fund's liabilities are sensitive to inflation via pension and pay increases, to interest rates and to mortality rates. The assets that would most closely match the liabilities are a combination of index-linked gilts as the liabilities move in accordance with changes in the relevant gilt yields.

For this reason, the benchmark used to measure the estimated movement in liabilities, The "Liability Benchmark" is calculated based on the movement of a selection of index-Linked gilts, which most match the fund's liabilities as measured at the actuarial valuation, in the following proportions: 45% Index-Linked Treasury Gilt 1 1/4%, 20% Index-Linked Treasury Gilt 1 1/4% 2027, 10% Index-Linked Treasury Gilt 1 1/8% 2037, 5% Index-Linked Treasury Gilt 0 3/4% 2047 and 20% Index-Linked Treasury Gilt 1 1/4% 2055.

### a) Market Risk

The investment strategy of the Fund has been set so as to meet a return equivalent to the Liability Benchmark plus 2.2% p a. The investment strategy aims to exceed this and targets a return of 2.5% in excess of the Liability Benchmark. To achieve this the Fund's assets are invested in a broad range of asset classes in terms of geographical and industry sectors and individual securities which are expected to produce returns above the Liability Benchmark over the long term albeit with greater volatility. This diversification reduces exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

The aim of the investment strategy is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. Responsibility for the Fund's investment strategy rests with the Audit and Pensions Committee and is reviewed on a regular basis.

### Price Risk

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 price risk. This arises from investments held by the fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

The following represents potential movements in market prices for different asset classes for the 2012/13 reporting period, consistent with a one standard deviation movement in the change in value of the assets over the latest three years as determined by State Street Global Services. These potential movements assume the observed historical volatility of asset returns will be repeated and that the Fund's overall asset allocation and individual asset positions remain constant

Asset Type	Market Value as at 31st March 2012 £000	Movement %	Value on Increase £000	Value on Decrease £000
UK Equities	167,716	13.16%	189,787	145,645
Overseas Equities	178,588	14.58%	204,626	152,550
Total Bonds	59,637	1.97%	60,812	58,462
Index-Linked Gilts	95,015	12.06%	106,474	83,556
Cash	9,836	0.00%	9,836	9,836
Alternative Investments	117,446	6.47%	125,045	109,847
Private Equity	13,142	6.47%	13,992	12,292
Total Assets	<u>641,380</u>		<u>710,572</u>	<u>572,188</u>

### Interest Rate Risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. Fixed Interest securities and cash 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 council recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. A 25 basis point (BPS) movement in interest rates is consistent with the level of interest rates over the last three years. The analysis below assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 25 BPS change in interest rates:

Asset Type	Market Value as at 31st March 2012 £000	Movement %	Change in Year on Increase £000	Change in Year on Decrease £000
Total Bonds	59,637	0.25	149	(149)
Index-Linked Gilts	95,015	0.25	238	(238)
Cash	9,836	0.25	25	(25)

### 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 pounds sterling.

Following analysis of historical data by State Street Global Services, the Council considers the likely volatility associated with foreign exchange rate movements to be 9.8%. A 9.8% fluctuation in the currency is considered reasonable based on the analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 9.8% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Asset Type	Market Value as at 31st March 2012 £000	Movement %	Value on Increase £000	Value on Decrease £000
Overseas Investments				
Equities	177,048	9.8%	194,399	159,697
Index-Linked Gilts	5,579	9.8%	6,126	5,032
Pooled Investment Vehicles	2,338	9.8%	2,567	2,109
Private Equity	13,130	9.8%	14,417	11,843
Total Assets	<u>198,095</u>		<u>217,509</u>	<u>178,681</u>

### b) Credit Risk

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

In essence the fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

### c) Liquidity Risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for cash to meet the pensioner payroll costs; and also cash to meet investment commitments. The council has immediate access to its pension fund cash holdings.

The fund also has access to an overdraft facility with Northern Trust for short-term cash needs. This facility is only used to meet timing differences on pension payments. As at 31 March 2012 the balance on this facility stood at £1,416,974. These borrowings are of a limited short-term nature.



## 7. FUND PERFORMANCE

Northern Trust is also employed to monitor the investment performance of the fund. Performance is measured on a financial year basis against a customised benchmark. From 1st January 2009, following the implementation of a new investment strategy, the benchmark was changed to more reflect the performance against the Fund's liabilities. The benchmark was defined as a portfolio of index-linked gilts with an average duration of 18 years in line with the Fund's liabilities with an outperformance target of the benchmark of 1.75% per annum. From 1st November 2011 following the 2010 Actuarial Valuation the benchmark was adjusted to more accurately reflect the fund's liabilities, as at the valuation date, with a new outperformance target of 2.2% per annum ( See note 6).

The performance compared to the benchmark is as follows:

	2011/12 % p.a.	2010/11 % p.a.	3 Years % pa	5 Years % pa
Fund	8.2	6.4	15.4	6.9
Benchmark	21.7	8.6	14.7	4.8
Difference	(13.5)	(2.2)	0.7	2.1

## 8. INVESTMENT ASSETS - MOVEMENTS IN YEAR

The table below shows a reconciliation of the movement in the total investment assets of the fund.

	2011/12 £000	2010/11 £000
<b>Market Value of Investment Assets at 1st April</b>	594,164	556,831
<b>Movements in Year</b>		
Purchase of Investments	205,195	206,069
Sale of Investments	(198,541)	(203,101)
Realised Profit/(Loss) on Sales	37,698	26,207
Unrealised Profit/(Loss) in Market Value	1,572	3,681
Change in Cash Deposits	(13)	3,809
Change in Debtors and Creditors	1,305	668
<b>Market Value of Investment Assets At 31st March</b>	<b>641,380</b>	<b>594,164</b>

The table below shows a reconciliation of the movement in the total investment assets of each fund manager in 2011/2012.

Fund Manager	Value at 31 March 2011 £000	Purchase of Investments £000	Sale of Investments £000	Realised Profit/(Loss) on sales £000	Unrealised Profit/(Loss) in Market value £000	Change in Cash Deposits £000	Change in Debtors and Creditors £000	Value at 31 March 2012 £000
Majedie Asset Management	155,398	46,812	(41,898)	4,400	(283)	1,168	(147)	<b>165,450</b>
MFS International	156,527	52,576	(49,663)	4,694	4,064	(362)	(83)	<b>167,753</b>
Baring Asset Management	108,900	110	-	-	5,050	-	-	<b>114,060</b>
Ruffer LLP	37,708	21,227	(21,632)	1,873	(776)	(402)	1,535	<b>39,533</b>
Goldman Sachs	59,262	-	(19)	19	383	(7)	-	<b>59,638</b>
Legal and General	63,335	83,371	(83,372)	25,812	(7,338)	(4)	-	<b>81,804</b>
Invesco Private Equity	6,677	380	(699)	120	1,208	(86)	-	<b>7,600</b>
Unigestion Private Equity	6,316	719	(1,258)	780	(707)	(320)	-	<b>5,530</b>
Barings English Growth Fund	41	-	-	-	(29)	-	-	<b>12</b>
<b>Totals</b>	<b>594,164</b>	<b>205,195</b>	<b>(198,541)</b>	<b>37,698</b>	<b>1,572</b>	<b>(13)</b>	<b>1,305</b>	<b>641,380</b>

Transaction costs are included in the cost of purchases and in sale proceeds. These include costs charged directly to the fund, such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year total £467,851 (£600,124 in 2010/11). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

## 9. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities split by UK and Overseas, by category and net assets statement heading as at the balance sheet date. No financial assets were reclassified during the accounting period. All investments are quoted unless stated.

Designated at fair value through Profit and Loss	31 March 2012		31 March 2011	
	£000	£000	£000	£000
<b>United Kingdom</b>				
Fixed Interest - Private Sector		-		-
Index Linked Securities - Public Sector		7,632		6,084
Index Linked Securities - Private Sector		-		-
Equities		100,574		96,072
Pooled Investment Vehicles				
Managed Fund - Majedie UK Equity Funds	66,562		62,786	
Managed Fund - L & G 2055 Index Linked Gilt	-		63,331	
Managed Fund - L & G LDI Bespoke Fund	81,804		-	
Managed Fund - Goldman Sachs Libor Plus 1 Fund	59,637		59,254	
Managed Fund - Baring Dynamic Asset Allocation Fund	114,060		108,900	
Managed Fund - Ruffer Illiquid Strategies Fund of Funds	1,570		1,740	
Managed Fund - Ruffer Baker Steel Gold Fund	684	324,317	2,504	298,515
Managed Fund - Private Equity (Unquoted)		12	-	41
<b>Total United Kingdom</b>		<b>432,535</b>		<b>400,712</b>
<b>Overseas</b>				
Fixed Interest - Public Sector		-		-
Fixed Interest - Private Sector		-		-
Index Linked Securities - Public Sector		5,579		5,787
Equities				
North America	93,855		78,233	
Japan	8,923		11,716	
Europe (ex UK)	49,756		52,218	
Pacific Basin	11,058		10,417	
Other	13,456	177,048	11,522	164,106
Pooled Investment Vehicles				
Managed Fund - Dynamic Investment Fund	761		0.00	
Managed Fund - Ruffer Japanese Fund	1,206		865	
Managed Fund - Red Kite Fund	371	2,338	648	1,513
Managed Fund - Private Equity (Unquoted)				
Invesco - North America	7,600		6,591	
Unigestion - Europe	5,530	13,130	5,996	12,587
<b>Total Overseas</b>		<b>198,095</b>		<b>183,993</b>
<b>Loans and Receivables</b>				
Cash Deposits	8,366		8,379	
Amounts outstanding on Sale of Investments	1,041		765	
Investment Income Due	1,470		1,061	
Contributions due from Employers	45		144	
Contributions due from Members	134		45	
Combined Benefits	32		44	
Administration Expenses	13	11,101	(10)	10,428
<b>Financial Liabilities at Amortised Cost</b>				
Amounts outstanding on Purchase of Investments	(127)		(746)	
Unpaid Benefits	(429)		(43)	
Investment Management Expenses	(637)		(502)	
Other Current Assets	(1)		1	
Cash Balances	(1,897)	(3,091)	1,875	585
<b>Net assets of the scheme available to fund benefits at the period end.</b>		<b>638,640</b>		<b>595,718</b>

## 10. FAIR VALUE OF FINANCIAL INSTRUMENTS AND LIABILITIES

The following table summarises the Book Cost of the financial assets and financial liabilities by class of instrument compared with their Market Values (Fair Value). The table shows only the investment assets and does not include current assets and liabilities which have no book cost.

	31 March 2012		31 March 2011	
	Market Value	Book Cost	Market Value	Book Cost
	£000	£000	£000	£000
<b>Financial Assets</b>				
<b>Designated at fair value through Profit and Loss</b>				
Investment Assets	630,630	545,247	584,705	500,894
<b>Loans and Receivables</b>				
Cash Deposits	8,366	8,366	8,379	8,379
Amounts outstanding on Sale of Investments	1,041	1,041	765	765
Investment Income Due	1,470	1,470	1,061	1,061
<b>Financial Liabilities at Amortised Cost</b>				
Amounts outstanding on Purchase of Investments	(127)	(127)	(746)	(746)
<b>Total Value of Investments</b>	<b>641,380</b>	<b>555,997</b>	<b>594,164</b>	<b>510,353</b>

## 11. TOP TEN EQUITY HOLDINGS

The largest 10 equity holdings of the Fund as at 31 March 2012 was:

Holding	Country	Market Value	
		£'000	% Holding
BP	United Kingdom	8,311	1.30
Vodafone Group	United Kingdom	7,799	1.22
GlaxoSmithKline	United Kingdom	6,997	1.09
Royal Dutch Shell	United Kingdom	6,130	0.96
BT	United Kingdom	4,468	0.70
Danone	France	4,463	0.70
Google	United States	4,455	0.69
Danaher Corporation	United States	4,307	0.67
Taiwan Semiconductor Manufacturing	Taiwan	4,067	0.63
BAE Systems	United Kingdom	3,816	0.59
<b>Total</b>		<b>54,813</b>	<b>8.55</b>
<b>Total Value of Investments</b>		<b>641,380</b>	

No single investment exceeds either 5% of the net assets available for benefits or 5% of any class or type of security except for some pooled investment vehicles detailed in paragraph 9 above. These pooled investment vehicles are made up of underlying assets which will be far less than 5%.

## 12. INVESTMENT INCOME

The table below shows a breakdown of the investment income for the year.

	2011/12 £000	2010/11 £000
Income from Fixed Interest Securities	-	5
Dividends from Equities	9,220	7,732
Income from Index-Linked Securities	178	179
Interest on Cash Deposits	140	124
Currency profit/(loss)	(179)	(343)
Private Equity/Other	220	69
<b>Total</b>	<b>9,579</b>	<b>7,766</b>

## 13. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31st March 2012, the fund had a commitment to invest a further £4.3million in the four private equity fund of funds managed by Invesco and Unigestion. It is anticipated that these commitments will be spread over the next three years.

## 14. 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 balancing contributions determined by the fund's actuary to maintain the solvency of the fund.

The table below shows a breakdown of the total amount of employers' and employees' contributions made during the year by the Council and each admitted body. H & F Homes came back under control of the Council at 1st April 2011 and is no longer an admitted body.

	Employers'		Employees'	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
LB Hammersmith and Fulham	20,698	20,761	5,976	5,951
H & F Homes	-	1,353	-	617
LBHF Councillors	74	66	18	16
Mortlake Crematorium Board	53	62	14	15
London Oratory School	89	89	40	39
Burlington Danes Academy	106	104	49	48
F M Conway Ltd	85	100	34	34
Urban Partnership Group	50	63	13	17
H&F Community Law Centre	5	20	2	5
Family Mosaic	111	169	35	44
Disabilities Trust	5	5	2	1
Thames Reach	6	6	2	2
Medequip Assistive Technology	14	14	3	4
Eden Food Service	243	262	80	87
Fulham Palace Trust	54	-	15	-
Family Mosaic Supporting People	20	21	8	9
Glencross Cleaning Ltd	3	3	1	2
Inspace Partnerships Ltd	58	65	19	21
H & F Bridge Partnership	374	396	154	224
Keir	141	144	44	44
Keir - Non HR Contract	4	4	2	2
P H Jones Ltd	5	5	2	2
Irish Cultural Centre	6	6	1	1
Hammersmith Academy	49	1	24	-
Conway Academy	7	-	2	-
West London Free School	11	-	3	-
Financial Data Management	-	3		2
E C Harris LLP	49	55	20	23
Crime Reduction Initiatives	1	5	1	2
Quadron	244	208	69	67
Serco	499	763	218	231
Tendis	21	25	6	7
Turners	149	146	49	47
<b>Grand Totals</b>	<b>23,234</b>	<b>24,924</b>	<b>6,906</b>	<b>7,564</b>

## 15. BENEFITS PAYABLE

The tables below show a breakdown of the total amount of benefits payable for 2011/12. H & F Homes came back under control of the Council on 1st April 2011 and is no longer an admitted body.

	Pensions		Pension Increases	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
LB Hammersmith and Fulham	16,787	15,100	6,870	6,317
Councillors	1	1	-	1
H & F Homes	-	752	-	49
Mortlake Crematorium Board	40	37	5	4
London Oratory School	2	-	-	-
H&F Community Law Centre	26	45	3	3
Burlington Danes Academy	17	11	1	3
H&F Police Consultative Group	5	5	1	1
ROOM the National Council	4	4	1	1
Family Mosaic	90	81	15	13
Greenwich Leisure Ltd	2	2	1	1
Blythe Neighbourhood Council	1	1	-	-
Inspace Partnerships Ltd	42	35	2	1
Turners	15	5	-	-
Urban Partnership Group	3	3	-	-
EC Harris LLP	4	-	-	-
Eden Food Service	14	1	-	-
F M Conway Ltd	12	7	-	-
H & F Bridge Partnership	236	227	10	5
Quadron	27	13	1	-
Serco	45	28	1	-
<b>Grand Totals</b>	<b>17,373</b>	<b>16,358</b>	<b>6,911</b>	<b>6,399</b>

	Lump Sum Retirement Benefits		Lump sum Death Benefits	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
LB Hammersmith and Fulham	5,564	2,642	744	191
Councillors	-	7	-	-
H & F Homes	-	535	-	-
Mortlake Crematorium Board	-	147	-	-
London Oratory School	12	-	-	-
H&F Community Law Centre	-	46	-	-
Burlington Danes Academy	6	47	-	-
Family Mosaic	102	1	-	-
Inspace Partnerships Ltd	-	49	-	-
EC Harris LLP	78	-	-	-
Eden Food Service	78	15	6	-
F M Conway Ltd	68	17	-	-
H & F Bridge Partnership	-	301	-	17
Quadron	58	2	-	-
Turners	3	-	-	-
Serco	133	57	-	-
<b>Grand Totals</b>	<b>6,102</b>	<b>3,866</b>	<b>750</b>	<b>208</b>

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## **16. RELATED PARTIES**

The Council was a related party to the fund. Details of the relationship are disclosed in Note 1 to the Pension Fund Accounts. In accordance with the regulations the Council's expenses in administering the scheme are charged direct to the Fund. The amount charged by the Council for 2011/2012 was £740,954 (2010/2011 £817,172).

During 2011/2012 as a result of the day to day administration of the fund the pension fund borrowed monies from the Council or invested some surplus monies with the Council. The pension fund paid £6,199 in interest to the Council during 2011/2012. At 31st March 2012 the Pension Fund owed the Council £480,112.

Some of the elected representatives and senior officers of the Council who attended the Audit and Pensions Committee were members of the Pension Fund and made contributions to the fund in accordance with the regulations. No other material transactions with related parties of the fund during 2011/2012 were identified.

## **17. STOCK LENDING AGREEMENTS**

The Fund did not participate in stock lending or underwriting.

## **18. STATEMENT OF INVESTMENT PRINCIPLES**

The Panel approved a Statement of Investment Principles on 16th March 2010 and this is available in the Pension Fund Annual Report on the Council's Internet site. The Statement shows the Authority's compliance with the Myner's principles of investment management.

## **19. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)**

The pension fund's AVC providers are Zurich Assurance and the Equitable Life Assurance Society, although no employees are currently contributing to the Equitable Life scheme apart from three members who contributed £198.52 during the year for death-in-service benefits. At the year end there was only two members contributing.

The total market value of the separately invested AVCs with Equitable Life Assurance at the 5th April 2012 was £249,340. At the year end there were 69 members of the Zurich Assurance AVC scheme. The total value of the contributions paid to Zurich in 2011/2012 was £72,936.33 and the total market value of the separately invested AVC's with Zurich Assurance at 5 April 2012 was £904,628.09

In accordance with Regulation 4(2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid and the assets of these investments are not included in the Pension Fund Accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

## **20. TRI-BOROUGH WORKING**

The City of Westminster, London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea councils have combined certain parts of their operational areas to provide a more efficient service and greater resilience. One of the areas that has joined together has been the treasury and pension teams of the three boroughs.

The combined team was formed in February 2012 and is responsible for the management of the pension fund investments and the treasury operations across the three boroughs. The team is based at Westminster's offices.

The Pension Funds and Treasury operations will continue to be managed separately in accordance with Government Regulations and the current strategies agreed by the home boroughs who will continue to have sovereignty over decision making.

## **21. EVENTS AFTER THE BALANCE SHEET DATE**

At the 31st August 2012 the market value of the investments of the Fund had decreased to approximately £634.54 million due to the fall in global stock markets since the date of the balance sheet.

Since the reporting year end date the Local Government Association (LGA) and trade unions have announced the outcome of their negotiations on a new Local Government Pension Scheme for England & Wales. Among the proposals are changes to the accrual rate as well as the basis on which earnings are to be determined. The LGA and unions will now consult with their respective members, the successful outcome of which may lead the Government to go straight to a statutory consultation. Any final agreement is due to take effect on 1st April 2014.

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# ANNUAL GOVERNANCE STATEMENT

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# ANNUAL GOVERNANCE STATEMENT

## Scope of responsibility

Hammersmith & Fulham Council ("the Council") is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has reviewed its code of corporate governance, now implemented as a shadow document, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how the Council complies with the principles of corporate governance and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) [England] Regulations 2011 in relation to the publication of a statement of internal control.

## The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31st March 2012 and up to the date of approval of the annual report and statement of accounts.

## The governance framework

The key elements of the systems and processes that comprise the authority's governance arrangements are:

- Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

The Council approves its objectives and strategy through its executive (known as the Cabinet) and through decisions of the full Council in respect of certain defined matters such as the Council's budget. The meetings are open to the public except where personal, confidential or exempt matters (within a limited number of categories set out in legislation) are being discussed.

The principal publicly available documents setting out the Council's key objectives are the Borough's Community Strategy and the Council's Corporate Plan, and these can be accessed via the Council website.

- reviewing the authority's vision and its implications for the authority's governance arrangements.



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A review of the Council's constitution takes place each year at the Annual Council meeting. Amendments that arise in-year based on any change in focus to the Council's vision or where change in legislation affects existing governance arrangements, including where mandates are agreed for the purpose of TriBorough or BiBorough working, are presented to Hammersmith & Fulham Business Board, Cabinet, and Full Council for approval as required.

- measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources.

The authority continues to produce a range of local, national and operational performance indicators. These are reported to senior management as well as appropriate Member committees for review, which makes the information available to the general public.

- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.

The Council's constitution clearly documents the roles, functions, responsibilities and delegated powers of the Cabinet and Cabinet Members, Chief Officers, the scrutiny process, and of its "Key" decisions process (those which involve significant savings or expenditure or which have a significant impact). Key decisions are set out in a Forward Plan, which documents decisions likely to be taken in the next four months, and decisions are taken in public unless certain statutory 'exempt' items are taken to members for decision. Occasionally a situation will arise where a decision will need to be taken quickly, in which case it will form a Leader's Urgent Decision, reported at the next Cabinet meeting. Decisions, which are not classified as key, are taken either by Cabinet members or by officers using the delegated powers set out in the constitution. Cabinet Members' decisions are set out in a report signed by the relevant Cabinet Member and are available to the public. Certain matters e.g. planning, licensing and senior appointments must be dealt with by either a Committee that reflects the political balance of the council or officers as set out in the Constitution. All Key Decisions are accompanied by an Equality Impact Analysis and/or Equality Statement.

Policies other than those decided by the full Council under the Budget and Policy Framework are decided by the Cabinet. The Cabinet is responsible for all executive functions. Non-executive functions which are set out in regulations must be dealt with by committees of members or individual officers e.g. planning applications.

- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.

As required under the Local Government Act 2000, the Council has adopted a constitution, which is reviewed and re-published every year at the end of May. This sets out how the Council operates, how decisions are made, and contains procedures which ensure that these are efficient, transparent and accountable to local people. The Constitution includes a code of conduct for members (a national code, overseen by the Standards Board for England). In line with the Localism Act 2012, from July 2012 the Council's Standards Committee will be abolished and integrated into the Audit & Pensions Committee. A new process for dealing with complaints received against Councillors and co-opted members will be introduced. A new Members Code of Conduct promoting high standards of behaviour in the public life based upon the Seven Principles of Public Life will also be adopted. Members and officers will continue to be governed by the various additional local protocols contained within the Constitution.

The Council has an approved Anti-Fraud and Corruption Strategy that incorporates a Code of Conduct for Members and Officers. The strategy incorporates appropriate reporting procedures. Staff are provided with a copy of the officers' code of conduct upon taking up post with the council.

- reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.

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Standing Orders and Standing Financial Instructions form part of the Constitution. As such they are reviewed and approved annually. There is a framework of regular financial management information and reporting to all levels of management and to Members. In addition there are Financial Regulations and financial procedures in place, which are regularly reviewed, including the Contracts Standing Orders and a structure of Financial Delegations. These include appropriate checks and management monitoring to help ensure compliance.

- undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.

The Council has an established Audit & Pension and Standards Committee for the purposes of approving its accounts and considering audit and risk management matters generally. Its terms of reference form part of the Council's overall constitution. These are fully compliant with the CIPFA guidance.

- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

Regular reports are produced by the authority in compliance with current initiatives and external requirements.

Services are delivered by suitably experienced staff. All posts have a detailed job description, and professionally qualified finance staff are employed in key roles throughout the organisation. There is an internal audit service that undertakes reviews of and reports on the adequacy and effectiveness of internal control. This includes an annual, independent assurance statement by the Chief Internal Auditor giving their opinion on the authority's overall system of internal control. The Internal Audit Service has been subject to an independent annual review since financial year 2006/07.

All Cabinet reports are cleared by the Executive Director of Finance & Corporate Governance and by the Director (Legal Services) or a Lawyer in the Legal Services Department. The council has corporate boards, including scrutiny committees and partnership boards, whose role is to approve plans and monitor performance.

- whistle-blowing and for receiving and investigating complaints from the public.

The Council has a whistle blowing (confidential reporting) procedure in place and this has been communicated to all staff via the corporate Intranet. It has recently been reviewed, revised and republished.

Complaints procedures are clearly signposted on the Council's internet site. This 3 step protocol is managed by the Corporate Complaints Officer based in the Finance and Corporate Services Department.

The Council also has a Monitoring Officer whose role and responsibilities are clearly defined in legislation and in the Council's constitution. This officer is ably supported by the authority's Legal Services Division.

- identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

Members who are to sit on the planning and licensing committees are required to undertake specialist training before they are allowed to sit. Additional directed training is provided to Cabinet and Committee members as needed, as an example the Audit & Pensions and Standards Committee receives regular training eg in interpreting accounts and different pension investment fund vehicles. The Leader undertakes appraisal meetings with Cabinet Members annually from which additional training programmes may arise.

- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

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Many forms of consultation take place across the Council, as appropriate to the circumstances, aims of the exercise, and need to consult. For example, consultation exercises may be conducted when revisiting or determining new policy, or reconfiguring or ending service provision. For these kinds of exercises, the Council uses a variety of methods such as open sessions for the public, sessions for service users and groups with an interest in our proposals, and a web based consultation package, Citizen Space. Each year a Borough Residents' Survey takes place that acts as a test of satisfaction in relation to the council's overall performance and that of individual services. The Council uses an internal challenge process for budget setting, and conducts Equality Impact Assessments when changes are to be implemented. The Council produces performance and finance related material that is available in both hard copy and electronic format available either centrally, on request or through release at local libraries.

Where services have been delivered through significant partners such as the National Health Service, Inner North West London NHS, Central London Community Healthcare, G.P. Consortia, H & F Bridge Partnership for Information and communication technology, or through other Councils particularly the Royal Borough of Kensington and Chelsea and the City of Westminster, performance monitoring arrangements are in place and assurances of their internal governance arrangements have been reviewed.

The authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

## **Review of effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. A review of the main elements of the Council's entire governance framework has been completed and no significant issues found which is to be reported to the Council's Hammersmith & Fulham Business Board.

## **Control Assurances**

The Council has reviewed in detail the control assurances across the authority and of its significant delivery partners including its Tri and Bi Borough partners. The results of the review of the effectiveness of the Internal Control environment has been reported to the Audit & Pension Committee along with a plan to address weaknesses and ensure continuous improvement of the system is in place. In completing this review the following governance issues were identified:

### **1. Reconciliation of financial systems**

The Council has progressed well in redeveloping financial systems and processes over the past few years through the journey to World Class Financial Management (which strengthens the resource dedicated to this area) and the adoption of International Financial Reporting Standards. Improvements made over recent years have been sustained and demonstrate greater co-ordination and centralisation. Whilst some issues remain they can be classified as operational and no longer significant.

### **2. Business Continuity IT**

New business continuity arrangements have been put into place, user acceptance testing to increase IT resilience has also taken place and the system went live in 2011. An internal audit of business continuity was conducted following implementation and established a positive outcome. It is therefore no longer considered a significant control issue.

### **3. Contract Management**

Following a review conducted by Internal Audit improvements have been made that address control weaknesses identified in managing contracts for consultants. As improvements have been made that clarify the management policy, process, reporting and compliance this is no longer considered a significant control issue.

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#### **4. Information requests**

The provision of information in compliance with the Freedom of Information Act was been the subject of a review in 2011 from the Office of the Information Commissioner who sought a written undertaking from the council to improve the responsiveness to Information requests. In response the council has increased the resource, training and support in this area. The improvements in the control environment are such to no longer consider this a significant control issue.

#### **5. Health and Safety**

Substantial progress has achieved in the delivery of a reasonable Health & Safety environment. This has included enhanced training, support, resource and guidance provided by the Corporate Safety Team. Residual legacy risks, including a pending HSE prosecution, remain in relation to previously established control weakness and control of gas safety certification however the improvements in this area are such to no longer consider this a significant matter.

There is some evidence that health & safety action plans are not being implemented and that implementation is not effectively monitored. While proposals to improve the controls have been agreed and will being monitored by Hammersmith and Fulham Business Board, these arrangements are not fully established at this time.

#### **6. Theft of materials**

Metal theft increases when worldwide prices for scrap metal rise. Metal items are stolen for their value as raw materials and are ultimately scrapped, or recycled, to provide material for making new products. The recent instances of theft of metals in the White City Estate area affected 24 properties. The council is currently exploring the idea of using technology to mark valuable metals which would allow them to be identified as Council property. An Internal Audit report concludes that there is only a limited assurance in this area and that a number of control improvement recommendations need to be made.

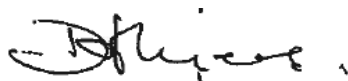
#### **7. Housing repairs and maintenance.**

Following recent investigations undertaken by Internal Audit, it has been established that there are some historic control weaknesses relating to the financial administration of the repairs and maintenance function. Work in this area is being conducted to gauge the extent to which charges have been correctly validated, and to refresh management procedures to ensure risks are appropriately mitigated.

#### **8. Local taxation**

A significant internal control issue has been identified in the council's system for business rates collection. A subsequent internal audit of the system concluded that there is only a limited assurance in this area currently. A number of control improvement recommendations have been made that are in the process of being implemented. Once these recommendations are addressed, the significant control issue will have been resolved.

The Council 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 as part of our next annual review.



**Chief Executive**



**Leading Member**

On behalf of Hammersmith & Fulham Council

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## **GLOSSARY OF TERMS**

### **ACCOUNTING PERIOD**

The timescale during which accounts are prepared. Local authority accounts have an overall accounting period of one year from 1st April to 31st 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 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 Act of Parliament and in professional codes and statements of recommended practice.

### **ACCRUALS**

An accounting principle where income and expenditure are taken into account in the year in which they are earned or incurred, rather than when monies are received and/or invoices are actually paid.

### **ACQUISITIONS**

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

### **ACTUARIAL VALUATION**

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 every three years.

### **AGENCY SERVICES**

Services provided by or for another local authority or public body where the cost of carrying out the service is reimbursed.

### **AMORTISATION**

The equivalent of depreciation for intangible assets.

### **ARMS LENGTH MANAGEMENT ORGANISATIONS (ALMOs)**

An ALMO is a not-for-profit housing management company that is wholly owned and controlled by a local authority – Hammersmith & Fulham Homes (HFH). The aim of an ALMO is to ensure that Councils invest their housing resources efficiently, economically and strategically to provide 'Decent Homes' for tenants.

### **APPROPRIATION**

The transfer of ownership of an asset, from one Service Area to another at an agreed (usually market or outstanding debt) value.

### **ASSET REGISTER**

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

### **AUDIT COMMISSION**

The body responsible for the appointment of external auditors to local authorities, coordinating audits throughout the country, setting standards and monitoring performance.

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**BALANCES**

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

**BUDGET**

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

**CAPITAL ADJUSTMENT ACCOUNT**

An account recording financing transactions relating to capital expenditure. This account is not available for general use to fund capital expenditure.

**CAPITAL EXPENDITURE**

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

**CAPITAL FINANCING**

This term describes the method of financing capital expenditure, the principal methods now being loan financing, leasing, capital receipts and Capital Resource Funds.

**CAPITAL FINANCING REQUIREMENT**

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

**CAPITALISATION**

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

**CAPITAL RECEIPTS**

Monies received from the sale of the Council's assets such as land and buildings. These receipts are used to pay for additional capital expenditure.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy is the accountancy body which represents at national level the interests of local government and public service finance. The Institute produces advice, codes of practice and guidance to local authorities on best practice.

**COLLECTION FUND**

A statutory account into which Council Tax and National Non-Domestic Rates are paid and from which amounts are paid to the Council and the precepting body, the Greater London Authority.

**COMMUNITY ASSETS**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

**CONTINGENT ASSET**

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

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**CONTINGENT LIABILITIES**

Possible losses that arise from past events which will only be confirmed by one or more uncertain future events not wholly within the council's control.

**CREDITORS**

Sums owed by the Authority for goods and/or services received, but for which payment has not been made by the end of the accounting period.

**CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

**DEBTORS**

Sums due to the Authority but not received by the end of the accounting period.

**DEFERRED CREDITS**

This is the term applied to deferred capital receipts and represents capital income still to be received. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years. The balance is reduced by the amount repayable in any financial year.

**DEFERRED LIABILITIES**

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

**DEPRECIATION**

A provision made in the accounts to reflect the value of assets used during the year. Depreciation forms part of the capital charge made to service revenue accounts.

**EARMARKED RESERVES**

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

**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**

The fair value of a fixed asset is the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**FINANCE & OPERATING LEASES**

A finance lease is one that transfers a substantial proportion of the risks and rewards of a fixed asset to the lessee. With a finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset. For an operating lease a rental payment is payable to the lessor for the use of the asset and the ownership reverts to the owner when the lease is terminated.

**FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT**

The adjustment account is used to equalise the impact of financial reporting standards for financial instruments on council tax over the life of financial instruments concerned.

**FINANCIAL INSTRUMENT**

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

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**FIXED ASSETS**

These are tangible and intangible assets that yield benefit to the Council and the services it provides for a period of more than a year.

**FORMULA GRANT**

Government subsidy to local authorities comprising two elements: Revenue Support Grant and redistributed National Non-Domestic Rates.

**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.

**GOVERNMENT GRANTS**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

**GROSS EXPENDITURE, GROSS INCOME AND NET EXPENDITURE**

Gross Expenditure and Gross Income arise from the provision of services as shown in the General Fund and exclude the Direct Services/Labour Organisation accounts. Net Expenditure is the cost of service provision after the income is taken into account.

**HERITAGE ASSET**

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

**HISTORIC COST**

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

**HOUSING REVENUE ACCOUNT**

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

**HOUSING SUBSIDY**

The grant payable by central government to local authorities to subsidise the cost of providing Council housing and the management and maintenance of that housing. The grant is paid into the Housing Revenue Account.

**IAS19 EMPLOYMENT BENEFITS (Formerly FRS17)**

This International Accounting Standard is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual payments will be made many years into the future.

**IMPAIRMENT**

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

**INFRASTRUCTURE ASSETS**

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

**INTANGIBLE ASSET**

Fixed assets that do not have physical substance but are identified and controlled by the Council, for example, purchased software licences.



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**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

The Accounting standards adopted by the International Accounting Standards Board (IASB). Local Authorities are required to produce full accounts using IFRS in 2010/11.

**INVESTMENT PROPERTIES**

Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential, with any rental income being negotiated at arm's length.

**LEVIES**

Payments to London-wide bodies such as the London Pension Fund 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.

**LPFA**

This is the acronym for the London Pensions Fund Authority.

**MAJOR REPAIRS ALLOWANCE (MRA)**

The Major Repairs Allowance is an element of Government subsidy payable to the Housing Revenue Account. It represents the capital cost of keeping the housing stock in its current condition. Unused Major Repairs Allowance is held in the Major Repairs Reserve (MRR) until required.

**MINIMUM REVENUE PROVISION (MRP)**

The minimum amount that the Council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes. In the accounts the MRP is included within capital financing charges.

**NATIONAL NON-DOMESTIC RATE (NNDR)**

The form of local taxation charged on non-residential premises at a level set by the Government. Rates are collected and paid into a central pool administered by the Government. The total collected is then redistributed to local authorities on the basis of population.

**NET BOOK VALUE**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**NET REALISABLE VALUE**

The open market value of the asset less the expenses to be incurred in realising the asset.

**OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility of for the service or strategic objectives of the authority.

**OUTTURN**

Actual income and expenditure in a financial year.

**PAST SERVICE COST**

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 improvements to, retirement benefits.

**PRIVATE FINANCE INITIATIVE (PFI)**

A contract between a public body, in our case the Council, and a private company. The private sector makes a capital investment in the assets required to deliver improved services.

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**POOLING ARRANGEMENTS (CAPITAL RECEIPTS)**

Since 1st April 2004, 75% of 'Right to Buy' capital receipts have to be paid to the DCLG; the remaining element can be used to finance capital expenditure. A proportion of other housing receipts must also be paid over unless it is intended to use the receipts for affordable housing or regeneration projects.

**POST BALANCE SHEET EVENTS**

Events arising after the balance sheet date should be reflected in the statement of accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included.

**PRECEPT**

A precept is a charge raised by another Authority to meet its net expenditure. The precepting Authority for this Council is the Greater London Authority (GLA). The GLA calculates its total spending needs for the year and sets its own council tax in the same way as a London Borough. Each Billing authority then collects the tax for them.

**PRIOR PERIOD ADJUSTMENTS**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

**PROVISIONS**

A provision is an amount set aside in the accounts for liabilities anticipated in the future which cannot always be accurately quantified. FRS 12 defines a provision as a present obligation as the result of a past event; where it is probable that the transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of that obligation.

**PUBLIC WORKS LOAN BOARD (PWLB)**

A central government agency which provides long and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

**RELATED PARTIES**

Related Parties are those individuals and entities that the Council either has the ability to influence, or to be influenced by. Related parties include the Government, subsidiary and associated companies, the Pension Fund, Councillors and senior offices.

**RESERVES (UNUSABLE)**

Unusable reserves are reserves that in simple terms balance the Council's Balance Sheet and cannot be released to spend on services. For example, the Revaluation Reserve records the effect of revaluing fixed assets and is not available for general use in the financing of capital expenditure.

**RESERVES (USABLE)**

Usable reserves are those reserves that can be released to spend on services or added to for future spending on services.

**REVENUE CONTRIBUTIONS TO CAPITAL OUTLAY (RCCO)**

The use of revenue monies to pay for capital expenditure – also known as Direct Revenue Financing (DRF).

**REVENUE EXPENDITURE**

Expenditure on day to day items such as salaries, wages and running costs. These items are paid for from service income, RSG, NNDR and Council Tax. Under the Local Government Finance Act all expenditure is deemed to be revenue unless it is specifically classified as capital.

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**REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)**

Expenditure that is treated by the regulations as capital expenditure but which does not meet the definition of capital expenditure in the Statement of Recommended Practice.

**REVENUE SUPPORT GRANT (RSG)**

The main grant payable to support local authorities' revenue expenditure. A local authority's RSG entitlement is intended to make up the difference between expenditure and income from the NNDR pool and Council Tax. Revenue Support Grant is distributed as part of Formula Grant.

**RIGHT TO BUY**

The council is legally required to sell council homes to tenants, at a discount, where the tenant wishes to buy their home. The money received from the sale is a capital receipt of which only 25% can be spent on capital expenditure. The remaining 75% must be paid over to the DCLG under pooling arrangements.

**SECTION 151 OFFICER**

A term used to describe the chief financial officer, whose responsibilities are set out in the Statement of Responsibilities for the Statement of Accounts. The Council's chief financial officer is the Executive Director of Finance and Corporate Governance.

**SERVICE REPORTING CODE OF PRACTICE (SeRCOP)**

CIPFA's Service expenditure Reporting Code of Practice, which provides guidance on financial reporting to stakeholders and establishes 'proper practice' with regard to consistent financial reporting.

**STOCKS**

The amount of unused or unconsumed stocks held in expectation of future use.

**SUPPORTED CAPITAL EXPENDITURE**

This is capital expenditure funded by government, either as a one-off capital grant or as part of the annual RSG settlement to cover the financing costs of monies borrowed.

**TRANSFER PAYMENTS**

A payment to a person or organisation that does not result in a reciprocal benefit or service being provided to the council. The main examples are housing and council tax benefit. In most cases the cost of transfer payments is either fully or partially reimbursed by Central Government.

**USEFUL LIFE**

The period over which the Council will derive benefits from the use of a fixed asset.

**WRITE-OFFS**

Income is recorded in the Council's accounts on the basis of amounts due. When money owing to the Council cannot be collected the income is already showing in the accounts and has to be reduced or written off.