
STATEMENT OF ACCOUNTS

2012/13

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

We have audited the financial statements of London Borough of Hammersmith and Fulham for the year ended 31 March 2013 on pages 8 to 116. 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 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of the Executive Director of Finance and Corporate Governance's Responsibilities, 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. Our 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 us 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 and the Pension 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, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2013 and of the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013 and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 104 to 110 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

Conclusion on London Borough of Hammersmith and Fulham's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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.

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to 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.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, London Borough of Hammersmith and Fulham put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Delay in certification of completion of the audit

The audit cannot be formally concluded and an audit certificate issued as we are considering a number of objections relating to the 2012/13 financial years. Until we have completed our consideration of these, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Michael McDonagh
for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL

30 September 2013

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

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2013 issued on 30 September 2013 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of the Authority as at 31 March 2013 and of its expenditure and income for the year then ended;
- gave a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Issue of value for money conclusion

In our audit report for the year ended 31 March 2013 issued on 30 September 2013 we reported that, in our opinion, in all significant respects, London Borough of Hammersmith & Fulham had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Certificate

In our report dated 30 September 2013, we explained that we could not formally conclude the audit on that date until we had considered a number of objections relating to the 2012/13 financial years. We have now completed this work. No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion.

We certify that we 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.

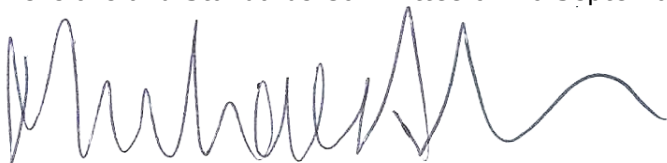
Andrew Sayers
for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

12 December 2013

**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 26 September 2013

A handwritten signature in black ink, appearing to read 'Michael Adam', with a stylized flourish at the end.

Councillor Michael Adam
26 September 2013

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 2012/13 and its Balance Sheet at 31 March 2013. This covers the General Fund, Collection Fund, Housing Revenue Account and the Pension 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 2013. 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 2013 (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 2012/13 includes:

- A General Fund under-spend of £7.2m million after departmental carry forwards of £4.1 million;
- General Fund and earmarked reserves at 31 March 2013 of £80 million; and
- A stable balance sheet (total net assets have decreased, but due substantially to the annually updated and volatile net pension liability).

2012/13 BUDGET

5 Annually, the Council sets the budget. In brief, the 2012/13 budgets included:

- A Council Tax reduction of 3.75%;
- Savings of nearly £23 million off-setting cost pressures and grant losses; which produced a revenue budget requirement of £200 million funded from Council Tax, Formula Grant and Core Grants from government within a gross budget of £690 million.

REVENUE SPENDING

6 The 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 £7.2m, reflecting a 1 per cent under-spending by departments after agreed carry forwards of budgets to 2013/14 of £4.1 million. The balance of the under-spend has been transferred to the Efficiency reserve, the Dilapidations reserve, the VAT reserve, the Temporary Accommodation reserve, the Support to Children Leaving Care reserve, the Managed Services Reserve and the Housing Benefit reserve.

8 The summary outturn position is as set out below:

Department	Budget	Actual	Over/ (Under) Spend
	£'000	£'000	£'000
Children's Services	62,866	62,638	(228)
Unaccompanied Asylum Seeking Children	1,519	1,519	-
Adult Social Care	76,106	74,974	(1,132)
Housing and Regeneration	8,284	7,647	(637)
Transport and Technical Services	20,023	20,023	-
Controlled Parking Account	(19,230)	(19,230)	-
Environment, Leisure and Residents Services	36,024	36,024	-
Finance and Corporate Services	18,552	18,354	(198)
Centrally Managed Budgets	27,282	22,232	(5,050)
Net Operating Expenditure	231,426	224,181	(7,245)
Contingencies Not Drawn Down	4,100	-	(4,100)
	235,526	224,181	(11,345)
Capital Financing and Accounting Adjustments	(28,453)	(28,453)	-
Net Contribution to Earmarked Reserves	(5,288)	5,494	10,782
Net Contribution to General Reserves	-	563	563
Total Net Expenditure	201,785	201,785	-
Funded by:			
Formula Grant	116,541	116,541	-
Core Grants	22,021	22,021	-
Council Tax	63,223	63,223	-
Total Funding	201,785	201,785	-
Final Position	-	-	-

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 loss of £0.8 million and decreased its working balance by the same amount. Full details are set out in the Statement of Accounts.

31 MARCH 2013 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.

	31 March 2013	31 March 2012
	£m	£m
Long Term Assets	1,428	1,482
Current Assets	310	211
Current Liabilities	(153)	(115)
Net Pension Liabilities	(503)	(420)
Other Long Term Liabilities	(281)	(318)
Net Assets	801	840
Represented by:		
Usable Reserves	(177)	(97)
Unusable reserves	(624)	(743)
Total Reserves	(801)	(840)

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

	2012/13 £m
General Fund Balance	(18)
General Fund Earmarked Reserves	(59)
HRA Balance and Earmarked Reserves	(8)
Schools Reserves	(19)
Capital Reserves (Receipts and Grants)*	(73)
Total	(177)

* Capital Reserves include £38m of DfE Basic Needs grant funding held for use on ongoing planned Schools projects.

CAPITAL SPENDING AND FUNDING

- 12 In 2012/13, the actual capital expenditure (outturn) totalled £57.393 million. The table below summarises capital expenditure by service area:

Department	2012/13 £'000
Adult Social Care	1,117
Children's Services	14,948
Environment, Leisure and Resident's Services	4,422
Finance and Corporate Services	-
Housing Revenue Account Programme	24,722
Housing and Regeneration (Decent Neighbourhoods Programme)**	3,979
Transport and Technical Services**	8,205
Total	57,393

** Programmes include expenditure on HRA assets: Decent Neighbourhoods: £1,089k; TTS: £37k

13 The financing of the capital expenditure incurred in 2012/13 is summarised in the table below:

Capital Financing

	£'000
Capital receipts	19,899
Capital grants from central government departments	13,861
Major Repairs Reserve (MRR) / Major Repairs Allowance (MRA)	9,958
Grants and contributions from developers and from leaseholders, etc.	8,743
Capital funding from GLA bodies	3,237
Council reserves	553
Housing Revenue Account	539
Grants and contributions from non-departmental public bodies	520
Capital grants from the National Lottery	65
General Fund Revenue Account	18
Total	57,393

The Council remains committed to a strategy to reduce debt. No new borrowing was entered into in 2012/13 and no new borrowing is forecast for the next four years in line with the current Capital Programme. Debt reduction continues to be funded from capital receipts. The Capital Programme is largely funded from specific capital grants with a supporting element funded from capital receipts.

ACCOUNTING POLICIES

- 14 The 2012/13 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 2012/13 (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 19 to 34. These are substantially unchanged from 2011/12.

GROUP ACCOUNTS

- 16 As with the 2011/12 Statement of Accounts, Group Accounts have not been included in the 2012/13 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 an Associate. Details on the total 2012/13 net assets and profit and loss for HFBP (with 2011/12 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.

FUTURE OUTLOOK

- 17 For 2013/14 the Council has reduced its Council Tax by 3%. Funding reductions and cost pressures were matched by £21 million in budget reductions - bringing total budget reductions to £44 million over two years.
- 18 The national economic outlook remains challenging. The implications of the 2013 Government Spending Review will be assessed, once it has been announced, whilst the Council will carefully review how the new business rates retention scheme (introduced from 1st April 2013) impacts on it. Despite these challenges, the Council remains well positioned in a demanding environment.

-
- 19 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 £61 million in savings over the period 2013/14 to 2015/16, including £23.6 million in savings for 2014/15. 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.
- 20 The Council's 2013/14 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 £14m - £20m. The actual balances carried forward at the close of 2012/13 are £18m.



Jane West

Executive Director of Finance and Corporate Governance
26 September 2013

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 2013 and income and expenditure for the year for the financial year 2012/13.



Jane West
Executive Director of Finance and Corporate Governance
26 September 2013

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	Schools Balance	Earmarked Reserves	Capital Grants Unapplied	Housing Revenue Account (HRA)	Major Repairs Reserve	Capital Receipts Reserve	Capital Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2011	(16,070)	(13,675)	(42,423)	(5,511)	(3,107)	-	(3,456)	(997)	(85,239)	(585,508)	(670,747)
Movement in Reserves during 2011/12											
(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
Total Comprehensive Income and Expenditure	(12,566)	2,628	-	-	(229,678)	-	-	-	(239,616)	70,166	(169,450)
Adjustments between accounting basis & funding basis under regulations	7	(8)	-	1,698	227,661	-	(1,705)	-	227,646	(227,647)	(1)
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(12,574)	2,628	-	1,698	(2,017)	-	(1,705)	-	(11,970)	(157,481)	(169,451)
Transfers (to)/from Earmarked Reserves	8	11,206	(1,436)	(10,000)	30	94	-	-	117	11	(11)
(Increase)/Decrease in 2011/12	(1,368)	1,192	(10,000)	1,728	(1,923)	-	(1,705)	117	(11,959)	(157,492)	(169,451)
Balance at 31 March 2012	(17,438)	(12,483)	(52,423)	(3,783)	(5,030)	-	(5,161)	(880)	(97,198)	(743,000)	(840,198)
Movement in Reserves during 2012/13											
(Surplus) or Deficit on Provision of Services	(13,647)	-	-	-	(26,364)	-	-	-	(40,011)	-	(40,011)
Other Comprehensive Income and Expenditure	-	4,360	-	-	-	-	-	-	4,360	75,028	79,388
Total Comprehensive Income and Expenditure	(13,647)	4,360	-	-	(26,364)	-	-	-	(35,651)	75,028	39,377
Adjustments between accounting basis & funding basis under regulations	7	(5,296)	844	-	(42,436)	23,567	(5,707)	(15,333)	-	(44,361)	44,361
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(18,943)	5,204	-	(42,436)	(2,797)	(5,707)	(15,333)	-	(80,012)	119,389	39,377
Transfers (to)/from Earmarked Reserves	8	18,381	(11,527)	(10,418)	-	3,564	-	-	-	0	-
(Increase)/Decrease in 2012/13	(562)	(6,323)	(10,418)	(42,436)	767	(5,707)	(15,333)	-	(80,012)	119,389	39,377
Balance at 31 March 2013 carried forward	(18,000)	(18,806)	(62,841)	(46,219)	(4,263)	(5,707)	(20,494)	(880)	(177,210)	(623,611)	(800,821)

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.

	Year Ended 31 March 2013			Year Ended 31 March 2012			
	Notes	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Central services to the public		26,492	(21,061)	5,431	27,770	(25,500)	2,270
Cultural and Related Services		14,356	(4,647)	9,709	14,398	(3,255)	11,143
Environment and Regulatory Services		35,624	(7,400)	28,224	32,375	(5,111)	27,264
Planning Services		14,312	(8,335)	5,977	12,115	(6,170)	5,945
Education and children's services		216,830	(163,700)	53,130	212,266	(145,477)	66,789
Highways and transport services		39,467	(36,081)	3,386	37,042	(35,081)	1,961
Local authority housing (HRA)		66,932	(80,217)	(13,285)	70,823	(83,905)	(13,082)
Other housing services		182,600	(171,881)	10,719	181,909	(167,333)	14,576
Adult social care		110,808	(28,986)	81,822	105,591	(27,170)	78,421
Corporate and democratic core		7,064	(203)	6,861	5,770	(131)	5,639
Non distributed costs - General		3,760	(1,894)	1,866	4,877	(1,834)	3,043
Cost of Services		718,245	(524,405)	193,840	704,936	(500,967)	203,969
Other Operating Expenditure	11	12,643	(1,903)	10,740	4,327	(36,877)	(32,550)
Financing and investment income and expenditure: Other	12	63,422	(38,904)	24,518	77,132	(62,753)	14,379
Financing and investment income and expenditure: HRA Self-Financing Settlement (Premium)	10/12	-	-	-	53,989	-	53,989
Taxation and non-specific grant income: Other	13	-	(269,109)	(269,109)	-	(230,688)	(230,688)
Taxation and non-specific grant income: HRA Self-Financing Settlement (Principal and Premium Credit)	10/13	-	-	-	-	(251,343)	(251,343)
(Surplus) or Deficit on Provision of Services				(40,011)			(242,244)
Surplus or deficit on revaluation of Property, Plant and Equipment assets				(1,401)			(20,113)
Surplus or deficit on revaluation of available for sale financial assets				-			-
Actuarial gains/losses on pension assets / liabilities	34			76,429			90,279
Schools converted to Academy Status	10			4,360			2,628
Other Comprehensive Income and Expenditure				79,388			72,794
Total Comprehensive Income and Expenditure				39,377			(169,450)

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 2013	31 March 2012	1 April 2011
		£000	£000	£000
Property, Plant and Equipment	14	1,346,657	1,393,132	1,391,526
Heritage Assets	17	8,023	8,023	8,023
Investment Property	15	70,227	77,520	62,448
Intangible Assets	16	931	1,194	1,398
Assets Held for Sale		-	-	-
Long Term Investments	27	100	100	2,816
Long Term Debtors	27	2,256	2,373	3,312
Long Term Assets		1,428,194	1,482,342	1,469,523
Assets Held for Sale	23	15,227	19,313	234
Short Term Investments	27	122,197	25,503	30,413
Short Term Debtors	21	67,038	65,371	62,055
Inventories		114	190	209
Cash and Cash Equivalents	22	104,946	101,016	58,600
Current Assets		309,522	211,393	151,511
Bank Overdraft	22	(8,394)	(849)	(4,329)
Short Term Borrowing	27	(15,513)	(3,891)	(21,855)
Short Term Creditors	24	(118,543)	(107,803)	(95,500)
Provisions	26	(3,593)	(865)	(590)
Grants and Contributions Receipts in Advance	37	(6,602)	(2,020)	(4,756)
Current Liabilities		(152,645)	(115,428)	(127,030)
Long Term Borrowing	27	(250,751)	(262,303)	(459,670)
Long Term Creditors	27	(100)	(100)	(100)
Provisions	26	(1,757)	(3,038)	(2,644)
Other Long Term Liabilities	25	(513,594)	(431,460)	(337,580)
Grants and Contributions Receipts in Advance	37	(18,048)	(41,208)	(23,263)
Long Term Liabilities		(784,250)	(738,109)	(823,257)
NET ASSETS		800,821	840,198	670,747
Usable Reserves	7	(177,210)	(97,198)	(85,239)
Unusable Reserves	7	(623,611)	(743,000)	(585,508)
TOTAL RESERVES		(800,821)	(840,198)	(670,747)

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	31 March 2013	31 March 2012
		£000	£000
Net surplus or (deficit) on the provision of services		40,011	242,244
Adjustments to net surplus or deficit on the provision of services for non-cash movements	29	58,533	(172,609)
Adjust for items in the net deficit on the provision of services that are investing or financing activities		(54,970)	(47,691)
Net cash flows from Operating Activities	29	43,574	21,944
Investing Activities			
Purchase of Property, plant and equipment, investment property and intangible assets		(43,521)	(55,130)
Purchase of short-term and long-term investments		(96,694)	-
Proceeds from sale of property, plant and equipment, investment property and intangible assets		54,970	47,691
Proceeds from short-term and long-term investments		-	7,626
Other receipts from investing activities		54,937	32,046
Net cash flows from Investing Activities		(30,308)	32,233
Financing Activities			
Cash receipts of short and long term borrowing		-	-
Other receipts from financing activities		256	10,089
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(1,947)	(885)
Repayments of short and long term borrowing		286	(17,485)
Other payments for financing activities		(15,477)	-
Net cash flows from Financing Activities		(16,882)	(8,281)
Net increase or (decrease) in cash and cash equivalents		(3,616)	45,896
Cash and cash equivalents at the beginning of the reporting period		100,167	54,271
Cash and cash equivalents at the end of the reporting period	22	96,551	100,167

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 2012/13 (the Code) and the Service Reporting Code of Practice 2012/13 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013.

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 sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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.

1. Statement of Accounting Policies (cont'd)

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.

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 2012/13 (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.

1. Statement of Accounting Policies (cont'd)

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.

vii. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the 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).

1. Statement of Accounting Policies (cont'd)

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).

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).

1. Statement of Accounting Policies (cont'd)

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.

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 5 to 60 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 2 to 25 years.
- Community Assets are generally depreciated over a 3 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.

1. Statement of Accounting Policies (cont'd)

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.

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). 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.

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.

1. Statement of Accounting Policies (cont'd)

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.

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).

1. Statement of Accounting Policies (cont'd)

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.

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.

1. Statement of Accounting Policies (cont'd)

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.

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 the Council's existing PFI scheme (which provides services for vulnerable older people in the borough) the liability was written down by an initial capital contribution of £2.9m.

Non-current 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 8-17% 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.

1. Statement of Accounting Policies (cont'd)

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.

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.

1. Statement of Accounting Policies (cont'd)

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.

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 material 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.

1. Statement of Accounting Policies (cont'd)

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.

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. (Since 2011/12 this has included the former Hammersmith & Fulham Homes (HFH) Pension Fund).
- Also under the Local Government Pension Scheme: the London Pensions Fund Authority (LPFA) Pension Fund, administered by the LPFA.
- 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.

1. Statement of Accounting Policies (cont'd)

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 4.4% (5.5% in 2011/12). 2012/13 is based on the annualised yield at the 20 year point on the Merrill Lynch AA rated corporate bond curve. This is updated from previous years when the indicative rate of return on high quality corporate bond iBoxx AA rated over 15 year corporate bond index was used, but remains consistent with IAS19 requirements.
- 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.
 - **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.

1. Statement of Accounting Policies (cont'd)

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.

xviii. 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.

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.

1. Statement of Accounting Policies (cont'd)

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 2012/13. Companies in which the Council has an interest are detailed in Note 39 to the Core Financial Statements. Group Accounts have not been 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.

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.

1. Statement of Accounting Policies (cont'd)

xxiv. EXCEPTIONAL ITEMS

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom has introduced several changes in accounting policies which will be required from 1 April 2013, the following changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

- IAS1 Presentation of Financial Statements - The changes are presentational only and require authorities to disclose separately the gains or losses reclassifiable into the Surplus or Deficit on the Provision of Services.
- IAS 12 Income Taxes - This change in the accounting policy relates to deferred tax. It is not considered that this change will affect the Statement of Accounts as the Council does not prepare Group Accounts.
- IFRS 7 Financial Instruments: Disclosures - The change in accounting policy is in relation to the offsetting of financial assets and liabilities. No significant changes are expected as the clarifications regarding the presentation of bank overdrafts does not impact the Council.

The adoption of the 2011 Amendments to IAS19 Employee Benefits by the Code will result in changes to the related accounting policies from 1 April 2013. The key changes affecting Local Government Pension Scheme (LGPS) employers relate to the charges to the Comprehensive Income and Expenditure account (CIES). In summary the main non-presentational changes are:

- removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate
- administration expenses are now accounted for within the CIES charge (previously this was deducted from the actual and expected returns on assets).

For 2012/13 this would have resulted in a £8.9m expense increase in the CIES and a £0.6m increase in the actual return on scheme assets. However, there would be no impact on the Council's overall balance sheet as these costs are met by the Pension Fund.

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:

Funding

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 as a result of a need to close facilities and reduce levels of service provision.

Joint-Working Arrangements

The Council is entering into joint working 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.

3. Critical Judgements in Applying Accounting Policies (cont'd)

Accounting for Schools - Balance Sheet Recognition of Schools

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.

Accounting for Schools - Transfer of Schools to Academy Status

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

Accounting for Schools - Transfer of Capital Grants

When an unconditional capital grant is passed to a school within the Council's accounting boundary, and remains unspent at the year-end, the Council has taken a view to account for this within Schools' Reserves as opposed to Capital Grants Unapplied.

Capital Charges associated with HRA Non-Dwelling Assets

In 2012/13, as part of transitional funding arrangements in the Housing Revenue Account (HRA), the Department for Local Government and Communities (DCLG) determined that the depreciation of non-dwelling assets should impact on the HRA balance. This determination was later extended to cover revaluation losses. Previously, such costs were neutralised to the Capital Adjustment Account (CAA). The Council, in complying with this determination, has taken a view that, in order to apply it consistently, it should also apply to revaluation gains. Gains incurred on investment properties have been reserved in an earmarked reserve - seeing that no revaluation reserve is available - which will be held to mitigate against future potential losses. The Council has taken a view that the DCLG determination does not extend gains and losses incurred on disposal. The Council has not adjusted the CAA to remove any funding associated with non-dwellings which has been reserved there.

Investment Properties

Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.

Group Accounts

The group boundaries have been estimated using the criteria associated with the Code of Practice. In line with the Code the Council has not identified any companies within the group boundary that would require it to complete Group Accounts on grounds of materiality.

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 2013 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 2013/14 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 net book value of Council Dwellings (£88.6 million) would result in a reduction of the Revaluation Reserve of £2.8 million and a £85.9 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 £1.293 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 Reporting Period

The audited Statement of Accounts have been prepared up to 31 March 2013. They were authorised for issue by the Executive Director of Finance & Corporate Governance on 26 September 2013. There are no material adjusting or non-adjusting 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 SeRCOP. However, decisions about resource allocation are taken by the Council's Business Board 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:

Department Income and Expenditure 2012/13	Children's Services (Including Unaccompanied Asylum Seekers Children)	Adult Social Care	Housing and Regeneration	Finance and Corporate Services	Centrally Managed Budgets	Transport and Technical Services (Including Controlled Parking Services)	Environment, Leisure & Residents' Services	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Customer & Client Receipts	(3,674)	(1,174)	(11,909)	(2,049)	(836)	(40,744)	(8,692)	(78,030)	(147,108)
Government Grants	(129,959)	(361)	(3,518)	(916)	(164,786)	-	-	(5,437)	(304,977)
Internal Recharge Income	(591)	(1,942)	(287)	(4,501)	-	(8,752)	(3,016)	(96)	(19,185)
Other Reimbursements & Contributions	(24,134)	(23,600)	(1,293)	(1,315)	(14,426)	(4,005)	(2,910)	(1,194)	(72,877)
Total Income	(158,358)	(27,077)	(17,007)	(8,781)	(180,048)	(53,501)	(14,618)	(84,757)	(544,147)
Capital Charges	15,880	801	1,317	608	-	12,186	2,457	16,209	49,458
Employee Expenses	107,069	15,619	7,574	20,724	10,208	19,177	8,796	16,016	205,183
Other	-	1,287	-	127	5,378	30	972	14,939	22,733
Premises Related Expenditure	14,213	972	7,687	3	18	7,062	5,594	21,767	57,316
Supplies and Services	28,813	22,246	2,091	4,903	6,791	7,613	2,668	5,641	80,766
Support Services	9,058	4,525	1,951	(29,329)	3,459	(920)	4,457	6,430	(369)
Third Party Payments	31,208	46,675	1,516	21,016	-	8,779	23,549	416	133,159
Transfer Payments	3,322	9,002	2,500	9,052	176,425	1	-	322	200,624
Transport Related Expenditure	1,403	924	18	31	1	366	2,149	221	5,113
Use of Balances & Reserves	11,549	-	-	-	-	-	-	2,796	14,345
Total Expenditure	222,515	102,051	24,654	27,135	202,280	54,294	50,642	84,757	768,328
Net Expenditure	64,157	74,974	7,647	18,354	22,232	793	36,024	-	224,181

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

Department Income and Expenditure 2011/12	Children's Services (Including Unaccompanied Asylum Seekers Children) £000	Adult Social Care £000	Housing and Regeneration £000	Finance and Corporate Services £000	Centrally Managed Budgets £000	Transport and Technical Services (Including Controlled Parking Services) £000	Environment, Leisure & Residents' Services £000	Housing Revenue Account £000	Total £000
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)
Total Income	(145,344)	(28,677)	(14,389)	(15,353)	(179,890)	(56,186)	(13,388)	(282,586)	(735,813)
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
Total Expenditure	213,700	107,124	21,741	33,662	178,491	56,703	51,689	282,586	945,696
Net Expenditure	68,356	78,447	7,352	18,309	(1,399)	517	38,301	-	209,883

(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.

	2012/13 £000	2011/12 £000
Net expenditure in the Department Analysis	224,181	209,883
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	(321)	-
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(30,020)	(5,914)
Cost of Services in Comprehensive Income and Expenditure Statement	193,840	203,969

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
2012/13								
Customer & Client Receipts	(147,108)	-	-	2,922	-	(144,186)	(2,922)	(147,108)
Government Grants	(304,977)	-	-	5,392	-	(299,585)	(90,200)	(389,785)
Internal Recharge Income	(19,185)	-	-	2,579	-	(16,606)	(2,579)	(19,185)
Other Reimbursements & Contributions	(72,877)	-	-	730	-	(72,147)	(2,091)	(74,238)
Interest and Investment Income	-	-	-	-	-	-	(1,576)	(1,576)
Pension Expected Return on Assets	-	-	-	-	-	-	(35,921)	(35,921)
Other Operating Income	-	-	-	-	-	-	(14)	(14)
Income from Council Tax	-	-	-	-	-	-	(63,223)	(63,223)
Income from NNDR	-	-	-	-	-	-	(114,324)	(114,324)
Total Income	(544,147)	-	-	11,623	-	(532,524)	(312,850)	(845,374)
Capital Charges	49,458	-	4,836	(73)	-	54,221	73	54,294
Employee Expenses	205,183	-	(5,157)	(999)	-	199,027	999	200,026
Other	22,733	-	-	(22,733)	-	-	-	-
Premises Related Expenditure	57,316	-	-	(167)	-	57,149	167	57,316
Supplies and Services	80,766	-	-	(869)	-	79,897	869	80,766
Support Services	(369)	-	-	(886)	-	(1,255)	886	(369)
Third Party Payments	133,159	-	-	(1,436)	-	131,723	1,256	132,979
Transfer Payments	200,624	-	-	-	-	200,624	-	200,624
Transport Related Expenditure	5,113	-	-	(153)	-	4,960	153	5,113
Use of Balances & Reserves	14,345	-	-	(14,327)	-	18	-	18
Interest Payments	-	-	-	-	-	-	16,301	16,301
Precepts and Levies	-	-	-	-	-	-	2,361	2,361
Pension Interest Cost	-	-	-	-	-	-	47,121	47,121
Payments to the Housing Receipts Capital Receipts Pool	-	-	-	-	-	-	1,825	1,825
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	8,396	8,396
Income and expenditure in relation to investment properties and changes in their fair value	-	-	-	-	-	-	(1,408)	(1,408)
Total Expenditure	768,328	-	(321)	(41,643)	-	726,364	78,999	805,363
Surplus or deficit on the provision of services	224,181	-	(321)	(30,020)	-	193,840	(233,851)	(40,011)

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
2011/12								
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)
Total Income	(735,813)	-	-	206,273	-	(529,540)	(526,172)	(1,055,712)
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)
Total Expenditure	945,696	-	-	(212,187)	-	733,509	79,959	813,468
Surplus or deficit on the provision of services	209,883	-	-	(5,914)	-	203,969	(446,213)	(242,244)

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 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
Balance at 1 April 2011	(16,070)	(13,675)	(42,423)	(5,511)	(3,107)	-	(3,456)	(997)	(85,239)
Surplus or (deficit) on the provision of services	(12,566)	-	-	-	(229,678)	-	-	-	(242,244)
Upward revaluation of assets	-	-	-	-	-	-	-	-	-
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	-	-	-	-	-	-	-	-	-
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
Total Comprehensive Income and Expenditure	(12,566)	2,628	-	-	(229,678)	-	-	-	(239,616)
Adjustments between accounting basis & funding basis under regulations									
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	-	-	-	-	-	-	-	-	-
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
Total Adjustments between accounting basis & funding basis under regulations	(8)	-	-	1,698	227,661	-	(1,705)	-	227,646
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(12,574)	2,628	-	1,698	(2,017)	-	(1,705)	-	(11,970)
Transfers (to)/from Earmarked Reserves (Note 8)	11,206	(1,436)	(10,000)	30	94	-	-	117	11
(Increase)/Decrease in year	(1,368)	1,192	(10,000)	1,728	(1,923)	-	(1,705)	117	(11,959)
Balance at 31 March 2012 carried forward	(17,438)	(12,483)	(52,423)	(3,783)	(5,030)	-	(5,161)	(880)	(97,198)

7. Adjustments between Accounting Basis and Funding Basis under Regulations (cont'd)
Movement on Usable Reserves 2012/13

	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
Balance at 1 April 2012	(17,438)	(12,483)	(52,423)	(3,783)	(5,030)	-	(5,161)	(880)	(97,198)
Surplus or (deficit) on the provision of services	(13,647)	-	-	-	(26,364)	-	-	-	(40,011)
Surplus or deficit on revaluation of Property, Plant and Equipment assets	-	-	-	-	-	-	-	-	-
Impairment losses on non-current assets charged to the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Accumulated gains on assets sold or scrapped	-	-	-	-	-	-	-	-	-
Actuarial gains or losses on pensions assets and liabilities	-	-	-	-	-	-	-	-	-
Schools converted to Academy Status	-	4,360	-	-	-	-	-	-	4,360
Total Comprehensive Income and Expenditure	(13,647)	4,360	-	-	(26,364)	-	-	-	(35,651)
Adjustments between accounting basis & funding basis under regulations									
Depreciation of Property, Plant and Equipment	(19,464)	-	-	-	(395)	-	-	-	(19,859)
Amortisation of Intangible Assets	(253)	-	-	-	(48)	-	-	-	(301)
Dwelling Depreciation	-	-	-	-	15,350	(15,350)	-	-	-
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	-	(15,034)	(315)	-	-	(15,349)
Impairment/Revaluation losses (charged to the CIES)	(5,908)	-	-	-	(356)	-	-	-	(6,264)
Revenue expenditure funded from capital under statute (REFCUS)	(12,460)	-	-	-	(60)	-	-	-	(12,520)
Movements in the market value of investment properties	1,103	-	-	-	(940)	-	-	-	163
Difference between fair value depreciation and historical cost depreciation	-	-	-	-	-	-	-	-	-
Capital grants and contributions applied	9,946	-	-	217	5,212	-	-	-	15,375
Capital grants and contributions applied (REFCUS)	10,660	-	-	76	-	-	-	-	10,736
Use of capital receipts reserve to finance capital expenditure (including REFCUS)	-	-	-	-	-	-	19,898	-	19,898
Use of capital reserve to finance capital expenditure	-	-	-	-	-	-	-	-	-
Capital expenditure charged against the General Fund and HRA balances	583	844	-	-	-	-	-	-	1,427
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	9,958	-	-	9,958
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (CIES)	42,729	-	-	(42,729)	-	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(43,879)	-	-	-	(18,570)	-	-	-	(62,449)
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	16,755	-	-	-	40,166	-	(57,890)	-	(969)
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (In-Year)	(431)	-	-	-	(440)	-	871	-	-
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	-	-	-	-	-	-	(81)	-	(81)
Deferred costs in respect of disposals transferred to the CAA	(472)	-	-	-	(1,526)	-	-	-	(1,998)
Release of Deferred costs from CAA to UCR upon receipt of cash	-	-	-	-	-	-	157	-	157
Contribution from the Capital Receipts Reserve to finance the payments to the Govt Capital Receipts Pool (Housing Pooled Capital Receipts)	(1,825)	-	-	-	-	-	1,825	-	-
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	2,260	-	-	-	-	-	-	-	2,260
Voluntary repayment of debt (above Minimum Revenue Provision)	141	-	-	-	-	-	-	-	141
HRA Self-Financing Resettlement	-	-	-	-	-	-	-	-	-
Statutory provision for finance lease liabilities (including PFI)	1,216	-	-	-	-	-	-	-	1,216
Voluntary application of capital receipts	-	-	-	-	-	-	19,887	-	19,887
Reversal of items relating to retirement benefits debited or credited to the CIES made in accordance with IAS19 (Note 34)	(25,266)	-	-	-	(1,838)	-	-	-	(27,104)
Employer's pensions contributions and direct payments to pensioners	18,365	-	-	-	1,943	-	-	-	20,308
Pension reserve adjustment relating to the transfer of H&F Homes	-	-	-	-	-	-	-	-	-
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	208	-	-	-	5	-	-	-	213
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	648	-	-	-	-	-	-	-	648
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	48	-	-	-	98	-	-	-	146
Total Adjustments between accounting basis & funding basis under regulations	(5,296)	844	-	(42,436)	23,567	(5,707)	(15,333)	-	(44,361)
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(18,943)	5,204	-	(42,436)	(2,797)	(5,707)	(15,333)	-	(80,012)
Transfers (to)/from Earmarked Reserves (Note 8)	18,381	(11,527)	(10,418)	-	3,564	-	-	-	0
(Increase)/Decrease in year	(562)	(6,323)	(10,418)	(42,436)	767	(5,707)	(15,333)	-	(80,012)
Balance at 31 March 2013 carried forward	(18,000)	(18,806)	(62,841)	(46,219)	(4,263)	(5,707)	(20,494)	(880)	(177,210)

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
Balance at 1 April 2011	(58,214)	(854,304)	(3,184)	324,495	1,795	201	3,703	(585,508)	(85,239)	(670,747)
Surplus or (deficit) on the provision of services	-	-	-	-	-	-	-	-	(242,244)	(242,244)
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
Other Comprehensive Income and Expenditure	(20,113)	-	-	90,279	-	-	-	70,166	2,628	72,794
Adjustments between accounting basis & funding basis under regulations										
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 (REFCUS)	-	(3,851)	-	-	-	-	-	(3,851)	3,851	-
Use of capital receipts reserve to finance capital expenditure (including REFCUS)	-	(25,179)	-	-	-	-	-	(25,179)	25,179	-
Use of capital reserve to finance capital expenditure	-	-	-	-	-	-	-	-	-	-
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 CIES	-	-	847	-	-	-	-	847	(847)	-
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (In-Year)	-	-	-	-	-	-	-	-	-	-
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	-
Total Adjustments between accounting basis & funding basis under regulations	1,547	(234,847)	971	5,470	(406)	(338)	(44)	(227,647)	227,646	(1)
Net (Increase)/Decrease before Transfers to Earmarked Reserves	(18,566)	(234,847)	971	95,749	(406)	(338)	(44)	(157,481)	(11,970)	(169,451)
Transfers (to)/from Earmarked Reserves (Note 8)	-	(11)	-	-	-	-	-	(11)	11	-
(Increase)/Decrease in year	(18,566)	(234,858)	971	95,749	(406)	(338)	(44)	(157,492)	(11,959)	(169,451)
Balance at 31 March 2012 carried forward	(76,780)	(1,089,162)	(2,213)	420,244	1,389	(137)	3,659	(743,000)	(97,198)	(840,198)

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

Movement on Unusable Reserves 2012/13

	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
Balance at 1 April 2012	(76,780)	(1,089,162)	(2,213)	420,244	1,389	(137)	3,659	(743,000)	(97,198)	(840,198)
Surplus or (deficit) on the provision of services	-	-	-	-	-	-	-	-	(40,011)	(40,011)
Surplus or deficit on revaluation of Property, Plant and Equipment assets	(1,401)	-	-	-	-	-	-	(1,401)	-	(1,401)
Impairment losses on non-current assets charged to the Revaluation Reserve	-	-	-	-	-	-	-	-	-	-
Accumulated gains on assets sold or scrapped	-	-	-	-	-	-	-	-	-	-
Actuarial gains/losses on pension assets / liabilities	-	-	-	76,429	-	-	-	76,429	-	76,429
Schools converted to Academy Status	-	-	-	-	-	-	-	-	4,360	4,360
Total Comprehensive Income and Expenditure	(1,401)	-	-	76,429	-	-	-	75,028	(35,651)	39,377
Adjustments between accounting basis & funding basis under regulations										
Depreciation of Property, Plant and Equipment	-	19,859	-	-	-	-	-	19,859	(19,859)	-
Amortisation of Intangible Assets	-	301	-	-	-	-	-	301	(301)	-
Dwelling Depreciation	-	-	-	-	-	-	-	-	-	-
Reversal of Major Repairs Allowance credited to the HRA	-	15,349	-	-	-	-	-	15,349	(15,349)	-
Impairment/Revaluation losses (charged to the CIES)	-	6,264	-	-	-	-	-	6,264	(6,264)	-
Revenue expenditure funded from capital under statute (REFCUS)	-	12,520	-	-	-	-	-	12,520	(12,520)	-
Movements in the market value of investment properties	-	(163)	-	-	-	-	-	(163)	163	-
Difference between fair value depreciation and historical cost depreciation	1,488	(1,488)	-	-	-	-	-	-	-	-
Capital grants and contributions applied	-	(15,375)	-	-	-	-	-	(15,375)	15,375	-
Capital grants and contributions applied (REFCUS)	-	(10,736)	-	-	-	-	-	(10,736)	10,736	-
Use of capital receipts reserve to finance capital expenditure (including REFCUS)	-	(19,898)	-	-	-	-	-	(19,898)	19,898	-
Use of capital reserve to finance capital expenditure	-	-	-	-	-	-	-	-	-	-
Capital expenditure charged against the General Fund and HRA balances	-	(1,427)	-	-	-	-	-	(1,427)	1,427	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	(9,958)	-	-	-	-	-	(9,958)	9,958	-
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	-	62,449	-	-	-	-	-	62,449	(62,449)	-
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	-	969	-	-	-	-	-	969	(969)	-
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (In-Year)	-	-	-	-	-	-	-	-	-	-
Removal of revaluation reserve balances for Property, Plant and Equipment disposed of	4,695	(4,695)	-	-	-	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	81	-	-	-	-	81	(81)	-
Deferred costs in respect of disposals transferred to the CAA	-	1,998	-	-	-	-	-	1,998	(1,998)	-
Release of Deferred costs from CAA to UCR upon receipt of cash	-	(157)	-	-	-	-	-	(157)	157	-
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)	-	(2,260)	-	-	-	-	-	(2,260)	2,260	-
Voluntary repayment of debt (above Minimum Revenue Provision)	-	(141)	-	-	-	-	-	(141)	141	-
HRA Self-Financing Resettlement	-	-	-	-	-	-	-	-	-	-
Statutory provision for finance lease liabilities (including PFI)	-	(986)	(230)	-	-	-	-	(1,216)	1,216	-
Voluntary application of capital receipts	-	(19,887)	-	-	-	-	-	(19,887)	19,887	-
Reversal of items relating to retirement benefits debited or credited to the CIES made in accordance with IAS19 (Note 34)	-	-	-	27,104	-	-	-	27,104	(27,104)	-
Employer's pensions contributions and direct payments to pensioners	-	-	-	(20,308)	-	-	-	(20,308)	20,308	-
Pension reserve adjustment relating to the transfer of H&F Homes	-	-	-	-	(213)	-	-	(213)	213	-
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	-	(648)	-	(648)	648	-
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	-	-	-	-	-	-	(146)	(146)	146	-
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	-	-	-	-	-	-	(146)	(146)	146	-
Total Adjustments between accounting basis & funding basis under regulations	6,183	32,538	(149)	6,796	(213)	(648)	(146)	44,361	(44,361)	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves	4,782	32,538	(149)	83,225	(213)	(648)	(146)	119,389	(80,012)	39,377
Transfers (to)/from Earmarked Reserves (Note 8)	-	-	-	-	-	-	-	-	-	-
(Increase)/Decrease in year	4,782	32,538	(149)	83,225	(213)	(648)	(146)	119,389	(80,012)	39,377
Balance at 31 March 2013 carried forward	(71,998)	(1,056,624)	(2,362)	503,469	1,176	(785)	3,513	(623,611)	(177,210)	(800,821)

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 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Movement Between Reserves 2011/12 £000	Balance at 31 March 2012 £000	Transfers Out 2012/13 £000	Transfers In 2012/13 £000	Movement Between Reserves 2012/13 £000	Balance at 31 March 2013 £000
General Fund									
1. Insurance Fund	(7,615)	284	(388)	-	(7,719)	2,728	(2)	-	(4,993)
2. Controlled Parking Fund	(553)	-	(802)	-	(1,355)	1,647	(700)	-	(408)
3. Computer Replacement Fund	(916)	254	(89)	(445)	(1,196)	56	-	298	(842)
4. IT Infrastructure	(490)	-	(2,323)	-	(2,813)	-	-	-	(2,813)
5. Efficiency Projects Reserve	(4,294)	2,363	(3,536)	(213)	(5,680)	1,249	(3,230)	-	(7,661)
6. Planned Maintenance	(192)	-	(44)	-	(236)	68	(142)	-	(310)
7. Price Pressures	(742)	-	(676)	-	(1,418)	-	-	418	(1,000)
8. Debtors/Creditors Review	(80)	-	-	(122)	(202)	103	(520)	-	(619)
9. PCT Integration Reserve	(771)	-	(3,943)	-	(4,714)	4,714	-	-	-
10. Dilapidations/Office Moves	(2,197)	20	-	-	(2,177)	107	(900)	-	(2,970)
11. Housing Benefit	(1,402)	188	-	(15)	(1,229)	159	(1,000)	(521)	(2,591)
12. Planning Inquiries	(39)	-	(1)	-	(40)	272	(45)	(460)	(273)
13. LPFA Sub Fund	(1,069)	-	-	-	(1,069)	-	-	69	(1,000)
14. Single Status	(1,746)	-	(128)	1,874	-	-	-	-	-
15. Bishops Park	(1,200)	355	-	-	(845)	433	-	-	(412)
16. Performance Reward Grant	(948)	948	-	-	-	-	-	-	-
17. Imperial Wharf	(800)	-	-	-	(800)	-	-	-	(800)
18. King Street Regeneration	(907)	102	-	-	(805)	106	-	-	(699)
19. PFI Reserve	(133)	-	-	-	(133)	-	-	-	(133)
20. Temporary Accommodation	(541)	-	-	-	(541)	-	(2,965)	-	(3,506)
21. Preventative Services & Early Intervention	(350)	58	-	-	(292)	46	-	-	(246)
22. Pressures & Demands	(2,729)	1,794	(2,396)	-	(3,331)	969	(1,000)	969	(2,393)
23. Community Safety Reserve	-	-	(22)	-	(22)	-	(145)	-	(167)
24. Local Lead Flood Authority	-	-	(123)	-	(123)	-	(271)	-	(394)
25. Contribution to Local Election	-	-	(75)	-	(75)	-	(75)	-	(150)
26. Temp Accom Health & Safety Implementation	-	-	(196)	-	(196)	78	-	-	(118)
27. Human Resources Reserve	-	-	-	(1,874)	(1,874)	300	-	574	(1,000)
28. Capital Reserves	-	-	(400)	-	(400)	-	-	-	(400)
29. White City Neighbourhood	-	-	(730)	-	(730)	394	(200)	-	(536)
30. Supporting People Programme	-	-	-	-	-	-	-	(1,989)	(1,989)
31. CHS Pressures and Demands	-	-	-	-	-	-	(1,861)	-	(1,861)
32. CHS Triborough Integration	-	-	-	-	-	-	(280)	-	(280)
33. CHS Education Excellence	-	-	-	-	-	-	(250)	-	(250)
34. MTFs Delivery Risk	-	-	-	-	-	-	(994)	(4,887)	(5,881)
35. Legal Fees Reserve	-	-	-	-	-	-	(275)	-	(275)
36. Managed Services	-	-	-	-	-	-	(1,800)	-	(1,800)
37. VAT Reserve	-	-	-	-	-	-	(2,000)	-	(2,000)
38. Support to Children Leaving Care	-	-	-	-	-	-	(100)	-	(100)
39. Business Board Reserve	(386)	-	(185)	-	(571)	-	-	-	(571)
40. Redundancy Reserves	(1,326)	34	(964)	-	(2,256)	-	(651)	408	(2,499)
41. Other Funds	(6,079)	2,139	(761)	734	(3,967)	610	(201)	2,159	(1,399)
General Fund Sub-Total	(37,505)	8,539	(17,782)	(61)	(46,809)	14,039	(19,607)	(2,962)	(55,339)
HRA									
42. HRA - Regeneration Projects	-	-	(46)	-	(46)	46	-	-	-
43. HRA IT Recharges Reserve	-	-	(115)	-	(115)	15	(62)	-	(162)
44. HRA Past Service Pension Cost	-	-	-	-	-	-	(209)	-	(209)
45. HRA Pay Increase	-	-	-	-	-	-	(161)	-	(161)
46. HRA Efficiency Reserve	-	-	-	-	-	-	(320)	-	(320)
47. HRA Human Resources Reserve	-	-	-	-	-	-	(83)	-	(83)
48. HRA Non-dwellings Impairment Reserve	-	-	-	-	-	-	(1,244)	-	(1,244)
49. HRA Strategic Regeneration and Housing Development	-	-	-	-	-	-	(1,246)	-	(1,246)
50. HRA Utilities Reserve	-	-	-	-	-	-	(300)	-	(300)
HRA Sub-Total	-	-	(161)	-	(161)	61	(3,625)	-	(3,725)
Revenue Grants									
51. Migrant Impact Fund	(271)	-	-	-	(271)	10	-	-	(261)
52. TFL Street Management	(129)	-	-	-	(129)	-	-	-	(129)
53. Supporting People	(1,833)	-	(1,059)	-	(2,892)	3	-	2,889	-
54. Homelessness Grant	(577)	360	(129)	1	(345)	232	-	-	(113)
55. S106 - Revenue Schemes	(1,405)	56	(102)	-	(1,451)	61	(1,365)	-	(2,755)
56. ALSS SFA 2011/12 Allocation	-	-	-	-	-	-	(235)	-	(235)
57. Other Revenue Grants	(703)	427	(149)	60	(365)	52	(44)	73	(284)
Sub-Total	(4,918)	843	(1,439)	61	(5,453)	358	(1,644)	2,962	(3,777)
Total	(42,423)	9,382	(19,382)	-	(52,423)	14,458	(24,876)	-	(62,841)

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

8. 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. Efficiency Projects Reserve - this reserve will fund future revenue expenditure and capital investment that will provide future revenue savings.
6. Planned Maintenance - this reserve is an underspend on revenue planned maintenance.
7. Price Pressures - to meet unbudgeted pay and price increases
8. 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.
9. PCT Integration Reserve - this reserve was set up to fund any potential costs of the integration of the Hammersmith & Fulham PCT.
10. Dilapidations/Office Moves - this reserve has been set up to fund potential office moves and the repair of office accommodation dilapidations.
11. 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.
12. Planning Inquiries - this reserve has been established to fund possible future costs of planning inquiries that may become chargeable to the General Fund.
13. LPFA Sub Fund - this reserve has been set aside to cover a potential pensions liability to the LPFA.
14. 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.
15. Bishops Park - this reserve has been set aside as part of the Bishops Park lottery funded development scheme.
16. 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.
17. Imperial Wharf - this reserve has been set up to under write the construction of Imperial Wharf Overground station.
18. King Street Regeneration - this reserve is to meet the preliminary costs that are emerging in connection with the King Street Regeneration.
19. PFI Reserve - this reserve has been set up to meet the future indexations costs of the Council's Private Finance Initiative.
20. 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.
21. 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.
22. Pressures & Demands - this reserve is to address non-recurring new financial pressures.
23. Community Safety Reserve - this is for funding the Integrated Offender Management Support Programme.
24. Local Lead Flood Authority - DEFRA grant monies given under the Flood & Water Management Act 2010.
25. Contribution to Local Election - funds set aside to fund next local election in 2014.
26. Temp Accom Health & Safety Implementation - this reserve is to help fund any budgetary requirements in Temporary Accommodation.
27. Human Resources Reserve - this is a reserve to fund any requirements in relation to Human Resources.
28. Capital Reserve - this is to facilitate the revenue cost of capital disposals.
29. White City Neighbourhood - this reserve is to fund the White City Community Budgets.
30. Supporting People Programme - this reserve has been set up to enable the Supporting People programme to be managed over a rolling 3 year cycle in line with the contracts let with service suppliers.
31. CHS Pressures and Demands - this reserve is to address non-recurring new financial pressures.
32. CHS Triborough Integration - this reserve is to address one off costs arising from tri borough intergration projects
33. CHS Education Excellence - this reserve has been set up to cover one off costs related to delivering Education Excellence
34. MTFS Delivery Risk - this reserve has been created to mitigate the risks associated with the implementation of new Medium Term Financial Strategy (MTFS) projects
35. Legal Fees Reserve - this reserve has been created to cover future one off legal costs relating to planning and environmental health.
36. Managed Services - this reserve has been set up to fund one off costs relating to the implementation of managed services
37. VAT Reserve - this reserve is to cover costs incurred as a result of VAT related changes
38. Support to Children Leaving Care - this reserve is to fund one off contributions in relation to corporate parenting
39. Business Board Reserve - this reserve is to fund projects approved by the HF Business Board
40. Redundancy Reserves - these reserves were set up to cover any redundancy costs.
41. Other Funds - these comprise a number of other reserves held by various departments of the Council.
42. HRA - Regeneration Projects - this is a reserve to fund any costs of disposals exceeding the national cap.
43. HRA IT Recharges Reserve - this reserve is to fund any budgetary pressures with IT charges.
44. HRA Past Service Pension Cost - this reserve is to provide for adjustments to the HRA past service cost liability
45. HRA Pay Increase - this reserve has been established to cover the potential pay inflation
46. HRA Efficiency Reserve - this reserve is to provide funding for the one off costs associated with implementing the MTFS transformation programme
47. HRA Human Resources Reserve - this is a reserve to fund any requirements in relation to HRA Human Resources.
48. HRA Non-dwellings Impairment Reserve - this reserve is to smooth the future impact of non-dwellings impairments on the HRA following the introduction of HRA self-financing.
49. HRA Strategic Regeneration and Housing Development - this reserve is to provide for the risk associated the council's strategy and regeneration and housing development initiatives.
50. HRA Utilities Reserve - this reserve is to cover the potential impact of applying OFWAT "Water resale order" under which water charges to tenants must be set to equal expenditure incurred by LBHF on a property by property basis.
- 51.-57. 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 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 2012/13.
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 receipts.
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
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:
 - revalued downwards or impaired and the gains are lost
 - used in the provision of services and the gains are consumed through depreciation, or
 - disposed of and the gains are realised.The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.
2. Capital Adjustment Account
The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the 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.
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 2012/13

Three local authority maintained schools converted to Academy status in year, resulting in the transfer of land and buildings with a net book value of £34.5m. These transfers have been reflected as disposals in the Council's accounts and have been set out in more detail below.

	2012/13
	£'000
Henry Compton Secondary School	16,381
Fulham Cross Secondary School	16,041
Bentworth School	2,097
Total	34,519

Transactions in 2011/12

On 28 March 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.

11. Other Operating Expenditure

	2012/13	2011/12
	£000	£000
Levies	2,361	2,412
Payments to the Government Housing Capital Receipts Pool	1,825	1,915
Gains/losses on the disposal of non-current assets	8,396	(32,574)
Trading Operations [See Below]	(1,903)	(1,514)
Other Operating Income	61	(2,789)
	10,740	(32,550)

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.

	2012/13			2011/12		
	Turnover	Expenditure	(Surplus)/ Deficit	Turnover	Expenditure	(Surplus)/ Deficit
	£000	£000	£000	£000	£000	£000
Catering	-	-	-	(9)	53	44
Construction & Property Related Services	(487)	664	177	(637)	1,442	805
Highways Division	(725)	654	(71)	(1,171)	1,090	(81)
Industrial Estates and Misc Properties	(2,406)	276	(2,130)	(2,737)	292	(2,445)
Other	(34)	155	121	(104)	267	163
Net surplus on trading operations	(3,652)	1,749	(1,903)	(4,658)	3,144	(1,514)

12. Financing and Investment Income and Expenditure

	2012/13	2011/12
	£000	£000
Interest payable and similar charges	16,301	28,755
Pensions interest cost	47,121	48,377
Expected return on pensions assets	(35,921)	(37,967)
Interest receivable and similar income	(1,575)	(1,705)
Income and expenditure in relation to investment properties and changes in their fair value	(1,408)	(23,081)
	24,518	14,379
HRA Self-Financing Settlement (Premium)	-	53,989
	24,518	68,368

13. Taxation and non-specific grant income

	2012/13	2011/12
	£000	£000
Council Tax Income	(63,223)	(65,117)
Non domestic rates	(114,324)	(95,111)
Non-ringfenced government grants	(25,599)	(49,757)
Capital grants and contributions	(65,963)	(20,703)
	<u>(269,109)</u>	<u>(230,688)</u>
HRA Self-Financing Settlement (Principal and Premium Credit)	-	(251,343)
	<u>(269,109)</u>	<u>(482,031)</u>

14. Property, Plant and Equipment

(i) Movements on Balances

Movements in 2012/13

	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
Cost or Valuation									
At 1 April 2012	897,170	355,383	173,665	29,732	18,552	11,462	-	1,485,964	20,150
Additions	25,261	5,154	6,078	309	4,247	1,513	392	42,954	-
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	408	362	-	-	-	-	-	770	(165)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(13,585)	(5)	-	-	-	(5,908)	-	(19,498)	-
Derecognition – disposals	(16,637)	(35,444)	-	-	-	(1,632)	-	(53,713)	-
Derecognition – other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(2,097)	(1,053)	-	-	-	(322)	-	(3,472)	-
Assets reclassified (to)/from Investment Properties	-	-	-	-	-	6,059	-	6,059	-
Other reclassifications	(3,513)	-	-	-	-	3,513	-	-	-
Other movements in cost or valuation	(525)	-	-	-	-	-	-	(525)	-
At 31 March 2013	886,482	324,397	179,743	30,041	22,799	14,685	392	1,458,539	19,985
Accumulated Depreciation and Impairment									
At 1 April 2012	-	(5,438)	(62,903)	(21,928)	(2,564)	-	-	(92,833)	-
Depreciation charge	(15,350)	(6,630)	(9,744)	(2,148)	(1,337)	-	-	(35,209)	(316)
Revaluation	13,838	27	-	-	-	-	-	13,865	-
Derecognition – disposals	845	924	-	-	-	-	-	1,769	-
Derecognition – other	-	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	525	-	-	-	-	-	-	525	-
At 31 March 2013	(142)	(11,117)	(72,647)	(24,076)	(3,901)	-	-	(111,883)	(316)
Net Book Value									
at 31 March 2013	886,340	313,280	107,096	5,965	18,898	14,685	392	1,346,656	19,669

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

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

(ii) Depreciation and Useful life

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

Council Dwellings	5 - 60 years
Other Land and Buildings	10 - 60 years
Infrastructure	3 - 40 years
Vehicles, Plant, Furniture & Equipment	2 - 25 years
Community Assets	3 - 73 years

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

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

The amount charged to services in 2012/13 was:

	£000
Central Services to the Public	110
Cultural & Related Services	2,449
Environmental & Regulatory Services	969
Planning Services	874
Education and Children's Services	5,316
Highways and Transport Services	8,523
HRA	15,744
Other Housing Services	95
Adult Social Care	1,030
Non-Distributed Costs	26
Corporate & Democratic Core	-
Trading Operations	73
	35,209

(iii) Effect of Changes in Estimates

In 2012/13 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 2012.

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	1,355,275	351,106	107,096	5,965	18,898	12,131	392	1,850,863
Carried at Historical Cost	-	-	107,096	5,965	18,898	-	392	132,351
Valued at fair value as at:								
31 March 2013	886,340	1,597	-	-	-	9,841	-	897,778
31 March 2012	-	170,319	-	-	-	4,134	-	174,453
31 March 2011	-	141,089	-	-	-	710	-	141,799
31 March 2010	-	-	-	-	-	-	-	-
31 March 2009	-	276	-	-	-	-	-	276
	886,340	313,281	107,096	5,965	18,898	14,685	392	1,346,657

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

(iv) Revaluation continued.

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 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 2012 was commissioned by the Council, and completed by the external Valuer. A proportion of the assets were revalued downwards and revaluation losses in excess of the Revaluation Reserve balances were debited to the Surplus or Deficit on the Provision of Services.

(v) Impairment and Valuation Losses

A review of fixed assets was carried out for 2012/13 and there were no cases of impairment of assets to report.

CIPFA confirmed in April 2013, that impairment and valuation losses not covered by Revaluation Reserve in relation to HRA dwellings - are charged to the HRA Income & Expenditure Statement but during the 5-year transition period (following HRA Self-Financing) will be reversible through a transfer to the Capital Adjustment Account (CAA) via the Movement in Reserves Statement (MIRS).

For impairment and valuation losses not covered by Revaluation Reserve in relation to HRA non-dwellings - no provision exists to reverse the charges (both during and after transition).

The CIPFA Code and associated Guidance Notes for Practitioners require the Council to treat the 2012/13 revaluation loss (net total loss of -£1.2m) by firstly drawing down on any existing revaluation reserve balances (+£2.6m) for the revaluation losses. Secondly, the remaining revaluation loss (-£1.4m) will be charged directly to the Comprehensive Income and Expenditure account, to the Surplus or Deficit on the Provision of Services.

Revaluation Loss - PPE

	2012/13 £000	2011/12 £000
Revaluation Reserve	2,612	18,902
Comprehensive Income and Expenditure account, Surplus or Deficit on the Provision of Services	(1,428)	(24,801)
Net Total	1,184	(5,899)

(vi) Capital Commitments

	2012/13 £000	2011/12 £000
Service Department		
Children's Services	13,871	-
Environment, Leisure & Resident Services	-	3,038
Housing Revenue Account	-	8,700
Housing and Regeneration	1,608	2,200
	15,479	13,938

Capital commitments on major schemes at 31 March 2013 total £15.5m across the Council. The Housing and Regeneration Service commitment relates to Edward Woods estate regeneration - Tower Block Overcladding £1.6m. The Housing Revenue Account contractual commitment for Decent Homes Programme - Partnering framework is less than £1m so no disclosure is made for 2012/13. Within Children's Service, the Lyric Theatre has contractual commitments of £13.9m.

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:

	2012/13 £000	2011/12 £000
Rental income from investment property	(5,427)	(6,200)
Direct operating expenses (including repairs and maintenance) arising from investment properties	129	176
Net (gain)/loss	(5,298)	(6,024)

15. Investment Properties (cont'd)

(i) Revaluation

In 2012/13 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 2013. 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 2013 £000	31 March 2012 £000
Balance at start of the year	77,520	62,448
Additions:		
• Purchases	-	-
• Construction	-	-
• Subsequent expenditure	291	772
Disposals	(2,027)	(3,320)
Net gains/losses from fair value adjustments	2,348	23,080
Transfers:		
• to/from Inventories	-	-
• to/from Property, Plant and Equipment	(6,059)	2,574
• to/from Assets Held for Sale	(1,846)	(8,050)
Other changes	-	16
Balance at end of the year	70,227	77,520

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 is not accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both internally generated and purchased assets.

(i) Movements on Balances

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

	2012/13			2011/12		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
Balance at start of year:						
• Gross carrying amounts	-	3,728	3,728	-	3,666	3,666
• Accumulated amortisation	-	(2,534)	(2,534)	-	(2,268)	(2,268)
Net carrying amount at start of year	-	1,194	1,194	-	1,398	1,398
Additions:						
• Internal development	31	-	31	-	-	-
• Purchases	-	7	7	-	97	97
Amortisation for the period	-	(301)	(301)	-	(269)	(269)
Amortisation transferred to/(from) PPE	-	-	-	-	4	4
Other changes	-	-	-	-	(36)	(36)
Net carrying amount at end of year	31	900	931	-	1,194	1,194
Comprising:						
• Gross carrying amounts	31	3,735	3,766	-	3,728	3,728
• Accumulated amortisation	-	(2,835)	(2,835)	-	(2,534)	(2,534)
	31	900	931	-	1,194	1,194

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

16. Intangible Assets (cont'd)

(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 amount charged to services in 2012/13 was:

	£000
Central Services to the Public	-
Cultural & Related Services	23
Environmental & Regulatory Services	28
Planning Services	39
Education and Children's Services	59
Highways and Transport Services	30
HRA	48
Other Housing Services	21
Adult Social Care	53
Non-Distributed Costs	-
Corporate & Democratic Core	-
Trading Operations	-
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(iii) Effect of Changes in Estimates

In 2012/13 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
Cost or Valuation					
At 1 April 2012	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	-	-	-	-	-
At 31 March 2013	7,688	131	118	86	8,023

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, which includes works by J W Waterhouse and E C Burne-Jones. 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.

17. Heritage Assets (cont'd)

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, and 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.

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 was reported for 2011/12. Since a valuation of the heritage assets was carried out in 2011/12 it has not been necessary to carry out a valuation for 2012/13 mainly due to economic cost reasons.

(ii) Further analysis

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

	Art Collections (i)	Books & Printed Materials (ii)	Ceramics & Glass (iii)	Other Heritage Assets (iv)	Total
	£000	£000	£000	£000	£000
The Cecil French Bequest	7,648	-	-	-	7,648
The Lilla Huset	40	131	118	23	312
Hammersmith Town Hall	-	-	-	63	63
At 31 March 2013	7,688	131	118	86	8,023

i 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.

ii 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.

iii Ceramics & Glass

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

iv 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.

17. Heritage Assets (cont'd)

Mylne Bequest

This is a collection of mainly silver dinnerware, plated objects and manuscripts bequeathed by a Jessy Mylne and located in the Lillia 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. This is 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.

Other Information

There were no heritage assets donations made during 2012/13, of significant monetary value. Small donations to the archives comprise of printed paper items including statutory and other Council records from the community. The contents of the asset portfolio now include these small donations. There have been no disposals of heritage assets in 2012/13. The main Cecil French bequest has not suffered impairment in value; it remains in storage but is currently available for public viewings at Leighton House, Kensington. Some external requests have been received for asset loans to other organisations, usually of significant master paintings. These loans have been kept to a minimum with the appropriate insurance considerations reviewed prior to any loan outside of the host place of exhibition or storage.

18. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (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.

	2012/13 £000	2011/12 £000
Opening Capital Financing Requirement	333,236	551,109
Capital Investment		
Property, Plant and Equipment	42,968	57,916
Investment Properties	292	772
Intangible Assets	38	98
Revenue Expenditure Funded from Capital under Statute	12,520	5,555
Capital Funding of third-party capital loans	1,575	-
Sources of Finance		
Capital receipts - used to fund Capital Expenditure	(19,898)	(25,179)
Government grants and other contributions	(36,078)	(38,054)
Sums set aside from revenue:		
Direct revenue contributions	(1,416)	(901)
MRP/loans fund principal	(3,386)	(4,200)
Voluntary application of Capital Receipts	(19,887)	(18,769)
Deferred costs of capital disposals	1,840	2,243
Debt Resettlement (HRA)	-	(197,354)
Closing Capital Financing Requirement	311,804	333,236
Explanation of movements in year		
Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	(3,245)	(3,744)
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	(141)	(249)
Debt Resettlement (HRA)	-	(197,354)
Voluntary application of Capital Receipts to repay debt	(19,887)	(18,769)
Deferred costs of capital disposals	1,840	2,243
Assets acquired under finance leases	-	-
Assets acquired under PFI/PPP contracts	-	-
Increase/(decrease) in Capital Financing Requirement	(21,433)	(217,873)

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 2013 £000	31 March 2012 £000
Other Land and Buildings	221	326
Vehicles, Plant, Furniture and Equipment	1,821	2,507
	<u>2,042</u>	<u>2,833</u>

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:

	31 March 2013 £000	31 March 2012 £000
Finance lease liabilities (net present value of minimum lease payments):		
• current	938	856
• non-current	1,390	2,328
Finance costs payable in future years	452	766
Minimum lease payments	<u>2,780</u>	<u>3,950</u>

The lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Not later than one year	1,169	1,169	938	856
Later than one year and not later than five years	1,611	2,781	1,390	2,328
Later than five years	-	-	-	-
	<u>2,780</u>	<u>3,950</u>	<u>2,328</u>	<u>3,184</u>

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 these non-cancellable leases in future years are:

	31 March 2013 £000	31 March 2012 £000
Not later than one year	1,521	1,390
Later than one year and not later than five years	2,683	3,151
Later than five years	5,226	5,812
	<u>9,430</u>	<u>10,353</u>

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

The Council has sub-let some of the accommodation and equipment held under these leases. At 31st March 2013 the minimum income expected to be received under non-cancellable sub-leases was £333,000 (£422,000 at 31st March 2012).

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

	31 March 2013 £000	31 March 2012 £000
Minimum lease payments	1,742	2,246
Contingent rents	749	774
Sublease payments receivable	(100)	(118)
	2,391	2,902

Council as Lessor

Finance Leases

The Council has one property let on a long term commercial lease which qualify as a finance lease. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated 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. The gross investment is made up of the following amounts:

	31 March 2013 £000	31 March 2012 £000
Investment in Lease		
• current	1	1
• non-current	1,327	1,327
Unearned finance income	10,122	10,255
Unguaranteed residual value of property	890	890
Gross investment in the lease	12,340	12,473

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

	Gross Investment in the Lease		Minimum Lease Payments (Net Present Values)	
	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Not later than one year	134	134	126	126
Later than one year and not later than five years	534	534	437	437
Later than five years	11,672	11,805	1,655	1,655
	12,340	12,473	2,218	2,218

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 2012/13 £310,000 contingent rents were receivable by the council (£415,000 in 2011/12).

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

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

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

	31 March 2013 £000	31 March 2012 £000
Not later than one year	1,511	2,275
Later than one year and not later than five years	5,185	7,553
Later than five years	10,240	24,652
	16,936	34,480

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 2012/13 £75,000 contingent rents were receivable by the Council (2011/12 £320,000).

20. Private Finance Initiative

2012/13 was the eighth 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. (On 1 April 2013 Hammersmith & Fulham PCT were disbanded and replaced by Hammersmith & Fulham Clinical Commissioning Group in the agreement).

At the end of the contract ownership of the homes reverts to the Council. There have been no variations made to the contract in 2012/13. 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 2013 (excluding the effect of changes in market conditions and availability/performance deductions) are as follows:

	Payment for Services £000	Liability £000	Interest £000	Total £000
Payable in 2013/14	5,312	146	1,270	6,728
Payable within two to five years	21,645	802	4,863	27,310
Payable within six to ten years	29,644	1,786	5,294	36,724
Payable within eleven to fifteen years	32,982	3,442	3,639	40,063
Payable within sixteen to twenty years	16,810	2,704	754	20,268
	106,393	8,880	15,820	131,093

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:

	2012/13 £000	2011/12 £000
Balance outstanding at start of year	9,009	9,123
Payments during the year	(129)	(114)
Capital expenditure incurred in the year	-	-
Balance outstanding at year-end	8,880	9,009

21. Debtors

	31 March 2013 £000	31 March 2012 £000
Central government bodies	15,689	14,573
Other local authorities	12,441	2,352
NHS bodies	1,932	3,519
Public corporations and trading funds	20	12
Other entities and individuals	36,956	44,915
Total	67,038	65,371

22. Cash and Cash Equivalents

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

	Current Assets	
	31 March 2013 £000	31 March 2012 £000
Cash held by the Council	50	534
Bank current accounts	1,723	2,560
School bank accounts	18,655	13,622
Short-term deposits	84,518	84,300
Total	104,946	101,016

	Current Liabilities	
	31 March 2013 £000	31 March 2012 £000
Bank overdraft*	(8,394)	(849)
	(8,394)	(849)
Net Cash and Cash Equivalents	96,552	100,167

*The year-end bank overdraft reflects the bank position including all outstanding and unrepresented items, LBHF do not operate a physical bank overdraft as part of its cash management policy. This presentation is a technical requirement under IFRS.

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.

	Current Assets	
	31 March 2013 £000	31 March 2012 £000
Balance outstanding at start of year	19,313	234
Assets newly classified as held for sale:		
• Property, Plant and Equipment	3,486	11,263
• Investment Properties	1,846	8,050
Assets sold	(9,418)	(234)
Balance outstanding at year-end	15,227	19,313

24. Creditors

	31 March 2013 £000	31 March 2012 £000
Central government bodies	(17,558)	(19,604)
Other local authorities	(7,407)	(9,346)
NHS bodies	(8,511)	(635)
Public corporations and trading funds	-	(35)
Other entities and individuals	(85,067)	(78,183)
Total	(118,543)	(107,803)

25. Other Long Term Liabilities

	31 March 2013 £000	31 March 2012 £000
Net Pensions Liability	(503,470)	(420,245)
Long Term Lease Liability	(10,124)	(11,208)
Deferred Liabilities	-	(7)
TOTAL	(513,594)	(431,460)

26. Provisions

	Insurance £000	Other Provisions £000	Total £000
Balance at 1 April 2011	(590)	(2,644)	(3,234)
Additional provisions	(275)	(1,683)	(1,958)
Amounts used	-	1,227	1,227
Unused amounts reversed	-	62	62
Unwinding of discounting	-	-	-
Balance at 31 March 2012	(865)	(3,038)	(3,903)
Additional provisions	(2,728)	(1,049)	(3,777)
Amounts used	-	370	370
Unused amounts reversed	-	1,960	1,960
Unwinding of discounting	-	-	-
Balance at 31 March 2013	(3,593)	(1,757)	(5,350)
<i>Of which:</i>			
Next twelve months	(3,593)	-	(3,593)
Over twelve months	-	(1,757)	(1,757)
Balance at 31 March 2013	(3,593)	(1,757)	(5,350)

Insurance

The Council has increased the insurance provision to £3.593m (held for known future insurance claims resulting from the Authority's self-insurance of liability risks and fire damage) as a result of a full actuarial assessment of the Insurance Fund position as at 31 March 2013. The updated provision is based on figures from the actuarial report and reflects claims they have currently received for which they expect payment in the next 12 months.

During 1992-93, the then Council's insurers, Municipal Mutual Insurance (MMI), ceased accepting new business. The Council is a member of a scheme of arrangement that has been put into place to try to ensure an orderly settlement of the run-off of MMI. This Insurance provision includes £0.430m for an expected levy in 2013/14 in respect of this arrangement.

Other Provisions comprise:

- £1.309m is held in respect of the PFI inflation rate which the Council is negotiating with the contractor.
- £0.175m to cover potential shortfalls in funding for Specific Childcare
- £0.158m for legal fees and disbursements regarding disrepair cases
- £0.115m for other 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 2013 £000	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000
Financial Assets:				
Loans and Receivables				
Investments	100	100	122,197	25,503
Cash & cash equivalents	-	-	104,946	101,016
Long Term Debtors	2,256	2,372	-	-
Trade Debtors	-	-	59,055	60,081
Total	2,356	2,472	286,198	186,600
Financial Liabilities :				
Measured at amortised cost				
Borrowings	(250,751)	(262,302)	(15,513)	(3,891)
Bank overdraft	-	-	(8,394)	(849)
Long Term Creditors	(100)	(100)	-	-
Trade Creditors	-	-	(18,594)	(22,429)
Total	(250,851)	(262,402)	(42,501)	(27,169)
Other Liabilities				
PFI & Finance Lease liabilities	(10,124)	(11,208)	(1,084)	(985)

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 allowance for bad debts, see paragraph on Credit Risk in Note 28 below, but excluding outstanding balances to/from Government Departments, debts arising from taxation demands and monies received or paid in advance. Further analysis of PFI and Finance Lease liabilities is given in Notes 19 and 20.

(ii) Reclassifications

No financial instruments have been reclassified between valuation at amortised cost and valuation at fair value during 2012/13 or previous years.

(iii) Income, Expense, Gains and Losses

	2012/13			2011/12		
	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	16,301	-	16,301	26,646	-	26,646
Losses on derecognition	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	16,301	-	16,301	26,646	-	26,646
Interest income	-	(1,576)	(1,576)	-	(1,705)	(1,705)
Increases in fair value	-	-	-	-	-	-
Gains on derecognition	-	-	-	-	-	-
Fee income	-	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	-	(1,576)	(1,576)	-	(1,705)	(1,705)
Net gain/(loss) for the year	16,301	(1,576)	14,725	26,646	(1,705)	24,941

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 standard new loan rates published by the Debt Management Office (DMO) on 31st March 2013.
- 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 31/3/2013 includes outstanding mortgages of £145k (£278k 31/3/2012) and a long term debtor of £2,092k (£2,094k at 31/3/2012) in respect of the Council's finance leases where the Council is the lessor. 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. Therefore any difference between carrying and fair value on long term debtors would be insignificant.

£100k of the Long Term investment at 31/3/2013 (£100k 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 (excluding any Cash or Cash Equivalents) are as follows:

	31 March 2013		31 March 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities				
<u>Borrowings</u>				
PWLB Debt	(262,067)	(296,564)	(262,067)	(291,736)
Total	(262,067)	(296,564)	(262,067)	(291,736)
Financial Assets				
<u>Loans and receivables</u>				
Money market loans less than one year	122,197	122,197	25,503	25,503
Money market loans greater than one year	-	-	-	-
Total	122,197	122,197	25,503	25,503

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 authority 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 repayment rate were to be used the fair value would be £341,758,935 at 31 March 2013.

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

27. Financial Instruments (cont'd)

At 31st March 2013, 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 (Credit Default Swaps) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries

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
Fitch	A-	F2
Moody's	A3	P-2
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 banks 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 2013 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 £32.89 million at 31/3/2013 (£32.65 million at 31/3/2012). 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 2013 £000	31 March 2012 £000
Less than three months	37,263	27,397
Three to six months	2,381	6,049
Six months to one year	3,642	6,805
More than one year	15,769	19,830
	59,055	60,081

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.

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:

	31 March 2013 £000	31 March 2012 £000
Less than one year	(15,513)	(3,891)
Between one and two years	(2,912)	(11,556)
Between two and five years	(30,193)	(25,689)
Between five and ten years	(25,673)	(33,090)
More than ten years	(191,833)	(191,832)
Total	(266,124)	(266,058)

The maturity analysis of financial assets is as follows:

	31 March 2013 £000	31 March 2012 £000
Less than one year	122,197	25,503
Between one and two years	-	-
Between two and three years	-	-
More than three years	2,356	2,472
Total	124,553	27,975

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.

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.

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

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.

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	(1,685)
Impact on the CIES	(1,685)
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)	27,071

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

	2012/13	2011/12
	£000	£000
Adjustment for items included elsewhere in the Cash Flow Statement		
Capital Grants	(54,937)	(32,046)
Adjustment for 'non-cash' items included in the Comprehensive Income and Expenditure Statement:		
Depreciation and Amortisation of non-current assets	35,514	34,687
Impairments and revaluations	3,916	(3,116)
Value of non-current assets derecognised on disposal	53,971	11,539
Assets transferred to 'Assets Held for Sale'	5,318	19,316
(Increase)/decrease in Capital Debtors	180	(204)
Increase/(decrease) in Capital Creditors	54	(3,451)
(Increase)/decrease in Long-term Debtors	117	939
Net adjustment made in respect of IAS 19 (Pensions)	6,796	5,470
Transfer of assets on the conversion of schools to Academy status	(4,360)	(2,628)
Amortisation of Premia and Discounts	(216)	(493)
Impairment of Financial Instruments	-	-
HRA Debt Resettlement	-	(197,354)
Adjustment for Collection Fund Debtors and Creditors	-	-
Movement in non-cash assets and liabilities:		
(Increase)/decrease in short-term Debtors	8,734	(7,783)
Increase/(decrease) in short-term Creditors	16,416	5,696
(Increase)/decrease in 'Assets Held for Sale'	4,086	(19,079)
(Increase)/decrease in Inventories	76	19
Increase/(decrease) in Provisions	1,447	669
Increase/(decrease) in Grants and Contributions Receipts in Advance	(18,578)	15,209
Adjustments to net surplus or deficit on the provision of services for non-cash movements	58,533	(172,609)

29b. Cash Flow Statement - Operating Activities

The cash inflows/(outflows) for operating activities include the following:

	2012/13	2011/12
	£000	£000
Interest Received	1,531	1,545
Interest Paid	(14,524)	(28,098)

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 Comprehensive Income and Expenditure Statement, since it is not incurred as part of the authority's normal responsibilities. However, a deficit of £510,000 has been made in relation to Thames Water, for whom collection from tenants is carried out. The deficit is included in the Housing Revenue Account Net Cost of Service.

	2012/13	2011/12
	£000	£000
Capital Ambition - Revenue	2,786	3,078
Capital Ambition - Capital	1,706	646
Joint Improvement Programme	961	1,787
Thames Water - Collection from Tenants	4,921	3,974
External Schools - Payroll	5,933	275
Total	16,307	9,760

31. Members' Allowances

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

	2012/13	2011/12
	£000	£000
Members' Allowances	809	870

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 are as follows:

	Notes		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	Total £
Geoff Alltimes - Chief Executive	1	2012/13	-	-	-	-	-	-
		2011/12	108,945	-	-	-	18,218	127,163
Jane West - Executive Director of Finance & Corporate Governance		2012/13	158,620	18,811	-	-	-	177,431
		2011/12	154,552	13,910	-	-	-	168,462
Nigel Pallace - Bi-borough Executive Director Transportation & Technical Services	2	2012/13	154,098	12,429	-	-	22,616	189,143
		2011/12	149,610	11,221	-	-	39,725	200,556
James Reilly - Chief Executive of CLCH	3	2012/13	100,066	-	-	-	13,509	113,575
		2011/12	166,545	-	-	-	41,137	207,682
Andrew Christie - Tri-borough Executive Director of Children's Services	4	2012/13	-	-	-	-	-	-
		2011/12	62,338	-	323	-	15,397	78,058
Lyn Carpenter - Bi-borough Executive Director Environment, Leisure & Residents Services	5	2012/13	149,643	11,223	-	-	21,742	182,608
		2011/12	146,709	9,879	-	-	38,677	195,265
Melbourne Barrett - Executive Director of Housing & Regeneration		2012/13	126,000	8,820	-	-	18,382	153,202
		2011/12	121,290	7,200	-	-	26,667	155,157
Michael Cogher - Director of Legal Services	6	2012/13	-	-	-	-	-	-
		2011/12	114,803	13,020	17	-	31,572	159,412
Tasnim Shawkat - Bi-Borough Director of Law	7	2012/13	52,402	4,192	29	-	8,110	64,733
		2011/12	-	-	-	-	-	-
Andrew Webster - Tri-Borough Executive Director of Adult Social Care	8	2012/13	140,000	5,600	131	-	20,283	166,014
		2011/12	46,667	-	-	-	11,527	58,194
Philip Cross - Executive Headteacher, Hurlingham and Chelsea School	9	2012/13	112,181	-	39,491	-	21,386	173,058
		2011/12	111,834	-	27,787	-	19,687	159,308

Note 1 - Geoff Alltimes left LBHF on 31 October 2011. 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 2012/13 of £236,290 (£266,991 in 2011/12). The proportion of these costs met by LBHF in 2012/13 was £118,856 (£71,822 in 2011/12).

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 2012/13 the proportion of this cost met by RBKC was £39,405 (£9,370 in 2011/12).

Note 3 - James Reilly was previously the Director of Adult Social Care. Since February 2011 he has been the Chief Executive of the Central London Community Healthcare NHS Trust (CLCH). Until his employment was transferred to CLCH on 1 November 2012, the salary incurred by LBHF was fully recharged to the CLCH.

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 £201,953 (£183,832 in 2011/12). In 2012/13 the proportion of the cost met by LBHF was £67,766. The amount shown in the table above for 2011/12 (£78,058) was the cost borne by LBHF prior to the Tri-Borough arrangement. The remaining £105,774 for 2011/12 was 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 in 2011/12, LBHF 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 2012/13 the proportion of this cost met by RBKC was £96,787 (£23,012 in 2011/12).

Note 6 - Micheal Cogher left LBHF on 31 March 2012. His full salary in 2011/12 is given above. A job sharing arrangement with the RBKC was in place from June 2009. In 2011/12 £75,450 was received from RBKC in respect of this arrangement.

Note 7 - Tasnim Shawkat was appointed Bi-Borough Director of Law on 1 October 2012. £22,486 was received from RBKC in 2012/13 in respect of this arrangement.

Note 8 - Andrew Webster was appointed Tri-Borough Executive Director of Adult Social Care on 1 December 2011. In 2012/13 £36,991 (£13,160 in 2011/12) was received from RBKC and £58,128 (£20,175 in 2011/12) from WCC in respect of this arrangement.

Note 9 - Pay decisions for the head teachers disclosed above rest with the School Governing Body and not the Council.

Note 10 - The above remuneration disclosure does not include payments for returning officer duties.

32. Officers' Remuneration (cont'd)

Including Redundancies

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions and including redundancy payments) were paid the following amounts:

(These numbers do not include senior employees shown above)

Remuneration Band	2012/13 Number of Employees	2011/12 Number of Employees
£145,000 - £149,999	0	0
£140,000 - £144,999	0	0
£135,000 - £139,999	0	1
£130,000 - £134,999	0	0
£125,000 - £129,999	3	0
£120,000 - £124,999	0	1
£115,000 - £119,999	1	2
£110,000 - £114,999	4	0
£105,000 - £109,999	6	5
£100,000 - £104,999	6	10
£95,000 - £99,999	7	5
£90,000 - £94,999	5	14
£85,000 - £89,999	8	3
£80,000 - £84,999	10	15
£75,000 - £79,999	15	14
£70,000 - £74,999	24	27
£65,000 - £69,999	32	34
£60,000 - £64,999	26	37
£55,000 - £59,999	46	50
£50,000 - £54,999	110	131
Total	303	349

Of the 303 employees listed above in 2012/13, 143 (47%) were employees where pay decisions rest with the School Governing Body and not the Council. The corresponding figure for 2011/12 was 161 (46%).

Excluding Redundancies

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions and excluding redundancy payments) were paid the following amounts:

(These numbers do not include senior employees shown above)

2012/13 Number of Employees	2011/12 Number of Employees
0	0
0	0
0	1
0	0
3	0
0	1
1	1
4	0
6	5
6	10
7	5
5	11
8	3
9	13
15	14
24	25
31	31
24	38
45	50
106	128
294	336

Of the 294 employees listed above in 2012/13, 141 (48%) were employees where pay decisions rest with the School Governing Body and not the Council. The corresponding figure for 2011/12 was 157 (47%).

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	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
£0 - £20,000	69	231	48	3	117	234	1,069,326	1,333,573
£20,001 - £40,000	7	18	19	1	26	19	689,592	560,290
£40,001 - £60,000	-	1	2	-	2	1	99,955	43,352
£60,001 - £80,000	-	-	1	-	1	-	66,200	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
Over £100,001	-	-	-	-	-	-	-	-
Total	76	250	70	4	146	254	1,925,073	1,937,215

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 2012/13, the Council paid £5.11 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2011/12 were £5.70 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 2012/13 the costs arising from additional benefits amounted to £348.2k (2011/12: £338.1k).

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 the following 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 former Hammersmith & Fulham Homes Local Government Government Pension Scheme (HFH LGPS) was brought into the London Borough of Hammersmith and Fulham Pension Scheme and local administration in 2011/12. The HFH LGPS element of the fund will continue to be reported separately for the purposes of IAS19 until 2013/14 when the next full triennial actuarial valuation is implemented.

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	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement						
<i>Cost of Services:</i>						
• current service costs	18,403	16,068	300	316	1,833	1,755
• past service gains	-	-	-	-	-	-
• settlements and curtailments	(2,795)	860	6	34	402	491
<i>Financing and Investment Income and Expenditure</i>						
• interest cost	42,018	43,141	1,858	2,056	3,245	3,180
• expected return on scheme assets	(30,393)	(32,134)	(1,551)	(1,805)	(3,977)	(4,028)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	27,233	27,935	613	601	1,503	1,398
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>						
• actuarial gains and losses	70,605	81,671	4,765	1,886	1,059	6,722
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	97,838	109,606	5,378	2,487	2,562	8,120
Movement in Reserves Statement						
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(6,904)	(6,472)	(82)	(75)	190	244
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>						
• employers' contributions payable to scheme	18,123	19,049	492	517	1,693	1,639

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	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Opening balance 1 April	(910,912)	(789,559)	(40,619)	(38,285)	(69,131)	(56,895)
Current service cost	(18,403)	(16,068)	(300)	(316)	(1,833)	(1,755)
Interest cost	(42,018)	(43,141)	(1,858)	(2,056)	(3,245)	(3,180)
Contributions by Scheme participants	(5,047)	(5,454)	(71)	(84)	(497)	(580)
Actuarial gains and losses	(103,646)	(87,976)	(6,169)	(2,086)	(5,307)	(7,511)
Benefits paid	35,606	29,112	2,219	2,209	992	1,281
Past service gain	-	-	-	-	-	-
Unfunded pension payments	2,206	2,207	39	33	-	-
Curtailments	(765)	(992)	(6)	(34)	(402)	(491)
Settlements	4,204	959	-	-	-	-
Closing balance at 31 March	(1,038,775)	(910,912)	(46,765)	(40,619)	(79,423)	(69,131)
Funded liabilities	(1,011,522)	(884,671)	(46,416)	(40,346)	(79,243)	(69,131)
Unfunded liabilities	(27,253)	(26,241)	(349)	(273)	(180)	-

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

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme		HFH Local Government Pension Scheme	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Opening balance 1 April	500,428	467,218	36,503	36,130	63,486	57,728
Expected rate of return	30,393	32,134	1,551	1,805	3,977	4,028
Actuarial gains and losses	33,041	6,305	1,404	200	4,248	789
Employer contributions	20,329	21,463	531	526	1,693	1,642
Contributions by scheme participants	5,047	5,454	71	84	497	580
Benefits paid	(37,812)	(31,319)	(2,258)	(2,242)	(992)	(1,281)
Entity combinations	-	-	-	-	-	-
Settlements	(644)	(827)	-	-	-	-
Closing balance at 31 March	550,782	500,428	37,802	36,503	72,909	63,486

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 £63.433m (2011/12 £38.438m) for the LBHF Local Government Pension Scheme, £2.955m (2011/12 £2.005m) for the LPFA Local Government Pension Scheme and £8.224m (2011/12 £4.818m) for the HFH Local Government Pension Scheme.

Scheme History

	2008/09	2009/10	2010/11	2011/12	2012/13
<i>Present Value of Liabilities</i>					
LBHF Local Government Pension Scheme	(651,744)	(988,478)	(789,559)	(910,912)	(1,038,775)
LPFA Local Government Pension Scheme	(34,576)	(50,981)	(38,285)	(40,619)	(46,765)
HFH Local Government Pension Scheme	-	-	-	(69,131)	(79,423)
<i>Fair Value of Assets</i>					
LBHF Local Government Pension Scheme	357,372	463,379	467,218	500,428	550,782
LPFA Local Government Pension Scheme	27,825	29,345	36,130	36,503	37,802
HFH Local Government Pension Scheme	-	-	-	63,486	72,909
<i>Surplus/(deficit) in the scheme</i>					
LBHF Local Government Pension Scheme	(294,372)	(525,099)	(322,341)	(410,484)	(487,993)
LPFA Local Government Pension Scheme	(6,751)	(21,636)	(2,155)	(4,116)	(8,963)
LPFA Local Government Pension Scheme	-	-	-	(5,645)	(6,514)
Total	(301,123)	(546,735)	(324,496)	(420,245)	(503,470)

The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total liability of £503.47m has a substantial impact on the net worth of the council as recorded in the Balance Sheet, resulting in a negative overall balance of £503.47m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficits on both local government schemes will be made good by increased contributions 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 2014 is £20.507m to the LBHF Local Government Pension Scheme (including the HFH Local Government Pension Scheme) and £0.479m to the LPFA Local Government Pension Scheme.

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 former HFH Local Government Pension Scheme element of the LBHF 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 2010.

The principal assumptions used by the actuary have been:

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme		HFH Local Government Pension Scheme	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
Mortality Assumptions						
<i>Life expectancy from age 65 - retiring today:</i>						
Men	20.1	20.0	20.0	19.9	20.1	20.0
Women	24.1	24.0	23.4	23.3	24.1	24.0
<i>Life expectancy from age 65 - retiring in 20 years:</i>						
Men	22.1	22.0	22.1	22.0	22.1	22.0
Women	26.0	25.9	25.3	25.2	26.0	25.9
Financial Assumptions						
Rate of Inflation - RPI	3.4%	3.2%	3.1%	3.2%	3.4%	3.2%
Rate of Inflation - CPI	2.6%	2.4%	2.3%	2.4%	2.6%	2.4%
Rate of Increase in Salaries	4.8%	4.6%	4.0%	4.1%	4.8%	4.6%
Rate of Increase in Pensions	2.6%	2.4%	2.3%	2.4%	2.6%	2.4%
Expected Return on Assets*	6.2%	6.2%	4.3%	4.3%	6.2%	6.2%
Discount Rate	4.4%	4.7%	3.5%	4.7%	4.6%	4.7%
Take up of option to convert annual pension to retirement lump sum	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%

* Note that there is no longer a requirement to disclose an expected return assumption for the next year end (that is, 31 March 2014) unlike previous years. For accounting years beginning on or after 1 January 2013, the expected return and the interest cost will be replaced with a single net interest cost which will effectively set the expected return equal to the IAS19 discount rate.

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	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
Equities	55.0%	57.0%	14.0%	13.0%	55.0%	57.0%
Gilts	3.0%	2.0%	-	-	3.0%	2.0%
Cash	1.0%	1.0%	1.0%	2.0%	1.0%	1.0%
Cashflow matching	-	-	29.0%	31.0%	-	-
Alternative Assets	19.0%	40.0%	-	-	19.0%	40.0%
Other Bonds	22.0%	-	-	-	22.0%	-
Target Return Portfolio	-	-	56.0%	54.0%	-	-
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Differences between the expected and actual return on assets					
LBHF Local Government Pension Scheme	-18.30	20.10	-6.80	1.30	6.0
LPFA Local Government Pension Scheme	-16.50	6.90	20.30	0.50	3.7
HFH Local Government Pension Scheme	n/a	n/a	n/a	1.20	5.8
Experience gains and losses on liabilities					
LBHF Local Government Pension Scheme	-	0.70	11.60	-0.30	-0.1
LPFA Local Government Pension Scheme	0.03	-	9.40	0.40	-0.2
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:

	2012/13 £000	2011/12 £000
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor for the year	216	360
Fees payable to the current External Auditor for the certification of grant claims and returns for the year	35	91
Fees payable to previous External Auditors for the certification of grant claims and returns for prior years	51	-
Audit and IFRS rebates	-	(29)
Total	302	422

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). An element of DSG is recouped to by the Department to fund academy schools in the council's area. 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 2011. The Schools Budget includes elements for a range of educational services provided on an authority-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 2012/13 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2012/13 before Academy recoupment			114,042
Academy figure recouped for 2012/13			(13,096)
Total DSG after Academy recoupment for 2012/13			100,946
Brought forward from 2011/12			2,168
Carry-forward to 2013/14 agreed in advance			-
Agreed initial budgeted distribution in 2012/13	13,885	89,229	103,114
In-year adjustments	-	-	-
Final budgeted distribution for 2012/13	13,885	89,229	103,114
Less actual central expenditure	(10,110)		(10,110)
Less actual ISB deployed to schools		(89,229)	(89,229)
Plus local authority contribution for 2012/13	-	-	-
Carry forward to 2013/14	3,775	-	3,775

37. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

	2012/13	2011/12
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Council Tax Income	(63,223)	(65,117)
Non domestic rates	(114,324)	(95,111)
Non-ringfenced government grants	(25,599)	(49,757)
Capital grants and contributions*	(65,963)	(20,703)
Total	(269,109)	(230,688)
Credited to Services		
Housing & Council Tax Benefit Subsidy	(164,786)	(162,491)
Dedicated Schools Grant	(99,339)	(108,264)
Housing subsidy	-	(10,953)
DfE Capital Grants*	(9,837)	-
Sixth Form Grant	(7,665)	(8,391)
Pupil Premium Grant	(4,214)	(2,688)
Adult Learning	(1,721)	(1,622)
Transport for London / Surface Transport	(1,073)	(1,313)
Social Work Grants	(510)	(1,230)
Supporting People	-	(1,098)
Further Education	(1,381)	(994)
NNDR Cost of Collection Allowance	(613)	(603)
Section 106	(1,189)	(291)
Other grants and contributions	(4,590)	(3,978)
Total	(296,918)	(303,916)

*51.5m of DfE Basic Needs Capital Grant Income was recognised in the CIES in 2012/13, £46.3m was credited to Taxation and Non Specific Grant Income and £5.2m was Credited to Services. £38.4m of this capital grant income was not applied in 2012/13 and is held as a Capital Grant Unapplied in the Council's Usable Reserves.

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 2013	31 March 2012
	£000	£000
Grants and Contributions Receipts in Advance (Current)		
Dedicated Schools Grant	(3,775)	(2,168)
Social Work Grants	(980)	(753)
Learning & Skills Council - revenue	(814)	(558)
Social Care Reform - revenue	(238)	(251)
Other grants - revenue	(795)	(458)
Total	(6,602)	(4,188)

	31 March 2013	31 March 2012
	£000	£000
Grants and Contributions Receipts in Advance (Non-Current)		
Developer contributions (inc. section 106)	(12,703)	(12,543)
DfE Capital Grants	-	(20,838)
Sure Start - capital	-	(677)
Lyric Theatre	(2,846)	(2,912)
Capital Investment Comm Grant	-	(475)
Major Works Income	(1,260)	(2,229)
TfL	(276)	(450)
Other revenue grants	(35)	103
Other capital grants	(928)	(1,187)
Total	(18,048)	(41,208)

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 2013 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 2012/13 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 2012/13, 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 £808k. The most significant transactions are to charitable organisations (£793k), and environmental concerns (15k).

In addition to the above, many Members have relationships or hold positions with other public bodies and voluntary organisations with which the Council does not have a financially material relationship, but with which the Council has a financial or influential relationship. These include Western Riverside Waste Authority and schools.

Other Public Bodies

The Council is the administering authority of the Pension Fund. The Council owed the Pension Fund £520k at the year end. The Pension Fund paid the Council £4,127 of interest on the cash deposited with the Council. The Council charged the Fund £586k 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.

Tri-Borough

The Council has entered into joint working 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 or bi-borough and the majority of these arrangements have been implemented since 1 April 2012. The nature of these arrangements does mean that each borough influences the others however, each borough remains sovereign.

39. Interest in Companies

The Council has an involvement with a number of associated companies which are set out below. 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.

39. Interest in Companies (cont'd)

(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 a funding agreement to enable the company to carry out its charitable objectives. The revenue contributions by the Council were £240,000 in 2012/13. The latest audited accounts available, those relating to 2011/12, show net assets of £4,408,122 (£4,034,464 restated in 2010/11) and a profit on its activities in that year of £373,658 (£1,157,447 restated in 2010/11). 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.

Since 2011 the Council, as the major leaseholder, has taken the procurement lead in the Lyric Theatre Redevelopment Project. The Council is one of a number of significant funders of the project which will provide an extension of the community hub and broader cultural offer as well as an enhanced education offer following conclusion of the project.

(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 contributions by the Council were £24,100 in 2012/13. The charity's latest audited accounts available, those relating to 2011/12 show net assets worth £68,270 (£67,442 in 2010/11). A net surplus of £828 has been reported for 2011/12 (£804 in 2010/11). 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)

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 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 management accounts for the year 2012/13 showed total net assets of £0.63million (£0.55million net assets in 2011/12 audited accounts) with a profit before tax of £0.086m (£1.47 million in 2011/12 audited accounts) 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.

40. Contingent Assets and Contingent Liabilities

Contingent Assets

Discounted Market Sale Units

The Council has negotiated various Section 106 agreements that will deliver affordable housing. These agreements allow the Council to retain an equity share of 30% or more on properties that are being sold at a discount at various sites in the borough. The total number of such properties currently stands at 296 units with an estimated valuation of £66m. This represents a potential asset to the Council of £25m, however, this is subject to market fluctuations. The owners of such properties can request to buy the retained equity share from the Council, 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.

40. Contingent Assets and Contingent Liabilities (cont'd)

Contingent Liabilities

Litigations

The council has a number of litigations that were ongoing as at the 31st March 2013 but their outcome is not yet determined.

Total Litigations

2012/13 £'000
950
950

The council is involved in a number of claims. These cases remain as Contingent Liabilities. If the council is unsuccessful in these claims, then the council may be liable to pay damages, interest and costs. 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:

	2012/13 £000	2011/12 £000
Balance at 1st April	(5,571)	(5,679)
Income	(546)	(579)
Sub total	(6,117)	(6,258)
Less:		
Expenditure and Transfers	718	687
Balance at 31 March	(5,399)	(5,571)

42. Acquired and Discontinued Operations

The Council has not acquired or discontinued any operations in the year to 31 March 2013.

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.

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	2012/13 £000	2011/12 £000
Income			
Council Tax	1	(73,635)	(75,032)
Transfers from the General Fund:			
Council Tax Benefits		(15,481)	(16,333)
Income collectable from business ratepayers	2	(173,334)	(183,695)
		(262,450)	(275,060)
Expenditure			
Precepts and Demands	3	87,139	89,502
Business rate:			
Payment to the national pool	2	167,139	176,779
Costs of collection		579	568
Business Rate Supplement			
Payment to the Greater London Authority	2	5,587	6,316
Costs of collection		30	32
Impairment of debts/appeals:			
Write-offs of uncollectable amounts		2,085	1,081
Allowance for impairment		(1,013)	315
Distribution/Recovery of previous year's estimated surplus/(deficit)		-	-
		261,546	274,593
Movement on Fund balance		(904)	(467)
(Surplus)/Deficit as at 1 April		(190)	277
(Surplus)/Deficit as at 31 March	4	(1,094)	(190)

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 2012/13 it was calculated as follows:

Band	Estimated number of taxable properties after discounts and exemptions	Ratio to Band D	Band D equivalent dwellings
A	2692	6/9	1794
B	4513	7/9	3510
C	11333	8/9	10074
D	20171	1	20171
E	12794	11/9	15637
F	7826	13/9	11304
G	9555	15/9	15925
H	1878	18/9	3756

2. National Non-Domestic Rates

NNDR is organised and administered on a national basis. The government specifies an amount (45.8 pence to the pound in 2012/13) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

In 2012/13 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 £173.210 million for 2012/13 (£183.695 million for 2011/12). The rateable value at 31st March 2013 was £447.165 million (£468.635 million at 31st March 2012).

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.

	31 March 2013 £000	31 March 2012 £000
London Borough of Hammersmith and Fulham	62,575	64,779
Greater London Authority	24,564	24,723
	87,139	89,502

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.

	31 March 2013 £000	31 March 2012 £000
London Borough of Hammersmith and Fulham	(786)	(138)
Greater London Authority	(308)	(52)
	(1,094)	(190)

5. Business Rates Supplement

Under the arrangements for the Business Rate Supplement, the Council collects a supplement for its area based on local rateable values in excess of £55,000 multiplied by the designated rate poundage. From 2010/11 onwards, the total amount, less certain reliefs and other deductions, is paid to the Greater London Authority on whose behalf it is collected. In 2012/13, the authority's contribution to the GLA was as follows:

	31 March 2013 £000	31 March 2012 £000
Gross Business Rate Supplement (BRS) due	5,801	6,625
less: provision for bad debt and reliefs	(185)	(277)
Collectable from rate payers	5,616	6,348

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	2012/13 £000	2011/12 £000
Income			
Dwelling Rents		(60,629)	(60,465)
Non-dwelling rents		(2,585)	(2,511)
Charges for services and facilities		(15,843)	(9,961)
Contributions towards expenditure		(934)	(15)
Reimbursement of Costs		-	-
HRA Subsidy receivable	8	(226)	(10,953)
		(80,217)	(83,905)
Expenditure			
Repairs and maintenance and management			
Repairs and maintenance		12,881	12,867
Supervision and management		28,250	31,090
Special Services		8,501	2,253
Rents, rates, taxes and other charges		275	1,054
Depreciation and impairment of non-current assets	7	16,149	22,690
Debt management costs		125	125
Movement in the allowance for bad debts		691	536
Revenue Expenditure Funded from Capital Under Statute		60	208
		66,932	70,823
		(13,285)	(13,082)
Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement			
HRA services' share of Corporate and Democratic Core		297	497
HRA services' share of Non Distributed Costs		462	-
Net (Income)/Cost for HRA Services		(12,526)	(12,585)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(Gain)/loss on sale of HRA non-current assets		(19,630)	(19,907)
Income and expenditure in relation to investment properties and changes in their fair value		(304)	(19,045)
Interest payable and similar charges		12,180	76,634
Amortisation of Premiums and Discounts		-	83
Interest and investment income		(292)	(168)
Pensions interest cost and expected return on pensions assets		(580)	(644)
Capital grants and contributions		(5,212)	(251,343)
Other Operating Income		-	(2,703)
(Surplus)/deficit for the year on HRA services		(26,364)	(229,678)
Movement on the HRA Statement			
Balance on the HRA at the end of the previous year		(5,030)	(3,107)
(Surplus)/deficit for the year on the HRA Income and Expenditure Statement		(26,364)	(229,678)
Adjustments between accounting basis and funding basis under statute	1	23,567	227,661
Net (increase)/decrease before transfers to/(from) reserves		(2,797)	(2,017)
Transfers to/(from) reserves			
Major Repairs Reserve		-	-
Earmarked Reserves*		3,564	94
(Increase)/decrease in year on the HRA		767	(1,923)
Balance on the HRA at the end of the current year		(4,263)	(5,030)

* 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

	2012/13 £000	2011/12 £000
Charges for depreciation of non-dwellings	(443)	(508)
Charges for depreciation of dwellings	15,350	14,818
Reversal of Major Repairs Allowance credited to the HRA	(15,034)	(16,912)
Impairment/Revaluation losses (charged to the I&E)	(356)	(7,364)
Revenue expenditure funded from capital under statute (REFCUS)	(60)	(208)
Movements in the market value of investment properties	(940)	19,045
Capital Funding	5,212	-
Gain or loss on sale of HRA non-current assets	19,630	19,906
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	5	198
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	98	(92)
HRA share of contributions (to)/from the Pensions Reserve	105	1,424
	23,567	227,661

2. Housing Stock

The Council has overall responsibility for managing the housing stock. The average number of dwellings during 2012/13 was 12,739. The stock movement during the year was as shown in the table below. The figure for hostels is based on dwelling equivalents;

	Dwellings Number	Hostels Number	Equity Share Number	Total Number
Number at 1 April 2012	12,836	112	13	12,961
Adjustment to opening balance	(102)	-	-	(102)
Additions	3	-	-	3
Sales	(96)	(22)	-	(118)
Number at 31 March 2013	12,641	90	13	12,744

3. Stock Valuation

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

	31 March 2013 £000	1 April 2012 £000
Operational Assets		
Housing Dwellings	886,340	897,170
Other Land and Buildings	9,471	10,523
Vehicles, Plant, Equipment	325	503
Intangible Assets	132	142
Non Operational Assets		
Surplus Assets	3,954	3,800
Investment Properties	47,539	55,399
	947,761	967,537

The open market, vacant possession fair value of houses and flats within the HRA as at 1 April 2012 was £3.522 billion. Hostels were not revalued in 2012/13. This compares to the balance sheet value of £893.6 million for the Council's hostels, houses and flats as at 1 April 2012. This is an indication of the economic and social cost of providing Council housing at less than full market rents.

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 from 2012/13 is a notional calculation.) This then functions as an earmarked fund which is used to support capital spending on Council dwellings.

	2012/13 £000	2011/12 £000
Balance as at 1 April	-	-
Depreciation Charges to HRA	(15,350)	(15,326)
Adjusting transfer from HRA:		
Depreciation on Non-Dwellings	-	508
Excess/(Shortfall) of Depreciation on Dwellings over MRA	(315)	2,095
Funding of Capital Expenditure	9,958	12,723
Balance as at 31 March	(5,707)	-

5. Capital Expenditure Financing

	2012/13 £000	2011/12 £000
Borrowing	-	208
Major Repairs Reserve	9,958	12,723
Other Grants and Contributions	5,212	6,279
Capital Receipts	10,679	18,612
Total	25,849	37,822

6. Capital Receipts

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

	2012/13 £000	2011/12 £000
Dwelling & Hostels	(40,803)	(28,303)
Non-Dwellings	-	(474)
Total	(40,803)	(28,777)

7. Depreciation and Impairment

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

	2012/13 £000	2011/12 £000
Operational Assets		
Depreciation		
Dwellings	15,350	14,818
Other Land and Buildings	217	282
Vehicles, Plant, Equipment and Intangible Assets	226	226
Revaluation Loss	356	7,364
Impairment	-	-
Total	16,149	22,690

8. HRA Subsidy

The introduction of self-financing to the housing revenue account (HRA) in April 2012 changed fundamentally the way that local authority housing has been funded since 1989. The system of redistributive subsidy has been replaced with a system where all rental income will be kept locally in return for authorities taking on a level of debt representative of the value of the stock.

As part of this a 'once and for all settlement between central and local government... a one off allocation of debt' was effected during 2011/12 and the HRA Subsidy discontinued from 2012/13. However, the final claim for 2011/12 was not completed and settled until the 2012/13 financial year. The Council's final settlement receipt was for £225,847.

9. Rent Arrears and Bad Debt Provisions

Gross rent arrears were as follows:

	2012/13 £000	2011/12 £000
Main Council Stock	4,247	3,175
Hostels	457	439
Total	4,704	3,614

Bad debt provisions at 31 March were:

	2012/13 £000	2011/12 £000
Main Council Stock	(2,421)	(2,198)
Hostels	(438)	(415)
Total	(2,859)	(2,613)

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 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.

PENSION FUND ACCOUNTS

Fund Account

Net Assets Statement

Notes to the Pension Fund

Fund Account

	Notes	2012/13		2011/12	
		£000	£000	£000	£000
Dealings with members, employers and others directly involved in the scheme					
Contributions					
From Employers	6	23,136		23,234	
From Members	6	<u>6,445</u>	29,581	<u>6,906</u>	30,140
Individual Transfers In from other Pension Funds			1,575		1,906
Other Income			36		20
Benefits					
Pensions	7	(26,525)		(24,284)	
Lump Sum Retirement Benefits	7	<u>(5,353)</u>	(31,878)	<u>(6,852)</u>	(31,136)
Payments to and on account of leavers					
Individual Transfers Out to other Pension Funds			(6,149)		(2,575)
Other Expenditure			(20)		(60)
Administrative Expenses	8		(632)		(867)
Net Additions (Withdrawals) from dealings with members			<u>(7,487)</u>		<u>(2,572)</u>
Returns on Investments					
Investment Income	9		9,930		9,579
Taxes on Income (Irrecoverable Withholding Tax)			(131)		(133)
Profit and losses on disposal of investments and changes in value of investments					
Realised	12		12,206		37,698
Unrealised	12		73,595		1,572
Investment Expenses	10		(2,667)		(3,222)
Net Returns on Investments			<u>92,933</u>		<u>45,494</u>
Net Increase (Decrease) in the net assets available for benefits during the year			85,446		42,922
Opening Net Assets of the Scheme			<u>638,640</u>		<u>595,718</u>
Closing Net Assets of the Scheme			<u><u>724,086</u></u>		<u><u>638,640</u></u>

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 19 of these accounts.

	Notes	31 March 2013 £000	31 March 2012 £000
Investment Assets			
Index Linked Securities	13	23,755	13,211
Equities	13	297,086	277,622
Pooled Investment Vehicles	13	374,420	326,655
Private Equity	13&15	12,687	13,142
Commodities	13	3,585	-
Cash Deposits	13	12,909	8,366
Other Investment Balances			
Amounts Outstanding on Sale of Investments	13	1,223	1,041
Investment Income Due	13	760	1,470
Investment Liabilities			
Amounts Outstanding on Purchase of Investments	13	(750)	(127)
Total Investment Assets	13	725,675	641,380
Current Assets	20	199	224
Current Liabilities	21	(1,114)	(1,067)
Cash Balances		(674)	(1,897)
Net assets of the fund available to fund benefits at the period end.		724,086	638,640

Notes to the Pension Fund Accounts

1. DESCRIPTION OF HAMMERSMITH AND FULHAM PENSION FUND

a) General

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.

b) Audit, Pensions and Standards Committee

The Council has delegated the investment arrangements of the scheme to the Audit, Pensions and Standards 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.

c) Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended) require administering authorities to prepare and review from time to time a written statement recording the investment policy of their Pension Fund. The Committee approved a Statement of Investment Principles on 28th June 2012 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.

The Committee has delegated the management of the fund's investments to professional investment managers (note 11), appointed in accordance with the regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

d) Membership

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 2013	31 March 2012 Restated
Contributing employees	3,782	3,837
Pensioners receiving benefit	4,379	4,265
Deferred Pensioners	5,546	5,409

Details of the scheduled and admitted bodies in the scheme are shown in Notes 6 (contributions receivable) and 7 (benefits payable.)

e) 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.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Statement of Accounts summarises the fund's transactions for 2012/13 and its position at year-end as at 31st March 2013. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account - Revenue Recognition

a) Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment Income

Dividends from quoted securities are accounted for when the security is declared ex-dividend. Interest income is accrued on a daily basis. Investment income is reported gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price.

Fund Account - Expense Items

d) Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The Fund is an exempt approved fund under the Income and Corporation Taxes Act 1988 and is therefore not liable to certain UK income tax on investment income or to capital gains tax. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Administration Expenses

Expenses are accounted for on an accruals basis to ensure expenses for the full accounting period are accounted for in the fund account. All staff costs of the pensions administration team are charged direct to the fund.

(g) 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 management expenses.

Net Assets Statement

(h) Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. 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 published bid prices or those quoted by their managers.

The values of the investment in Private Equity fund of funds 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.

i) Foreign Currency Transactions

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 reporting date.

j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and deposits with financial institutions.

k) Financial Liabilities

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

l) Actuarial Present Value of Promised Retirement Benefits

Paragraph 6.5.2.8 of the CIPFA Code of Practice on Local Authority Accounting sets out that the actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS19 Post Employment Benefits and relevant actuarial standards. As permitted under IAS26 Accounting and Reporting by Retirement Benefit Plans, the financial statements include a report from the Actuary by way of disclosing the actuarial present value of retirement benefits. (note 19)

m) Additional Voluntary Contributions

Additional Voluntary Contributions for the defined benefit scheme are not included within the accounts in accordance with the relevant regulations and are paid over to be invested separately from the pension fund. More information is given in Note 22.

n) Recharges from the General Fund

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs has been charged to the Fund on the basis of actual time spent on Pension Fund business. Costs incurred in the management and administration of the fund are set out separately.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

a) Unquoted Private Equity Investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers in accordance with industry standards.

b) Pension Fund Liability

The Fund's liability is calculated triennially by the appointed actuary as permitted under IAS 26. The most recent triennial valuation was as at 31st March 2010 so the next one is due as at 31st March 2013. The methodology used follows generally agreed guidelines and is in accordance with IAS 19. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

5. EVENTS AFTER THE BALANCE SHEET

At the 31st August 2013 the market value of the investments of the Fund had increased to approximately £726.48 million due to the rise in global stock markets since the date of the balance sheet.

6. 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.

	Employers'		Employees'	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
LB Hammersmith and Fulham	19,923	20,698	5,507	5,976
LBHF Councillors	38	74	17	18
Sub-Totals Administering Authority	19,961	20,772	5,524	5,994
Mortlake Crematorium Board	53	53	14	14
London Oratory School	105	89	46	40
Burlington Danes Academy	113	106	52	49
Hammersmith Academy	64	49	30	24
Conway Academy	8	7	2	2
West London Free School	33	11	9	3
Bentworth Academy	22	-	6	-
Lady Margaret Academy	65	-	18	-
Sacred Heart High School	101	-	29	-
Fulham College Academy Trust	27	-	8	-
Sub-Totals Scheduled Bodies	591	315	214	132
F M Conway Ltd	61	85	21	34
Urban Partnership Group	51	50	14	13
H&F Community Law Centre	6	5	2	2
Family Mosaic	86	111	27	35
Disabilities Trust	4	5	1	2
Thames Reach	6	6	2	2
Medequip Assistive Technology	9	14	2	3
Eden Food Service	256	243	79	80
Fulham Palace Trust	41	54	12	15
Family Mosaic Supporting People	15	20	6	8
Glencross Cleaning Ltd	3	3	1	1
Inspace Partnerships Ltd	59	58	19	19
H & F Bridge Partnership	938	374	134	154
Kier	138	141	43	44
Kier - Non HR Contract	4	4	2	2
P H Jones Ltd	5	5	2	2
Irish Cultural Centre	6	6	1	1
E C Harris LLP	7	49	2	20
Crime Reduction Initiatives	5	1	2	1
Quadron	240	244	68	69
Serco	481	499	210	218
Tendis	21	21	6	6
Turners	120	149	43	49
ETDE Infrastructure	22	-	8	-
Sub-Totals Admitted Bodies	2,584	2,147	707	780
Grand Totals	23,136	23,234	6,445	6,906

7. BENEFITS PAYABLE

The tables below show a breakdown of the total amount of benefits payable for 2012/13.

	Pensions		Pension Increases	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
LB Hammersmith and Fulham Councillors	(17,813) (1)	(16,787) (1)	(7,996) -	(6,870) -
Sub-Totals Administering Authority	(17,814)	(16,788)	(7,996)	(6,870)
Mortlake Crematorium Board	(38)	(40)	(7)	(5)
London Oratory School	(2)	(2)	-	-
Burlington Danes Academy	(18)	(17)	(1)	(1)
Sub-Totals Scheduled Bodies	(58)	(59)	(8)	(6)
H&F Community Law Centre	(33)	(26)	(12)	(3)
H&F Police Consultative Group	(5)	(5)	(2)	(1)
ROOM the National Council	(4)	(4)	(2)	(1)
Family Mosaic	(98)	(90)	(19)	(15)
Greenwich Leisure Ltd	(2)	(2)	(1)	(1)
Blythe Neighbourhood Council	(1)	(1)	-	-
Inspace Partnerships Ltd	(42)	(42)	(4)	(2)
Kier	(1)	-	-	-
Turners	(14)	(15)	-	-
Urban Partnership Group	(3)	(3)	-	-
Disabilities Trust	(8)	-	(1)	-
EC Harris LLP	(12)	(4)	-	-
Eden Food Service	(17)	(14)	(1)	-
F M Conway Ltd	(16)	(12)	-	-
H & F Bridge Partnership	(236)	(236)	(20)	(10)
Quadron	(30)	(27)	(1)	(1)
Serco	(58)	(45)	(6)	(1)
Sub-Totals Admitted Bodies	(580)	(526)	(69)	(35)
Grand Totals	(18,452)	(17,373)	(8,073)	(6,911)

	Lump Sum Retirement Benefits & Interest on Lump Sums		Lump Sum Death Benefits	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
LB Hammersmith and Fulham Councillors	(4,753) -	(5,564) -	(331) (19)	(744) -
Sub-Totals Administering Authority	(4,753)	(5,564)	(350)	(744)
Mortlake Crematorium Board	-	-	(17)	-
London Oratory School	(15)	(12)	-	-
Burlington Danes Academy	-	(6)	-	-
Sub-Totals Scheduled Bodies	(15)	(18)	(17)	-
H&F Community Law Centre	(33)	-	-	-
Family Mosaic	(5)	(102)	-	-
Disabilities Trust	(2)	-	-	-
EC Harris LLP	-	(78)	-	-
Eden Food Service	(11)	(78)	(71)	(6)
F M Conway Ltd	-	(68)	-	-
Quadron	-	(58)	-	-
Kier	(10)	-	-	-
Turners	(37)	(3)	-	-
Serco	(49)	(133)	-	-
Sub-Totals Admitted Bodies	(147)	(520)	(71)	(6)
Grand Totals	(4,915)	(6,102)	(438)	(750)

8. ADMINISTRATION EXPENSES

The table below shows a breakdown of the administration expenses for the year.

	2012/13	2011/12
	£000	£000
Provision of Pension Administration	(407)	(555)
Support services including IT	(179)	(181)
External audit fees	(21)	(32)
External audit fees re 2010/11	0	(26)
Actuarial fees	(22)	6
Other Fees	(3)	(79)
	<u>(632)</u>	<u>(867)</u>

9. INVESTMENT INCOME

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

	2012/13	2011/12
	£000	£000
Dividends from Equities	8,774	9,220
Income from Index-Linked Securities	232	178
Interest on Cash Deposits	133	140
Currency profit/(loss)	342	(179)
Private Equity/Other	449	220
Total	<u>9,930</u>	<u>9,579</u>

10. INVESTMENT EXPENSES

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

	2012/13	2011/12
	£000	£000
Management fees	(2,518)	(3,033)
Custody and performance monitoring fees	(110)	(91)
Investment consultancy	(39)	(98)
	<u>(2,667)</u>	<u>(3,222)</u>

11. 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 between Baring Asset Management Ltd and 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 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 2013		31 March 2012	
	Market Value £000	Total %	Market Value £000	Total %
Majedie Asset Management	173,322	23.8	165,450	25.8
MFS International (UK) Ltd	171,675	23.7	167,753	26.1
Baring Asset Management Ltd	123,116	17.0	114,060	17.8
Ruffer LLP	79,910	11.0	39,533	6.2
Goldman Sachs Asset Management	62,919	8.7	59,638	9.3
Legal and General Investment Management	101,397	14.0	81,804	12.7
Invesco Private Equity	7,265	1.0	7,600	1.2
Unigestion Private Equity	6,071	0.8	5,530	0.9
Barings English Growth Fund	-	0.0	12	0.0
	725,675	100.0	641,380	100.0

The Fund 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.

12. RECONCILIATION OF MOVEMENT IN INVESTMENTS

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

	2012/13 £000	2011/12 £000
Market Value of Investment Assets at 1st April	641,380	594,164
Movements in Year		
Purchase of Investments	161,265	205,195
Sale of Investments	(166,163)	(198,541)
Realised Profit/(Loss) on Sales	12,206	37,698
Unrealised Profit/(Loss) in Market Value	73,595	1,572
Change in Cash Deposits	4,543	(13)
Change in Debtors and Creditors	(1,151)	1,305
	725,675	641,380

The table below shows a reconciliation of the movement in the total investment assets of each fund manager in 2012/2013.

Fund Manager	Value at 31 March 2012 £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 2013 £000
Majedie Asset Management	165,450	45,447	(61,369)	6,594	18,205	(976)	(29)	173,322
MFS International (UK) Ltd	167,753	54,424	(70,828)	5,009	16,290	(1,004)	31	171,675
Baring Asset Management Ltd	114,060	114	-	-	8,942	-	-	123,116
Ruffer LLP	39,533	60,588	(31,768)	756	6,083	5,871	(1,153)	79,910
Goldman Sachs Asset Management	59,638	-	(2)	2	3,279	2	-	62,919
Legal and General Investment Management	81,804	-	-	-	19,592	1	-	101,397
Invesco Private Equity	7,600	122	(1,853)	288	557	551	-	7,265
Unigestion Private Equity	5,530	570	(343)	21	195	98	-	6,071
Barings English Growth Fund	12	-	0	(464)	452	0	0	-
Totals	641,380	161,265	(166,163)	12,206	73,595	4,543	(1,151)	725,675

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 £499,743 (£467,851 in 2011/12). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

13. 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 2013		31 March 2012	
	£000	£000	£000	£000
United Kingdom				
Index Linked Securities - Public Sector		14,398		7,632
Equities		88,668		100,574
Pooled Investment Vehicles				
Managed Fund - Majedie UK Equity Funds	76,981		66,562	
Managed Fund - L & G LDI Bespoke Fund	101,396		81,804	
Managed Fund - Goldman Sachs Libor Plus 1 Fund	62,916		59,637	
Managed Fund - Baring Dynamic Asset Allocation Fund	123,116		114,060	
Managed Fund - Ruffer Illiquid Strategies Fund of Funds	3,487		1,570	
Managed Fund - Ruffer Baker Steel Gold Fund	1,030		684	
Managed Fund - Ruffer Mid & Smaller Companies Fund	443		-	
Managed Fund - Ruffer Protection Strategies	463		-	
International Fund				
Managed Fund - Private Equity (Unquoted)	-	369,832	12	324,329
Commodities - Gold Bullion Securities 0% Undated Notes		3,585		-
Total United Kingdom		476,483		432,535
Overseas				
Index Linked Securities - Public Sector		9,357		5,579
Equities				
North America	111,824		93,855	
Japan	14,695		8,923	
Europe (ex UK)	57,533		49,756	
Pacific Basin	11,260		11,058	
Other	13,106	208,418	13,456	177,048
Pooled Investment Vehicles				
Managed Fund - Dynamic Investment Fund	621		761	
Managed Fund - Ruffer Japanese Fund	2,672		1,206	
Managed Fund - Red Kite Compass Fund	865		371	
Managed Fund - Ruffer Global Smaller Companies Fund	430		-	
Managed Fund - Private Equity (Unquoted)	-		-	
Invesco - North America	6,714		7,600	
Unigestion - Europe	5,973	17,275	5,530	15,468
Total Overseas		235,050		198,095
Loans and Receivables				
Cash Deposits	12,909		8,366	
Amounts outstanding on Sale of Investments	1,223		1,041	
Investment Income Due	760		1,470	
Contributions due from Employers	123		45	
Contributions due from Members	43		134	
Combined Benefits	33		32	
Administration Expenses	-	15,091	13	11,101
Financial Liabilities at Amortised Cost				
Amounts outstanding on Purchase of Investments	(750)		(127)	
Unpaid Benefits	(256)		(429)	
Investment Management Expenses	(855)		(637)	
Administration Expenses	(3)		-	
Other Current Assets	-		(1)	
Cash Balances	(674)	(2,538)	(1,897)	(3,091)
Net assets of the scheme available to fund benefits at the period end.		724,086		638,640

14. 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 2013		31 March 2012	
	Market Value	Book Cost	Market Value	Book Cost
	£000	£000	£000	£000
Financial Assets				
Designated at fair value through Profit and Loss				
Investment Assets	711,533	552,555	630,630	545,247
Loans and Receivables				
Cash Deposits	12,909	12,909	8,366	8,366
Amounts outstanding on Sale of Investments	1,223	1,223	1,041	1,041
Investment Income Due	760	760	1,470	1,470
Financial Liabilities at Amortised Cost				
Amounts outstanding on Purchase of Investments	(750)	(750)	(127)	(127)
Total Value of Investments	725,675	566,697	641,380	555,997

15. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31st March 2013, the fund had a commitment to invest a further £1.7million in two of the private equity fund of funds managed by Invesco and Unigestion. It is anticipated that these commitments will be spread over the next two to three years.

16. STOCK LENDING AGREEMENTS

The Fund did not participate in stock lending or underwriting.

17. 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 through pension and pay increases, interest rates and 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 closely match the fund's liabilities as measured at the actuarial valuation, in the following proportions: 45% Index-Linked Treasury Gilt 1 1/4% 2017, 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 Pensions and Standards Committee and is reviewed on a regular basis.

17. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

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.

Interest Rate Risk

The fund invests in financial assets for the primary purpose of obtaining a return on its 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.

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.

The council recognises that a 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.

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 2013 the balance on this facility stood at £1,193,223. These borrowings are of a limited short term nature.

18. FUNDING ARRANGEMENTS

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 the difference between each participating employer's notional share of value of the Fund's assets and 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% 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

Development since 2010 and the 2013 Valuation

Since March 2010, investment returns have been better than expected. This will have a positive effect on the financial position of the Fund and we expect that the funding level should be slightly higher than at 31 March 2010, when measured on consistent assumptions.

It is likely that a greater allowance for future mortality improvements will be made at the 2013 valuation which will lower the funding level compared to adopting the mortality assumptions adopted in 2010. However we expect this may be offset by other changes such as allowing for changes made to the inflation indices by the Office for National Statistics.

There may also be other changes to the assumptions and methodology reflecting more recent experience and data that has become available.

The contribution rates resulting from the 2013 valuation will take effect from 1 April 2014 and will allow for any changes to the benefits in the LGPS from that date.

Alison Hamilton FFA
Partner, Barnett Waddingham
02 May 2013

19. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The table below shows the total net liability of the Fund as at 31st March 2013. 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 2013	31 March 2012
	£'000	£'000
Present Value of Promised Retirement Benefits*	1,171,217	1,079,048
Fair Value of Scheme Assets (bid value)	(725,674)	(638,640)
Net Liability	445,543	440,408

*Present Value of Promised Retirement Benefits comprises of £984,337,000 (£918,319,000 in 2011/2012) and £186,880,000 (£160,729,000 in 2011/2012) in respect of vested benefits and non-vested benefits respectively as at 31 March 2013.

20. CURRENT ASSETS

	31 March 2013	31 March 2012
	£000	£000
Debtors		
Contributions due - employers	123	45
Contributions due - employees	43	134
Administration Expenses	-	13
Sundry debtors	33	32
	199	224

Analysis of debtors

	31 March 2013	31 March 2012
	£000	£000
Central government bodies	-	-
Other entities and individuals	199	224
	199	224

21. CURRENT LIABILITIES

	31 March 2013	31 March 2012
	£000	£000
Creditors		
Unpaid Benefits	(256)	(429)
Investment Management Expenses	(855)	(637)
Administration Expenses	(3)	-
Sundry creditors	-	(1)
	(1,114)	(1,067)

Analysis of creditors

	31 March 2013	31 March 2012
	£000	£000
Central government bodies	-	-
Other entities and individuals	(1,114)	(1,067)
	(1,114)	(1,067)

22. 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 one member who contributed £66.24 for death in service cover.

The total market value of the separately invested AVCs with Equitable Life Assurance at 5 April 2013 was £225,969.65.

At 31 March 2013 there were 66 members of the Zurich Assurance AVC scheme. The total value of the contributions paid to Zurich in 2012/2013 was £27,317.90 and the total market value of the separately invested AVC's with Zurich Assurance at 5 April 2013 was £962,966.64.

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.

23. 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 2012/2013 was £586,213 (2011/2012 £740,954).

During 2012/2013 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 £4,127 in interest to the Council during 2012/2013. At 31st March 2013 the Council owed the Pension Fund £519,702.

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 2012/2013 were identified.

ANNUAL GOVERNANCE STATEMENT

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 2013 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.

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.

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 and has been assessed this year against the new combined Public Sector Internal Audit Standards.

All Cabinet reports are cleared by the Executive Director of Finance & Corporate Governance and by the Director of Law 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.

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 and mandates (where applicable) 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) and Role of the Head of Internal Audit (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 and Standards Committee along with a plan to address weaknesses and ensure continuous improvement of the system is in place.

Closed Items

In completing this review the following governance issues identified in 2011-12 were successfully closed;

1. Theft of materials

Metal theft increased when worldwide prices for scrap metal rose. The instances in 2011/12 of theft of metals in the White City Estate area affected 24 properties. The Housing and Regeneration Department explored the idea of using technology to mark valuable metals which would allow them to be identified as Council property but this was considered not cost-effective.

A stock condition survey and validation has been undertaken and details recorded. The Asset Management Plan and investment plan was agreed at Cabinet for future capital works which satisfactorily resolves this issue.

2. Housing repairs and maintenance

Following investigations undertaken by Internal Audit in 2011/12, it had been established that there are some historic control weaknesses relating to the financial administration of council housing repairs and maintenance function. During 2012/13 the position was monitored by the Audit, Pensions and Standards Committee where it was established that a package of measures had been implemented including training, commitment accounting, and a weekly review process. This issue is now considered resolved.

3. Local Taxation

A significant internal control issue was identified in the council's system for business rates collection. Arrangements were subsequently agreed with the Royal Borough of Kensington and Chelsea to undertake a series of management checks. A new proposal to combine NNDR and some Council Tax matters (under a new Taxation manager post) is being implemented. Work is progressing on the recovery of outstanding debt and, following an independent disciplinary panel hearing, a prosecution is being progressed by the Council.

Following an internal audit of the NNDR system a number of control improvements were recommended that have been successfully implemented.

The following governance issues were identified in 2012-2013;

1. Business Continuity - Supply Chain Resilience

Following an increase in the number of outsourced services and the continuing broad economic uncertainty it has been identified that the council is exposed to an increased supply chain risk. Following a recent collapse of a significant sub-contractor an internal audit of Supply Chain Resilience has been approved to establish the effectiveness of the system of internal control.

Whilst the council remains resilient to its main contractors it remains at risk of service interruption in responding to the failure of a critical subcontractor and business continuity plans do not always allow for this risk.

The BiBorough Procurement Strategy Board are reviewing the systems and processes associated with resilience of the supply chain. Proposals to improve controls, that are proportionate to the risk and support the resilience of the council, will be made.

2. Contracts Management

Chief Officers are responsible for all contracts tendered and let by their Department. They are accountable to the Cabinet for the performance in relation to contract letting and management, which are to ensure compliance with English and EU legislation and Council Policy; to ensure value for money in all procurement matters.

The council is required under its contract standing orders to record its contracts through a register as a basis for the planning, preparation and oversight of contracts. Furthermore it is required to keep proper records of all contracts awarded (using the London Councils Contracts Database where these have a total value of £50,000 and over)

It is apparent that the register is incomplete. A review of contract management is being undertaken by Internal Audit. Any evidence of non compliance with contract standing orders and Financial Regulations may result in recommendations to improve the system of internal control.

3. Health and Safety

There has been substantial progress in delivering a reasonable Health & Safety environment throughout 2012/13 following a prosecution by the Health and Safety Executive. This has included enhanced training, support, resource and guidance. A map of Health and Safety risks has been compiled and is reviewed quarterly. Safety Committees exist for TriBorough departments.

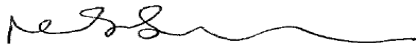
There is some evidence that health & safety contractors property risk assessment plans are not being effectively monitored resulting in breaches of statutory Health & Safety legislation. One notifiable incident has been made to the Health and Safety Executive in this regard.

Progress already made includes an appointed person in post for the management of Asbestos, to improve the controls, which will be monitored by Hammersmith and Fulham Business Board, Action Plans have been modified to improve the system of internal control in this area.

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

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.

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.

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 and income, either over a set period or for a specific project.

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

Capital financing is the process which occurs after capital expenditure has been incurred. There are a number of different sources of capital funding such as government capital / revenue grants, non-government grants, contributions from private developers, capital receipts and unsupported borrowing. Various funding sources are applied to capital spend to ensure that a project is fully financed from approved finance sources.

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

The Collection Fund is a separate account kept by every billing authority into which Council Tax and Business rates are paid.

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.

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.

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.

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.

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.

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 (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 giving will be 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.

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 from 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.

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 rates paid by businesses. The amount paid is based on the rateable value set by the Inland Revenue multiplied by a rate in the £ set by the government which is the same throughout the country. The rates are collected by local authorities and paid over to the government. They are then redistributed to local authorities on the basis of relevant 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.

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. New changes have been introduced from 1 April 2012.

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. IAS37 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 officers.

RESERVES

The amounts held by way of balances and funds that are free from specific liabilities or commitments. The council is able to earmark some of its reserves towards specific projects, whilst leaving some free to act as a working balance.

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, Revenue Support Grant, NNDR and Council Tax. Under the Local Government Finance Act all expenditure is deemed to be revenue unless it is specifically classified as capital.

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.

Service Reporting Code of Practice (SERCOP)

SERCOP sets the financial reporting guidelines for local authorities. It supplements the principles and practice set out in the Code of Practice on Local Authority Accounting (known as the Statement of Recommended Practice (SORP)), by establishing practice for consistent reporting. It provides guidance in three key areas:

- The definition of total cost
- Good Practice Guidance
- Service expenditure analysis

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.