LONDON BOROUGH OF RICHMOND UPON THAMES

STATEMENT OF ACCOUNTS 2013/14

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Director of Finance and Corporate Services

Audited
Published September 2014

www.richmond.gov.uk

TABLE OF CONTENTS

EXPLANATORY FOREWORD

INTRODUCTION

This is the Statement of Accounts of the London Borough of Richmond upon Thames for the financial year 2013/14. The Statement of Accounts is a complex, technical document, the form and content of which is governed by the Code of Practice on Local Authority Accounting in the United Kingdom (The Code). This Foreword is intended to provide a concise and understandable guide to the most significant aspects of the Council's financial performance, year-end financial position and cash flow, as well as giving information as to how the Council will develop over the next few years. The figures within this foreword are based upon information that was reported to Members during the year and at the year-end. The figures within the main body of the Statement of Accounts have been adjusted in line with International Financial Reporting Standards to allow comparisons between the Council and other similar bodies.

The Council also produces a summary version of the accounts which can be found on our website via the following link:

http://www.richmond.gov.uk/statements_of_accounts

KEY FEATURES OF THE STATEMENT OF ACCOUNTS

This document comprises 4 key areas:

1. The single entity Statement of Accounts of the LB Richmond upon Thames
2. The consolidated Group Accounts of the LB Richmond upon Thames
3. The Collection Fund Accounts
4. The Pension Fund Accounts

The Statement of Accounts is made up of 4 core statements as listed in the table below. Note 5, Amounts Reported for Resource Allocation Decisions, provides a reconciliation between service information reported to Members as part of the annual reporting cycle and the Code compliant figures reported as part of this Statement of Accounts.

Core Statement	Purpose / Relationship with other statements
Movement in Reserves Statement (MIRS)	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 unusable 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. This is different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes.
Comprehensive Income and Expenditure Statement (CI&ES)	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.
Balance Sheet	This 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.
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 2012/13 comparative figures have been restated to show the impact of changes in accounting rules in relation to reporting on pensions (IAS 19) that have been implemented in the 2013/14 accounts. This key accounting change relates to the Local Government Pension Scheme and requires the combination of interest cost and expected return on assets into a single net figure. The anticipated return on assets is now reported as an unrealised gain. Where figures have been restated this has been noted on the individual tables concerned. A full explanation is available in Note 2 to the Accounts.

FINANCIAL STRATEGY

The development of the Council's financial strategy continues to be set against a background of austerity measures designed to reduce the UK budget deficit and public borrowing alongside continuing increases in demand for public services. It has been further complicated this year by the implementation of a new system for local government finance which has transferred a degree of financial risk from central to local government in respect of the collection of Business Rates whilst failing to address the low level of funding provided to Richmond.

The 2013/14 Medium Term Financial Strategy has enabled the achievement of the promised 0% Council Tax for 2013/14 whilst ensuring that high quality services are maintained. Later years are significantly more difficult to project but the possibility of further funding reductions mean that significant further changes in the way the Council runs and procures services are likely to be needed if the aim of low Council Tax increases is to be sustained into the future. Achieving the targets will not be easy, given the pressure on public finances and the scale of change required.

The Council will continue to need to ensure that the following are achieved:
- That all spending is managed within the overall agreed budget
- That the headcount of the Council is reduced
- That the move towards a Commissioning Council yields real savings whilst maintaining excellent service standards
- That the Capital Programme is set at a prudent, affordable level to achieve the Council's priorities

The Council's key achievements in 2013/14 were:

- The Council froze Council Tax in 2013/14 whilst improving resident satisfaction. In a recent survey 83% of residents said they were satisfied with the way the Council runs things (an increase from 77% in 2012), 79% said they trust the Council (an increase from 74% in 2012) and 57% thought the Council provides good value for money (an increase from 48% in 2012)

- The achievement of £5.5m of efficiency savings through the re-procurement of contracts, restructuring of services and generation of additional income.

- The transfer in of Public Health Services into the Council's Adult and Community Services Directorate (from NHS) in line with the requirements of the Health and Social Care Act 2012. These functions transferred with effect from 1 April 2013 and the Council is now responsible for improving the health of residents in the Borough using appropriate information and advice, commissioning or providing services to promote healthy living and the prevention, diagnosis and treatment of illness. 17 full time equivalent (FTE) staff deliver the service and it was fully funded by an £8m Government Grant in 2013/14.

- The creation of a Community Interest Company that is jointly owned with the RB of Kingston for the provision of Children's Services. Officers and Members have been working on the set up of this innovative service delivery vehicle during 2013/14. Achieving for Children (AfC) became operational on 1st April 2014 with the transfer in of most Children's Services staff from LB Richmond and RB Kingston. LB Richmond will commission Children's and Educational services from this company from 2014/15 and it represents a significant step towards the LB Richmond's strategic commissioning objectives.

- Since 2010 the Council has achieved the following through its Capital investment programme:
  - the provision of 2,070 new primary places and 180 new secondary places
  - it has helped to provide 195 new Affordable Homes Units
  - repaired approximately 32,000 potholes
  - made significant improvements in Twickenham, Hampton and Whitton through the Uplift Programme.

The Council's key financial challenges for 2014/15 and beyond are:

- Achievement of Council Tax goals in the light of continued reductions in funding and demand pressures on services

- Continuing to work towards Commissioning Council goals by identifying new opportunities to share or commission services

- Continuing to work alongside existing and new partners to deliver effective services and ensure the Commissioning Strategy achieves financial as well as service objectives.

- Implementation of new / changed requirements of the Care Act 2014. The Care Act represents the most significant reform of care and support in more than 60 years.

- Inflationary pressures as the economic recovery continues. Economic recovery could see pressure on pay, after a significant period of restraint, as well as on general prices and demand pressures.

REVENUE BUDGET AND OUTTURN

The Council underspent by £4.3m (4%) in 2013/14 against a budget of £107m. The underspend was used to fund the capital programme in 2013/14.

Directorate	**Budget £000**	**Outturn £000**	**Variance £000**
Education & Children's Services	27,590	27,954	**364**
Adult & Community Services	73,345	71,215	**(2,130)**
Environment	25,282	23,662	**(1,620)**
Finance & Corporate Services	26,748	26,288	**(460)**
Central Items & Contingency:			
Central Items	7,765	7,199	**(566)**
Non ringfenced grants (e.g. RSG, NNDR etc)	(53,227)	(53,424)	**(197)**
Proposed commitments to 2014/15	0	287	**287**
Underspend used to fund capital programme	**107,503**	**103,181**	**(4,322)**

There were many underspends across the Directorates that contributed to the overall net underspend position. Full details are available in the individual directorate outturn reports on the Council's website (www.richmond.gov.uk). The most significant items to note in each directorate are:

Education & Children's Services

- Looked after children - £436k overspend
  The overspend was mainly due to pressures on the external residential care budgets including secure accommodation. The number of looked after children in secure units, children's homes and hostels has risen to 14 as at 31 March 2014 compared to 13 in 2012/13 (7 in 2009/10). Several young people were placed in high need residential care during 2013/14 and there were two secure accommodation placements. The two secure placements did cease in-year but had already cost £263k.

- Special Educational Needs Services - £469k overspend
  The overspend relates mainly to the transport costs of pupils with Special Educational Needs. The latest statistics show a year on year increase of 312 to 337 pupils with the number of routes increasing from 108 to 118. Growth of £300k has been included in the budget for 2014/15.

Adult & Community Services

- Older People and Physical Disabilities - £557k underspend
  The Council has increased its investment in preventative services such as the Richmond Response and Rehabilitation (RRR) Team which has resulted in reduced demand for long term care services with overall demand for care services being met within budget. The under spend includes contracting efficiencies of £390k relating to residential, nursing care and home support contracts, equivalent of 1% of care purchasing budgets

- Accessible Transport Unit - £444k underspend
  The underspend is mainly due to lower costs for the Concessionary Fares Scheme because TfL revised down their original contribution to the costs of the London-wide scheme.

- Rent Allowances - £475k underspend
  This is mainly due to additional income from the recovery of Housing Benefit over payments. This results from actions taken by the Revenues and Benefits service in checking benefit payments and then putting in place actions to recover any identified as having been overpaid (due to issues such as non-notification or late notification of changes in individuals circumstances).The number of claimants with ongoing entitlement to benefit, where overpayments are being recovered, has risen to 838 in March 2014 from 795 in March 2013.

- Supported Housing Services - £224k underspend
  Service provision was reviewed and savings were generated through re-commissioning

Environment Directorate

The main contribution to the underspend was the overachievement of income targets across a range of services:

- On & Off Street Parking (£881k net overachievement of income)
  The majority of this additional income results from parking fees above the budgeted level of £7.519m. It should be noted that the 2013/14 budgets were reduced by £300k to allow for the potential loss of income from the Richmond Card bulk issue. As the bulk issue occurred later in the year than expected, income did not fall as much as anticipated in 2013/14. Parking Income fee budgets will be reviewed as part of the 2015/16 budget review, and will use the latest data on the effect of the Richmond card bulk issue on parking income.

- Highways Management (£103k overachievement of income)
  Additional income was received from utility companies in respect of S74 enforcement penalties, defect notices, fixed penalties and Road and Street Works Act (RASWA) sample inspection charges. This type of income is demand led and changes each year depending on utility company workloads, enforcement levels and site overruns, all of which can vary significantly, and as such are difficult to predict in advance.

- Waste Collection/Recycling (£337k net overachievement of income)
  There was additional income of £213k from green waste collection fees, £73k from material sales (because of higher than expected tonnage rates) and £118k from Trade collection fees. This was partly offset by additional costs relating to contaminated materials of £93k.

- Development Control (£143K net overachievement of income)
  This was mainly as a result of additional planning application income (-226k) received for several large schemes throughout the year. Pre-application income was £80k above

budget due to increased planning advice. Offset against this was £56k additional employee costs, and £64k incurred mainly for consultant fees, both as a result of additional work required on the large development schemes. Legal fees were also overspent by £47k because of additional legal support required for planning appeals.

Finance & Corporate Services (FCS)

- Council Tax and Business Rates (£314k underspend)
  This mainly relates to changes to the Business Rates system, whereby the cost of discretionary rate reliefs is no longer charged to the General Fund but to the Collection Fund.

- Corporate Management (£184k underspend)
  The majority of the underspend is in respect of reduced charges from the external auditors (£98k) and bank contract costs (£48k) as reported throughout the year. The 2014/15 budget has been adjusted to reflect the lower charges

- Non Distributed Costs (£393k overspend)
  The overspend is in respect of additional payments required by the Actuary to be made to the Pension Fund in respect of ill health retirements (£137k). The balance is a one off adjustment relating to the timing of schools achieving Academy status and having their contribution rates calculated individually.

Central Items & Contingency

- Contingency (£409k underspend)
  This was set aside to allow for uncertainty in the new Business Rates Retention system. The Council identified early in the year that it would not need to draw upon this budget and it has been removed for 2014/15.

- Revenue Support Grant adjustment (£197k additional grant income)
  Central Government held back an element of the Revenue Support Grant to allow for capitalisation of revenue expenditure. Not all of the funds were required and the balance was redistributed to local authorities.

CAPITAL OUTTURN

The total capital spend in 2013/14 of £59m is the second largest annual total after the £61m in 2012/13. Over half the programme (£36m) related to schools projects which included the provision of primary places (£16m), building sixth forms in every secondary school (£10m) and continuing the academies works funded by the Government (£8m). £11m was invested in the borough's infrastructure including TfL and Council funded road and pavement schemes, as well as Uplift schemes. The Council also made a capital loan to WLWA which assists them in financing new waste facilities as well as generating an interest return for the Council – a development which is expected save the Council in excess of £1m per annum when it is completed.

Directorate	Budget £000	Outturn £000	Slippage / re-phasing £000	Variance £000
Education & Children's Services	35,718	36,452	(734)	**0**
Adult & Community Services	5,475	4,332	1,141	**(2)**
Environment Directorate	15,116	14,985	(53)	**(184)**
Finance & Corporate Services	4,974	3,756	1,218	**0**
Total	**61,283**	**59,525**	**1,572**	**(186)**

Further details of specific capital schemes is available in the detailed directorate outturn reports. These are available on the Council's website: http://www.richmond.gov.uk/

REVENUE RESERVES

The Council held £36.1m in revenue reserves (excl. schools) and £47.8m including schools as at 31st March 2014.

The Council holds a non-earmarked General Reserve to protect the Council against unexpected fluctuations in financial position / budget and to provide short term Council Tax protection against the impact of major changes in funding. This reserve stood at £9.9m or 6% of the net budget at 31st March 2014. No money was used or contributed to this reserve in year and it has been maintained within the Council's stated policy objective of 5% - 10% of the Budget Requirement (excl. schools).

The Council held £26.2m in earmarked reserves as at 31st March 2014, a reduction of £1.1m on 2013/14. These reserves have been earmarked by Cabinet for specific purposes and a full breakdown is available in Note 13 to the accounts.

The most significant usage of earmarked reserves was:
Prior Year Budgets Committed to 2013/14 – £802k
Invest to Save - £808k
Insurance Reserve - £784k
Waste & Recycling Reserve - £706k

The most significant contributions to earmarked reserves:
Council Tax Freeze Reserve - £1.1m
Repairs & Renewals Fund - £893k
Invest to Save Fund - £581k

School's reserves have reduced by £1.5m in 2013/14. These reserves consist of unspent ring-fenced Dedicated Schools Grant and school's revenue balances brought forward which are outside the direct control of the Council.

PENSIONS DEFICIT

The accounts show a deficit in the Pension Fund of £156.3m at 31 March 2014 (reduced from £178.9m at 31 March 2013). This figure is calculated by the Council's Actuary and is an estimate of the shortfall in funds available to the Pension Fund to meet all of its liabilities. The calculation is heavily dependent on the assumptions made by the Actuary about factors such as investment return, longevity, and future inflation rates. The Council has a 20 year plan in place to recover the deficit. In addition, the changes following the Hutton Review of public sector pensions have been implemented from April 2014. These changes are expected to reduce the overall cost of pensions to Councils.

SHARED SERVICES AND GROUP ACCOUNTS

In line with the Council's Commissioning strategy the organisation continues to share services with other Local Authorities as well as commission services in more effective ways. During 2013/14 the Council shared the following services:

- **South London Legal Partnership –** On 1st October 2013 this partnership joined together the legal services of LB Richmond upon Thames, RB Kingston, LB Merton and LB Sutton and is the first 4 borough shared legal service in London. The partnership staff are employed by LB Merton. For more information please see: Cabinet February 2013.

- **Internal Audit & Investigations Service –** A shared service with the RB Kingston was established on 1st June 2012. The service is hosted (and staff employed) by LB Richmond upon Thames. The service provides the statutory internal audit service for both councils and provides an anti-fraud and corruption service by carrying out investigations of suspected financial fraud and irregularity. The 2 boroughs have shared a Joint Head of Internal Audit since 1st December 2011. RB Kingston are charged on the basis of time spent and an agreed audit day rate.

- **Human Resources –** Since 1st April 2012 the Council's Human Resource (HR) services have been delivered via a shared service between LB Richmond upon Thames and RB Kingston (the lead borough). The service includes recruitment, employment contracts, advice on terms and conditions, payroll, employee relations advice and the provision of learning and development. All HR staff are now employed by and based at RB Kingston.

- **Youth Offending Service** – RB Kingston & LB Richmond upon Thames' youth offending services formally merged into a shared service in June 2013. The new service is a multi-agency partnership, the partners of whom jointly resource a multi-disciplinary team. The aim of the service is to reduce the likelihood of re-offending by children and young people, protect the public and the child or young person, and ensure that the sentence is served.
  The service is governed at a national level by the Youth Justice Board (Ministry of Justice) and at local level by the joint Youth Offending Service Management Board. The service is hosted by RB Kingston, but staff are still paid under their home authority. From 1 April 2014, the Youth Offending Service was transferred into AfC.

- **Young People Substance Misuse Service –** This is a shared service commissioned and developed by LB Richmond upon Thames and RB Kingston, which has been operational since 1st April 2011. The key drivers for this service were the ongoing reductions in funding from the National Treatment Agency (from 1st April 2013, part of Public Health England), local efficiencies and the need to improve the delivery model to meet the identified needs and quality standards. The key aim of the service is to provide specialist substance misuse treatment for young people and their families and support for universal services to respond to substance misuse issues.

In addition to sharing services the Council has identified 2 organisations where the partnership relationship is sufficient to justify producing group accounts.

- **Orleans House Trust –** The Council is sole Trustee of the Orleans House Trust. The Trust is responsible for the preservation of the bequeathed Orleans House Gallery and art collection. Previously the Council was not able to benefit from the assets of the Trust as there was a clear separation between the operations of the Trust and the cultural services of the Council. During 2013/14 a formal management agreement was signed which enables the Trust and the Council to work more closely together in delivering joint objectives whilst ensuring that the terms of the original bequest are honoured. The new agreement will ensure that both organisations aims are achieved in the most cost effective way. The objectives of both organisations will be delivered by the same team located at the Orleans House Premises. The Council has assessed that the new management agreement effectively formalises the sharing of benefits from the assets of the Trust and the Council and that this satisfies the conditions for group accounts reporting. The 2013/14 Accounts therefore present the Orleans House Trust as a subsidiary of the Council.

- **Achieving for Children -** AfC was established on 5th February 2014 and was operational from 1 April 2014. It is a Community Interest Company that is jointly owned by the LB Richmond and RB Kingston. Both Councils will commission Children's and Educational Services from AfC from 2014/15 and it is anticipated that AfC will begin trading with other organisations in the future. There are minimal transactions with AfC in the 2013/14 Accounts and therefore it has not been included in the consolidated Group. Full consolidation Accounts will be reported from 2014/15.

SIGNIFICANT ITEMS TO NOTE

There are a number of significant items included in the detail of the Accounts:

- Over the last two financial years the Authority has been going through a restructuring process. The impact of reorganisation has resulted in £0.5m in 2013/14 and £0.9m in 2012/13 of redundancy costs.

- Capital receipts totalling £4.1m were received in 2013/14 (£1.8m in 2012/13) for the sale of various Council assets including the sale of a residential property which sold for £1.2m in March 2014 and preserved right to buy receipts of £1.7m.

- In 2013/14 the Council made a loan of £2.4m to the West London Waste Authority. This loan will form part of an overall loan of £15.0m, payable over three years, depending upon completion of milestone events during the construction of the waste facility it is financing. Further details can be found from the following link:

  https://cabnet.richmond.gov.uk/documents/s41063/West%20London%20Waste%20Authority%20residual%20waste%20funding%20issues.pdf

The Council entered into the following contract that will significantly affect the Accounts after the 31st March 2014:

- In May 2013 Cabinet agreed to proceed with the purchase of freehold property in Twickenham as part of its Uplift Programme. This purchase agreement was dependent on the satisfaction of a number of conditions, most of which were in the sellers control. On the 17 April 2014 (after the Balance Sheet date) the Council signed a supplemental agreement to exchange contracts for the purchase of the freehold and expects to complete during October 2014. This will result in a payment of in excess of £6m and an associated increase in the Council's assets. The purchase will be funded via the capital programme.

STATEMENT OF RESPONSIBILITIES

Responsibilities of the Council

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 Director of Finance and Corporate Services;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

Responsibilities of the Director of Finance and Corporate Services

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

In preparing the Statement of Accounts, the Director of Finance and Corporate Services has:

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

The Director of Finance and Corporate Services 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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the London Borough of Richmond upon Thames Council as at the 31 March 2014 and its income and expenditure for the year ended 31 March 2014.

Mark Maidment
Director of Finance and Corporate Services
22nd September 2014

CERTIFICATE OF APPROVAL

These financial statements were approved by the Statutory Accounts Committee on 22nd September 2014.

Councillor Lord True
Chairman
Statutory Accounts Committee
22nd September 2014

Date authorised for issue: This statement of accounts is authorised for issue on 22nd September 2014 and any events up to this date are reflected in the note on events after the Balance Sheet date – see Note 4.

THE CORE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME & 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.

		31 March 2014			31 March 2013 (restated)		
		Expenditure	**Income**	**Net**	**Expenditure**	**Income**	**Net**
	Notes	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Central Services to the Public		6,584	(3,730)	2,854	19,080	(15,505)	3,575
Cultural & Related Services		17,063	(4,589)	12,474	16,817	(4,247)	12,570
Environmental & Regulatory Services		19,834	(6,002)	13,832	17,234	(5,489)	11,745
Planning Services		8,755	(3,168)	5,587	7,766	(3,328)	4,438
Education and Children's Services		157,303	(113,123)	44,180	169,861	(118,974)	50,887
Highways and Transport Services		25,248	(14,494)	10,754	23,866	(13,435)	10,431
Housing Services (General Fund)		80,618	(73,174)	7,444	80,887	(71,777)	9,110
Adult Social Care		76,457	(16,756)	59,701	73,604	(27,652)	45,952
Public Health**		8,062	(8,062)	0	157	0	157
Corporate and Democratic Core		3,229	(53)	3,176	3,592	(62)	3,530
Non Distributed Costs		70	(10)	60	928	(1)	927
Cost Of Services	*5*	**403,223**	**(243,161)**	**160,062**	**413,792**	**(260,470)**	**153,322**
Other Operating Expenditure	*7*	14,586	(6,349)	8,237	8,793	(1,779)	7,014
Financing and Investment Income and Expenditure	*8*	17,453	(7,345)	10,108	16,497	(7,774)	8,723
Taxation and Non-Specific Grant Income	*9*	3,621	(183,286)	(179,665)	0	(182,809)	(182,809)
(Surplus) or Deficit on Provision of Services	*5*	**438,883**	**(440,141)**	**(1,258)**	**439,082**	**(452,832)**	**(13,750)**
Surplus or Deficit on Revaluation of Property, Plant and Equipment	*16*	0	(17,178)	(17,178)	6,477	0	6,477
Actuarial Gains/Losses on Pension Assets/Liabilities	*37*	0	(28,278)	(28,278)	28,710	0	28,710
Other Comprehensive Income and Expenditure*		**0**	**(45,456)**	**(45,456)**	**35,187**	**0**	**35,187**
Total Comprehensive Income and Expenditure		**438,883**	**(485,597)**	**(46,714)**	**474,269**	**(452,832)**	**21,437**

* The Council has no material items that may be re-classifiable to Cost of Service when future conditions are met

** Public Health services were previously reported under Environmental & Regulatory Services but have now been separated into a discrete line as per Sercop 2013/14

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council'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 for Council Tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the change to the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Notes	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2012 carried forward		**(10,206)**	**(53,066)**	**(6,368)**	**(13,561)**	**(83,201)**	**(471,846)**	**(555,047)**
Movement in reserves during 2012/13								
(Surplus) or deficit on provision of services (restated)	*CI&E*	(13,750)	0	0	0	**(13,750)**	**0**	**(13,750)**
Other Comprehensive Expenditure and Income (restated)	*CI&E*	35,187	0	0	0	35,187	5	**35,192**
Total Comprehensive Expenditure and Income		**21,437**	**0**	**0**	**0**	**21,437**	**5**	**21,442**
Adjustments between accounting basis & funding basis under regulations	*12*	(21,623)	0	(1,871)	8,741	**(14,753)**	**14,753**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(186)**	**0**	**(1,871)**	**8,741**	**6,684**	**14,758**	**21,442**
Transfers to/from Earmarked Reserves	*13*	436	(436)	0	0	**0**	**0**	**0**
Increase/Decrease (movement) in Year		250	(436)	(1,871)	**8,741**	**6,684**	14,758	21,442
Balance at 31 March 2013 carried forward		**(9,956)**	**(53,502)**	**(8,239)**	**(4,820)**	**(76,517)**	**(457,088)**	**(533,605)**

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Continued form previous page….	*Notes*	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
		£000	£000	£000	£000	£000	£000	£000
Movement in reserves during 2013/14								
(Surplus) or deficit on provision of services	*CI&E*	(1,258)	0	0	0	**(1,258)**	**0**	**(1,258)**
Other Comprehensive Expenditure and Income	*CI&E*	(45,456)	0	0	0	(45,456)	75	**(45,381)**
Total Comprehensive Expenditure and Income		**(46,714)**	**0**	**0**	**0**	**(46,714)**	**75**	**(46,639)**
Adjustments between accounting basis & funding basis under regulations	12	51,528	0	6,340	609	**58,477**	**(58,477)**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		**4,814**	**0**	**6,340**	**609**	**11,763**	**(58,402)**	**(46,639)**
Transfers to/from Earmarked Reserves	*13*	(4,814)	4,814	0	0	**0**	**0**	**0**
Increase/Decrease (movement) in Year		0	4,814	6,340	609	11,763	(58,402)	(46,639)
Balance at 31 March 2014 carried forward		**(9,956)**	**(48,688)**	**(1,899)**	**(4,211)**	**(64,754)**	**(515,490)**	**(580,244)**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the 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 Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

	Notes	**31 March 2014 £000**	**31 March 2013 £000**
NET ASSETS			
Property, Plant & Equipment	16	753,521	710,555
Heritage Assets	17	2,751	2,753
Investment Property	18	7,308	6,890
Intangible Assets	19	292	374
Long Term Investments	27	2,250	2,250
Long Term Debtors	23	12,355	2,885
Long Term Assets		**778,477**	**725,707**
Short Term Investments	27	42,281	57,536
Assets Held for Sale	22	1,687	2,469
Inventories		64	55
Short Term Debtors	23	26,601	25,155
Cash and Cash Equivalents	CFS	10,073	10,484
Current Assets		**80,706**	**95,699**
Short Term Borrowing	27	(4,447)	(4,045)
Short term Creditors	24	(41,317)	(34,609)
Provisions	25	(2,100)	(616)
Current Liabilities		**(47,864)**	**(39,270)**
Long Term Creditors	24	(1,592)	(1,278)
Grants Receipts in Advance - Capital	24	(3,300)	(7,453)
Provisions	25	(239)	(242)
Long Term Borrowing	27	(40,861)	(38,361)
Other Long Term Liabilities	26	(185,083)	(201,197)
Long Term Liabilities		**(231,075)**	**(248,531)**
Net Assets		**580,244**	**533,605**

	Notes	31 March 2014	31 March 2013
TOTAL RESERVES			
Usable Reserves	14	(64,754)	(76,517)
Unusable Reserves	15	(515,490)	(457,088)
Total Reserves		**(580,244)**	**(533,605)**

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Cash flows on investing activities include capital expenditure and changes in levels of short and long term investments (i.e. cash flows associated with assets). Cash flows on financing activities primarily include changes in long and short term borrowing and changes to principal balances on finance leases (i.e. include the changes to external borrowing of the Council).

	Notes	31 March 2014 £000	31 March 2013 (restated)* £000
Net (surplus) or deficit on the provision of services	*CI&E*	(1,258)	(13,750)
Adjustments to net surplus or deficit on the provision of services for noncash movements		(21,907)	(33,526)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		4,099	1,881
Net cash flows from Operating Activities	*29*	**(19,066)**	**(45,395)**
Investing Activities	*30*	23,370	46,781
Financing Activities	*31*	(3,893)	2,046
Net (increase) or decrease in cash and cash equivalents		**411**	**3,432**
Cash and cash equivalents at the beginning of the reporting period		10,484	13,916
Cash and cash equivalents at the end of the reporting period		**10,073**	**10,484**
Which is made up of the following:			
Cash held by the Council		68	25
Bank Current Accounts		(4,795)	229
Short term readily convertible Investments		14,800	10,230
		10,073	**10,484**

* see note 2 for further explanation

NOTES TO THE CORE FINANCIAL STATEMENTS

HOW THE ACCOUNTS ARE PREPARED

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

NOTES TO THE MOVEMENT IN RESERVES ACCOUNT

NOTES TO THE BALANCE SHEET

NOTES TO THE CASH FLOW STATEMENT

EMPLOYEES, COUNCILLORS AND THE ORGANISATION

RISKS AND UNCERTAINTIES

CONSOLIDATED GROUP ACCOUNTS

HOW THE ACCOUNTS ARE PREPARED

NOTE 1 ACCOUNTING POLICIES AND STANDARDS

Accounting Policies

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its year-end position at 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. These regulations also require that the Accounts be prepared in accordance with proper accounting practices. These practices comprise the following:

- Code of Practice on Local Authority Accounting in the United Kingdom 2013/14,
- Service Reporting Code of Practice 2013/14
- All relevant approved accounting standards issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Issues Committee (IFRIC)
- Relevant statutory guidance issued by government

The Council has agreed and followed a detailed set of Accounting Policies in the preparation of these Accounts, a copy of which are available at Technical Annexe 1 to these Accounts.

The most significant policies to note are:

- **Recognition of Income and Expenditure**
  Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
  Income **-** Revenue from the sale of goods is recognised when the 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 it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

  Expenditure - Supplies are recorded as expenditure when they are consumed. 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.

- **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.

  Measurement **-** Assets are initially measured at cost, comprising the purchase price and 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.

  Revaluation - 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.

  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.

  Depreciation - Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives

- **Interests in Companies and Other Entities (updated in 2013/14)**
  Where the Council assess that its relationship with another entity is classified as a subsidiary, associate, or joint venture it will present its accounts to reflect these interests as follows:
  Subsidiary – An entity will be a subsidiary where the Council controls the financial and operating activities of that entity and benefits from this control. Where material, the Council will consolidate the accounts of this entity into its own accounts on a line by line basis. 100% of all transactions and balances will be consolidated into the Council's Accounts and the Council will present both single entity and consolidated group entity Accounts.
  Associate – An entity will be an associate where the Council assesses that it has significant influence over the operations of another entity. Where this is the case the interest will be represented in the Council's Accounts using the equity method. The original investment will be adjusted for the current share of the net assets and the relevant share of profit or loss is recognised in the Comprehensive Income and Expenditure Account.
  Jointly Controlled Entities – If the Council enters into an agreement whereby there is joint control over another entity it will, where material, consolidate this interest using the proportionate line by line method. This entails consolidating the other entity's Accounts with the Council's Accounts in line with the proportion of control that is held.

- **Pension Schemes (updated in 2013/14)**
  There are 3 pension schemes available to Council employees:

  Teachers' Pension Scheme is available to teachers
  National Health Service Pension Scheme is available to staff transferring from the NHS
  Local Government Pensions Scheme (LGPS) is available to all staff

  These are all Defined Benefit schemes, but the first 2 are accounted for as Defined Contribution schemes due to their nature (see Note 36 for further information).

  For Defined Contributions schemes, the payments are accounted for on an accruals basis with no adjustment under IAS 19.

  The LGPS is accounted for as required by IAS 19 to show the cost of benefits earned in the year of account against the relevant service. This uses figures provided by the Actuary in assessing the current value of benefits earned during the year, the impact of decisions or changes made during the year, interest and re-measurement costs. These costs are then adjusted in the Movement in Reserves Statement to ensure only the cash paid to the Pension Fund is charged to the General Fund in the year.

Critical Judgements in Applying Accounting Policies
In applying the accounting policies (set out in Technical Annexe 1 and above), the Council has made certain judgements about transactions, relationships, and uncertainty about future events. The critical judgements made in the Statement of Accounts are:

a) There is a high degree of uncertainty around the future funding for local government. In addressing the future risks that arise from this uncertainty the Council believes there are no indications that assets need to be impaired as a result of a need to close facilities and reduce levels of service provision.

b) In view of the deteriorating economic position and the uncertainty over future funding levels, the Council has planned efficiency savings. Staffing levels have been reduced significantly and the cost of redundancies has generally been met from savings and reserves. An earmarked reserve (Invest to Save Reserve - £2.3 million at 31 March 2014) has been established to meet the cost of implementing future efficiency savings, including redundancy costs.

c) The Council has established a Trust Fund that controls donated assets comprising of an historic building, adjacent properties, and an extensive art collection. During 2013/14 an agreement was put in place between the Council and the Trust which records both parties' respective responsibilities in relation to their common purpose. The Trust has been assessed as being a subsidiary from 2013/14 and has been included in the Council's consolidated Group Accounts.

d) During 2013/14, both the Council and the RB of Kingston upon Thames set up a community interest company called Achieving for Children to provide their Children's Services. The aim is to focus on providing high quality frontline services by creating economies of scale and reducing management and overhead costs. A shadow board of Directors was established and the company was registered at Companies House in February 2014 (although the company did not become operational until 1 April 2014).

Both Councils have joint control over the company and as such it has been judged that the company is a jointly controlled entity. However as the transactions in 2013/14 are minimal, no consolidation adjustments have been made to the Accounts.

Accounting Standards Issued Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) introduces a number of changes in accounting policies which will need to be adopted fully by the Council in the 2014/15 financial statements. The changes relate to the following areas:

- Offsetting of financial instruments
- Group Accounts
- Presentation of information – comparative information

None of these changes would have impacted on the 2013/14 Accounts if they had been introduced this year. Further details on the changes are available in Technical Annexe 1.

NOTE 2 RESTATEMENT OF PRIOR YEAR FIGURES

The 2012/13 comparative figures within the Statement of Accounts have been re-stated to show the impact of the changes to IAS 19 implemented in the 2013/14 accounts. The key accounting change, which related to LGPS funds, is the combination of interest cost and expected return on assets into a single net figure. The anticipated return on assets is now reported as an unrealised gain.

There is no impact on the Balance Sheet as the change is in the classification of the movement in the year. The Actuarial valuation of the net liability (reported on the Balance Sheet) has not changed.

The changes to the Comprehensive Income & Expenditure Account (carried through to the MIRS and associated notes) are as follows:

	Original 2012/13	Change	Restated 2012/13
Financing & Investment Income & Expenditure	4,941	3,782	8,723
Actuarial (Gains)/Losses on Pension Assets/Liabilities	32,492	(3,782)	28,710

Where notes or primary statements have been updated the relevant figures are marked as 'restated'. The Accounting policy has been updated to reflect these changes and is included in Technical Annexe 1.

NOTE 3 ACQUIRED AND DISCONTINUED OPERATIONS

In 2012 the Government introduced the Health and Social Care Act which stated that by April 2013, the Public Health responsibility of NHS Primary Care Trusts would transfer to local authorities. In Richmond, these functions transferred with effect from 1st April 2013 and the Council is now responsible for improving the health of residents in the Borough using appropriate information and advice, commissioning or providing services to promote healthy living and the prevention, diagnosis and treatment of illness. In 2013/14 the Council spent £8.062m of which the majority was funded from Government Grants. There were no transfers of Assets or Liabilities at 1st April 2013.

There were no materially significant discontinued operations.

NOTE 4 EVENTS AFTER THE BALANCE SHEET DATE

In May 2013, Cabinet agreed to proceed with the purchase of freehold property in Twickenham as part of its Uplift Programme. This purchase agreement was dependent on the satisfaction of a number of conditions, most of which were in the sellers control. On the 17th April 2014 (after the Balance Sheet date) the Council signed a supplemental agreement to exchange contracts for the purchase of the freehold and expects to complete during October 2014. This will result in a payment of in excess of £6m and an associated increase in the Council's assets. The purchase will be funded via the capital programme.

NOTE 5 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 *Service Expenditure Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These directorate reports are prepared on a management accounts basis and differ from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

A nil outturn variance was reported to Cabinet in July 2014 after allowing for £4.3m additional revenue funding for the capital programme and no use of the General Fund Reserve. The table below shows the final management position.

Service Information for the year ended 31 March 2014	Education, & Children's Services £000s	Environment £000s	Adult and Community Services £000s	Finance and Corporate Services £000s	Central Items £000s	Total £000s
Fees, charges & other service income	(17,917)	(32,064)	(24,275)	(3,400)	(860)	**(78,516)**
Interest & investment income	(41)	0	(47)	(5)	(783)	**(876)**
Income from Council Tax	0	0	0	0	(108,253)	**(108,253)**
Government Grants	(7,027)	(97)	(76,484)	(2,052)	(57,045)	**(142,705)**
Dedicated Schools Grant	(89,323)	0	0	0	0	**(89,323)**
Reserves	0	0	0	0	(4,628)	**(4,628)**
Total income	**(114,308)**	**(32,161)**	**(100,806)**	**(5,457)**	**(171,569)**	**(424,301)**
Employee expenses	81,916	15,654	24,597	17,393	(16)	**139,544**
Other service expenses	59,512	31,397	147,109	11,321	6,156	**255,495**
Support Services	834	609	315	2,341	0	**4,099**
Depreciation, Impairments etc.	0	0	0	0	14,472	**14,472**
Interest payments	0	0	0	0	1,838	**1,838**
Levies	0	8,163	0	690	0	**8,853**
Total expenditure	**142,262**	**55,823**	**172,021**	**31,745**	**22,450**	**424,301**
Net Expenditure	**27,954**	**23,662**	**71,215**	**26,288**	**(149,119)**	**0**

Service Information for the year ended 31 March 2013	Education, Children's and Cultural Services £000s	Environment Directorate £000s	Adult and Community Services £000s	Finance and Corporate Services £000s	Central Items £000s	Total £000s
Fees, charges & other service income	(16,946)	(29,316)	(27,939)	(2,267)	(1,051)	**(77,519)**
Interest & investment income	0	0	0	0	(1,277)	**(1,277)**
Income from Council Tax	0	0	0	0	(116,355)	**(116,355)**
Government Grants	(4,862)	(233)	(76,388)	(13,839)	(40,606)	**(135,928)**
Dedicated Schools Grant	(94,445)	0	0	0	0	**(94,445)**
Total income	**(116,253)**	**(29,549)**	**(104,327)**	**(16,106)**	**(159,289)**	**(425,524)**
Employee expenses	88,884	14,262	22,955	14,031	812	**140,944**
Other service expenses	62,256	29,153	137,853	21,725	2,079	**253,066**
Support Services	717	535	359	1,747	0	**3,358**
Depreciation, Impairments etc.	0	400	0	0	18,433	**18,833**
Interest payments	0	0	0	0	1,992	**1,992**
Levies	0	6,972	0	609	0	**7,581**
Total expenditure	**151,857**	**51,322**	**161,167**	**38,112**	**23,316**	**425,774**
Net Expenditure	**35,604**	**21,773**	**56,840**	**22,006**	**(135,973)**	**250**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of management accounts relate to a subjective analysis of the Surplus or Deficit on the Provision of Services in the CI&ES:

2013/14	**Service analysis** £000s	**Amounts that do not form part of management Accounts** £000s	**Amounts not included in I&E** £000s	**Allocation of recharges** £000s	**Cost of services** £000s	**Corporate amounts** £000s	**Total** £000s
Fees, Charges & Other Service Income	(78,516)	(47,414)	5,311	55,776	**(64,843)**	(9,516)	**(74,359)**
Interest and Investment Income	(876)	0	783	0	**(93)**	(1,522)	**(1,615)**
Income from Council Tax	(108,253)	0	108,253	0	**0**	(108,392)	**(108,392)**
Government Grants	(142,705)	(4,136)	56,795	1,144	**(88,902)**	(71,201)	**(160,103)**
Dedicated Schools Grant	(89,323)	0	0	0	**(89,323)**	0	**(89,323)**
Reserves	(4,628)	0	4,628	0	**0**	0	**0**
Gain on Disposal of Assets	0	0	0	0	**0**	(6,349)	**(6,349)**
Total Income	**(424,301)**	**(51,550)**	**175,770**	**56,920**	**(243,161)**	**(196,980)**	**(440,141)**
Employees	139,544	(2,587)	(1,599)	(23,649)	**111,709**	9,653	**121,362**
Other Services Expenses	255,495	11,043	(7,954)	(16,402)	**242,182**	12,276	**254,458**
Support Services / Recharges	4,099	47,020	0	(13,991)	**37,128**	989	**38,117**
Depreciation Etc.	14,472	15,082	(14,472)	(2,878)	**12,204**	85	**12,289**
Interest Payments	1,838	0	(1,838)	0	**0**	3,804	**3,804**
Precepts & Levies	8,853	0	(8,853)	0	**0**	8,853	**8,853**
Total Expenditure	**424,301**	**70,558**	**(34,716)**	**(56,920)**	**403,223**	**35,660**	**438,883**
Surplus or Deficit	**0**	**19,008**	**141,054**	**0**	**160,062**	**(161,320)**	**(1,258)**

2012/13 (restated)	**Service analysis** £000s	**Amounts that do not form part of management Accounts** £000s	**Amounts not included in I&E** £000s	**Allocation of recharges** £000s	**Cost of services** £000s	**Corporate amounts** £000s	**Total** £000s
Fees, charges & Other Service Income	(77,519)	(47,154)	5,208	56,208	**(63,257)**	(8,330)	**(71,587)**
Interest and Investment Income	(1,277)	0	1,277	0	**0**	(1,774)	**(1,774)**
Income from Council Tax	(116,355)	0	116,355	0	**0**	(116,448)	**(116,448)**
Government Grants	(135,928)	(7,762)	40,606	316	**(102,768)**	(64,031)	**(166,799)**
Dedicated Schools Grant	(94,445)	0	0	0	**(94,445)**	0	**(94,445)**
Gain on Disposal of Assets	0	0	0	0	**0**	(1,779)	**(1,779)**
Total Income	**(425,524)**	**(54,916)**	**163,446**	**56,524**	**(260,470)**	**(192,362)**	**(452,832)**
Employees	140,944	(4,884)	(1,807)	(21,469)	**112,784**	8,844	**121,628**
Other Services Expenses	253,066	7,389	(3,907)	(16,003)	**240,545**	4,291	**244,836**
Support Services / Recharges	3,358	46,875	0	(14,164)	**36,069**	821	**36,890**
Depreciation Etc.	18,833	29,282	(18,833)	(4,888)	**24,394**	171	**24,565**
Interest Payments	1,992	0	(1,992)	0	**0**	3,582	**3,582**
Precepts & Levies	7,581	0	(7,581)	0	**0**	7,581	**7,581**
Total Expenditure	**425,774**	**78,662**	**(34,120)**	**(56,524)**	**413,792**	**25,290**	**439,082**
Surplus or Deficit	**250**	**23,746**	**129,326**	**0**	**153,322**	**(167,072)**	**(13,750)**

Service Analysis – This represents the amounts reported to management during the year.

Amounts that do not form part of management Accounts – These are items that are not reported as part of management accounts as they are assessed as being non-controllable. They mainly consist of income and expenditure associated with charging out overheads internally (recharges) and costs associated with the value of assets (e.g. depreciation, impairments etc).

Amounts not included in the I&E – These amounts are those that are reported as part of the Movement in Reserves Account and those that are reported below the Cost of Services line in the Comprehensive Income and Expenditure Account.

Corporate Amounts – These are the amounts that are reported below the Cost of Services Line on the Comprehensive Income and Expenditure Account. They mainly consist of levies, non-ringfenced or capital grants, Council Tax and Business Rates income

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

NOTE 6 MATERIAL ITEMS OF INCOME AND EXPENSE

A material item is an item of expenditure or income that is unusual in scale and non-recurring. In 2013/14 the following material items were reported as part of the accounts:

- Over the last two financial years the Authority has been going through a restructuring process. The impact of reorganisation has resulted in £0.5m in 2013/14 and £0.9m in 2012/13 of redundancy costs.

- Capital receipts totalling £4.1m were received in 2013/14 (£1.8m in 2012/13) for the sale of various Council assets including the sale of a residential property which sold for £1.2m in March 2014 and preserved right to buy receipts of £1.7m.

- In 2013/14 the Council made a loan of £2.4m to the West London Waste Authority. This loan will form part of an overall loan of £15.0m, payable over three years, depending upon completion of milestone events during the construction of the waste facility it is financing. Further details can be found from the following link:

  https://cabnet.richmond.gov.uk/documents/s41063/West%20London%20Waste%20Authority%20residual%20waste%20funding%20issues.pdf

NOTE 7 OTHER OPERATING EXPENDITURE

	2013/14 £000	2012/13 £000
Levies payable		
West London Waste Authority (WLWA)	7,888	6,714
Lee Valley Regional Park	274	258
London Pensions Fund Authority	335	304
Environment Agency Flood Defence	196	176
Coroners' Service	159	129
Administration costs	4	0
Payments of Housing Capital Receipts to Gov't Pool	24	24
Gain/loss on disposal of Non-Current Assets	(793)	(711)
HLU distribution of Capital Receipts	150	120
Total	**8,237**	**7,014**

NOTE 8 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2013/14 £000	2012/13 (restated) £000
Interest payable and similar charges	3,804	3,582
Pensions interest cost and expected return on pensions assets	7,992	6,977
Interest receivable and similar income	(1,522)	(1,786)
Income and expenditure in relation to investment properties and changes in their fair value	(166)	(50)
Total	**10,108**	**8,723**

Trading accounts are also included under Financing and Investment Income and Expenditure. These accounts net to nil as they are fully charged out to services during the year. The gross figures for income and expenditure are £5.515m in 2013/14 and £5.738m in 2012/13. The largest Trading Account relates to Transport Operations with gross expenditure of £4.981m and turnover of £4.816m in 2013/14 (£4.672m and £4.309m in 2012/13).

NOTE 9 TAXATION AND NON-SPECIFIC GRANT INCOME

	2013/14 £000	2012/13 £000
Council Tax Income*	**(108,392)**	**(116,448)**
Business Rates Income & Expenditure*	**(19,363)**	**(29,539)**
Revenue Support Grant	(29,798)	(573)
Council Tax Freeze Grant	(1,176)	(2,896)
Non Ringfenced Government Grants	**(30,974)**	**(3,469)**
Capital Grants	(18,078)	(32,491)
Capital Contributions	(1,203)	(719)
Donated Assets	(49)	0
S106 Contributions	(1,606)	(143)
Capital Grants and Contributions	**(20,936)**	**(33,353)**
Total Taxation and Non Specific Grant Income	**(179,665)**	**(182,809)**

* Includes Collection Fund surplus / deficit

Full breakdowns of all capital and revenue grants and contributions are available in Note 11.

NOTE 10 DEDICATED SCHOOLS GRANT AND SCHOOL BUDGETS

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DFE) – the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2013/14 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2013/14 before Academy recoupment	-	-	124,414
Less Academy figure recouped for 13/14	-	-	(35,091)
Total DSG after Academy recoupment	**-**	**-**	**89,323**
Brought forward from 2012/13	-	-	1,530
Carry forward to 2014/15 agreed in advance	-	-	0
Agreed initial budgeted distribution in 2013/14	**21,326**	**69,527**	**90,853**
In year adjustments	0	0	0
Final budgeted distribution for 2013/14	**21,326**	**69,527**	**90,853**
Less Actual central expenditure	21,884	-	21,884
Less Actual Individual School Budget deployed to schools	-	69,527	69,527
Plus Local Authority Contribution for 2013/14	0	0	0
Carry forward to 2014/15	**558**	**0**	**558**

	Revenue £000	Capital £000
Schools' balances at 1st April 2013	(11,184)	(463)
Revenue balances drawn down	614	-
Capital balances draw down	-	(131)
Schools' balances at 31st March 2014	**(10,570)**	**(594)**

	31 March 2014 £000	31 March 2013 £000
Range of size of revenue balances:		
Largest overdrawn balance	n/a	n/a
Largest surplus balance	(865)	(760)
Range of size of capital balances:		
Largest overdrawn balance	n/a	n/a
Largest surplus balance	(82)	(67)

NOTE 11 INCOME FROM GRANTS AND CONTRIBUTIONS

The Council credited the following grants, contributions and donations to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Account:

	2013/14	2012/13
	£000	**£000**
Council Tax Income (including Collection Fund Surplus)	**(108,392)**	**(116,448)**
Business Rates (including Collection Fund Deficit)**	***(22,983)**	**(29,539)**
Revenue Support Grant**	(29,798)	(573)
Council Tax Freeze Grant	(1,176)	(2,896)
	(30,974)	**(3,469)**
Capital Government Grants		
Academies Grant	(7,741)	(13,179)
Basic Need Grant	(3,659)	(10,137)
Devolved Schools Formula Grant	(220)	(933)
Disabled Facilities Grant	0	(678)
Maintenance Grant	(1,267)	(1,548)
Transport for London Grants	(3,952)	(3,835)
Other Government Capital Grants under £500k	(404)	(713)
Other Capital Grants		
London Marathon Trust Grant	(150)	(768)
Other Capital Grants under £500k	(686)	(700)
Capital Contributions		
Diocese of Westminster Contributions	(700)	0
S106 Contributions	(1,606)	(143)
School's Contributions	(425)	(680)
Other Capital Contributions under £500k	(78)	(39)
Donations	(49)	0
	(20,936)	**(33,353)**
Total Grants, Contributions and Donations	**(183,286)**	**(182,809)**

*Excludes Business Rates Tariff
** Several grants 'rolled in to' Revenue Support Grant from 1st April 2013. The increases in the lines identified above are therefore balanced out with reductions in specific grants in the table below.

The Council credited the following grants, contributions and donations to Cost of Service in the Comprehensive Income and Expenditure Account:

	2013/14 £000	2012/13 £000
Revenue Government Grants		
Council Tax Benefit Grant	0	(12,509)
Dedicated Schools Grant	(89,323)	(94,445)
Early Intervention Grant**	0	(6,572)
Educational Central Services Grant	(2,233)	0
Housing Benefit Admin Subsidy Grant	(977)	(1,100)
Housing Benefit Grant	(67,389)	(65,351)
Learning Disability & Health Reform Grant**	0	(9,208)
New Homes Bonus Grant	(2,209)	(1,027)
PFI Grant	(852)	(852)
Preventing Homelessness Grant**	0	(600)

	2013/14 £000	2012/13 £000
Public Health Grant	(7,676)	0
Pupil Premium Grant	(2,161)	(1,512)
School's PFI Grant	(1,342)	(1,342)
Skills Funding Agency Grants	(464)	(532)
Other Government Revenue Grants under £500k	(2,817)	(2,316)
Revenue Government Contributions		
NHS England	(2,365)	0
Capital Government Grants		
Dementia Friendly Environments (Homelink) Grant	(760)	0
Disabled Facilities Grant	(605)	0
Transport for London Grants	(560)	(139)
Other Capital Government Grants under £500k	(2)	(24)
	(181,735)	**(197,529)**
Other Revenue Grants		
Other Revenue Grants under £500k	(142)	(165)
Other Capital Grants		
Outer London Fund (Capital)	0	(94)
	(142)	**(259)**
Revenue Contributions		
Richmond CCG	(4,204)	(8,072)
Other Health Authority Contributions	(812)	(683)
Recoupment for Special Education Children in LBRuT Schools	(1,253)	(2,012)
S106 Contributions	(781)	(2,552)
School's Contributions	(1,420)	(443)
School's PFI Contributions	(1,102)	0
Other Revenue Contributions under £500k	(521)	(677)
Capital Contributions		
Other Capital Contributions under £500k	(158)	(101)
	(10,251)	**(14,540)**
Donations	**(36)**	**(48)**
Total Grants, Contributions and Donations	**(192,164)**	**(212,376)**

** Transferred in to Revenue Support Grant from 2013/14

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

	2013/14 £000	2012/13 £000
Academies Grant	(1,287)	(5,060)
Schools Devolved Formula Grant	(856)	(873)
Targeted Basic Needs Grant	(791)	0
S106 Contributions	(1,691)	(2,607)
Other LT grants and contributions under £500k	(246)	(192)
Total Long Term Receipts in Advance	**(4,871)**	**(8,732)**
Other ST grants and contributions under £500k	(1,713)	(429)
Total Short Term Receipts in Advance	**(1,713)**	**(429)**

NOTES TO THE MOVEMENT IN RESERVES ACCOUNT

NOTE 12 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 Council to meet future capital and revenue expenditure.

Movement in reserves during 2013/14:

	Usable Reserves						
	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Depreciation/amortisation	(12,803)	0	0	0	**(12,803)**	**12,803**	**0**
Impairment/revaluation losses (charged to I&E)	14,899	0	0	0	**14,899**	**(14,899)**	**0**
Movement in market value of investment property	(85)	0	0	0	**(85)**	**85**	**0**
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	22,165	0	0	0	**22,165**	**(22,165)**	**0**
Income in relation to donated assets	49	0	0	0	**49**	**(49)**	**0**
Revenue expenditure funded from capital under statute	(13,396)	0	0	0	**(13,396)**	**13,396**	**0**
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(5,685)	0	0	0	**(5,685)**	**5,685**	**0**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for the financing of capital investment charged against the General Fund	2,278	0	0	0	**2,278**	**(2,278)**	**0**
Capital expenditure charged against the General Fund	14,472	0	0	0	**14,472**	**(14,472)**	**0**
Adjustments primarily involving the CAA							**0**
Capital grants and contributions unapplied credited to the CI&ES	804	0	0	(804)	**0**	**0**	**0**
Application of grants to capital financing transferred to the CAA	0	0	0	1,413	**1,413**	**(1,413)**	**0**
Adjustments primarily involving the Capital Receipts Reserve							**0**

	Usable Reserves						
	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Transfer of cash sale proceeds from gain/loss on disposal	4,120	0	(4,120)	0	**0**	**0**	**0**
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	10,298	0	**10,298**	**(10,298)**	**0**
Contribution towards costs of non-current asset disposal	(21)	0	21	0	**0**	**0**	**0**
Contribution to finance Government Capital Receipts Pool	(24)	0	24	0	**0**	**0**	**0**
Contribution to finance the Distribution of HLU Capital Receipts	(150)	0	150	0	**0**	**0**	**0**
Transfer from Deferred Capital Receipts on receipt of cash	0	0	(33)	0	**(33)**	**33**	**0**
Contribution to Deferred Capital Receipts WLWA loan	2,379	0	0	0	**2,379**	**(2,379)**	**0**
Adjustments primarily involving the Financial Instruments Adjustment Accounts							**0**
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	108	0	0	0	**108**	**(108)**	**0**
Adjustments Primarily involving the Pensions Reserve							**0**
Reversal of items relating to retirement benefits debited to CI&ES	6,803	0	0	0	**6,803**	**(6,803)**	**0**
Employer's pensions contributions and payments to pensioners due in the year	15,837	0	0	0	**15,837**	**(15,837)**	**0**
Adjustments primarily involving the Collection Fund Adjustment Account							
Amount by which Council Tax and Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements	(490)	0	0	0	**(490)**	**490**	**0**
Adjustments Primarily involving the Accumulated Absences Account							**0**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	240	0	0	0	**240**	**(240)**	**0**
Adjustments Primarily involving the Deferred Lease Income Account							**0**
Transfer of Deferred Lease Receipts included in gain/loss on disposal to CI&ES	28	0	0	0	**28**	**(28)**	**0**
Adjustments between accounting basis and funding basis under regulations	**51,528**	**0**	**6,340**	**609**	**58,477**	**(58,477)**	**0**

Movement in reserves during 2012/13:

	Usable Reserves						
	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Depreciation/amortisation	(14,956)	0	0	0	**(14,956)**	**14,956**	**0**
Impairment/revaluation losses (charged to I&E)	(20,800)	0	0	0	**(20,800)**	**20,800**	**0**
Movement in market value of investment property	(171)	0	0	0	**(171)**	**171**	**0**
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	31,914	0	0	0	**31,914**	**(31,914)**	**0**
Revenue expenditure funded from capital under statute	(11,316)	0	0	0	**(11,316)**	**11,316**	**0**
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(1,171)	0	0	0	**(1,171)**	**1,171**	**0**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory provision for the financing of capital investment charged against the General Fund	2,934	0	0	0	**2,934**	**(2,934)**	**0**
Capital expenditure charged against the General Fund	18,990	0	0	0	**18,990**	**(18,990)**	**0**
Adjustments primarily involving the CAA		0	0	0			
Capital grants and contributions unapplied credited to the CI&ES	1,796	0	0	**(1,796)**	**0**	**0**	**0**
Application of grants to capital financing transferred to the CAA	0	0	0	**10,537**	**10,537**	**(10,537)**	**0**
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash sale proceeds from gain/loss on disposal	1,899	0	(1,899)	0	**0**	**0**	**0**
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	(74)	0	**(74)**	**74**	**0**
Contribution towards costs of non-current asset disposal	(18)	0	18	0	**0**	**0**	**0**
Contribution to finance Government Capital Receipts Pool	(24)	0	24	0	**0**	**0**	**0**
Contribution to finance the Distribution of HLU Capital Receipts	(120)	0	120	0	**0**	**0**	**0**
Transfer from Deferred Capital Receipts on receipt of cash	0	0	(60)	0	**(60)**	**60**	**0**
Adjustments primarily involving the Financial Instruments Adjustment Accounts							

Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	51	0	0	0	**51**	**(51)**	**0**
Adjustments Primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited to CI&ES	(47,163)	0	0	0	**(47,163)**	**47,163**	**0**
Employer's pensions contributions and payments to pensioners due in the year	15,572	0	0	0	**15,572**	**(15,572)**	**0**
Adjustments primarily involving the Collection Fund Adjustment Account							
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	93	0	0	0	**93**	**(93)**	**0**
Adjustments Primarily involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	841	0	0	0	**841**	**(841)**	**0**
Adjustments Primarily involving the Deferred Lease Income Account							
Transfer of Deferred Lease Receipts included in gain/loss on disposal to CI&ES	26	0	0	0	**26**	**(26)**	**0**
Adjustments between accounting basis and funding basis under regulations	**(21,623)**	**0**	**(1,871)**	**8,741**	**(14,753)**	**14,753**	**0**

NOTE 13 TRANSFERS TO/FROM EARMARKED RESERVES

DESCRIPTION / PURPOSE	Balance at 31 March 2012 £000	TRF OUT £000	TRF IN £000	Balance at 31 March 2013 £000	TRF OUT £000	TRF IN £000	Balance at 31 March 2014 £000
STATUTORY OR OUTSIDE THE COUNCIL'S DIRECT CONTROL:							
Home Loans Unit Reserve	(45)	0	(41)	(86)	0	(34)	(120)
Thames Landscape Strategy Reserve	(139)	61	0	(78)	39	0	(39)
	(184)	**61**	**(41)**	**(164)**	**39**	**(34)**	**(159)**
EARMARKED FOR CERTAIN OR PROBABLE EXPENDITURE OUTSIDE THE COUNCIL'S CONTROL:							
General Insurance Reserve	(2,974)	759	(759)	(2,974)	582	(213)	(2,605)
PFI Reserve (Education)	(3,353)	0	(152)	(3,505)	0	(117)	(3,622)
PFI Reserve (Social Services)	(2,081)	0	(214)	(2,295)	0	(214)	(2,509)
VAT Liabilities Reserve	(188)	83	0	(105)	0	0	(105)
Vehicle Insurance Reserve	(265)	0	(56)	(321)	202	(36)	(155)
	(8,861)	**842**	**(1,181)**	**(9,200)**	**784**	**(580)**	**(8,996)**
OTHER EARMARKED RESERVES:							
All In One Reserve	(125)	50	(25)	(100)	100	0	0
Climate Change Reserve	(529)	0	(5)	(534)	110	(59)	(483)
Commitments Reserve	(844)	844	(1,102)	(1,102)	802	(287)	(587)
Community Development Fund Reserve	(107)	87	(35)	(55)	19	0	(36)
Connexions Legal Challenge Reserve	(325)	0	0	(325)	325	0	0
Council Tax Freeze Reserve	0	0	(2,896)	(2,896)	0	(1,177)	(4,073)
Economic Support Fund Reserve	(266)	89	0	(177)	69	0	(108)
Schools Infrastructure Reserve	(1,285)	1,135	0	(150)	150	0	0
Invest to Save Fund Reserve	(3,948)	1,416	0	(2,532)	808	(581)	(2,305)
Lincoln Fields Reserve	(68)	0	(45)	(113)	0	(69)	(182)
Project Development Reserve	(1,260)	130	0	(1,130)	509	0	(621)
Repairs and Renewals Fund Reserve	(2,738)	1,059	(921)	(2,600)	342	(893)	(3,151)
Section 106 Interest Reserve	(394)	396	(2)	0	0	0	0

DESCRIPTION / PURPOSE	Balance at 31 March 2012 £000	TRF OUT £000	TRF IN £000	Balance at 31 March 2013 £000	TRF OUT £000	TRF IN £000	Balance at 31 March 2014 £000
Section 106 Interest Reserve (Affordable Housing Fund)	(735)	738	(3)	0	0	0	0
Social Services Special Equipment and Furniture Fund Reserve	(105)	0	0	(105)	61	0	(44)
All in One Uplift Reserve - Twickenham Riverside	(1,258)	0	0	(1,258)	0	0	(1,258)
Waste and Recycling Reserve	(4,079)	1,000	0	(3,079)	706	0	(2,373)
Youth Centres Reserve	(321)	91	0	(230)	0	(16)	(246)
Youth Development Fund Reserve	(683)	10	0	(673)	0	0	(673)
Orleans House Reserve	(508)	13	(21)	(516)	38	(14)	(492)
Other minor earmarked reserves	(319)	11	(61)	(369)	39	(84)	(414)
	(19,897)	**7,069**	**(5,116)**	**(17,944)**	**4,078**	**(3,180)**	**(17,046)**
TOTAL RESERVES EXCLUDING SCHOOLS	**(28,942)**	**7,972**	**(6,338)**	**(27,308)**	**4,901**	**(3,794)**	**(26,201)**
SCHOOLS RESERVES:							
Dedicated Schools Grant Reserve	(901)	0	(629)	(1,530)	972	0	(558)
Schools' Balances Reserve	(14,738)	3,629	(75)	(11,184)	614	0	(10,570)
Schools Maternity and Supply Cover Scheme Reserve	(568)	25	(2)	(545)	0	(61)	(606)
	(16,207)	3,654	(706)	(13,259)	1,586	(61)	(11,734)
TOTAL INCLUDING SCHOOLS	**(45,149)**	**11,626**	**(7,044)**	**(40,567)**	**6,487**	**(3,855)**	**(37,935)**
REVENUE INCOME FROM GRANTS / CONTRIBUTIONS WHERE NO CONDITIONS ARE OUTSTANDING BUT EXPENDITURE HAS NOT YET BEEN INCURRED							
Fraud Grant - DCLG	(56)	56	(70)	(70)	0	(96)	(166)
Learning Disability and Health Reform Grant - DoH	(1,011)	0	(48)	(1,059)	0	0	(1,059)
LSSG Flood Defence Grant - DEFRA	(125)	68	(201)	(258)	0	(71)	(329)
LSSG Homelessness Grant - DCLG	(200)	200	0	0	0	0	0
Overcrowding Grant - DCLG	(108)	0	0	(108)	50	0	(58)
Pre-contact Point Grant	(111)	0	0	(111)	111	0	0
Richmond CCG Contributions	(1,711)	419	(5,095)	(6,387)	3,242	(1,732)	(4,877)

DESCRIPTION / PURPOSE	Balance at 31 March 2012	TRF OUT	TRF IN	Balance at 31 March 2013	TRF OUT	TRF IN	Balance at 31 March 2014
	£000	£000	£000	£000	£000	£000	£000
Section 106 Revenue Contributions	(4,068)	14	(134)	(4,188)	1,628	0	(2,560)
Section 256 - Public Health	0	0	0	0	0	(587)	(587)
Tackling Troubled Families Grant - DCLG	0	0	(99)	(99)	0	(76)	(175)
Transformation Grant - DCLG	0	0	0	0	0	(250)	(250)
Warm Homes Healthy People Grant - DoH	(162)	0	(35)	(197)	77	0	(120)
Other minor earmarked reserves	(365)	66	(159)	(458)	161	(275)	(572)
	(7,917)	**823**	**(5,841)**	**(12,935)**	**5,269**	**(3,087)**	**(10,753)**
TOTAL EARMARKED RESERVES	**(53,066)**	**12,449**	**(12,885)**	**(53,502)**	**11,756**	**(6,942)**	**(48,688)**

NOTE 14 USABLE RESERVES

Details of the Council's usable reserves are summarised below. Further details are available in the Movement in Reserves Statement and in Note 13.

	Notes	Balance at 31 March 2014 £000	Balance at 31 March 2013 £000
General Fund Reserve		**(9,956)**	**(9,956)**
General Fund Earmarked Reserves	13	**(48,688)**	**(53,502)**
Capital Grants Unapplied :			
Capital Grants		(3,365)	(3,728)
S106 Contributions		(846)	(1,092)
		(4,211)	**(4,820)**
Capital Receipts Reserves:			
Usable Capital Receipts Reserve		(519)	(6,859)
Riverside House		(1,380)	(1,380)
		(1,899)	**(8,239)**
TOTAL USABLE RESERVES		**(64,754)**	**(76,517)**

General Fund Reserve - This is available for any purpose and is held to manage major in-year spending issues and to ensure financial stability.
General Fund Earmarked Reserves - Amounts set aside for specific purposes falling outside the definition of provisions. A full breakdown is available in Note 13.
Capital Grants Unapplied - These are the grants and contributions received towards capital projects where the Council has met the conditions and set aside the funding for future capital expenditure.
Capital Receipts Reserves - This represents the proceeds from the disposal of land or other assets which have been received but not yet applied.

NOTE 15 UNUSABLE RESERVES

The following table summarises the Council's unusable reserves:

	Balance at 31 March 2014	Balance at 31 March 2013
Revaluation Reserve	(69,690)	(54,776)
Capital Adjustment Account	(602,560)	(583,869)
Financial Instruments Adjustment Account	1,011	1,119
Deferred Capital Receipts Reserve	(4,091)	(1,820)
Pensions Reserve	156,258	178,898
Collection Fund Adjustment Account	(1,848)	(2,338)
Accumulated Absences Account	2,287	2,527
Deferred Lease Income Account	3,143	3,171
Total Unusable Reserves	**(515,490)**	**(457,088)**

Technical Annexe 3 to the Accounts contains a detailed analysis of all movements on the Unusable Reserves for both 2012/13 and 2013/14.

NOTES TO THE BALANCE SHEET

NOTE 16 PROPERTY, PLANT AND EQUIPMENT

Movements in Property, Plant and Equipment 2013/14 are as follows:

2013/14	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total PP&E
Cost or Valuation	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2013	**579,929**	**18,601**	**103,862**	**22,965**	**16,021**	**31,937**	**773,315**
Additions	26,024	2,004	9,499	516	21	7,569	**45,633**
Donations	0	49	0	0	0	0	**49**
Revaluation Increases/(decreases) to Revaluation Reserve	14,912	0	0	782	0	0	**15,694**
Revaluation Increases/(decreases) to Surplus/Deficit on Provision of Srvs	(12,909)	0	0	(17)	1,380	0	**(11,546)**
Derecognition-Disposals	(5,071)	0	0	0	(109)	0	**(5,180)**
Reclassifications	2,161	827	0	0	0	(2,988)	**0**
At 31 March 2014	**605,046**	**21,481**	**113,361**	**24,246**	**17,313**	**36,518**	**817,965**
Depreciation and Impairment							
At 1 April 2013	31,096	12,796	17,979	0	889	0	**62,760**
Depreciation Charge	7,813	1,882	2,819	0	8	0	**12,522**
Depreciation written out to Revaluation Reserve	(274)	0	0	0	0	0	**(274)**
Depreciation written out to Surplus/Deficit on Provision of Srvs	(10,639)	0	0	0	0	0	**(10,639)**
Impairment losses/(reversals) to Revaluation Reserve	162	0	0	0	0	0	**162**
Impairment losses/(reversals) to Surplus/Deficit on Provision of Srvs	195	0	0	0	0	0	**195**
Derecognition-Disposals	(282)	0	0	0	0	0	**(282)**
At 31 March 2014	**28,071**	**14,678**	**20,798**	**0**	**897**	**0**	**64,444**
Net Book Value:							
At 31 March 2014	**576,975**	**6,803**	**92,563**	**24,246**	**16,416**	**36,518**	**753,521**
At 31 March 2013	**548,833**	**5,805**	**85,883**	**22,965**	**15,132**	**31,937**	**710,555**

Movements in Property, Plant and Equipment 2012/13 are as follows:

2012/13	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total PP&E
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
At 1 April 2012	**590,707**	**17,720**	**96,306**	**20,868**	**11,730**	**17,127**	**754,458**
Additions	24,388	1,149	7,556	2,097	494	14,810	**50,494**
Revaluation Increases/(decreases) to Revaluation Reserve	(11,508)	0	0	0	0	0	**(11,508)**
Revaluation Increases/(decreases) to Surplus/Deficit on Provision of Srvs	(15,653)	0	0	0	0	0	**(15,653)**
Derecognition-Disposals	(571)	(1,347)	0	0	0	0	**(1,918)**
Reclassifications	(7,434)	1,079	0	0	3,797	0	**(2,558)**
At 31 March 2013	**579,929**	**18,601**	**103,862**	**22,965**	**16,021**	**31,937**	**773,315**
Depreciation and Impairment							
At 1 April 2012	27,506	12,110	15,351	0	377	0	**55,344**
Depreciation Charge	7,904	1,550	2,628	0	37	0	**12,119**
Depreciation written out to Revaluation Reserve	(5,031)	0	0	0	0	0	**(5,031)**
Depreciation written out to Surplus/Deficit on Provision of Srvs	(1,188)	0	0	0	0	0	**(1,188)**
Impairment losses/(reversals) to Surplus/Deficit on Provision of Srvs	2,114	0	0	0	472	0	**2,586**
Derecognition-Disposals	(42)	(939)	0	0	0	0	**(981)**
Reclassification	(167)	75	0	0	3	0	**(89)**
At 31 March 2013	**31,096**	**12,796**	**17,979**	**0**	**889**	**0**	**62,760**
Net Book Value:							
At 31 March 2013	**548,833**	**5,805**	**85,883**	**22,965**	**15,132**	**31,937**	**710,555**
At 31 March 2012	**563,201**	**5,610**	**80,955**	**20,868**	**11,353**	**17,127**	**699,114**

Depreciation
The following useful lives and depreciation rates have been used in the calculation of depreciation:
- Other Land and Buildings – estimated useful life provided by RICS qualified valuer
- Vehicles, Plant, Furniture & Equipment – estimated useful life on acquisition
- Infrastructure – 40 years

Capital Commitments
At 31 March 2014, the Council had entered into a number of ongoing contracts for the construction or enhancement of Property, Plant and Equipment. The total amount outstanding on these contracts is estimated at £28.386m (compared to £25.43m on outstanding contracts at 31 March 2013). The major commitments are:

Capital Scheme	2013/14 £000	2012/13 £000
Chase Bridge Primary School Expansion	0	365
Lowther Primary School Expansion	0	190
St Mary's and St Peter's CE Primary School Expansion	0	(338)
Stanley Primary School - Phase 1. Expansion	190	1,304
St Mary's Primary at Strafford Road Site	0	236
Buckingham Primary - Phase 3.	0	1,151
Orleans Infants School (Phase 2.)	212	1,432
Heathfield Phase 3.	1,030	3,746
Hampton Wick Expansion to 3 Form Entry	(26)	2,396
St Elizabeth’s Primary	0	178
East Sheen primary	0	164
St Richard Reynolds Primary School	141	2,109
Vineyard Primary	2,302	2,966
Hampton Academy	3,015	6,089
Twickenham Academy	586	3,366
Barn Elms Pavilion	0	77
Nelson Phase 2 primary expansion	1,959	0
Christ’s School 6th Form	3,350	0
Grey Court 6th Form	4,029	0
Orleans Park 6th Form	5,073	0
Teddington 6th Form	2,170	0
Waldegrave 6th Form	4,355	0
TOTAL	**28,386**	**25,431**

Effects of Changes in Estimates
The Council has not made any material changes to its accounting estimates for Property, Plant and Equipment during the year.

Revaluations
The Council 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. In addition the Council reviews groups of properties on an annual basis to assess any significant changes that would require revaluation within the five year period. All valuations were carried out by the Council’s valuer at 1 April 2013. 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. The assumptions applied in estimating the fair values are per the “Red Book” in the section on Local Authority Asset valuations, which gives guidance to RICS valuers on the valuation of assets in line with the requirements of IFRS compliance per the CIPFA Code of Practice.

This following table shows the new value of assets that were revalued over the last 5 years:

	Other Land & Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Total £000
Carried at historical cost	N/A	21,482	113,361	22,083	N/A	156,926
Valued at fair values as at:						
31st March 2014	212,706	0	0	764	51	213,521
31st March 2013	97,303	0	0	0	0	97,303
31st March 2012	100,986	0	0	1,399	1,391	103,776
31st March 2011	82,434	0	0	0	0	82,434
31st March 2010	69,959	0	0	0	11,609	81,568
Gross Book Value	**563,388**	**21,482**	**113,361**	**24,246**	**13,051**	**735,528**

Impairment Losses

During 2013/14 the Authority has recognised impairment losses of £0.357m. This was primarily made up of the demolition of mobile classrooms which were installed in schools as a temporary measure during the various expansion programmes.

For all these assets, the impairment represented the Net Book Value of the asset. This impairment has been charged to the relevant line in the Cost of Services in line with accounting practice, with the charge reversed from the charge to the General Fund within the Movement in Reserves Statement.

NOTE 17 HERITAGE ASSETS

Art Collection

The Authority's art collection includes approximately 3,000 paintings from various artists dating back to the early 19th century. These painting are of landscapes and buildings in and around the surrounding area of the authority. The collections are held in Orleans House Gallery and York House.

Civic Regalia

The Civic Regalia includes the Mayoral Mace, Mayoral Badge and Mayoral Collaret as well as various other ceremonial items.

Land and Buildings

The only asset held is Garrick Temple which is a listed building originally constructed in 1756 and restored in 1999. It is used as a memorial temple and therefore contributes to the history and enhances the knowledge of this region of London.

Heritage Assets are held on the Council's Asset Register. Policies on acquisition, preservation, management and disposal of heritage assets are in line with other asset classes.

Movements in Heritage Assets are as follows:

2013/14	Civic Regalia £000	Art Collection £000	Land & Buildings £000	Total Assets £000
Cost or Valuation				
1 April 2012	600	1,938	247	2,785
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	(28)	0	0	(28)
Depreciation	0	0	(4)	(4)
31 March 2013	**572**	**1,938**	**243**	**2,753**
Cost or Valuation				
1 April 2013	572	1,938	243	2,753
Additions	0	0	2	2
Depreciation	0	0	(4)	(4)
31 March 2014	**572**	**1,938**	**241**	**2,751**

NOTE 18 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:

	2013/14 £000	2012/13 £000
Rental income from investment property	(308)	(251)
Unrealised Loss from Investment Property Valuation	85	171
Direct operating expenses arising from Investment property	57	30
Net (gain) / loss	**(166)**	**(50)**

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 table above includes Investment Properties held under an operating lease. These assets have been classified as Investment Properties in line with professional property definitions and the Code. The Council has no contractual obligations to purchase, construct, develop, repair, maintain or enhance investment property. The following table summarises the movement in the fair value of investment properties over the year:

	2013/14 £000	2012/13 £000
Balance at start of the year	**6,890**	**6,853**
Additions:		
Subsequent Expenditure	503	208
Disposals:		
Net gains/(losses) from fair value adjustments	(85)	(171)
Balance at end of year	**7,308**	**6,890**

NOTE 19 INTANGIBLE ASSETS

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. There are no individually significant assets used by the Council. The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £82k (£80k in 2012/13) charged to revenue in 2013/14 was charged to IT Services, Human Resources and Customer Services cost centres and then absorbed as an overhead across all the service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

Intangible Asset	Asset Life on Acquisition (Years)	Remaining Useful Life (Years)
Software License under SERCO Contract 2012/13	5	3
Information @ Work Software Licence	5	1
Cyborg License	20	5
Customer Contact Centre Licence	20	13

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

	2013/14		2012/13	
	Other Assets £000	PFI Assets Included in Intangibles £000	Other Assets £000	PFI Assets Included in Intangibles £000
Balance at start of year:				
Gross carrying amounts	1,496	0	1,459	1,130
Accumulated amortisation	(1,122)	0	(1,043)	(1,011)
Net carrying amount at start of year	374	0	416	119
Additions:				
Purchases	0	0	38	0
Other Reclassification*	0	0	0	(119)
Amortisation for the period	(82)	0	(80)	0
Net carrying amount at year end	**292**	**0**	**374**	**0**
Comprising:				
Gross carrying amounts	1,496	0	1,496	0
Accumulated amortisation	(1,204)	0	(1,122)	0
	292	0	374	0

* ICT assets which are no longer PFI

NOTE 20 PFI AND SIMILAR CONTRACTS

The Council has 2 formal PFI schemes (Primary Schools and Residential Care Homes), and previously had one Similar Contract (for ICT support) which ceased in 2012/13.

Primary Schools PFI Scheme

2013/14 was the 11th year of a 30 year PFI contract for the construction and maintenance of six schools in the Borough, 4 of which are Council owned and 2 of which are part of voluntary aided schools. The Council has rights under the contract to use all of the schools. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed in the schools. The buildings and any plant and equipment installed in the schools at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to voluntarily terminate the contract if it compensates the contractor in full for borrowing costs incurred and redundancy costs of relevant employees.

Residential Care Homes PFI Scheme

2013/14 was the 13th year of a 25 year PFI contract for the construction, maintenance and operation of 3 care homes. During the year a contract variation was agreed with Care UK Community Partnerships Ltd to increase the provision of dementia care beds and reducing the number of beds purchased by the Council. The Council now has rights to use 175 of the bed places provided, and the option to purchase any of the 43 remaining beds at specified rates. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the homes and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the homes as well as staffing them. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

ICT Support Similar Contract

There was previously a 10 year contract for the provision of IT support through an IT and e-government ‘partner’, which ended on 28 January 2013. Under the ended arrangement the Council had usage rights of ICT equipment, both software and hardware and was assessed as a Service Concession. A new contract has since been entered into with the same provider, although the Council now maintains ownership and control of all the assets. The substance of the new contract is around services rather than the provision of assets. It has therefore been assessed that the new contract should not be treated as a Service Concession.

Payments

The Council makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability or performance standards. In all other circumstances the payments are fixed.

The Care Home contract has a provision to vary charges based on the usage and configuration of beds from residential, to various types of nursing or other support.

Payments remaining to be made under the PFI contract at 31 March 2014 (excluding any estimation of inflation and availability/ performance deductions) are as follows:

	Service Charge £000	Capital £000	Interest £000	Total £000
Payments due:				
Payable in 2014/15	7,261	644	1,518	9,423
Payable within two to five years	31,616	3,218	5,437	40,271
Payable within six to ten years	46,228	5,953	4,865	57,046
Payable within eleven to fifteen years	32,725	4,984	2,152	39,861
Payable within sixteen to twenty years	12,858	2,987	523	16,368
Total	**130,688**	**17,786**	**14,495**	**162,969**

Total Liability – Long and Short Term

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 yet to be reimbursed. The liability outstanding to pay the contractor for capital expenditure incurred is as follows:

	2013/14			2012/13			
	Residential Care Homes £000	Primary Schools £000	Total £000	ICT Support Services £000	Residential Care Homes £000	Primary Schools £000	Total £000
Balance outstanding at start of year	**(9,549)**	**(8,829)**	**(18,378)**	**0**	**(9,930)**	**(8,991)**	**(18,921)**
Capital expenditure incurred in the year	0	0	0	(260)	0	0	(260)
Payments during the year	415	177	592	260	381	162	803
Closing balance 31 March	**(9,134)**	**(8,652)**	**(17,786)**	**0**	**(9,549)**	**(8,829)**	**(18,378)**

Property Plant and Equipment

Movements in the value of PFI assets over the year are detailed below:

	2013/14			2012/13			
	Residential Care Homes	Primary Schools	Total	ICT Support Services	Residential Care Homes	Primary Schools	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
Opening balance 1 April	14,642	14,980	29,622	3,076	14,642	14,826	32,544
Additions	0	90	90	260	0	154	414
Revaluation	(751)	(140)	(891)	0	0	0	0
Other	0	0	0	(3,336)	0	0	(3,336)
Closing balance 31 March	**13,891**	**14,930**	**28,821**	**0**	**14,642**	**14,980**	**29,622**
Depreciation & Impairments							
Opening balance 1 April	1,194	1,180	2,374	2,565	928	923	4,416
Depreciation	267	264	531	198	266	257	721
Revaluation	(989)	(380)	(1,369)	0	0	0	0
Other	0	0	0	(2,763)	0	0	(2,763)
Closing balance 31 March	**472**	**1,064**	**1,536**	**0**	**1,194**	**1,180**	**2,374**
New Book Value 31 March	**13,419**	**13,866**	**27,285**	**0**	**13,448**	**13,800**	**27,248**

Intangible Assets

The ICT support services contract which has now ended included the Council having access to intangible assets in the form of software licences. The movement in their value over the year is detailed below, however as this contract has ceased the value is zero and the table is presented for prior year figures only. Please see the main text of this note for full details.

	2013/14 Software Licenses	2012/13 Software Licenses
Cost or Valuation		
Opening balance 1 April	0	1,130
Disposal	0	(1,130)
Closing balance 31 March	**0**	**0**
Depreciation & Impairments		
Opening balance 1 April	0	1,011
Depreciation	0	62
Other	0	(1,073)
Closing balance 31 March	**0**	**0**
New Book Value 31 March	**0**	**0**

NOTE 21 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 the Council's 2 PFI 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.

	2013/14 £000	2012/13 £000
Opening Capital Financing Requirement	**84,399**	**86,644**
Capital Investment		
Property, Plant and Equipment	45,633	50,494
Investment Properties	503	208
Intangible Assets	0	38
Other	6	0
Revenue Expenditure Funded from Capital under Statute	13,396	11,316
Sources of Finance		
Capital Receipts	(10,298)	74
Government Grants and Other Contributions	(23,578)	(42,451)
Sums set aside from Revenue		
Direct Revenue Contributions	(14,472)	(18,990)
Minimum Revenue Provision	(2,278)	(2,934)
Closing Capital Financing Requirement	**93,311**	**84,399**
Explanations of Movements in Year		
Increase in underlying need to borrow (unsupported by government financial assistance)	11,176	0
Assets acquired under finance leases	14	429
Assets acquired under PFI/PPP contracts	0	260
MRP set aside to finance borrowing requirement	(2,278)	(2,934)
Increase/(decrease) in Capital Financing Requirement	**8,912**	**(2,245)**

NOTE 22 ASSETS HELD FOR SALE

The following table gives a breakdown of the movement in properties that are Current Assets Held For Sale. These are properties that are likely to be sold within the next year.

	Current	
	2013/14	2012/13
	£000	£000
Balance outstanding at start of year	**2,469**	**234**
Assets newly classified as held for sale:		
Property, Plant and Equipment	**0**	2,469
Assets sold	**(786)**	(234)
Other movements	**4**	0
Balance outstanding at year end	**1,687**	**2,469**

NOTE 23 DEBTORS

The table below summarises the **Short Term Debtors** by type and organisation:

	31 March 2014 £000	31 March 2013 £000
Debtors	33,142	31,526
Payments in Advance	2,445	3,073
Less provision for impairment of bad debts	(8,986)	(9,444)
Total Debtors	**26,601**	**25,155**
Central government bodies	6,201	6,717
Other local authorities	3,973	4,193
NHS bodies and trusts	2,696	1,388
Public corporations and trading funds	18	11
Other entities and individuals	13,713	12,846
Total Short Term Debtors	**26,601**	**25,155**

The table below summarises the **Long Term Debtors** by organisation:

	31 March 2014 £000	31 March 2013 £000
Central government bodies	0	117
Other local authorities	9,756	0
Other entities and individuals	2,599	2,768
Total Long Term Debtors	**12,355**	**2,885**

NOTE 24 CREDITORS

The table below summarises the **Short Term Creditors** by type and organisation:

	31 March 2014 £000	31 March 2013 £000
Creditors	(35,783)	(32,082)
Receipt in Advance	(5,534)	(2,527)
Total Creditors in Balance Sheet	**(41,317)**	**(34,609)**
Central government bodies	(5,530)	(5,907)
Other local authorities	(6,178)	(5,347)
NHS bodies and trusts	(1,332)	(176)
Public corporations and trading funds	(3)	0
Other entities and individuals	(28,274)	(23,179)
Total Short Term Creditors	**(41,317)**	**(34,609)**

The table below summarises the **Long Term Creditors** by type and organisation:

	31 March 2014 £000	31 March 2013 £000
Receipt in Advance - Revenue	(1,592)	(1,278)
Receipt in Advance - Capital	(3,300)	(7,454)
Total Creditors in Balance Sheet	**(4,892)**	**(8,732)**
Central government bodies	(3,179)	(6,125)
Other entities and individuals	(1,713)	(2,607)
Total Long Term Creditors	**(4,892)**	**(8,732)**

NOTE 25 PROVISIONS

	Central Insurance Fund	Land Charges	Business Rates Appeals	Other Provisions	Total
	£000			£000	£000
Short Term Provisions					
Balance at 1st April 2013	**(96)**	**0**	**0**	**(520)**	**(616)**
Additional provisions made in 2013/14	(117)	(279)	(1,238)	(241)	**(1,874)**
Amounts used in 2013/14	58	0	0	295	**352**
Unused amounts reversed in 2013/14	38	0	0	0	**38**
Balance at 31 March 2014	**(117)**	**(279)**	**(1,238)**	**(466)**	**(2,100)**
Long Term Provisions					
Balance at 1st April 2013	**(162)**	**0**	**0**	**(80)**	**(242)**
Additional provisions made in 2013/14	(200)	0	0	0	**(201)**
Amounts used in 2013/14	97	0	0	41	**139**
Unused amounts reversed in 2013/14	65	0	0	0	**65**
Balance at 31 March 2014	**(200)**	**0**	**0**	**(39)**	**(239)**

Insurance Fund

In common with most local authorities, the Council operates an Insurance Fund as a means of self-insurance. The Fund is periodically valued by external assessors to ensure that it is maintained at an appropriate level. A sufficient Insurance Fund is held as a reserve, on a 'worst year in nine' basis.

This part of the Fund relates to claims made upon the Fund outstanding at 31 March. The value of these claims is held as a provision to meet future expenditure that the Fund is likely to incur in meeting the claims. The Council has a Stop Loss limit such that no more than £650,000 will be paid for total Material Damage to Property, and no more than £750,000 will be paid for additional insurance cover including Fidelity Guarantee, and Liability Insurance including Public Liability claims.

Land Charges

The Government changed the local land charge rules with effect from 17 August 2010 and revoked the fee chargeable for a personal search of the local land charges register. The Government concluded that these charges are not compatible with the Environmental Information Regulations 2004 (EIR) and the underlying EU Directive. As a consequence personal search companies are claiming refunds for charges made between January 2005 (when the EIR came into force) and 17 August when charges ceased. Some refunds have already been made and a provision has been allowed for future potential refunds that may be made during 2014/15. The LGA are in discussion with the HM Treasury on behalf of boroughs regarding the reimbursement of all or a percentage of these costs.

Business Rates Appeals

Following the introduction of the Business Rates Retention system from 1st April 2014 the Council has taken on 30% of the liability relating to Business Rates Appeals. Business Rate payers have the right to appeal against the rateable value that has been assigned to their premises by the Central Government Valuation Office Agency (VOA). The VOA then assesses the case and if the appeal is reasonable reviews the rateable value. This provision allows for the Council's potential liability in relation to refunds that could be made following successful appeals. The total provision raised at 31st March 2014 is £4.1m (included in the Collection Fund) and the Councils share of this liability is £1.2m (included in the Council's Accounts). This has been calculated based on appeals outstanding at the 31st March adjusted for historical trends and success rates. The Valuation Office Agency have committed to clearing 95% of the backlog of appeals by July 2015. The Council has also included a contingent liability disclosure in Note 44 as it is unable to estimate the impact of appeals that have not yet been lodged with the VOA.

NOTE 26 LONG TERM LIABILITIES

The following table breaks down the Long Term Liabilities shown in the Balance Sheet:

	Balance at 31 March 2014 £000	Balance at 31 March 2013 £000
Primary Schools PFI	(8,460)	(8,652)
Voluntary Aided Schools PFI	(7,377)	-
Residential Care Homes PFI	(8,681)	(9,134)
Lease Liabilities	(4,307)	(4,513)
Pension Fund Net Liability	(156,258)	(178,898)
Total	**(185,083)**	**(201,197)**

PFI contracts are long term contracts. When the contract was signed, the Council committed to make payments over the term of the contract, to finance the assets acquired under the contract. These payments are certain and legally binding once the contract is signed and therefore accounted for as Long Term Liabilities. The Primary School's PFI contract also includes Voluntary Aided (VA) school's assets. These assets are separate from the Council's, but where the Council committed to make all contract payments on the VA schools behalf. There is a separate legal agreement ensuring they will reimburse the Council in full.

Lease liabilities are very similar to the PFI liabilities in that they also represent the debt associated with financing a Council asset by a finance lease arrangement.

The **Pension Fund Net Liability** is the actuarially calculated net present value of the assets less the liabilities relating to the Council's LGPS obligations as calculated under IAS 19.

NOTE 27 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. For the Council this means that all treasury contracts (borrowings and investments) are recognised as financial instruments as well as trade receivables, loans for policy purposes, trade payables and bank deposits. Statutory charges and payments (e.g. amounts due from Council Tax) are not recognised as financial instruments as these do not arise from contractual agreements and are outside the scope of the accounting treatment for financial instruments.

Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2014 £000	**31 March 2013 £000**	**31 March 2014 £000**	**31 March 2013 £000**
Financial Assets				
Investments	2,250	2,250	42,281	57,536
Cash and Cash Equivalents	0	0	10,073	10,484
Loans and Trade Receivables	2,379	0	14,089	5,447
	4,629	**2,250**	**66,443**	**73,467**
Financial Liabilities at amortised cost				
Loans	(40,861)	(38,361)	(4,447)	(4,045)
Trade Creditors	0	0	(18,540)	(7,079)
Other Long Term Liabilities				
PFI and Finance Lease Liabilities	(28,825)	(22,299)	(859)	(866)
Total Financial Liabilities	**(69,686)**	**(60,660)**	**(23,846)**	**(11,990)**

Soft Loans Made by the Authority

The Council did not have any soft loans during 2013/14 or 2012/13 where the value of the subsidy would be material based on market rates at 31 March.

Reclassifications

The Council did not reclassify any financial instruments during the year, other than to move them from long to short term based on remaining duration to maturity.

Gains and Losses Recognised In The Comprehensive Income And Expenditure Account

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

	2013/14 £000	**2012/13 £000**
Interest expense	3,804	3,582
Interest income	(1,522)	(1,786)

FAIR VALUES OF ASSETS AND LIABILITIES

Financial liabilities and financial assets represented by loans and receivables 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:

- PWLB loans are valued using the PWLB “premature repayment” rates in force on 31 March 2014.
- Other loans and borrowings were valued individually using the comparable rate at the Balance Sheet date for a loan with the same maturity and similar counterparty.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Assets

The Council’s financial assets consist of short and long term investments, bank deposit accounts and trade debtors and other receivables. These are not carried at fair value as they do not meet the criteria for a fair valuation basis (i.e. they are not held for trading, do not show evidence of being managed for short term profit making and are not derivatives).

Investments are fixed term deposits with financial institutions or other Local Authorities. Interest is usually set at the time of the investment.

The long term loan to the West London Waste Authority was made at the interest rate which was agreed at financial close on the date the contract was signed. This rate matched the commercial loan rate at that date.

Cash and Cash Equivalents accrue variable rate interest so the amortised cost is assumed to be equivalent to fair value.

Trade receivables are considered short term, as the Council’s policy is to pursue recovery of debt on a prompt basis, unless there are overriding service considerations, which would mainly occur for clients contributing to the cost of their care. Where maturity is within 12 months the amortised cost is assumed to be equivalent to fair value.

	31 March 2014		31 March 2013	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Investments	44,531	45,270	59,787	60,830
Loans and Trade Receivables	16,468	16,468	5,447	5,447
Cash and Cash Equivalents	10,073	10,073	10,484	10,484
	71,072	**71,811**	**75,718**	**76,761**

The fair value of financial assets is higher than the carrying amount because the Council’s portfolio of investments includes a number of fixed rate investments where the interest rate receivable is higher than the rates available for similar investments at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the Council would receive if it agreed to early repayment of the investments. The difference in value has decreased slightly in 2013/14.

Financial Liabilities

The Council’s financial liabilities consist of long and short term borrowing and trade creditors. These are not carried at fair value as they do not meet the criteria for a fair valuation basis (that is - they are not held for trading, do not show evidence of being managed for short term profit making and are not derivatives).

The interest payable on these loans is either fixed at the prevailing market rate at the time of the loan, or varies with market lending rates. The majority of the Council's long-term debt is held by the Public Works and Loans Board (PWLB), which is part of the Government.

The Council holds one long-term market loan (£5m) where the lender has the option to vary the rate on every 5th anniversary of the loan. If the lender exercises this option, the Council has the option to accept the new rate of interest or redeem the loan with no penalty. The next option to vary occurs in 2018.

Short-term debt is with other public bodies or charities and therefore varies with the needs of the counterparty to realise their investment. There is an element of cash flow lending to related public bodies such as the South West Middlesex Crematorium Board under the arrangements by which the Council acts as their financial administrators. The terms of these loans allow for repayment on demand by the counterparty, and interest is paid to them based on the market rates. Where maturity is within 12 months the amortised cost is assumed to be equivalent to fair value.

Trade creditors are also considered short term as the Council's policy is to pay all creditors within their agreed terms (usually 28 days or 10 days to local small businesses). Where maturity is within 12 months the amortised cost is assumed to be equivalent to fair value.

	31 March 2014		31 March 2013	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Borrowings and PFI / Finance Lease Liabilities	(74,992)	(79,149)	(65,571)	(72,322)
Trade Creditors	(18,540)	(18,540)	(7,079)	(7,079)
	(93,532)	**(97,689)**	**(72,650)**	**(79,401)**

The fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans. The difference in value has decreased in 2013/14.

NOTE 28 LEASES

The Council has recognised 4 different categories of leases during 2013/14 and 2012/13. A description of these lease types and their general treatment is available in Technical Annexe 1 (Accounting Policies).

Finance Leases In

The Council has acquired a number of assets under finance leases and these assets are recognised on the Council's Balance Sheet. A corresponding liability is recognised in the Accounts and written off to the Income and Expenditure Account as payments are made. All of the finance leases for property (with the exception of the Quadrant car park) included premiums that wrote down the lease liability at the start of the lease with annual rents restricted to a peppercorn. The difference between the future minimum lease payments and the liability is the interest cost and is recognised in the Income and Expenditure as it is paid. At 31st March the relevant amounts are as follows:

	Recognised in Balance Sheet as Asset / Liability	Finance Costs payable in future years	Minimum Lease Payments	Recognised in Balance Sheet as Asset / Liability	Finance Costs payable in future years	Minimum Lease Payments
	31 March 2014			31 March 2013		
	£000	£000	£000	£000	£000	£000
Other Land and Buildings	4,927	-	-	4,940	-	-
Vehicles, Plant and Equipment	302	-	-	458	-	-
Total Net Non-Current Assets	**5,229**	-	-	**5,398**	-	-
Not later than one year	160	34	194	234	64	**298**
Later than one year and not later than five years	68	35	103	228	61	**289**
Later than five years	80	321	401	80	328	**408**
Lease Payments Due	**308**	**390**	**698**	**542**	**453**	**995**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2013/14 contingent rents of £473k were payable by the Council and in 2012/13 this was £338k.

The Council is party to a lease arrangement for a multi-story car park which leases property assets in and out on identical 99 year terms. The assets have not been recognised in the table above as the net impact of this arrangement is to take the assets off the Balance Sheet. The future minimum lease payments (including liability) have been recognised as there is no guarantee that the Council will receive matching income if the lessee defaults. Total minimum rentals due under the sub-lease as at 31 March 2014 are £441k (£449k at 31 March 2013).

Operating Leases In

The Council has a number of operating leases in existence after 1 April 2012 that include property, vehicles and a variety of equipment (mainly office and schools - related equipment such as copiers, IT equipment etc.). Amounts due on these agreements are recognised in the Income and Expenditure Account in the year to which they relate. The assets remain on the Balance Sheet of the legal owner. The expenditure for operating leases charged to the Comprehensive Income and Expenditure Statement during the year was £4m in 2013/14 and £3.509m in 2012/13.

The Council sub-leases 2 properties (part of Old Deer Park and Centre House) for which they receive income which is offset against the operating lease expenditure.

The table below provides a breakdown of the Minimum Lease Payments relating to operating leases:

	31 March 2014 £000	31 March 2013 £000
No later than one year	1,296	1,029
Later than one year but not later than five years	2,018	1,665
Later than five years	2,100	2,356
Future Minimum Lease Payments	**5,414**	**5,050**
No later than one year	(163)	(163)
Later than one year but not later than five years	(296)	(459)
Later than five years	0	0
Future Minimum Sub-Lease Receipts	**(459)**	**(622)**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2013/14 £49k contingent rents were payable by the Council (2012/13 £49k).

Finance Leases Out

The Council has leased out several properties (including the car park mentioned above) and these leases vary between containing a premium in full or partial settlement of the principal payment over the full term of the 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. Where a premium has been received this has been allocated against the long term debtor when received and used to reduce the lease payments over the term. The gross investment is made up of the following amounts:

	2013/14 £000	2012/13 £000
Finance Leases		
Finance lease debtor (NPV of minimum lease payment)	1,622	1,697
Unearned finance income	10,165	10,324
Gross investment in the lease	**11,787**	**12,021**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
No later than one year	121	131		5
Later than one year and not later than five years	483	524	2	23
Later than five years	11,183	11,366	1,620	1,669
	11,787	**12,021**	**1,622**	**1,697**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2013/14 £614k contingent rents were receivable by the Council (2012/13 £556k). This includes £473k for a car park which is leased in and sub-leased out on identical terms.

Operating Leases Out

The Council leases out property under operating leases for the provision of community services, economic development purposes and for use by partner organisations.

The future minimum lease payments receivable under non-cancellable leases in future years, including sub-lease arrangements (as mentioned in Operating Lease In section above) are:

Operating Leases	31 March 2014 £000	31 March 2013 £000
No later than one year	640	583
Later than one year and not later than five years	2,103	2,042
Later than five years	15,808	16,038
	18,551	**18,663**

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 2013/14 £97k contingent rents were receivable by the Council (2012/13 £94k).

NOTES RELATING TO THE CASH FLOW STATEMENT

NOTE 29 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The following items form part of operating activities in the Cash Flow Statement:

	2013/14 £000	2012/13 £000
Interest received	(1,910)	(1,905)
Interest paid	3,788	3,617

NOTE 30 CASH FLOW STATEMENT – INVESTING ACTIVITIES

The following table shows the breakdown of the investing activities shown in the Cashflow Statement:

	2013/14 £000	2012/13 £000
Purchase of property, plant and equipment, investment property and intangible assets	42,336	49,453
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,099)	(1,881)
Net proceeds from short-term and long-term investments	(14,867)	(791)
Net cash flows from investing activities	**23,370**	**46,781**

NOTE 31 CASH FLOW STATEMENT – FINANCING ACTIVITIES

The following table shows the breakdown of the financing activities shown in the Cashflow Statement:

	2013/14 £000	2012/13 £000
Net cash receipts of short and long term borrowing	(2,887)	0
Other receipts from financing activities	(1,836)	(4,688)
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	830	852
Net repayment of short and long term borrowing	0	5,882
Net cash flows from financing activities	**(3,893)**	**2,046**

EMPLOYEES, COUNCILLORS AND THE ORGANISATION

NOTE 32 MEMBERS ALLOWANCES

The Local Authorities (Members' Allowances) (England) Regulations 2003 provide for the circumstances in which allowances are payable to Members, and to the maximum amounts payable in respect of certain allowances. In accordance with the Local Government Act 2000, the Council established a Members' Allowances Scheme. The scheme is a public document and sets out details of all allowances that are paid to Council Members. Changes to the scheme are made by full Council at its annual meeting. Further details of the scheme are available from the following link:

Councillors' Allowances - London Borough of Richmond upon Thames

The total payments made to Members were as follows:

	2013/14 £000	2012/13 £000
Members Allowances	690	690
Employers Pension Contributions	65	65
Total	**755**	**755**

NOTE 33 OFFICERS' REMUNERATION

The following information is required to be disclosed for certain officers who are statutorily defined as 'senior officers' of the Council.

		Salary, Fees & Allowances £	Pension Contribution £	Termination Benefits	Total £
Chief Executive (Note i)	2013/14	176,214	42,996	0	**219,210**
Gillian Norton	2012/13	176,517	43,070	0	**219,587**
Director of Childrens' Services (Note ii)	2013/14	144,860	35,346	0	**180,206**
Nick Whitfield	2012/13	139,786	34,108	0	**173,894**
Director of Finance and Corporate Services	2013/14	127,039	30,998	0	**158,037**
Mark Maidment	2012/13	127,039	30,998	0	**158,037**
Director of Adult & Community Services	2013/14	127,039	30,998	0	**158,037**
Cathy Kerr	2012/13	125,103	30,525	0	**155,628**
Director of Environment	2013/14	127,039	30,998	0	**158,037**
Paul Chadwick	2012/13	124,990	30,498	0	**155,488**
Director of Public Health (Note iii)	2013/14	105,521	14,773	0	**120,294**
Dagmar Zeuner	2012/13	0	0	0	**0**
Head of Democratic Services (Note iv)	2013/14	0	0	0	**0**
	2012/13	58,440	14,259	0	**72,699**
Head of Human Resources (Note v)	2013/14	0	0	0	**0**
	2012/13	7,001	1,708	31,988	**40,697**

Notes:
Note i - The Chief Executive is the Head of the Paid Service

Note ii - On 1st July 2012, Nick Whitfield was appointed as a joint Director with the Royal Borough of Kingston upon Thames. The above figures show the full cost of his post for the year but the Council has been reimbursed for 50% of the cost since July 2012.

Note iii - On 1st April 2013 Public Health staff and services were transferred from Primary Care Trusts to Local Authorities.

Note iv - The Head of Democratic Services no longer directly reports to the Head of the Paid Service and as such there is no longer a requirement to include their salary in this table.

Note v - The Head of Human Resources left on 30th April 2012 and the HR function is now provided via a shared service arrangement with the Royal Borough of Kingston upon Thames.

The number of employees, including teaching staff, whose remuneration was in excess of £50,000 is shown in the following table. These figures include redundancy / compensation payments in both years, as required by legislation. The table also includes the officers disclosed in the 'senior officers' table above.

Remuneration Band	Number of employees 2013/14	Number of employees 2012/13
£50,000 - £54,999	44	36
£55,000 - £59,999	22	34
£60,000 - £64,999	25	23
£65,000 - £69,999	10	20
£70,000 - £74,999	8	10
£75,000 - £79,999	9	5
£80,000 - £84,999	8	4
£85,000 - £89,999	3	5
£90,000 - £94,999	8	9
£95,000 - £99,999	2	1
£100,000 - £104,999	1	1
£105,000 - £109,999	1	1
£110,000 - £114,999	1	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	1
£125,000 - £129,999	3	2
£130,000 - £134,999	0	0
£135,000 - £139,999	0	1
£140,000 - £144,999	0	0
£145,000 - £149,999	1	0
£150,000 - £154,999	0	0
£155,000 - £159,999	0	0
£160,000 - £164,999	0	0
£165,000 - £169,999	0	0
£170,000 - £174,999	0	0
£175,000 - £179,999	1	1
Total	**147**	**154**

Included in the above figures are teaching and other staff that work in schools (75 in 13/14 and 75 in 12/13).

The number and cost of exit packages is included in the following table:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14 No.	2012/13 No.	2013/14 No.	2012/13 No.	2013/14 No.	2012/13 No.	2013/14 £000	2012/13 £000
£0 - £20,000	13	29	1	11	14	40	109	348
£20,001 - £40,000	7	4	1	6	8	10	243	283
£40,001 - £60,000	1	2	1	0	2	2	106	86
£60,001 - £80,000	0	0	0	1	0	1	0	60
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,000 - £150,000	0	0	0	0	0	0	0	0
Sub-Total	**21**	**35**	**3**	**18**	**24**	**53**	**458**	**777**
Provision	0	6	0	0	0	6	0	125
Total	**21**	**41**	**3**	**18**	**24**	**59**	**458**	**902**

The total cost of £0.458m (£0.902m) in the table above is for exit packages that have been agreed, accrued for, and charged to the authority's Comprehensive Income and Expenditure Statement in the current year.

NOTE 34 EXTERNAL AUDIT COSTS

	2013/14 £000	2012/13 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year		
Main fee	120	120
Rebates (Audit Commission)	(16)	(11)
Fees payable to Grant Thornton (13/14) and the Audit Commission (12/13) for the certification of grant claims and returns for the year	24	34
Fees payable in respect of other services provided by external auditors during the year (Audit Commission)	2	1
Total	**130**	**144**

NOTE 35 RELATED PARTIES

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

The 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, provides a significant part of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Details of grants received from Government departments are set out in Note 11 as well as liabilities outstanding at the year-end in relation to those grants. The following table provides a summary of the main amounts arising in the accounts that involve Central Government departments:

Income:	2013/14 £000	2012/13 £000
Credited to Taxation and Non Specific Grant Income		
Redistributed Business Rates	0	(29,539)
Retained Business Rates	(22,983)	-
Formula Grant - RSG	(29,798)	(573)
Council Tax Freeze Grant	(1,176)	(2,896)
Capital Grants	(17,243)	(31,023)
Credited to Services		
Housing Benefit subsidy	(67,389)	(65,351)
Council Tax Benefit subsidy	0	(12,509)
Housing and Council Tax benefit admin subsidy	(977)	(1,100)
Capital Grants	(1,927)	(163)
Service Related Revenue Grant	(109,077)	(118,406)
VAT recovery	(23,535)	(23,280)
Total Income from Government	**(274,105)**	**(284,840)**
Expenditure:		
Contribution to Non-Domestic Rates Pool	-	79,327
Business Rates paid to Central Government	39,351	-
Business Rates Tariff paid to Central Government	3,620	-
National Insurance, PAYE & other deductions	21,696	25,433
VAT	1,648	1,385
Total Expenditure to the Government	**66,315**	**106,145**

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2013/14 is shown in Note 32. A number of councillors are self-employed; these councillors would not be involved in any decisions that involve their self-employed professional capacity. Organisations with whom there have been transactions during the year are listed in the Members & Officers table below.

Officers

Senior officers of the Council also have direct control over the Council's financial and operating policies. During the year senior officers (or their immediate family) were also members or employees of the following organisations: Where there have been transactions during the year involving these organisations these are show in the Members & Officers table below:

- The Director of Finance and Corporate Services has declared an interest as Treasurer to the South West Middlesex Crematorium Board. The Council provides support services to the Board and also holds investment of surplus balances on behalf of the Board.
- The Director of Adult and Community Services has declared an interest as a nominated representative on the Board to the Richmond Clinical Commissioning Group. There is partnership working between the NHS Richmond CCG and the Council which includes joint commissioning and funding arrangements.
- The Director of Education and Children's Services has declared that he is a board member of The Learning Schools Trust. This organisation is involved in the management of Academy schools in the Borough. This Director is also the joint Director of Children's Services for LB Richmond and RB Kingston upon Thames.
- The Director of Public Health Services has declared an interest as Board Member to Richmond CCG. The Public Health Team provides commissioning support to NHS Richmond CCG.
- The Assistant Director of Corporate Governance and Joint Head of Legal Services is the statutory monitoring officer for LB Richmond and LB Merton. The Council has a shared legal service with LB Merton.

Members & Officers

The table below details organisations where there have been transactions during the year. The amounts represent the gross value of transactions rather than the net value of transactions.

Organisation	Nature of Transaction	2013/14 £000	2012/13 £000
London Councils	Subscription Paid	412	521
Audit Commission	Fees paid / fee rebate	16	21
Greater London Authority	Precept , Business Rates & Surplus Paid	43,450	29,846
Local Government Association	Subscription Paid	28	39
London Pensions Fund Authority	Levy Paid	335	304
Petersham Common Conservators	Payment for Maintenance	19	19
Richmond Churches Housing Trust	Supported and Other Housing Services	636	719
Richmond Housing Partnership	Supported and Other Housing Services	2,478	2,132
Richmond Theatre	Lease guarantee	0	859
NHS Richmond CCG	Joint Commission/Funding	9,451	10,832
West London Waste Authority	Levy paid	7,888	6,714
Environment Agency	Levy paid	196	176
South West Middlesex Crematorium Board	Support Services & Investment	552	557
Ultralux Windows Systems	Housing Services	2	4
Learning Schools Trust	Capital Grant Payment	1,246	1,130
Orleans House Trust	Management Agreement income and rent payable	78	-
RB Kingston Upon Thames	Shared Services	3,410	-
London Borough of Merton	Shared Services	1,799	-

In addition to the above, the Leader of the Council is a member of the House of Lords.

Other Public Bodies

The Council delivers services in close co-operation with other public bodies such as the Greater London Authority, Transport for London, Metropolitan Police Service, Health Authorities and other Local Authorities. Where the Council receives significant grant funding from another public body, details are disclosed in Note 11. Amounts owed to or by other public bodies are disclosed in Notes 23 and 24.

The Authority has a pooled budget arrangement with Hounslow and Richmond Community Healthcare (HRCH) and St George's Mental Health Trust details are disclosed in Technical Annexe 5. The Council also has shared service arrangements with LB Merton and RB Kingston. Full details are provided in Note 39 to the accounts.

Voluntary Organisations

It is the nature of local government that the majority of Council Members are heavily involved in the local community through various organisations such as voluntary bodies, societies, groups etc. often as an appointed Council representative. Members' interests are formally disclosed in a register of interests, and the relevant Cabinet Member approves the amount of grant aid awarded to voluntary organisations annually. Both the register of Members' Interests and schedule of grant aid are public documents and further details are available on request.

The Pension Fund

The Pension Fund is a separate entity from the Council with its own Fund Account and Net Asset Statement. The following material transactions took place between the Council and the Pension Fund

	2013/14	2012/13
Expenditure:	**£000**	**£000**
Pension Contributions to the pension fund	14,244	14,039
Pension Contributions from employees	3,508	3,568
Total Expenditure	**17,752**	**17,607**
Income:		
Indirect support costs recovered from the Pension Fund	**(288)**	**(282)**

Amounts Due to and From Related Parties

	2013/14		2012/13	
	Amount owed by the Related party	Amount owed to the Related party	Amount owed by the Related party	Amount owed to the Related party
	£000	£000	£000	£000
Central Government:				
Revenue Grants:				
- Received/Payments in Advance	0	1559	0	392
- Due	96	0	3,599	0
Capital Grants				
- Receipts in Advance	0	3,179	0	6,125
- Due	2,030	0	0	0
Academies	178	248	0	394
Amounts due from NNDR Pool	0	1,845	117	3,001
National Insurance	0	930	0	1,084
Income Tax	1	830	53	1,032
VAT recovery	3,038	0	3,065	0
Other	858	118	0	3
Total Central Government	**6,201**	**8,709**	**6,834**	**12,031**
Other:				
Audit Commission	16	0	11	0
Learning Schools Council	0	11	0	0
NHS Richmond CCG	260	781	1,041	0
Richmond Churches Housing Trust	0	0	5	0
Richmond Housing Partnership	97	35	38	3
Richmond Theatre	0	0	859	0
South West Middlesex Crematorium	0	0	0	6
West London Waste Authority	583	38	655	262

NOTE 36 PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTIONS SCHEMES

The Council participates in 2 defined benefit pension schemes which are accounted for as defined contribution schemes :

1. Teacher's Pension Scheme (TPS)

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). 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 a multi-employer defined benefit scheme. 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. Valuations of the notional fund are undertaken every four years.

The scheme has in excess of 3,700 participating employers and consequently the Council is not able to identify its share of the 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.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 37.

The Council is not liable to the scheme for any other entities obligations under the plan.

2. NHS Pension Scheme
On 1 April 2013 public health staff and services were transferred from primary care trusts (PCTs) to local authorities. Local authorities were provided with a ring-fenced public health grant to discharge their new Public Health responsibilities.
Under the new arrangements for Public Health, staff performing public health functions who were compulsorily transferred from the PCTs to local authorities and who had access to the NHS Pension Scheme on 31 March 2013 retained access to that Scheme on transfer at 1 April 2013.
The NHS pension scheme is an unfunded, multi-employer, defined benefit scheme that covers NHS employers. In the NHS, the scheme is accounted for as if it were a defined contribution scheme: "NHS bodies shall account for the NHS Superannuation Scheme as a defined contribution plan". (NHS Manual full reference)
The scheme has over 2.6m members and receives contributions of over £9bn per year. The Council is not able to identify its share of the 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.
The Authority is not liable to the scheme for any other entities obligations under the plan.

	Teacher's Pension Scheme		**NHS Pension Scheme**	
	2013/14	**2012/13**	**2013/14**	**2012/13**
Total Contributions	7.3m	6.9m	0.2m	n/a
Employer's Contribution Rate	14.1%	14.1%	14.0%	n/a
Anticipated Employer's Contributions next year	14.1%	14.1%	14.0%	n/a

NOTE 37 DEFINED BENEFIT PENSION 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 (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment arrangements :

- The Local Government Pension Scheme, administered locally by the Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The Council is fully responsible for any deficit on its own share of the Fund, and as Administering Authority could be liable for that of other employers as a funder of last resort.

- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (ie large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These risks are managed by the Fund over the long term, via the independent actuarial valuation process setting appropriate contribution rates.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year (per the actuarial assessment), so the cost of post-employment/retirement benefits reported in the General Fund is adjusted via the Movement in Reserves Statement to bring the total for the year back to the cash paid. The following table shows these transactions:

Comprehensive Income and Expenditure Statement	**2013/14 £000**	**RESTATED 2012/13 £000**
Cost of Services:		
Current service costs	13,348	10,796
Past service costs	134	467
(Gain)/ Loss from Settlements	0	33
Financing and Investment Income and Expenditure		
Net Interest Expense	7,992	6,977
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**21,474**	**18,273**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the Net defined Benefit Liability :		
Return on plan assets (excluding amounts already included in the net interest expense)	4,937	(34,047)
Actuarial (gains) / losses arising on changes in demographic assumptions	883	0
Actuarial (gains) / losses arising on changes in financial assumptions	(7,930)	63,473
Other Experience	(26,168)	(716)
Total post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(6,804)**	**46,983**
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	22,640	(31,591)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	**14,240**	**13,859**
Retirement benefits payable to pensioners	**1,596**	**1,533**

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2013/14	2012/13	2013/14	2012/13
	£000	£000	£000	£000
Present Value of the Defined Benefit Obligation	(577,616)	(587,129)	(21,932)	(22,141)
Fair Value of Plan Assets	443,290	430,372	0	0
Net Liability arising from Defined Benefit Obligations	**(134,326)**	**(156,757)**	**(21,932)**	**(22,141)**

Reconciliation of Present Value of the Scheme Assets and Liabilities

	2013/14			2012/13		
	Assets	Liabilities	Total	Assets	Liabilities	Total
	£000	£000	£000	£000	£000	£000
Opening Present Value of Scheme Liabilities at 1st April	**430,372**	**(609,270)**	**(178,898)**	**381,281**	**(528,588)**	**(147,307)**
Current Service Cost	0	(13,348)	**(13,348)**	0	(11,032)	**(11,032)**
Past Service Cost	0	(134)	**(134)**	0	0	**0**
Interest (Cost) / Income	19,321	(27,313)	**(7,992)**	18,154	(25,131)	**(6,977)**
Liabilities extinguished on Settlements	0	0	**0**	(2,992)	2,959	**(33)**
Contributions from the employer	14,240	0	**14,240**	14,040	0	**14,040**
Contributions from employees	3,507	(3,507)	**0**	3,415	(3,415)	**0**
Gains / (Losses) on Curtailment	0	0	**0**	0	(467)	**(467)**
Benefits Paid	(19,213)	20,809	**1,596**	(17,573)	19,106	**1,533**
Remeasurement Gains / (Losses) :						
- Actuarial Gains / (Losses) arising from changes in demographic assumptions	0	(883)	**(883)**	0	0	**0**
- Actuarial Gains / (Losses) arising from changes in financial assumptions	0	7,930	**7,930**	0	(63,418)	**(63,418)**
- Other experience	0	26,168	**26,168**	0	716	**716**
- Return on assets (excluding the amount included in the net interest expense)	(4,937)	0	**(4,937)**	34,047	0	**34,047**
Closing Fair Value of Scheme Assets at 31st March	**443,290**	**(599,548)**	**(156,258)**	**430,372**	**(609,270)**	**(178,898)**

Local Government Pension Scheme assets comprised:

	31 March 2014 £000	31 March 2014 %	31 March 2013 £000	31 March 2013 %
Cash and Cash Equivalents	4,367	1.0%	2,679	0.6%
Bonds				
- Corporate Bonds (investment grade)	45,793	10.3%	42,067	9.8%
- UK Government	27,372	6.2%	25,223	5.9%
Property (UK)	41,828	9.4%	34,802	8.1%
Other Investment Funds				
- Equities	260,885	58.9%	284,146	66.0%
- Other	63,045	14.2%	41,455	9.6%
	443,290	**100.0%**	**430,372**	**100.0%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries. Estimates for Statements of the Council Fund are being based on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

	Assumptions 2013/14 £000	Assumptions 2012/13 £000
Long term expected rate of return on assets in the scheme	4.30%	4.50%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	22.2 years	20.1 years
Women	24.4 years	22.9 years
Longevity at 65 for future pensioners:		
Men	24.3 years	22.0 years
Women	26.9 years	24.8 years
Financial Assumptions		
Rate of inflation	2.8%	2.8%
Rate of increase in salaries	3.6%	5.1%
Rate of increase in pensions	2.8%	2.8%
Rate of increase in scheme liabilities	4.3%	4.5%
Take up option to convert annual position into retirement lump sum		
- Pre April 2008 Service	25%	25%
- Post April 2008 Service	63%	63%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that only the assumption analysed changes, while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

	Impact on the Defined Benefit Obligations in the Scheme	
	£000	**%**
Longevity (impact of change by 1 year)	17,986	3%
Rate of Discounting Scheme Liabilities (impact of change by 0.5%)	53,122	9%
Rate of Increase in Salaries (impact of change by 0.5%)	12,073	2%
Rate of Increase in Pensions (impact of change by 1%)	40,750	7%

Asset and Liability Matching (ALM) Strategy
The Pension Fund Committee of the Council does not currently have an ALM strategy. The asset allocation is based on the growth needed to ensure the move towards a fully funded position as agreed in the actuarial review. As the Fund progresses towards this position there is the investment strategy will be reviewed ant this will take into account the potential benefits of matching assets and liabilities in this way.

Impact on the Council's Cash Flows
The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. The certified rates for the next 3 years are 17.4% of payroll (estimated at £8.5m for 2014/15) plus a lump sum of £4.778m were set at the 2013 valuation. The Council fund is still open to new membership with a significant number of active members and is therefore not mature. The next triennial valuation is due to be completed on 31 March 2016.

NOTE 38 INSURANCE

The Council has two methods of insurance. External insurance is bought for unmanageable scenarios, such as catastrophic loss. Self-insurance is used for smaller possible losses (e.g. vandalism, replacement of stolen equipment) where the cost would be below the excess of the external policy.

The Council held the following insurance policies with external insurers with material excess limits:

Policy	2013/14 Total Sum Insured £000	2013/14 Excess £000	2012/13 Total Sum Insured £000	2012/13 Excess £000
Property	703,236	100	891,429	100
Public Liability	30,000	100	30,000	100
Employer's Liability	30,000	100	30,000	100
Vehicles	n/a	100	n/a	100

The sums insured include cover for terrorism for which there is an additional premium.

The Council maintains an Insurance Fund set aside as self-insurance for uninsured risks. The Fund is split between existing and un-discharged claims at 31 March that will, with reasonable certainty, give rise to expenditure by the Council (recognised as a Provision) and an amount set aside to fund unknown or future losses (recognised as a Reserve). The total Fund is regularly reviewed by external assessors to ensure that sufficient cover is provided, with the last valuation and review in 2014. Balances have been adjusted in line with the results of this latest review.

Insurance Fund	2013/14 £000	2012/13 £000
Recognised as a Reserve	2,760	2,974
Recognised as a Provision	317	258
Total Fund at 31 March	**3,077**	**3,232**

NOTE 39 GROUP RELATIONSHIPS

<u>Interests in Companies and Other Entities</u>

Orleans House Trust

The Council is sole Trustee of the Orleans House Trust. The Trust is responsible for the preservation of the bequeathed Orleans House Gallery and art collection. Previously the Council was not able to benefit from the assets of the Trust as there was a clear separation between the operations of the Trust and the cultural services of the Council. During 2013/14 a formal management agreement was signed which enables the Trust and the Council to work more closely together in delivering joint objectives whilst ensuring that the terms of the original bequest are honoured. The new agreement will ensure that both organisations aims are achieved in the most cost effective way. The objectives of both organisations will be delivered by the same team located at the Orleans House Premises. The Council has assessed that the new management agreement effectively formalises the sharing of benefits from the assets of the Trust and the Council and that this satisfies the conditions for group accounts reporting. The 2013/14 Accounts therefore present the Orleans House Trust as a subsidiary of the Council.

Achieving for Children
LB Richmond upon Thames children's services has been transferred into a new organisation, 'Achieving for Children' (AfC) which is a joint arrangement with RB Kingston. This new organisation will operate at arm's length from the Council. LB Richmond upon Thames will therefore act as commissioners – commissioning AfC to provide services such as adoption, fostering, high quality support for schools, children's centres and support for children with special educational needs. AfC is also able to trade with other boroughs.

AfC became operational from 1st April 2014 and therefore is not reflected in this Statement of Accounts.

Other
The Council has no other material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities.

Shared Services

South London Legal Partnership – In September 2011 the Council entered into a joint arrangement with LB Merton for the provision of legal services. The service was hosted by LB Merton but governed by a joint board who oversaw the delivery of services. This has now developed into the South London Legal Partnership which was formed on 1st October 2013. This partnership joined together the legal services of LB Richmond upon Thames, RB Kingston, LB Merton and LB Sutton and is the first 4 borough shared legal service in London. The partnership staff are still employed by LB Merton as under the previous structure. For more information please see: Cabinet February 2013. The Council incurred expenditure of £1.7m in 2013/14 (£1.5m in 2012/13) in relation to this shared service.

Young People Substance Misuse Service – This is a shared service commissioned and developed by LB Richmond upon Thames and RB Kingston, which has been operational since 1st April 2011. The key drivers for this service were the ongoing reductions in funding from the National Treatment Agency (from 1st April 2013, part of Public Health England), local efficiencies and the need to improve the delivery model to meet the identified needs and quality standards. The key aim of the service therefore is to provide specialist substance misuse treatment for young people and their families and support for universal services to respond to substance misuse issues. £156k expenditure and £68k income were included in the Council's accounts in relation to this service (£121k expenditure and £94k income in 2012/13).

Internal Audit & Investigations Service – A shared service with the RB Kingston was established on 1st June 2012. The service is hosted (and staff employed) by LB Richmond upon Thames. The service provides the statutory internal audit service for both councils and provides an anti-fraud and corruption service by carrying out investigations of suspected financial fraud and irregularity. The 2 boroughs have shared a Joint Head of Internal Audit since 1st December 2011. RB Kingston is charged on the basis of time spent and an agreed audit day rate. The Council spent £1m on this shared service in 2013/14 and recovered £643k from other partners (£898k expenditure and £423k income in 2012/13).

Human Resources – Since 1st April 2012 the Council's Human Resource (HR) services have been delivered via a shared service between LB Richmond upon Thames and RB Kingston (the lead borough). The service includes recruitment, employment contracts, advice on terms and conditions, payroll, employee relations advice and the provision of learning and development. All HR staff are now employed by and based at RB Kingston. The Council incurred expenditure of £2.5m in relation to this agreement in 2013/14 (£1.9m in 2012/13).

Youth Offending Service – RB Kingston & LB Richmond upon Thames' youth offending services formally merged into a shared service in June 2013. The new service is a multi-agency partnership, the partners of whom jointly resource a multi-disciplinary team. The aim of the service is to reduce the likelihood of re-offending by children and young people, protect the public and the child or young person, and ensure that the sentence is served. The Council recognised expenditure of £387k and income of £184k in 2013/14 (nil in 2012/13). The service is governed at a national level by the Youth Justice Board

(Ministry of Justice) and at local level by the joint Youth Offending Service Management Board. The service is hosted by RB Kingston, but staff are still paid under their home authority. From 1 April 2014 the Youth Offending Service was transferred into AfC.

NOTE 40 POOLED BUDGETS

The Council has entered into 2 agreements for the pooling of budgets under the NHS Act 2006. The first agreement is for the provision of a Joint Integrated Community Equipment Service with NHS Richmond CCG and the second arrangement is for the operation of a joint integrated Mental Health Service with South West London and St George's Mental Health NHS Trust. The amounts involved in these arrangements are not material to these Accounts but may be of interest and so further detail is provided in Technical Annexe 5 to the Accounts.

NOTE 41 HOME LOANS UNIT

In 1988 the Council took over the responsibility for the former Greater London Council (GLC) mortgage portfolio. The details of the transfer of this function and the terms on which the Council undertakes the functions are set out in the London Government Reorganisation (Mortgages) Order 1988, SI 1988 (1747). The Council administers these loans on behalf of all London Borough Councils through the Home Loans Unit (HLU), and distributes any surpluses from the operation of the loan portfolio to the councils annually. As no new advances are made, the redemption of existing mortgages will eventually extinguish this account. The Council administers all transactions, assets and liabilities relating to the previously made mortgages of the Home Loans Unit (HLU) on behalf of all London Borough councils. The following table provides details of the HLU's Balance Sheet:

	As at 31 March 2014		As at 31 March 2013	
	£000	£000	£000	£000
Long Term Assets				
Equity shares in property	4,178		4,286	
Current Assets				
Temporary Investments	93		59	
Sundry Debtors	98		115	
Cash and Bank	324	4,693	330	4,790
Current Liabilities				
Sundry Creditors	(325)		(325)	
Creditor due to LB Richmond	(30)	(355)	(13)	(338)
Provisions		(40)		(80)
Total Assets less Liabilities		4,298		4,372
Represented By:				
Capital Reserve - Equity Shares in Property		(4,178)		(4,286)
Revenue Account Surplus		(120)		(86)
		(4,298)		(4,372)

Long Term Assets
These are equity share properties that are 50% owned by the individual mortgagors and 50% owned by the HLU.

Capital Receipts
Capital receipts are in respect of mortgage principal repayments. The Council administers the HLU on behalf of all London Borough councils, and therefore, all receipts are distributed to these councils at the year-end.

This table provides a summary of the mortgage payments made to the HLU, and the amount distributed to all London Borough councils:

	2013/14	2012/13
	£000	£000
Balance brought forward	0	20
Surplus for the year	(150)	(140)
	(150)	(120)
Amounts distributed to London Borough councils	150	120
Balance carried forward	0	0

NOTE 42 TRUST FUNDS

The following table provides a summary of the main Trust Funds held by the Council, and gives details of the total value and movement for the other, smaller Trust Funds. The Trust Funds are separate entities, and not part of the Council's single entity Comprehensive Income and Expenditure Account or Balance Sheet. The Orleans House Trust forms part of the Council's consolidated Group Accounts.

Trust Fund	Balance at 31 March 2013	Income	Expenditure	Balance at 31 March 2014
	£000	£000	£000	£000
Orleans House Trust	6,767	0	65	6,702
Housing Trust	958	385	0	1,343
Other minor Trust Funds	252	1	0	253
	7,977	**386**	**65**	**8,298**

Orleans House Charitable Trusts

Orleans House, the Octagon Room, the extension wings, stable block and art collection were bequeathed to the Council for the public benefit of the residents of Twickenham in 1962. In the same bequest, Riverside House, River Lawn and the Gardener's Cottage were left to the Council for its statutory purposes and to provide income to support the maintenance of the Orleans House buildings and art collection. In 2010/11 Orleans House was formally registered as a Charity from this Bequest.

A new management agreement was put in place from August 2013 which formalised the services the Council will provide on behalf of the Trust and the Council's rights to use Trust assets. The Trust has been consolidated into the Council's consolidated Group Accounts from 2013/14.

Housing Trust

On 18th October 2011, Richmond Housing Partnership (RHP) and London Borough of Richmond (LBR) entered into a Trust Account Deed. From 2011, if RHP sell any of the properties that were transferred to RHP under the Large Scale Voluntary Transfer and which are subject to the Trust Deed Account arrangements then the proceeds are paid into this account. RHP can then draw down from this account, spend monies on eligible affordable housing schemes as dictated by the terms of the Trust Account Deed.

RISKS AND UNCERTAINTIES

NOTE 43 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 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Non-current assets

The Council values its property assets on a rolling five year basis and performs an annual assessment of groups of assets to ensure their valuations are materially correct. 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. Fair value as applied to relevant assets will depend upon the property market.

Net book value of PPE at 31 March 14 was £754m. A change in value of 1% on 20% (approximately 1 year of valuation) of that value is £1.5m. The average building asset life is 35 years so a change in useful life of 1 year would change depreciation by approximately £0.5m.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex estimates that include:

- The discount rate used
- The projected rate of increase for salaries and pensions
- Changes in retirement ages
- Changes in mortality rates
- Expected returns on investment assets

The Council's Actuary provides advice on these estimates. The effect of changes in individual assumptions can be measured, but the assumptions interact in complex ways. The Council takes advice from its Actuary regarding appropriate assumptions and relies on its actuary for the calculations of their effects. A sensitivity analysis is detailed in Note 37.

Arrears

At 31 March 2014 the Council had a balance of £9.4m in respect of sundry debtors and had an impairment for doubtful debts of £1.4m. Although this allowance is regarded as adequate taking into account historic and recent recovery levels and the current economic climate, any future adverse economic or financial events could impact on the collection of debts.

If collection rates were to deteriorate below levels assumed in estimating an impairment allowance, additional amounts may need to be set aside. A decrease in collection rates of 10% would require an additional £133k to be set aside as an allowance for impairment.

Provisions

The Council holds a number of provisions, most of which are for a relatively minor amount. However, this year, the Council has made a provision for backdated Business Rate appeals and set aside £1.2m to cover the loss from future valuation office decisions. The calculation is based on the number of outstanding appeals and is adjusted for two things: a) an estimation of the amount of the appeal and b) the likelihood of success. Both estimations have been modelled on historic data and information supplied by the Valuation Office. A 10% variation of either estimation would change the provision by £120,000. A contingent liability has been made for future appeals.

Interest Rates

The Council has borrowings of £2.5m and investments of £56.8m at 31 March 2014 on which interest is not fixed and the amount paid or received will vary if interest rates change. Financial provision has been made in the Council's future financial plans for a modest increase in interest rates over the next few years. The current uncertainty in money markets, especially around sovereign debts, could result in increases in interest rates significantly above the levels planned for.

The impact of a 1% change in interest rates on these current values would be a net increase in interest receivable of £0.5m.

The financing of the Capital programme for 2014/15 includes an estimated £28.3m borrowing. The impact of a 1% change in interest rates on this new borrowing would change the cost by £0.3m resulting in a variance against the Council's budgeted interest costs.

NOTE 44 CONTINGENT LIABILITIES

Contingent liabilities relate to possible expenditure arising from a past event that has not been recognised in the Statement of Accounts due to the probability that a transfer of economic benefits will not arise, or cannot be reliably estimated. The possible liability is dependent on the outcome of something happening in the future. A review is undertaken annually to identify any potential liabilities. There are always a number of claims and potential costs outstanding against the Council. This note lists those with material financial costs.

At the 31 March the Council had a number of outstanding employment tribunals, legal and insurance cases which could give rise to a liability in the future. If the cases do give rise to a liability these costs will be met from the insurance provision (based on total value of all outstanding cases) or from in year budgets. Where possible, details have been disclosed in the note below but for confidentiality reasons the Council can not disclose the details of all cases.

Termination Benefits

The Council continues to face major challenges arising from the requirement to cope with funding pressures whilst seeking to maintain key services and restrict increases in Council Tax. In response to the Spending Review 2010, the Council embarked on an ambitious programme of change which required significant expenditure reductions over a four year period. Such reductions will inevitably result in a number of redundancies during the next few years as restructures and changes to service delivery are implemented. At this point the Council is unable to reliably estimate the liability that could arise. Any future liability will be met from reserves and / or in year budgets.

Purchase of Freehold Property

In May 2013 Cabinet agreed to proceed with the purchase of freehold property in Twickenham as part of its Uplift Programme. This purchase agreement was dependent on the satisfaction of a number of conditions, most of which were in the sellers control. If the conditions are met the Council will proceed with the purchase of the property and this will result in a payment in excess of £6m to be funded as part of the capital programme.

London Pension Fund Authority (LPFA) Deficit

The Council has been informed that based on a recent actuarial assessment the LPFA Pension Fund has a deficit. This fund relates to pensions for former employees of the now disbanded Greater London Council and the LB Richmond has a legal obligation to contribute. At the 31st March a final decision on how to address the deficit had not yet been made but it is possible that London Boroughs will be asked for increased contributions. At present the Council does not have sufficient information to estimate the potential liability.

Business Rates Appeals

When the new Business Rates Retention System was introduced on 1st April 2014 the Council took on the risk and reward associated with 30% of the annual Business Rates Yield. As a consequence the Council is exposed to a significant risk regarding Business Rates Appeals. Organisations can appeal the rateable value of their business premises if they believe it is incorrect. These appeals are lodged directly with the Central Government Valuation Office Agency who then assesses the case and either reject the appeal or adjust the rateable value of the premises. Where appeals are successful the Council must refund any amounts that have been overcharged (backdated to the last revaluation). The Collection Fund includes a provision of £4.1m in 2013/14, of which £1.2m or 30% is included in the Council's Accounts, to allow for backdated appeals relating to 2013/14 and prior years. This provision is based on appeals outstanding as at 31st March 2014. It is possible that appeals will be received after 31st March that will require refunds relating to 2013/14 and prior years. The Council is unable to estimate the impact of appeals not yet lodged with sufficient certainty to provide for these in the accounts. The potential additional liability could be between £1m and £3m.

NOTE 45 CONTINGENT ASSETS

Contingent assets relate to possible income arising from a past event that has not been recognised in the Statement of Accounts due to the probability that a transfer of economic benefits will not arise, or cannot be reliably estimated. The right to the potential asset is dependent on something happening in the future. A review is undertaken annually to identify potential contingent assets. There were 2 contingent assets outstanding as at 31 March 2014.

Land Charges

Following the Government change in the local land charge rules in August 2010, which could require the repayment of fees for personal land searches, the Local Government Association are in discussion with the HM Treasury on behalf of boroughs regarding the reimbursement of all or a percentage of costs that may be incurred if the Council repays income received through personal search fees. The potential income to the Council, if this action is successful, will be dependant on how much is reimbursed but could be in the region of £300k.

Purchase of Freehold Property

As at 31st March 2014 he Council had exchanged contracts on the purchase of freehold land and property as part of the Twickenham Uplift programme. The purchase of these assets is dependent on certain conditions which are under the seller's control. If the conditions are met the Council will proceed with the purchase of the property and this will result in an increase in the value of Non-Current Assets on the Balance Sheet (estimated to be in excess of £6m).

NOTE 46 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Council does not hold many types of financial instrument. For cash management, the majority of instruments are fixed term and fixed interest deposits and borrowing, with instant access deposit accounts used for liquidity. Finance lease and PFI transactions are similarly fixed term and fixed interest. The other main areas of financial instruments are trade debtors, creditors and a long term loan to West London Waste Authority as detailed in Note 27.

The key risk around money due to the Council (either as an investment or a debtor) is that the money will not be received, or received late (credit risk). This risk is covered by the Council's counterparty creditworthiness policy for investments and the debt recovery controls for debtors.

The key risk around money the Council is due to pay is having funds available to make payments when they are due (liquidity risk). This is managed through cash flow projections, use of liquidity accounts, and setting aside revenue for debt repayment.

There is also the risk that decisions taken to agreeing fixed interest rates to give certainty for financial planning may result in an opportunity cost. This is managed by using current interest rate projections to inform decision making.

More detail on these risks is available in Technical Annexe 4, as well as various Council policies.

CONSOLIDATED GROUP ACCOUNTS

The Council has to prepare group accounts where it has any interests in subsidiaries, associates and/or any joint controlled entities, subject to consideration of materiality.

The Council is sole Trustee of the Orleans House Trust which is responsible for the preservation of the bequeathed Orleans House Gallery and art collection. Previously the Council was not able to benefit from the assets of the Trust as there was a clear separation between the operations of the Trust and the cultural services of the Council. During 2013/14 a formal management agreement was signed which enables the Trust and the Council to work more closely together in delivering joint objectives whilst ensuring that the terms of the original bequest are honoured.

The Council has assessed that the new management agreement effectively formalises the sharing of benefits from the assets of the Trust and the Council and that this satisfies the conditions for group accounts reporting. The accounts of the Orleans House trust have therefore been consolidated with the accounts of the Council to form the 'group accounts'.

The process for preparing the Group accounts is essentially a straightforward one. The main accounting statements for the Orleans House Trust are added, line by line to the accounts of the Council and any intra group transactions are eliminated. As there are relatively few lines in the accounts of the trust, the only group statements that are different for the Councils main statements are as follows:

- Group Movement in Reserves Statement
- Group Consolidated Income and Expenditure Account
- Group Balance Sheet
- Group Cash Flow Statement
- Notes to the accounts on:
  - ➢ Property, Plant & Equipment / Heritage Assets
  - ➢ Unusable Reserves

All other notes remain the same as the Council's.

The Accounting Policies of the Orleans House Trust are the same as those of the Council. The relationship with the Trust did not meet the definition of a subsidiary in 2012/13 and therefore comparative figures have not been restated.

GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council and its Subsidiary

	LBR Usable Reserves £000	LBR Unusable Reserves £000	Authority's Share of Subsidary Reserves £000	Total Group Reserves £000
Balance at 31 March 2013 carried forward	**(76,517)**	**(457,088)**	**(6,767)**	**(540,372)**
Movement in reserves during 2013/14				
(Surplus) or deficit on provision of services	(1,258)	0	65	(1,193)
Other Comprehensive Expenditure and Income	(45,456)	75	0	(45,381)
Total Comprehensive Expenditure and Income	**(46,714)**	**75**	**65**	**(46,574)**
Adjustments between accounting basis & funding basis under regulations	58,477	(58,412)	(65)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**11,763**	**(58,337)**	**0**	**(46,574)**
Transfers to/from Earmarked Reserves	**0**	**0**	**0**	**0**
Increase/Decrease (movement) in Year	**11,763**	**(58,337)**	**0**	**(46,574)**
Balance at 31 March 2014 carried forward	**(64,754)**	**(515,425)**	**(6,767)**	**(586,946)**

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

This statement shows the group's accounting cost in the year of providing services in accordance with generally accepted accounting practices. Whilst the difference to the single entity accounts is not material, a consolidated CI&ES has been included for completeness.

	31 March 2014		
	Expenditure £000	Income £000	Net £000
Central services to the public	6,584	(3,730)	2,854
Cultural & Related Services	17,089	(4,550)	12,539
Environmental & Regulatory Services	19,834	(6,002)	13,832
Planning Services	8,755	(3,168)	5,587
Education and children's services	157,303	(113,123)	44,180
Highways and transport services	25,248	(14,494)	10,754
Housing services (General Fund)	80,618	(73,174)	7,444
Adult social care	76,457	(16,756)	59,701
Public Health	8,062	(8,062)	0
Corporate and democratic core	3,229	(53)	3,176
Non distributed costs	70	(10)	60
Cost Of Services	**403,249**	**(243,122)**	**160,127**
Other Operating Expenditure	14,586	(6,349)	8,237
Financing and Investment Income and Expenditure	17,453	(7,345)	10,108
Taxation and Non-Specific Grant Income	3,621	(183,286)	(179,665)
(Surplus) or Deficit on Provision of Services	**438,909**	**(440,102)**	**(1,193)**
Surplus or deficit on revaluation of Property, Plant and Equipment	0	(17,178)	(17,178)
Actuarial gains/losses on pension assets/liabilities	0	(28,278)	(28,278)
Other Comprehensive Income and Expenditure	**0**	**(45,456)**	**(45,456)**
Total Comprehensive Income and Expenditure	**438,909**	**(485,558)**	**(46,649)**

BALANCE SHEET

The Balance Sheet shows the value of the assets and liabilities recognised by the group.

	31 March 2014 £000
NET ASSETS	
Property, Plant & Equipment	759,230
Heritage Assets	3,744
Investment Property	7,308
Intangible Assets	292
Long Term Investments	2,250
Long Term Debtors	12,355
Long Term Assets	**785,179**
Current Held for Sale Investment Property	
Current Intangible Assets	
Short Term Investments	42,281
Assets Held for Sale	1,687
Inventories	64
Short Term Debtors	26,601
Cash and Cash Equivalents	10,073
Current Assets	**80,706**
Cash and Cash Equivalents	
Short Term Borrowing	(4,447)
Short term Creditors	(41,317)
Provisions	(2,100)
Current Liabilities	**(47,864)**
Long Term Creditors	(1,592)
Grants Receipts in Advance - Capital	(3,300)
Provisions	(239)
Long Term Borrowing	(40,861)
Other Long Term Liabilities	(185,083)
Long Term Liabilities	**(231,075)**
Net Assets	**586,946**
TOTAL RESERVES	
Usable Reserves	(64,754)
Unusable Reserves	(522,192)
Total Reserves	**(586,946)**

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Group during the reporting period.

	31 March 2014 £000
Net (surplus) or deficit on the provision of services	(1,193)
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(21,972)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	4,099
Net cash flows from Operating Activities	**(19,066)**
Investing Activities	23,370
Financing Activities	(3,893)
Net (increase) or decrease in cash and cash equivalents	**411**
Cash and cash equivalents at the beginning of the reporting period	10,484
Cash and cash equivalents at the end of the reporting period	**10,073**

NOTE G1 PROPERTY, PLANT AND EQUIPMENT AND HERITAGE ASSETS

Movements in Non-Current Assets are as follows:

2013/14	PP&E £000	Heritage Assets £000
Cost or Valuation		
At 1 April 2013	779,340	3,754
Additions	45,633	2
Donations	49	0
Revaluation Increases/(decreases) to Revaluation Reserve	15,694	0
Revaluation Increases/(decreases) to Surplus/Deficit on Provn. of Srvs.	(11,546)	0
De-recognition-Disposals	(5,180)	0
At 31 March 2014	**823,990**	**3,756**
Depreciation and Impairment		
At 1 April 2013	**63,011**	**8**
Depreciation Charge	**12,587**	**4**
Depreciation written out to Revaluation Reserve	**(274)**	**0**
Depreciation written out to Surplus/Deficit on Provn. of Srvs.	**(10,639)**	**0**
Impairment losses/(reversals) to Revaluation Reserve	**162**	**0**
Impairment losses/(reversals) to Surplus/Deficit on Provn. of Srvs.	**195**	**0**
De-recognition-Disposals	**(282)**	**0**
At 31 March 2014	**64,760**	**12**
Net Book Value at 31 March 2014	**759,230**	**3,744**

NOTE G2 UNUSABLE RESERVES

The following table summarises the Group's unusable reserves:

	31 March 2014 £000
Revaluation Reserve	(69,689)
Capital Adjustment Account	(609,262)
Financial Instruments Adjustment Account	1,011
Deferred Capital Receipts Reserve	(4,091)
Pensions Reserve	156,258
Collection Fund Adjustment Account	(1,849)
Accumulated Absences Account	2,287
Deferred Lease Income Account	3,143
Total Unusable Reserves	**(522,192)**

COLLECTION FUND ACCOUNTS

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. This 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, Business Rates (Non-Domestic Rates NNDR) and the Business Rates Supplement (BRS).

		2013/14				2012/13			
	Note	Business Rates	Business Rates Supplement	Council Tax	Total	Business Rates	Business Rates Supplement	Council Tax	Total
		£000		£000	£000	£000		£000	£000
Income									
Income		(82,034)	(2,210)	(134,429)	**(218,673)**	(80,984)	(2,269)	(132,279)	**(215,532)**
Council Tax Benefits		-	-	-	**-**	-	-	(12,777)	**(12,777)**
Transitional Relief / Protection Payments		(14)	-	(6)	**(20)**	-	-	(7)	**(7)**
		(82,048)	(2,210)	(134,435)	**(218,693)**	(80,984)	(2,269)	(145,063)	**(228,316)**
Expenditure									
Precepts, Demand & Shares:									
Payment to LB Richmond upon Thames		23,611	-	107,503	**131,114**	-	-	115,855	**115,855**
Payment to Greater London Authority		15,740	2,157	25,302	**43,199**	-	2,215	27,602	**29,817**
Payment to Central Government		39,351	-	-	**39,351**	79,327	-	-	**79,327**
Costs of Collection		305	11	-	**316**	309	13	-	**322**
Bad and doubtful debts and appeals:									
Write offs		753	0	242	**995**	1,519	0	182	**1,701**
Bad Debt Provision		256	42	295	**593**	(171)	41	694	**564**
Rateable Value Appeals Provision		4,125	-	-	**4,125**	-	-	-	**0**
Contributions – distribution of previous year's surplus									
LB Richmond upon Thames	*C3*	-	-	750	**750**	-	-	500	**500**
Greater London Authority	*C3*	-	-	179	**179**	-	-	120	**120**

	Note	2013/14 Business Rates	2013/14 Business Rates Supplement	2013/14 Council Tax	2013/14 Total	2012/13 Business Rates	2012/13 Business Rates Supplement	2012/13 Council Tax	2012/13 Total
		£000		£000	£000	£000		£000	£000
		84,141	**2,210**	**134,271**	**220,622**	**80,984**	**2,269**	**144,953**	**228,206**
Net (Surplus) / Deficit for the Year		**2,093**	**0**	**(164)**	**1,929**	**0**	**0**	**(110)**	**(110)**
Movement on Fund Balance									
Net (Surplus)/Deficit for year	*C4*	2,093	0	(164)	**1,929**	0	0	(110)	**(110)**
Surplus Brought Forward at 1st April	*C4*	0	0	(2,891)	**(2,891)**	0	0	(2,781)	**(2,781)**
Surplus Carried Forward at 31 March	*C4*	**2,093**	**0**	**(3,055)**	**(962)**	**0**	**0**	**(2,891)**	**(2,891)**

The Government has introduced a Business Rates Retention system form 1st April 2013. Under this new system Business Rates income is shared amongst Central Government (50%), the Council (30%) and the Greater London Authority (20%). Previously, all Business Rates income was paid over to Central Government and redistributed as Government Grant. The Fund has incurred a deficit of £2.093m on Business Rates income, in 2013/14 principally due to the writing on of a large backdated appeals provision. Going forward only the movement in the provision will need to be written on in year and the Collection Fund is expected to return to surplus / breakeven. Any balances held on the Collection Fund (due to surpluses / deficits) are redistributed / reclaimed from the relevant parties.

NOTES TO THE COLLECTION FUND ACCOUNTS

NOTE C1 NNDR RATEABLE VALUE AND MULTIPLIER

This note shows the total non-domestic rateable value at year-end and the national non-domestic rate multiplier for the year.

	2013/14 £000	2012/13 £000
Total NNDR rateable value	207,066	206,947
NNDR multiplier	47.1 pence	45.8 pence
Small NNDR multiplier	46.2 pence	45.0 pence

NOTE C2 COUNCIL TAX BASE

This note shows the calculation of the Council Tax Base, i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply), converted to an equivalent number of band D dwellings.

	2013/14			2012/13
Valuation Band	**Number of Properties** (after discounts and exemptions)	**Ratio**	**Equivalent Band D Properties**	**Equivalent Band D Properties**
A*	1.00	5/9	0.56	0.42
A	321.56	6/9	214.37	292.10
B	1,186.53	7/9	922.86	1,355.20
C	8,180.73	8/9	7,271.75	9,562.89
D	15,476.64	9/9	15,476.64	17,706.10
E	16,576.82	11/9	20,260.56	21,709.54
F	10,541.73	13/9	15,226.94	15,486.47
G	11,677.14	15/9	19,461.90	19,422.00
H	3,075.44	18/9	6,150.88	6,058.30
			84,986.46	**91,593.01**
Less Adjustment for Collection Rate			(1,529.75)	(1,648.67)
Plus Ministry of Defence Properties			47.70	47.70
Council Tax Base			**83,504.41**	**89,992.04**
Note Band A* attracts disabled relief				

NOTE C3 PRECEPTS ON THE COLLECTION FUND

This note provides details of each authority which made a precept on the Collection Fund.

	2013/14 £000	2012/13 £000
Council Tax		
London Borough of Richmond upon Thames	107,503	115,855
Greater London Authority	25,302	27,602
Business Rates		
London Borough of Richmond upon Thames	23,611	-
Greater London Authority	15,740	-
Central Government	39,351	-
	211,507	**143,457**

NOTE C4 COLLECTION FUND BALANCES

This note details the split of Collection Fund balances between the major preceptors on the Collection Fund.

	2013/14				2012/13		
	LB Richmond £000	GLA £000	Central Government £000	Total £000	LB Richmond £000	GLA £000	Total £000
Surplus Brought Forward at 1st April	(2,338)	(553)	0	**(2,891)**	(2,245)	(536)	**(2,781)**
Net (Surplus)/Deficit for year	490	393	1,046	**1,929**	(93)	(17)	**(110)**
Surplus Carried Forward at 31 March	**(1,848)**	**(160)**	**1,046**	**(962)**	**(2,338)**	**(553)**	**(2,891)**
Relating to:							
Business Rates	628	419	1,046	**2,093**	-	-	**-**
Council Tax	(2,476)	(579)	0	**(3,055)**	(2,338)	(553)	**(2,891)**

PENSION FUND ACCOUNTS

The Pension Fund accounts are required to be included in the Council's Statement of Accounts (given the Council's statutory position as the Administering Authority).

FUND ACCOUNT

	Note	2013/14 £000	2013/14 £000	2012/13 £000	2012/13 £000
DEALINGS WITH MEMBERS AND EMPLOYERS					
Contributions receivable					
From employers	*P7*		(19,078)		(18,756)
From members	*P7*		(4,781)		(4,784)
Transfers In:					
Group transfers from other schemes		0		0	
Individual transfers from other schemes		(1,272)	(1,272)	(1,885)	(1,885)
			(25,131)		(25,425)
Benefits payable	*P7*				
Pensions		17,271		16,228	
Commutation of pensions and lump sum retirement benefits		3,121		3,311	
Lump sum death benefits		267	20,659	462	20,001
Payments to and on account of Leavers	*P8*				
Refunds of Contributions		9		17	
Transfers Out:					
Group transfers to other schemes		0		3,374	
Individual transfers (to other Schemes or Funds within the LGPS)		954	963	2,544	5,935
Administrative and other Expenses borne by the Scheme	*P10*		463		420
Net Additions/(Withdrawals) from Dealings with Members			**(3,046)**		**931**
Returns on Investments					
Investment income					
Dividends from equities		0		(3)	
Income from pooled investments		(7,804)		(8,548)	
Interest on cash deposits		(19)		(30)	
Other		0	(7,823)	(3)	(8,584)
Taxes on income					
Income from pooled investments		362	362	551	551
Change in market value of investments:					
Realised gains		(12,286)		(5,616)	
Unrealised gains		(11,790)	(24,076)	(47,845)	(53,461)
Investment Management Expenses	*P19*		1,240		1,016
Net Returns on Investments			**(30,297)**		**(60,478)**
Net increase during the year			(33,343)		(59,547)
Opening net assets of the Fund 1 April			(504,054)		(444,507)
Closing Net Assets of the Fund 31 March			**(537,397)**		**(504,054)**

NET ASSET STATEMENT

	Note	31 March 2014 £000	31 March 2014 £000	31 March 2013 £000
Investment Assets				
Pooled investment Vehicles :				
Unit trusts:				
Property		49,687		40,289
Other		87,682	137,369	85,733
Unitised insurance policies:		305,455		284,685
Open ended investment companies (OEICS) - Other		88,503		90,258
Cash (Interest Bearing Deposits)		4,969	398,927	2,862
Total assets invested	*P12*		**536,296**	**503,827**
Other investment balances				
Investment debtors:				
Investment income accrued			732	741
Investment creditors:				
Investment settlements outstanding			(562)	(571)
			536,466	**503,997**
Net Current Assets and Liabilities				
Debtors:				
Monthly contributions due from employers		713		395
Monthly contributions due from employees		92		61
Pre-paid benefits (lump sum entitlements)		60		0
Other		518	1,383	310
Creditors:				
Unpaid benefits (lump sum entitlements)		(76)		(179)
Investment management expenses		(86)		(72)
PAYE payable to HMRC		(211)		(196)
Other		(79)	(452)	(262)
			931	**57**
Total Net Assets	*P12 & P14*		**537,397**	**504,054**

NOTES TO THE PENSION FUND ACCOUNTS

NOTE P1 DESCRIPTION AND OPERATION OF THE FUND

Description of the Fund

The Local Government Pension Scheme (LGPS) is a statutory scheme, and rules in respect of membership and benefits etc. are prescribed under regulation. The Pension Fund ("the Fund") makes benefit payments as required by legislation and collects and invests contributions from members and their employers. The LGPS is a defined benefit scheme, in which members of the scheme make a contribution based on a percentage of pensionable salary, and on retirement receive a guaranteed, index-linked pension. Historically, the LGPS has been a "final salary" scheme with benefits based on final pensionable salary and the period of scheme membership. From April 2014, the LGPS became a CARE (Career Average Revalued Earnings) scheme, with benefits based on average pay received over time. Full details on the LGPS can be found at the following website:

www.lgps.org.uk

Employers' contributions are reviewed and adjusted (if required) every 3 years by the Actuary in their triennial valuation of the Fund. The valuation estimates Fund assets (current assets, assumed growth and cash flows inwards) and liabilities (assumed future payments to members) to get to an overall funding position. This is then used to calculate the required contributions from employers to achieve a fully funded position. The latest valuation took place as at 31st March 2013 and includes the assumed impact of the change to a CARE scheme.

Responsibilities of the Council to administer the Pension Fund

The London Borough of Richmond upon Thames (also referred to as "the Council") is an Administering Authority of the LGPS, in the year of account under the Local Government Pension Scheme (Administration) Regulations 2008 (SI 2008/239) and subsequently under the Local Government Pension Scheme Regulations 2013 (SI 2013/2356). As such it is required to operate the LGPS on its own behalf and on behalf of other nominated employers (see Note P3). The Fund is a separate entity for accounting purposes and its Fund Account and Net Asset Statement are separate financial statements although they are also presented, but not consolidated, in the Council's accounts for information because the Council is the administering authority.
The Council, as an employer within the Pension Fund, is responsible for collecting and paying over employee contributions to the Fund. Under the LGPS rules, employee contributions are periodically set by the government, whereas employer contributions have to be set at a level sufficient to meet the long-term obligations of the Fund, as determined by the triennial Actuarial Valuation.

The role of the Pension Fund is to collect employees' and employers' contributions from the Council and the other employer bodies, invest surplus funds and make payment of benefits out of the Fund. It is also responsible for making and receiving transfer payments for members joining and leaving the Fund. The Fund's accounts and disclosure notes reflect these responsibilities as opposed to those of the Council.

Governance arrangements for the Fund

The Council's responsibilities for administering the Pension Fund are delegated to the Pension Fund Committee. The Committee's principal business is:

- considering and responding to proposals to amend the design of the LGPS;
- determining policy on the admission of external bodies to the Pension Fund;
- determining the long-term investment strategy of the Fund and keeping this under review at appropriate intervals;
- implementing this strategy through deciding on, and keeping under review, appropriate arrangements for investment management, appointing managers and monitoring their performance;
- appointing the Fund's actuary, external investment advisor and any other providers of services to the Pension Fund;
- receiving and commenting upon the triennial valuation of the Pension Fund prepared by the actuary;
- determining the Pension Fund's communications strategy and policies toward corporate governance and responsible investment;
- approving all documents required to be published by the Fund on a statutory basis, including the Pension Fund Annual Report, Statement of Investment Principles, Funding Strategy Statement, Governance Compliance Statement and Communications Policy Statement;
- approving the Pension Fund accounts, and dealing with all aspects relating to the audit of the Pension Fund, including receiving any reports by the Fund's independent auditor.

The Pension Fund Committee meets at least four times each year. The membership of the Committee during 2013/14 was:

Councillor G. Acton (Chairman)
Councillor R. Martin (Vice-Chairman)
Councillor J. Churchill
Councillor G. Evans
Councillor T. O'Malley

In addition to these Councillors, Mr M. Potts was a non-voting attendee of the Committee as staff observer.

The Fund's investment advisor (Mr W. Marshall of Hymans Robertson LLP) also attended Committee meetings to provide professional investment advice. Representatives of appointed fund managers and actuaries (also Hymans Robertson LLP) attended as required. The Fund's independent auditor attended the Committee to present both the audit plan and report on matters arising from the audit of the Pension Fund accounts.

Investment management arrangements

The Fund has appointed fund managers to undertake its investment management responsibilities. During 2013/14 the Fund employed two principal external fund managers with multi-asset mandates (Henderson Global Investors and Legal & General Investment Management Limited), each with over a third of the Fund's total investments, and Schroder Investment Management Limited with whom the Fund holds property unit trusts. The Fund also directly holds units in the Local Authorities Property Fund (LAPF), managed by Local Authorities Mutual Investment Trust (LAMIT). In the course of 2013/14, the Fund increased its investment in the Baillie Gifford & Co "Diversified Growth Fund" mandate (by 5% of the total Fund value), transferring assets from Legal & General.

Details of investments under management are provided in Notes P14 to P18.

The Fund has made the following external appointments:

Investment advisors	–	Hymans Robertson LLP
Performance measurers	–	The WM Company
Custodians	–	JP Morgan Chase & Co

The Fund's Independent auditors are Grant Thornton UK LLP.

Other professional advice (e.g. legal advice) is provided by Council officers.

NOTE P2 PENSION FUND ACCOUNTING POLICIES

Basis of Preparation

The Fund's accounts are prepared in accordance with proper accounting practice that represents compliance with:

- The Code of Practice on Local Authority Accounting in the UK 2013/14 (the Code), and
- (where relevant) Financial Reports of Pension Schemes; A Statement of Recommended Practice (Revised May 2007) – (the Pensions SORP).

The Pension Fund accounts are prepared on the basis that they will be incorporated within the Pension Fund Annual Report to be published later in the year, after the accounts have been audited. This report includes more detail on the actuarial valuation, governance arrangements for the Fund and includes the Statement of Investment Principles (SIP).

Accounting Policies

<u>General Policies</u>

The general accounting policies are those that have been adopted by the Administering Authority – the Council of the London Borough of Richmond upon Thames, and these are applied to the accounts of the Pension Fund where they are applicable.

The accounts are prepared on an accruals basis with the significant exception that no recognition is made in respect of liabilities to pay pensions and other benefits after the year end. This treatment is prescribed in the Pensions SORP on the basis that future liabilities that are subject to actuarial valuation are best considered in the context of the full actuarial valuation and the consequent funding statement and funding policy. As the future net liabilities are required to be funded by employer contributions, these are covered in some detail in the Council's accounts where the full impact of future pension liabilities is disclosed in accordance with IAS 19.

The only other exception to the accruals basis is in respect of transfer values. Transfer payments are made normally when an employee changes employer and moves from one pension scheme to another. Occasionally, following a reorganisation for example, a group of employees may transfer to a different pension scheme. In normal circumstances, the receiving pension scheme will not be liable for any pension benefits in respect of the transferring member until the relevant assets (the transfer value) have been received. Transfer values are therefore accounted for on the basis of when they are paid or received and when the receiving scheme has accepted liability.

Specific accounting policies are adopted in relation to investments. These are covered in the following statements.

Valuation of Investments

Investments are recognised at Fair Value. This is the amount for which an asset could be exchanged, or a liability settled, between unrelated, willing and knowledgeable parties, in an arm's-length transaction, and is generally taken as the appropriate market value at the quoted bid price. These are taken at close of business on 31 March or the last prior trading day for relevant markets.

The Fund's non-cash investments are currently held exclusively in pooled vehicles, which for this purpose include unitised insurance policy-based investments. The vehicles themselves would generally be defined as "unquoted" in that they are not, continuously, "listed on or traded on a recognised investment exchange". With the exception of the property units trusts, however, they generally comprise equity and bond securities that would individually be described as "quoted". Liquidity in the non-property investments is broadly equivalent to that of the underlying securities, with the exception of the insurance policy-based investments which are traded weekly. Further information on the valuation of individual managers' holdings is included in Note P16 below.

Foreign Currency Translation

All non-sterling transactions and valuations are translated using the closing rate of exchange as at the date of valuation.

Overseas income is translated at rates of exchange applicable when remitted.

All gains and losses arising from currency transactions in the purchase of non-sterling investments are shown in the Fund Account as realised gains or losses.

Administrative Expenses charged by the Administering Authority

The administrative costs of the Fund are set out in Note P10. Administration and processing costs (such as salaries, accommodation and ICT costs) are initially borne by the Council (as the Administering Authority) and charged to the Fund on appropriate bases such as time spent on work related to the Fund and floor area of office accommodation occupied by the relevant staff.

Liabilities to Pay Pensions and Other Benefits after the Balance Sheet Date

Unlike most financial statements, the Pension Fund's financial statements do not take account of any liabilities in respect of pension and other benefit liabilities due beyond the year of account. This aspect of the Pension Fund's financial position is specifically covered by the actuarial valuation and report by the Fund's actuary in the following notes.

Critical Judgements

The Code requires that the judgements that management have made in applying the Fund's accounting policies should be disclosed to assist the understanding of users of the accounts, and aid comparability. The relevant judgements are those that have the most significant effect on amounts recognised in the financial statements. Judgements made in arriving at estimates are excluded.

The Fund's accounts include estimation of future values but do not include any critical judgements.

Assumptions Made about the Future and other Major Sources of Estimation and Uncertainty

In preparing the Fund accounts, officers and advisors are required to make assumptions about the future or which 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 Fund's accounts where there could be significant risk of material adjustment in forthcoming financial year are investment assets. However, the Fund's assets are valued with reference to the published market value of the underlying assets (see Note P20) so there is minimal likelihood of impact here.

The other area of estimation is in the actuarial assessment of the present value of the Fund's assets and liabilities. These are not included in the Net Assets Statement but disclosed in notes to the accounts with the assumptions used.

NOTE P3 MEMBERSHIP OF THE FUND

Although the Fund is administered by the Council, it also includes the employees of certain other bodies. These are either scheduled bodies (required by statute to be members of the Fund) or admitted bodies (admitted to the Fund by agreement).

The scheduled and admitted bodies act as employers in the same way as the Council and all are responsible for making deductions from their employees and paying these and their own employer's contributions to the Fund on a regular basis. The Fund makes pension and other benefit payments directly to Fund members.

Membership details as at 31 March are summarised in the following table:

FUND MEMBERSHIP	31 March 2014 Contributors	Members with Deferred Benefits	Pensioners and Dependents	Total Members	31 March 2013 Total Members
Admitted Bodies:					
Association of District Councils *	0	2	19	21	21
Hampton School	36	25	25	86	88
Notting Hill Housing Trust	1	8	12	21	20
St. Mary's College	154	112	105	371	371
SW Middlesex Crematorium Board	12	11	19	42	41
Richmond CAB *	0	0	1	1	1
Housing Organisations Mobility & Exchange Services *	0	9	4	13	13
Richmond Council for Voluntary Services*	0	3	5	8	8
Richmond upon Thames Music Trust	8	1	3	12	11
Christ's Community Management Body *	0	2	0	2	2
Institute of Revenues Rating & Valuation	10	17	8	35	35
Project for Children with Special Needs *	0	2	2	4	4
Museum of Richmond *	0	1	1	2	2
Richmond Housing Partnership	15	29	24	68	69
Twining Enterprises *	0	8	5	13	13
Mears Building Contractors Ltd	1	5	6	12	12
Scout Solutions *	0	15	8	23	23
Veolia (formerly Cleanaway)	32	14	16	62	63
Nviro	6	3	0	9	9
Remploy #	1	1	0	2	0
Total Admitted Bodies	**276**	**268**	**263**	**807**	**806**
Scheduled Bodies:					
Academies Enterprise Trust	39	8	6	53	44
Learning Schools Trust	85	36	5	126	102
Richmond Magistrates' Court *	0	14	10	24	24
Richmond upon Thames College	163	259	168	590	573
Richmond Adult & Community College	76	160	57	293	254
Grey Court School	49	11	1	61	46
Orleans Park School	48	7	2	57	47
Teddington School	48	17	1	66	56
Waldegrave Trust	77	11	1	89	55
St Mary's Hampton #	2	0	0	2	0
Thomson House School #	8	0	0	8	0
Total Scheduled Bodies	**595**	**523**	**251**	**1,369**	**1,201**
The Council	**2,464**	**3,635**	**2,895**	**8,994**	**8,773**
TOTAL MEMBERSHIP	**3,335**	**4,426**	**3,409**	**11,170**	**10,780**

*Note admitted bodies marked * had no contributing members in 2013/14 and paid no contributions to the Fund in that year.) Employers marked # commenced during 2013/14 and had no members as at 31 March 2013.*

NOTE P4 BASIS OF ACTUARIAL VALUATION

The latest actuarial valuation of the Fund was completed as at 31 March 2013. The actuarial method used to determine the contribution rate required to meet liabilities accruing in the future is known as the Projected Unit Method. The principal financial assumptions adopted in the valuation were as follows:

Investment Return	
Composite	4.6%
Increases in Liabilities	
Salary increases	3.3%
Pension increases	2.5%

The market value of the scheme's assets at the date of valuation in March 2013 is shown in the following table.

ASSET CATEGORY	Valuation as at 31 March 2013 £000	%
UK Equities	147,641	29
UK Fixed Interest Gilts	29,651	6
UK Corporate Bonds	49,265	10
UK Index Linked Gilts	0	0
Overseas Equities	185,764	37
Overseas Bonds	0	0
Property	40,289	8
Alternatives (DGF)	48,355	9
Cash & Net Current Assets	3,089	1
Total Net Assets at Valuation Date	**504,054**	100

NOTE P5 ACTUARIAL VALUATION – RESULTS

The results of the last actuarial valuation undertaken as at 31 March 2013 will be summarised in the Actuarial Statement included in the Fund's 2013/14 Annual Report. Employers' contributions are set taking into account the results of the valuation and the Funding Strategy for the Fund, also included in the Annual Report. The key elements in this process are:

Level of Funding

The results of the 31 March 2013 valuation indicated that the actuarial value of the available assets of £504.1m (see table above) were sufficient to cover 83.1% of the accrued liabilities to that date.

Funding Policy

The Council is required to set employers' contributions rates to the Fund such as to ensure that the Fund is sufficient to meet 100% of its liabilities.

In accordance with the Funding Strategy, employers' contributions to the Fund are being made up over a period of up to 20 years (depending on the actuarial assessment of each employer), to bring the funding level up to a fully solvent position. Additional contributions have been set on an employer-specific basis to achieve this objective.

NOTE P6 ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS FOR THE PURPOSES OF IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS19 rather than the assumptions and methodology used for funding purposes.

In order to meet this requirement, the Fund's actuary has carried out an additional assessment of the Fund as at 31 March 2014, using a valuation methodology that is consistent with IAS19. Although all the financial assumptions used in this exercise have been updated to the reporting date, the principal difference of basis between this and the 2013 triennial "funding valuation" is that the discount rate under IAS19 is based on the 20 year gilt yield plus credit spread (compared to a scheme-specific "risk asset" based rate in the funding valuation). This resulted in a discount rate of 4.5% being used in the IAS19 assessment (compared to 6.1% in the funding valuation).

Other key assumptions employed by the actuary in the calculation are shown below. The estimated impact of the change of assumptions to 31 March 2014 is to decrease the actuarial present value by £9m.

Financial

Year Ended	31 March 2014 % p.a.	31 March 2013 % p.a.
Inflation/Pensions Increase Rate	2.8	2.8
Salary Increase Rate	3.6	5.1*
Discount Rate	4.3	4.5

* Salary increases are 1% p.a. nominal until 31 March 2015 reverting to the long term rate thereafter.

Longevity

The life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the Continuous Mortality Investigation (CMI) 2010 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below.

	Males		Females	
	2013/14	**2012/13**	**2013/14**	**2012/13**
Current Pensioners	22.2 years	20.1 years	24.4 years	22.9 years
Future Pensioners*	24.3 years	22.0 years	26.9 years	24.8 years

* Future pensioners are assumed to be currently aged 45.

The assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation Assumption

An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free cash for post-April 2008 service.

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2014 (along with a prior-year comparator) was:-

Year Ended	31 March 2014 £m	31 March 2013 £m
Present Value of Promised Retirement Benefits	704	707

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. This liability at 31 March 2014 is estimated to comprise £252m in respect of employee members, £177m in respect of deferred pensioners and £275m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. The actuary has not made any allowance for unfunded benefits.

NOTE P7 CONTRIBUTIONS AND BENEFITS

The following tables analyse contributions and benefits received and paid by the Fund by reference to the different scheme employers:

Contributions

	2013/14			2012/13		
Contributions	**Employers £000**	**Members £000**	**Total £000**	**Employers £000**	**Members £000**	**Total £000**
Administering Authority (The Council)	14,244	3,508	17,752	14,039	3,568	17,607
Scheduled Bodies	2,795	749	3,544	2,508	664	3,172
Admitted Bodies	2,039	524	2,563	2,209	552	2,761
Total Contributions	**19,078**	**4,781**	**23,859**	**18,756**	**4,784**	**23,540**

Benefits

Benefits	2013/14 £000	2012/13 £000
Pensions		
Administering Authority (The Council)	14,793	14,067
Scheduled Bodies	770	573
Admitted Bodies	1,708	1,588
Total Benefits	**17,271**	**16,228**
Lump Sum Retirement Benefits		
Administering Authority (The Council)	2,326	2,474
Scheduled Bodies	518	467
Admitted Bodies	277	370
Total Benefits	**3,121**	**3,311**
Lump Sum Death Benefits		
Administering Authority (The Council)	106	214
Scheduled Bodies	15	141
Admitted Bodies	146	107
Total Benefits	**267**	**462**

NOTE P8 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

During 2013/14, the Fund paid no bulk transfers and 36 individual transfer values with an aggregate value of £0.954m. This compares to in 2012/13, when the Fund paid one bulk transfer of £3.374m to The Royal Borough of Kingston-upon-Thames in respect of the HR staff transferred to that authority under a “shared service” arrangement. In addition to this sum, 43 individual transfer values with an aggregate value of £2.544m were paid.

NOTE P9 ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Council is required to offer the facility for Additional Voluntary Contributions (AVCs). These contributions are voluntary and are paid over to the AVC provider for investment on behalf of the members concerned. In accordance with regulation 5(2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831), these transactions are not included in the Fund Account or the Net Assets Statement, but details are given in the following table:

	31 March 2014		31 March 2013	
	£000	No. of Members	£000	No. of Members
Value of Investments				
Clerical Medical	1,276	91	1,371	98
Equitable Life	711	106	735	116
Total	**1,987**	**197**	**2,106**	**214**
Contributions received from members in year	**75**		**83**	

NOTE P10 ANALYSIS OF ADMINISTRATION COSTS

The following table provides details of the administrative costs of the Fund.

Administration Costs	2013/14 £000	2012/13 £000
Administration and processing	288	282
Actuarial fees	126	87
Audit fees	18	19
Communications with Fund members	26	26
Other (incl. fees received)	5	6
Total Administration Costs	**463**	**420**

The audit fee payable to the external auditors Grant Thornton is £21,000. The Fund has received a rebate of £2,874 from the Audit Commission.

NOTE P11 INVESTMENT PRINCIPLES

Local authority pension schemes are required to publish a Statement of Investment Principles (SIP) and to include disclosure of the extent of compliance with the investment principles issued by the government. The Fund's SIP is included in its Annual Report, published later in 2014, in which the Pension Fund accounts will be included.

NOTE P12 RECONCILIATION OF MOVEMENT IN INVESTMENTS

The following tables reconcile the movements in the Fund's investment assets in the year

(i) By Manager

Manager	Value as at 1 April 2013 £000	Purchases £000	Sale proceeds £000	Profit on Disposal £000	Change in Market Value £000	Value as at 31 March 2014 £000
Baillie Gifford	48,355	27,028			906	76,289
Legal & General	241,891		(16,000)	7,182	7,305	240,378
Henderson	188,478	14,161	(19,775)	5,104	1,623	189,591
Schroders	18,921	872			1,665	21,458
LAMIT (property)	3,320				291	3,611
	500,965	**42,061**	**(35,775)**	**12,286**	**11,790**	**531,327**
Cash deposits	2,862					4,969
Total assets invested	**503,827**					**536,296**
Net Current Assets	227					1,101
Total Net Assets	**504,054**					**537,397**

Manager	Value as at 1 April 2012 £000	Purchases £000	Sale proceeds £000	Profit on Disposal £000	Change in Market Value £000	Value as at 31 March 2013 £000
Baillie Gifford	0	45,003			3,352	48,355
Legal & General	209,876				32,015	241,891
Henderson	209,152	16,437	(55,705)	5,616	12,978	188,478
Schroders	18,410	947			(436)	18,921
LAMIT (property)	3,384				(64)	3,320
	440,822	**62,387**	**(55,705)**	**5,616**	**47,845**	**500,965**
Cash deposits	3,302					2,862
Total assets invested	**444,124**					**503,827**
Net Current Assets	383					227
Total Net Assets	**444,507**					**504,054**

In 2012/13 the Fund made an initial investment in the Baillie Gifford Diversified Growth Fund (DGF) representing 10% of the total Fund value. This investment, representing £45m in value, was funded by an equivalent reduction in UK equities (managed by Henderson). In 2013/14, the investment in the DGF was increased by a further 5% of the total Fund value (£26m) again funded from UK equity disposals (managed by L&G). In addition, the value of Global Emerging Markets equities managed by Henderson (approximately £10m) was realised and transferred to L&G. All other transactions shown above were carried out to re-balance to existing benchmark weightings or to re-investment income.

(ii) By Asset Category

Asset Category	Value as at 1 April 2013 £000	Purchases £000	Sale proceeds £000	Profit on Disposal £000	Change in Market Value £000	Value as at 31 March 2014 £000
Unit Trusts - Property	40,289	5,872			3,526	49,687
Unit Trusts - Other	85,733	3,438	(3,243)	2,154	(400)	87,682
Unitised Insurance Policies	284,685	22,028	(16,000)	7,182	7,560	305,455
OEICs	90,258	10,723	(16,532)	2,950	1,104	88,503
	500,965	**42,061**	**(35,775)**	**12,286**	**11,790**	**531,327**
Cash deposits	2,862					4,969
Total assets invested	**503,827**					**536,296**
Net Current Assets	227					1,101
Total Net Assets	**504,054**					**537,397**

Asset Category	Value as at 1 April 2012 £000	Purchases £000	Sale proceeds £000	Profit on Disposal £000	Change in Market Value £000	Value as at 31 March 2013 £000
Unit Trusts - Property	39,260	1,447			(418)	40,289
Unit Trusts - Other	119,693	4,257	(49,468)	4,655	6,596	85,733
Unitised Insurance Policies	204,447	45,003			35,235	284,685
OEICs	77,422	11,680	(6,237)	961	6,432	90,258
	440,822	**62,387**	**(55,705)**	**5,616**	**47,845**	**500,965**
Cash deposits	3,302					2,862
Total assets invested	**444,124**					**503,827**
Net Current Assets	383					227
Total Net Assets	**444,507**					**504,054**

NOTE P13 INVESTMENT TRANSACTION COSTS

Transaction costs are included in the costs of purchases and sale proceeds and include costs charged directly to the Fund, such as commission, stamp duty and other fees.

The Fund is now invested predominantly in pooled vehicles in which there are no direct transaction costs – these being reflected in the bid/offer prices for units. The only exceptions were in 2012/13 when purchases of secondary property units through Schroders resulted in direct transaction costs of £1k.

NOTE P14 INFORMATION ON ASSETS UNDER MANAGEMENT

Summary of investment assets under management

	31 March 2014				
Type of Asset	**Baillie Gifford £000**	**L&G £000**	**Schroders £000**	**Henderson £000**	**Total £000**
UK Investments – Listed	76,289	132,703	21,458	106,020	336,470
Overseas Investments – Listed	0	107,675	0	83,571	191,246
Cash	0	0	104	580	684
Total Under Management	**76,289**	**240,378**	**21,562**	**190,171**	**528,400**
Percentage of funds	14%	46%	4%	36%	100%
Directly held UK investments (LAMIT)					3,611
Cash (interest bearing deposits)					4,285
Other investment balances - debtors and creditors					170
Total investment assets					**536,466**
Other net current assets					931
Total Net Assets					**537,397**
Analysis of all investments:					
Total UK Investments (includes directly held LAMIT investment)					340,081
Total Overseas Investments					191,246
Cash and deposits					4,969
Other investment balances - debtors and creditors					170
Total invested					**536,466**

	31 March 2013				
Type of Asset	**Baillie Gifford £000**	**L&G £000**	**Schroders £000**	**Henderson £000**	**Total £000**
UK Investments – Listed	48,355	147,571	18,921	97,035	311,882
Overseas Investments – Listed	0	94,320	0	91,443	185,763
Cash	0	0	109	151	260
Total Under Management	**48,355**	**241,891**	**19,030**	**188,629**	**497,905**
Percentage of funds	10%	48%	4%	38%	100%
Directly held UK investments (LAMIT)					3,320
Cash (interest bearing deposits)					2,602
Other investment balances - debtors and creditors					170
Total investment assets					**503,997**
Other net current assets					57
Total Net Assets					**504,054**
Analysis of all investments:					
Total UK Investments (includes directly held LAMIT investment)					315,202
Total Overseas Investments					185,763
Cash and deposits					2,862
Other investment balances - debtors and creditors					170
Total invested					**503,997**

NOTE P15 STATUS OF INVESTMENTS UNDER MANAGEMENT

This note provides details of the investments held by each manager at 31 March. It gives details of each of the pooled vehicles used by each manager and the percentage that each investment represents of the total of Fund. All fund managers are incorporated and registered in the UK with the exception of Henderson, which is incorporated and registered in Jersey.

The types of pooled vehicles are shown by the following abbreviations:

AUT	Authorised Unit Trust
PUT	Property Unit Trust
UUT	Unauthorised Unit Trust
OEIC	Open Ended Investment Company

Status of individual investments under management

The three managers with responsibility for the Fund's investments during the relevant period are shown below.

Henderson Global Investors Investments are managed by five separate entities and each of these invests in a number of pooled vehicles:

	Value of Assets Under Investment			
	31 March 2014		31 March 2013	
	£000	% of Fund	£000	% of Fund
Pooled Investments				
Henderson Investment Funds Limited				
UK Equity Enhanced Trust 'Z' (AUT)	46,797	9%	44,295	9%
Exempt North American Enhanced Equity 'Z' (UUT)	40,885	8%	41,437	8%
	87,682	**17%**	**85,732**	**17%**
Henderson Strategic Investment Funds				
European Enhanced Equity Fund 'Z' (OEIC)	27,598	5%	24,737	5%
Japan Enhanced Equity 'I' (OEIC)	8,829	2%	9,211	2%
Asia Pacific Ex Japan Enhanced Equity Fund 'I' (OEIC)	6,259	1%	6,221	1%
	42,686	**8%**	**40,169**	**8%**
Henderson Global Funds				
Emerging Markets Fund 'I' (OEIC)	0	0	9,837	2%
	0	**0**	**9,837**	**2%**
Henderson UK & Europe Funds				
Henderson UK Gilt Fund 'I' (OEIC)	16,227	3%	14,330	3%
Henderson All Stock Credit 'I' (OEIC)	29,589	6%	25,921	5%
	45,816	**9%**	**40,251**	**8%**
Henderson Property Management (Jersey) Limited				
UK Property Fund Units (PUT)	13,407	2%	12,489	3%
	13,407	**2%**	**12,489**	**3%**
Total invested	**189,591**	**36%**	**188,478**	**38%**
Cash	580	0%	151	0%
Total all Henderson Funds	**190,171**	**36%**	**188,629**	**38%**

Legal and General Investments managed by Legal and General Investment Management Ltd. These are held in two unitised insurance policies providing passive management across the benchmark portfolio allocation.

	Value of Assets Under Investment			
	31 March 2014		31 March 2013	
Pooled Investments	**£000**	**% of Fund**	**£000**	**% of Fund**
Legal and General Assurance (Pensions Management) Limited				
Policy Number 35334-2/000 / 01 (Insurance Policy)	120,189	22%	120,946	24%
Policy Number 35336-7/000 / 01 (Insurance Policy)	120,189	22%	120,945	24%
Total invested	**240,378**	**44%**	**241,891**	**48%**

Schroders Schroder Investment Management Ltd managed pooled property on an active basis.

	Value of Assets Under Investment			
	31 March 2014		31 March 2013	
	£000	**% of Fund**	**£000**	**% of Fund**
Pooled Investments				
Schroder Property Investment Management Limited				
Schroder Exempt Property Unit Trust (PUT)	21,458	4%	18,921	4%
Total invested	**21,458**	**4%**	**18,921**	**4%**
Cash	104	0%	109	0%
Total all Schroders Funds	**21,562**	**4%**	**19,030**	**4%**

Baillie Gifford Investments comprising a "Diversified Growth Fund" are managed by Baillie Gifford & Co, held in an insurance policy.

	Value of Assets Under Investment			
	31 March 2014		31 March 2013	
Pooled Investments	**£000**	**% of Fund**	**£000**	**% of Fund**
Baillie Gifford Life Limited Diversified Growth Fund "P Class" (Insurance Policy)	76,289	14%	48,355	10%
Total invested	**76,289**	**14%**	**48,355**	**10%**

NOTE P16 VALUATION OF FUNDS UNDER MANAGEMENT

The Code requires investments to be valued at their Fair Value basis. Where there is an active market for a particular investment, the bid price is usually the appropriate quoted price to represent the fair value of that investment. The following paragraphs describe the valuation basis used. Also noted is a categorisation of the Fund's investments according to the "fair value hierarchy" described in Statement of Financial Accounting Standards (FAS) 157.

Henderson Global Investors ("HGI") (excluding property) (Level 1)

The equity and bond investments managed by HGI are represented at mid-value less a percentage "liquidation fee" (now termed a "swing rate") issued by the manager, broadly reflecting the "mid-to-bid" margin for the relevant asset class. The closing prices (and "swing rates") issued by HGI are not quoted on any independent pricing services (such as Bloomberg), although mid-day prices for the majority of the HGI pooled vehicles held by the Fund are quoted on such sources.

L&G (excluding property) (Level 1)

Investments with L&G are held via two insurance policies. Under this arrangement, which is the conventional form of UK passive fund management, the surrender value of the policy is directly linked to underlying units in L&G's index-tracking funds, held (and maintained) in proportion to the policy holder's required asset distribution. The policy holder has no title to or direct beneficial ownership of either the units or underlying physical securities, which are the property of L&G. The policy values have been shown in the accounts in accordance with the bid values of the reference units issued by L&G, representing the effective surrender value of the policy. The unit prices are not quoted on any independent pricing services.

Property Investments (including Henderson L&G and Schroders) (Level 2)

All the Fund's unitised property investments are represented at the latest available bid value issued by the funds according to their respective pricing conventions, and these prices are quoted on independent pricing services.

Baillie Gifford (Level 2)

The Baillie Gifford Diversified Growth Fund is "single priced" at "offer" level, although swing rates representing the margins "offer-to-mid" and "mid-to-bid" (based on daily funds flows) are issued by the manager. As noted above, under the insurance structure, the surrender value of the policy is directly linked to underlying units while the policy holder has no title to or direct beneficial ownership of either the units or the underlying assets. For consistency with the reporting of the Fund's investments generally, the offer price adjusted to the bid level of the reference units is shown in the accounts as representing the effective surrender value of the policy. The unit prices are not quoted on any independent pricing services.

NOTE P17 RESTRICTIONS AFFECTING THE REALISATION OF INVESTMENTS

There were no formal restrictions affecting the ability of the Fund to realise its investments at their carrying value at year-end. However, in common with most, if not all property-related pooled vehicles, it is likely that a delay would arise in the event of the Fund realising its holdings in any of the property investments, if actual disposals were required within the relevant pooled vehicle.

NOTE P18 INFORMATION ON ASSETS DIRECTLY HELD

In addition to funds under the management of fund managers, the Fund directly holds 1,485,701 units in the Local Authorities Property Fund (LAPF). This is a property unit trust to which the trustee is the Local Authorities Mutual Investment Trust (LAMIT), responsible for the appointment of the property manager, CCLA Investment Management Limited. In common with the Fund's other property assets, this investment is regarded as "Level 2" under FAS 157.

	31 March 2014		31 March 2013	
	£000	% of Fund	£000	% of Fund
LAMIT Local Authorities Property Fund (PUT)	3,611	1%	3,320	1%

There were no purchases or sales in these units by the Fund during 2013/14 or 2012/13. The fund assets are valued by surveyors appointed by the trustee managers of the trust and the units are carried in the Balance Sheet at bid price, reflecting their fair value.

There were no restrictions affecting the ability of the Fund to realise its investments at their carrying value at year-end.

NOTE P19 ANALYSIS OF INVESTMENT MANAGEMENT COSTS

This table shows the fees due to each manager for the relevant financial year. Management fees are calculated as a percentage of assets under management, and so will vary with the market value of investments.

	2013/14 £000	2012/13 £000
Investment management expenses:		
Investment managers' fees	1,183	966
Custodian Fees	5	5
Investment advisor's fees	35	30
Performance Measurement Fees	17	15
	1,240	**1,016**

NOTE P20 FINANCIAL INSTRUMENTS

NOTE P20a 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 (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	Designated as fair value through P/L		Loans and receivables		Financial Liabilities at Amortised Cost	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Financial Assets						
Unit Trusts – Property	49,687	40,289	0	0	0	0
Unit Trusts – Other	87,682	85,733	0	0	0	0
Unitised Insurance Policies	305,455	284,685	0	0	0	0
Open Ended Investment Companies (OEICS)	88,503	90,258	0	0	0	0
Cash	0	0	4,969	2,862	0	0
Debtors	0	0	2,115	1,507	0	0
Total	**531,327**	**500,965**	**7,084**	**4,369**	**0**	**0**
Financial Liabilities						
Creditors	0	0	0	0	1,014	1,280
Total	**0**	**0**	**0**	**0**	**1,014**	**1,280**

NOTE P20b NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The only financial instruments which incurred a gain or loss in year were the Fund's investments which are valued at fair value with through the Fund Account.

Financial Assets	31 March 2014 £000	31 March 2013 £000
Fair value through profit and loss	24,076	53,461

NOTE P20c FAIR VALUE OF FINANCIAL INSTRUMENTS AND LIABILITIES

All of the Fund's investments at 31 March 2014 and 31 March 2013 had a carrying value that was identical to the fair value (i.e. where relevant, all investments were "marked to market" on a continuous basis). Changes in market value have been recognised in the Fund Account for the relevant year.

NOTE P20d VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The Fund's non-cash investments are made via pooled investments, and the Fund does not directly own any of the underlying assets. The valuation of these instruments is derived from valuation techniques using inputs based significantly on observable market data (e.g. the values of the underlying assets in the pooled vehicle).

NOTE P21 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund invests in three principal asset classes, equities, bonds and property, each of which is held primarily with a view to their long-term return characteristics.

In a long-term context, three principal categories of investment-related risk are identified.

<u>Benchmark</u>: the risk that the chosen benchmark will give rise to asset value fluctuations that are largely uncorrelated with fluctuations in liabilities.

<u>Portfolio</u>: the risk that the Fund performs poorly relative to the chosen benchmark.

<u>Operational</u>: the risk of fraud and breaches of regulatory constraints.

In current terminology, benchmark and portfolio risk are collectively referred to as <u>market risk</u> and typically analysed in terms of constituent elements such as price, interest rate and currency risk. Given the nature (and relative simplicity) of the Fund's investment structure, however, it is still considered appropriate to comment in this area principally in terms of benchmark (strategic) risk and portfolio (implementation) risk, whilst acknowledging the constituent elements referred noted above.

The Fund accepts and acknowledges a significant degree of <u>benchmark risk</u> entailed by its 62.5% equity weighting. In determining the Fund's asset allocation, the following considerations were taken into account:-

(i) the long-term investment horizon of the Fund;

(ii) the lower cost of pension provision associated with anticipated long-term equity returns;

(iii) the potential of real assets (such as equities and property) to match the effect of future increases in pension liabilities arising from inflation and pay growth.

It is recognised that in adopting a benchmark in which equities are the dominant asset class, the Fund is exposed to significant volatility, both in the short-term and in terms of longer-term potential outcome. This volatility encompasses both the absolute value of the investment fund and its value relative to the liabilities of the Fund.

From analysis provided by the Fund's independent performance measurers, WM, based on data as at 31 March 2014 it is recognised that Fund's benchmark has an expected annual volatility (exclusive of currency risk) of just over 8%. (In this context, volatility represents one standard deviation i.e. the range within which approximately two-thirds of annual outcomes will fall. This is not, therefore, the most likely outcome but rather a relative measure of volatility.) In monetary value terms, based on the Fund's market value at 31 March 2014, the expected price volatility represented around £45m. The tables below detail the expected volatility of the fund's investments (by asset class), in % and monetary terms.

Value as at 31 March 2014 :

Asset type	Value as at 31 March 2014	Percent-age Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
UK Equities	125,335	12.4%	140,839	109,831
Overseas Equities	191,246	11.9%	213,909	168,583
UK Government Bonds	33,281	5.5%	35,115	31,447
UK Corporate Bonds	55,489	5.4%	58,468	52,509
Cash	4,969	0.0%	4,970	4,968
Property	49,687	1.8%	50,556	48,817
Alternatives (DGF)	76,289	4.5%	79,722	72,856
Total Assets Invested*	536,296	8.4%	581,237	491,354

For comparison, the value as at 31 March 2013 was :

Asset type	Value as at 31 March 2013	Percent-age Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
UK Equities	147,641	13.1%	166,997	128,286
Overseas Equities	185,764	12.8%	209,504	162,023
UK Government Bonds	29,651	5.5%	31,282	28,020
UK Corporate Bonds	49,265	4.8%	51,604	46,925
Cash	2,862	0.0%	2,862	2,862
Property	40,289	1.3%	40,808	39,769
Alternatives (DGF)	48,355	4.5%	50,531	46,179
Total Assets Invested*	503,827	9.1%	549,574	458,079

* The % change for Total Assets includes the impact of correlation across asset classes and is therefore different to the sum of the individual cash variances shown for each asset class.

Portfolio risk is controlled via the adoption of asset allocation ranges and the explicit monitoring of quarterly performance relative to the benchmark return. In "investment style" terms, the Fund seeks to mitigate the potential for variance to benchmark indices by managing the majority of its assets (and all equity investments) on either a fully passive or "enhanced index" basis (the latter targets 75bps index outperformance with an emphasis on low tracking error relative to conventional active management). At 31 March 2014, around 53% of fund assets were managed on a fully passive basis, 14% within "enhanced index" vehicles and 33% (comprising property, cash and approximately half of the Fund's bond investments) on an "active" basis.

Operational risk is controlled primarily by the audit and compliance functions maintained by the fund managers, supervised by the Council's Internal Audit and Risk Management section. The Council relies primarily on the annual AAF 01/06 (or SAS 70) reporting framework on fund managers' internal controls as evidence of their risk management mechanisms, but recognises that this is provided to clients for information purposes only by the reporting auditor.

Liquidity Risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The Fund has a 1% target benchmark allocation to cash and immediate access to all balances held. In the event of it being required, the Fund has overdraft facilities and an ability to borrow funds on a short-term basis from the Administering Authority (subject to the relevant provisions of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009). In general, the Fund's pooled investment assets have good liquidity, based on daily, weekly or monthly dealing. In exceptional market circumstances, liquidations in the Fund's pooled property investments can be suspended (at the managers' discretion), but this is not considered to materially impact the Fund's overall liquidity.

The Fund currently remains cash-flow positive in its regular dealings with members and plans in advance for exceptional funds outflows e.g. bulk transfers. This situation is unlikely to change in the short term. However, it is possible that changes to the structure of the Council (as single largest employer) could impact this position. The Fund's liquidity is reviewed regularly and officers will ensure policies were in place to ensure liquidity if monitoring suggests there is a risk of this position changing.

Interest Rate Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2014 and 31 March 2013 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	Value as at 31 March 2014	Value as at 31 March 2013
	£000	£000
UK Government Bonds	33,281	29,651
UK Corporate Bonds	55,489	49,265
Cash and Cash Equivalents	4,969	2,862
Total	93,739	81,778

Credit Risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge and 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 the carrying value of the Fund's financial assets and liabilities. The Fund's benchmark cash allocation is invested under a Treasury Management Policy adopted by the Pension Fund Committee in February 2011 which reflects the Council's own Policy and Strategy (subject to their being a separate maximum £5m counterparty limit for any cash investment.). The Fund's maximum exposure to credit risk as conventionally understood is detailed in the above table. The Fund's investments in corporate bonds are in two pooled vehicles predominantly comprising investment-grade securities. At 31 March 2014, around 97% of the Fund's total corporate bond investments (by value) were at grade BBB or higher. The distribution of the Fund's credit exposure by manager is shown in the tables below.

Credit Rating	% as at 31 March 2014	% as at 31 March 2013
Henderson Global Investors		
AAA	11.3	23.0
AA	11.5	8.4
A	32.1	37.0
BBB	38.3	29.9
BB	3.9	0.0
B	0.4	0.0
Other	2.5	1.7
Legal & General		
AAA	19.0	23.7
AA	16.9	13.7
A	32.0	34.4
BBB	32.1	28.2

Other risks: the Fund recognises and accepts currency risk (i.e. additional volatility to base currency) associated with the 34.5% of Fund assets denominated in currencies other than sterling. Additional WM analysis (again based on data as at the reporting date) indicates that the non-sterling element of the portfolio has an expected annual volatility of around 5% (£10m in value terms), or around 2% in terms of the Fund as a whole (the same figure as for the previous year).

NOTE P22 MATERIAL TRANSACTIONS WITH RELATED PARTIES

The Pension Fund is a separate entity from the Council with its own Fund Account and Net Assets Statement. The following material transactions took place between the Council and the Pension Fund:

	2013/14 £000	2012/13 £000
Income:		
Pension Contributions from the Council (employer's contributions)	(14,244)	(14,039)
Pension Contributions from employees (deductions paid over)	(3,508)	(3,568)
Total Income	**(17,752)**	**(17,607)**
Expenditure:		
Indirect support costs provided by the Council	**288**	**282**

Additionally, the Council's Director of Finance & Corporate Services, Mark Maidment, acts in the capacity of Treasurer to the South West Middlesex Crematorium Board (SWMCB), one of the

Fund's admitted employers. In 2013/14, SWMCB paid over employer's contributions of £64k and employees' contributions of £17k to the Fund.

Of the five Councillors who sat on the Pension Fund Committee in 2013/14, 2 were members of the LGPS (under the provisions permitting elected members' allowances to be pensionable) during the reporting period; however, as of 25 May 2014, Councillor membership of the LGPS within this authority ceased completely, in accordance with the provisions of section 26 of The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

Management Remuneration

Mark Maidment, Director of Finance & Corporate Services, is employed by the Council as administering authority to the Fund and performs a similar management function for both the Council and the Fund, attending the Pension Fund Committee and exercising the most senior level of control delegated by that body. He is included within the scope of Note 33 in the Council's main Statement of Accounts covering Officers' Remuneration. It is not possible accurately to apportion the element of that remuneration that relates to Pension Fund duties carried out.

NOTE P23 CONTINGENT ASSETS AND LIABILITIES

Apart from future pension and benefit liabilities, the Pension Fund had no contingent assets or liabilities as at 31 March 2014.

NOTE P24 EVENTS AFTER THE REPORTING DATE

The value of the Fund's investment assets has increased by £14.1m (2.6%) from 31 March to 31 July 2014.

From 1 April 2014, the LGPS became a CARE scheme for the purposes of pension entitlements accrued from that date (subject to limited transitional arrangements for those approaching retirement). Associated with this was a change in the annual accrual rate from 1/60 of final salary to 1/49 of actual pay, revalued by CPI. Other benefit entitlements also changed with the introduction of the new scheme.

The accounts for the Pension Fund are authorised for issue on the date that the Statement of Responsibilities for these accounts was signed.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF RICHMOND UPON THAMES

Opinion on the financial statements

We have audited the financial statements of the London Borough of Richmond-upon-Thames for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Collection Fund, the related notes and the technical annexe.

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 2013/14.

This report is made solely to the members of London Borough of Richmond-upon-Thames in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and Corporate Services and auditor

As explained more fully in the Statement of Responsibilities, the Director of Finance and Corporate Services 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 and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Corporate Services; 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 London Borough of Richmond-upon-Thames as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2014 and of its expenditure and income for the year then ended; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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 October 2013, 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 2014.

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 October 2013, we are satisfied that, in all significant respects, the London Borough of Richmond-upon-Thames put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that these matters do not have a material effect on the financial statements or a significant impact on our value for money conclusion.

Paul Grady

Director

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

Grant Thornton House, Euston Square, London

25 September 2014

ANNUAL GOVERNANCE STATEMENT

Proper Practice

The preparation and publication of an Annual Governance Statement in accordance with the CIPFA / SOLACE Framework is necessary to meet the statutory requirement set out in regulation 4(2) of the Accounts & Audit (England) Regulations 2011 which requires authorities to "conduct a review at least once in a year of the effectiveness of its system of internal control" and to prepare a statement on internal control which should accompany the statement of accounts.

Scope of responsibility

Richmond 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. Richmond 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, Richmond 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.

Richmond Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework: Delivering Good Governance in Local Government. A copy of the Code is available on our website:

Link to document:

http://www.richmond.gov.uk/home/council_government_and_democracy/council/decision_making_council/council_constitution.htm

(See Part 5)

This statement explains how the Council has complied with this Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.

The purpose of the Governance Framework

The Governance Framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled. It also comprises 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 the 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 can 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 Richmond 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 Richmond Council for the year ended 31 March 2014 and up to the date of the approval of the Annual Governance Statement and Statement of Accounts.

The Governance Framework

Richmond Council has adopted a Code of Corporate Governance in accordance with the CIPFA / SOLACE recommended best practice guidance. A revised Code of Practice was considered and agreed by Cabinet and Standards Committee, before being adopted by full Council in April 2008. This is based on the 6 key values of what good governance means:

a) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

The Council has agreed with its partners a Community Plan which identifies the key priorities for the Richmond Borough area for 2013 – 2018. The main themes are the involvement and engagement of local residents and businesses, tackling inequality and creating opportunity for children and young people, and working to create a safe, healthy and green borough. The Richmond Partnership brings together the public, private and voluntary and community sectors to improve the quality of life for all those who live, work or visit the borough, and have continued to provide strong leadership of all the partners in the borough. Key developments in 2013/14 included the establishment of the Health & Well Being Board and the transfer of Public Health functions to the Council from the PCT permanently from April 2013, and the establishment of Clinical Commissioning Groups as the basic unit for health commissioning.

Two key partnerships are the Health & Well Being Board and the Community Safety Partnership, both of which have formal governance arrangements in place, regular meetings, and key targets and deliverable outcomes established and regularly monitored.

The Council publishes an annual Corporate Plan which sets out how it will deliver against the Community Plan, including its own specific key service priorities and objectives. The Council's corporate priorities are shaped by residents' views as well as discussions between officers and elected Members, and an understanding of the Council's financial position. The "All in One" survey of all residents carried out over 2010/11 provided comprehensive information on residents' priorities. The Council has now put in place arrangements for an annual telephone survey of residents asking a number of questions about their priorities and views on Council services and budget setting. The second survey took place in autumn 2013 and the results were used to inform the annual budget setting process as well as other service planning activity. The results of the survey were discussed at the Cabinet meeting in January 2014.

The Council has also used the "All in One" survey to help define the further development of the 14 existing Village Plans. These plans describe the vision for the village areas and identify what the Council will do and what local people can do to achieve the vision together. The survey showed that residents had a desire to shape the planning policy for their local area, so the Council has started a process whereby residents will be given the opportunity to shape the planning framework at their local level, so that they have a say in the look and character of local developments. In planning terms, this type of document is called a Supplementary Planning Document (SPD), and it can be taken into account in making planning decisions. This is being developed in tranches over the next 3 years.

There is also a Community Links Programme which aims to promote the work the Council, community groups, external service providers, local businesses and residents do across the borough, and also to provide opportunities for people to get more involved within their communities.

Both the 2013/14 Corporate Plan and the 2013 – 2018 Community Plan were agreed by full Council in April 2013. The Corporate Plan for 2014/15 was agreed by Cabinet in March 2014.

In terms of communication with stakeholders and accountability, the Council complies with statutory obligations and good practice and publishes a Forward Plan (which identifies all upcoming key decisions to be taken) and annual Statement of Accounts. Quarterly reports on performance and an annual progress report on delivery against corporate priorities are also published. The Medium Term Financial Strategy details both revenue and capital budgets and forward plans.

b) Members and officers working together to achieve a common purpose with clearly defined functions and roles

The roles of members and officers are clearly defined in the Council's Constitution which is kept under regular review and updated accordingly. The Constitution also contains an agreed Scheme of Delegation to Members and officers and sets out decision making processes. It also includes regulatory procedures e.g. contract standing orders and Financial Regulations. The Constitution is currently undergoing a major refresh to ensure it reflects organisational changes (e.g. Achieving for Children) and fully incorporates recent legislative changes (e.g. Localism Act 2011).

Contract standing orders were reviewed and updated during 2011/12 (agreed by Cabinet in October 2011) to align with the new commissioning role and new procurement processes and delegations. Financial Regulations were revised during 2012, and these, together with a further update to contract standing orders were approved by Council in November 2012. Changes were also approved to the Scheme of Delegation within the Council's Constitution to enable the new regulations to be appropriately applied. The current review of the Constitution will also include a refresh of the Scheme of Delegation.

The Council has a Chief Executive responsible for overall strategic and operational management, a S151 officer responsible for financial control, and a monitoring officer responsible for ensuring that agreed procedures and regulations are followed, or if not, are reported publicly. Roles and responsibilities of all senior managers are clearly defined in job profiles. As the organisation undergoes significant organisational change, it will be essential that these job profiles accurately reflect roles and responsibilities, particularly in relation to the governance of shared service arrangements.

There is a Performance Management Framework which translates priorities and objectives from the Corporate and Service Plans into performance targets for all members of staff.

There are regular reports to Cabinet Members and quarterly reports on budget and monitoring performance, and delivery against Corporate Plan priorities to Cabinet and Overview & Scrutiny Committees. These reports identify progress on key projects and programmes as well as on key performance indicators and an officer level Corporate Programme Board has oversight of all major programmes to ensure that delivery is on track and in line with the Council's priorities.

c) Promoting high values for the Council and demonstrating the value of good governance through upholding high standards of conduct and behaviour

There is Members' and Officers Code of Conduct, and a Members Protocol all of which are kept under regular review and are supplemented by guidance.

Further to the Localism Act 2011 the Council adopted a new Code of Conduct for Members in September 2012 and revised its member complaints process. An Investigating and Disciplinary Committee has been established but no meetings have been required during 2013/14. Training had been provided for all members on the new Code and on the registration of disclosable pecuniary interests. All members revised their register of interests to comply with the new arrangements and these were published on the Council's website. Following the elections in May 2014, new members will be provided with induction training which will cover all these issues.

For officers, an online system for recording any interests, and also receipt of goods and hospitality, is in place. With the move towards being a commissioning Council, and increased involvement of third parties, and also in light of the Bribery Act 2010, it is important that the Council is aware of any potential conflict of interests. This on line system is working well but some work needs to be completed to ensure management reports are produced and acted upon accordingly by heads of service.

A staff appraisal system is in place to support the ongoing assessment of staff performance and development. A shorter tracker staff survey was undertaken in May/June 2013 and each service developed action plans to address any issues arising from this.

d) **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

All Committee meeting agendas and minutes are published on the Council's website, including members' decisions. A programme of meetings is published when agreed by Council. The Council has a Cabinet (Executive) and has a structure of Scrutiny Committees in place. There is an Annual Report on scrutiny and during the past years there have been a number of Scrutiny Task groups set up to review specific service areas, for example on; Special Educational Needs, Tobacco Control and Waste & Recycling. No specific task groups were set up during 2013/14.

Over the past year, Overview and Scrutiny has adapted the way in which it conducts reviews to be more flexible and provide insight at the most appropriate times, much of this has been a response to the Council's transition to a commissioning model. Working parties have been established to look into the procurement of large contracts such as Total Facilities Management and Waste Recycling. Members have had the chance to challenge officers and Cabinet members on their work, question experts and officers from other authorities, and make practical recommendations to be considered as part of the procurement.

All reports to Cabinet must include a risk assessment and are subject to financial and legal scrutiny prior to decision making. Decision making reports also include policy and equality implications, and an Environmental Statement section which predicts and evaluates the likely significant environmental impacts of proposals.

The Council operates an Audit Committee in accordance with CIPFA recommended best practice, and this committee has overall responsibility for ensuring controls are adequate and working effectively. The Audit Committee membership includes an independent member and is also responsible for ensuring the Council's risk management processes are working effectively. The Council has an Anti-Fraud and Corruption Framework and operates a Whistle Blowing Policy. These policies were revised and approved by Audit Committee in April 2013. All documents are available on the Council's public website. Staff training is programmed in 2014 to ensure all staff are aware of these policies, in particular the process for raising concerns through the Whistle Blowing Procedure.

e) Developing the capacity and capability of members and officers to be effective

There are both members' and officers induction and ongoing training programmes, with full records of members' past & future training and development.

During 2013/14, there have been regular Extended Executive Board meetings involving senior managers, and also senior manager conferences held internally periodically during the year.

A programme of officer training is in place and increased use is being made of the Evolve system for online training.

f) Engaging with local people and other stakeholders to ensure robust public accountability

Involvement and engagement is one of the key themes of the 2013 – 2018 Community Plan and involvement of all, as a value, underpins the 2013/14 Corporate Plan. Accountability to the public is also one of the Council's corporate priorities. Initiatives to help achieve this include the Community Involvement Programme which includes the further development of village planning, establishing community links, building community capacity for involvement and improving the Council's consultation and engagement activity.

The Council carries out a wide range of consultations with the public and other stakeholders on a range of issues including the quality of services provided, budgets, and new proposals. A number of ways are used to encourage the community to engage / contribute / participate, including providing specialist facilities for individuals where required, such as interpreters and providing crèche facilities for individuals with young children. The Council is committed to transparency as an aid to promoting accountability and provides information on its activities, budget and performance to the public via its website.

Corporate Governance review

A review against the Corporate Governance Code of Practice is carried out annually by the Head of Internal Audit to ensure compliance with the standards is maintained and the results are reported as part of the assurance framework process. This year's review has confirmed substantial compliance continued throughout 2013/14. Areas identified where action is required are:

- The Corporate Governance Code of Practice needs to be refreshed to delete out of date references (e.g. LAA and Standards Committee) and to ensure it appropriately covers new organisational arrangements (e.g. Achieving for Children)
- Efficiency targets and the process for monitoring them will need to be refreshed post the election in May 2014
- Directors and heads of service need to ensure they periodically check the online Declarations of Interest are completed by all staff, including agency workers
- The risk management strategy needs to be refreshed so that it better aligns with the Councils' Commissioning ambitions and associated risks.

Compliance with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government

A self assessment has been carried out against the 5 principles within this Code and all required standards have been assessed as being met.

Compliance with the CIPFA Statement on the Role of the Head of Internal Audit in Local Government

A self assessment has been carried out against the principles within this Code and all required standards have been assessed as being substantially met. Some issues have been identified where minor actions are required to improve operational arrangements.

Review of effectiveness

Richmond 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 Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also comments made by the external auditors and other review agencies and inspectorates.

In carrying out this review of effectiveness, the following have been taken into account:

- Audit Committee reports (internal controls and risk management processes)
- Scrutiny Committee reports
- Reports of external audit

- External inspection reports
- Council's Risk Management and Assurance Framework processes
- Assurances from key partners
- Heads of Internal Audit Annual report

The Council have been advised on the implications of the review of the effectiveness of the Governance Framework and have drawn up a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

Whilst there are no significant governance or control issues, the Council is not complacent and recognises the ongoing need for robust governance arrangements, particularly during this period of transformation and financial constraint.

Corporate areas identified through the Assurance Framework process as needing continuing management focus and improvement, all of which feature in the Corporate Risk register are:

- The Council's programme and project management (ongoing management of key programmes and compliance with corporate processes)
- Monitoring of new organizational arrangements (AfC and shared services)
- Implementation of new legislation and consequential service changes (Welfare Reform Act, Care Bill)
- ICT service delivery and disaster recovery / business continuity arrangements
- Information governance & data security (particularly in the commissioning context).

In addition, there are several areas identified by internal audit reports where improved controls are required. Officers have agreed action plans in each of these areas. These are:

- ICT – Frameworki / SAP interface
- Parking application
- Disaster recovery
- Passenger services
- Information security
- Housing overtime payments
- Arts service
- On & off street parking.

Details are set out in the Head of Internal Audit's Annual Report for 2013/14.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

The Audit Committee recommended this Annual Governance Statement for signature on 17th June 2014.

Leader of the Council

Chief Executive

TECHNICAL ANNEXE

1. ACCOUNTING POLICIES

General principles

Basis of preparation - accounting practices

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its year-end position at 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. These regulations also require that the Accounts be prepared in accordance with proper accounting practices. These practices comprise the following:

- Code of Practice on Local Authority Accounting in the United Kingdom 2013/14,
- Service Reporting Code of Practice 2013/14
- All relevant approved accounting standards issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Issues Committee (IFRIC)
- Relevant statutory guidance issued by government

Pension Fund Accounts

The Council is an administering authority for the Local Government Pension Scheme (the LGPS). It maintains a local retirement benefit plan (called the Pension Fund), under the statutory provisions of the LGPS, that includes a number of employer organisations in addition to the Council. The Pension Fund is a separate entity to the Council and is required under the LGPS regulations to prepare and publish an Annual Report that includes the Pension Fund Accounts. These Pension Fund Accounts are also required to be included within the Council's Accounts.

The Pension Fund Accounts are prepared in accordance with the same proper accounting practices as the Council's accounts. The accounting policies adopted by the Council, generally apply to the Pension Fund Accounts, (where appropriate) but with some minor differences as set out in the Pension Fund Accounting Policies (in the Pension Fund Accounts).

Changes in accounting policies and prior year adjustments

Prior year adjustments arise either as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for in the current financial year and future years affected by the change, and do not result in a prior year adjustment.

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

Exceptional Items

Exceptional items are those which are separately identified by virtue of their size or incidence to enable a full understanding of the Council's financial performance. The nature and amount of these items 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.

Items Re-classifiable to the Cost of Services

Where there are items in the Comprehensive Income and Expenditure that are re-classifiable to the Cost of Services from Other Comprehensive Income and Expenditure, when certain conditions are met, these will be disclosed separately on the face of the Comprehensive Income and Expenditure Account. This would apply if the Council reported a surplus or deficit on the revaluation of available for sale assets. At present the Council has no such transactions.

Accruals of Income and Expenditure

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

Income

- Revenue from the sale of goods is recognised when the 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.

Expenditure

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption (and the values are material) 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

- 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.

Debtor and creditor balances (accruals policy)

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled (i.e. collection is doubtful), the balance of debtors is written down (an impairment) and a charge made to revenue for the income that might not be collected.

Exceptions to this accruals policy are made where it would be impractical in terms of time and cost required and where the effect of not accruing has no material effect on the Council's accounts.

Utility payments

Accruals are made for outstanding invoices (for example fourth quarter not paid by 31 March) but no accruals are calculated for consumption of utilities that have not been billed at 31 March. This departure from the Code is made on the basis that taking one year with another the effect of this treatment on the accounts is negligible and does not justify the additional time and cost necessary to accurately estimate consumption figures for the numerous cost centres affected.

Income from Penalty Charge Notices (PCNs)

Income received from PCNs does not directly relate to the full recorded value of notices issued due to the incidence of discount for prompt payment, disputed notices and other mitigating circumstances. As a consequence income is recognised on cash basis. The effect of this treatment, taking one year with another is estimated to be not material.

De Minimis levels

The Council has set a general de minimis level for accruals of creditors that are calculated manually at year-end in order to avoid additional time and cost in estimating and recording accruals. This level is reviewed annually and is currently set at £10,000. There has been no change in this level since last year.

Exceptions to this de minimis rule where accruals are made in full are:

- Qualifying expenditure upon which income from government grant or other third parties is dependent and associated grant income.
- Invoices for substantially the same supply or service that are chargeable to the same service area are aggregated where their total is over £10,000.

Inventories

The Council recognises all inventories (stock) that have a value over £10,000 as at 31 March. The Council initially recognises inventory when it has control of it and when it expects to have a right to the future economic benefits / service potential. All inventories are measured at the lower of cost or net realisable value. Where there are large numbers of items of inventory that are ordinarily interchangeable, the Council uses either first-in, first-out (FIFO) or the weighted average cost method of stock measurement.

Trading Accounts

Where services make charges that are based on a pre-determined charge basis (for example a fixed schedule of rates for specified works) with a view to fully recovering costs during the year, they are treated as trading operations as defined by the Service Reporting Code of Practice (SERCOP).

Any surplus or deficit at the year-end is charged back to the relevant services in order to report total cost of services. The gross income and expenditure on the Trading Accounts is reported under Financing and Investment Income and Expenditure in the Consolidated Income and Expenditure Account.

Long term non-monetary assets

The following categories of non-monetary long term assets are recognised in the accounts where their value on initial recognition or subsequent upward revaluation exceeds de minimis levels set by the Council. Expenditure that falls below these levels is charged as revenue to the relevant service line in Cost of Services in the Comprehensive Income and Expenditure Statement.
These de minimis levels are periodically reviewed and applied to avoid administrative effort and cost in recording and accounting for long term assets where their value is not material. The current de minimis levels for recognising these assets are:

- Land and buildings - £50,000
- Vehicles, plant and equipment - £10,000
- Intangible assets - £10,000

These de minimis levels are not applied where assets are financed by grants or contributions that are below these levels but are required to be applied to capital expenditure.

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) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of the Council website is not capitalised as this is primarily used to promote or advertise the Council's goods or services.

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

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.

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.

Heritage Assets

The Council is required to report on and separately identify Heritage Assets on its Balance Sheet. Heritage Assets can be tangible or intangible and are defined as assets with historical, cultural, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Recognition

The Council will recognise all Heritage Assets on the Balance Sheet where the cost of obtaining a valuation is commensurate to the benefit of the users of the accounts. If the cost of obtaining a valuation is assessed as being disproportionate to the benefit of the user the existence of the asset will be disclosed in the notes to the accounts along with relevant information. The de minimis levels applied to all Non Current Assets will be applied to this asset class. Heritage Assets that do not meet the de minimis criteria are not disclosed in the Council's accounts.

Where a Heritage Asset is operational this will be treated as Property, Plant and Equipment (PPE) rather than as a Heritage Asset.

Measurement

Heritage Assets will be valued in line with the existing policies for Property, Plant and Equipment. Where Heritage Assets do not fall into this category they will be valued in line with the Insurance valuation. All Heritage Assets will be revalued as a minimum every 5 years. The carrying amounts of Heritage Assets will also be reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's policies on impairment (please see section on Property Plant and Equipment). Heritage Assets with an indefinite life will not be subject to annual depreciation.

The proceeds on the disposal of Heritage Assets are accounted for in accordance with the Authority's policies relating to the disposal of Property, Plant and Equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, 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.

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 cost of assets acquired other than by purchase is deemed to be 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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

For non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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.

Where decreases in value are identified, they are accounted for as follows:

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

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

Depreciation

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

Depreciation is calculated on the following bases:
- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment - straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer
- infrastructure – straight-line allocation over 40 years.

Where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item and whose useful life and / or depreciation method is significantly different from that of the main asset, the component is recognised and depreciated separately. The carrying amount of the old (or replaced) component is derecognised. An item of PP&E is not considered for component accounting where its carrying value is less than £500,000 or their remaining useful life is less than 10 years.

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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (known as Minimum Revenue Provision (MRP)) equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation, impairment losses and amortisations are therefore replaced by MRP, by way of an adjusting transaction with the Capital Adjustment Account (CAA) in the Movement in Reserves Statement for the difference between the two.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that are readily convertible to known amounts of cash with insignificant risk of change in value (this will exclude fixed term deposits as they are not highly liquid and not readily convertible to cash).

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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 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. These 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.

Post Employment Benefits

Employees of the Council can be members of three separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The National Health Service Pension Scheme, administered by the Department of Health (DoH)
- The Local Government Pensions Scheme, administered by the Council (the London Borough of Richmond upon Thames – LBRUT).

All schemes provide defined benefits to members, earned as employees who have worked for the Council.

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

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the LBRUT Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on 20 year gilts adjusted for credit spread).
- The assets of LBRUT Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value

- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - current service cost – the increase in the present value of a defined benefit obligation (liabilities) resulting from employee service in the current period. – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - past service cost – the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the authority in the number of employees covered by a plan). – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - Any gain or loss on settlement – arising when an authority enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - Net interest on the net defined benefit liability (asset) - the change during the period in the net defined benefit liability (asset) that arises from the passage of time - charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement
  - Re-measurements of the net defined benefit liability (asset) comprising:
    - actuarial gains and losses – changes in the present value of the defined benefit obligation resulting from: a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and b) the effects of changes in actuarial assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
    - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

  - Contributions paid to the LBRuT pension fund – cash paid as employer's and employee's contributions to the pension fund in settlement of liabilities.

  Benefits Paid – payments to discharge liabilities directly to pensioners – a charge to the Pension Fund, reimbursed from the Council where there are unfunded discretionary benefits.

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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff, including teachers, are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

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 (an adjusting event).
- 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 (a non-adjusting event).

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

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.

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

Financial assets are classified into two types:

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

Loans and Receivables

Loans 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 most of the loans 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.

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

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

Available-for-Sale Assets

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain / loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

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 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.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, Government Grants, 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 / receipts in advance. 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.

Grants that can not be directly allocated to a service area are credited to Taxation and Non-Specific Grant Income.

Group relationships

Interests in Companies and Other Entities

Where the Council assess that its relationship with another entity is classified as a subsidiary, associate, or joint venture it will present its accounts to reflect these interests as follows:

Subsidiary – An entity will be a subsidiary where the Council controls the financial and operating activities of that entity and benefits from this control. Where material, the Council will consolidate the accounts of this entity into its own accounts on a line by line basis. 100% of all transactions and balances will be consolidated into the Council's Accounts and the Council will present both single entity and group entity accounts.

Associate – An entity will be an associate where the Council assesses that it has significant influence over the operations of another entity. Where this is the case the interest will be represented in the Council's Accounts using the equity method. The original investment will be adjusted for the current share of the net assets and the relevant share of profit or loss will be recognised in the Comprehensive Income and Expenditure Account.

Jointly Controlled Entities – If the Council enters into an agreement whereby there is joint control over another entity it will, where material, consolidate this interest using the proportionate line by line method. This entails consolidating the other entity's Accounts with the Council's Accounts in line with the proportion of control that is held.

Long Term Contracts

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

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.

In recognising finance leases, the Council applies the same de minimis levels that it uses to recognise its own assets, as set out in the policy for Long Term Non Monetary Assets.

<u>The Council as Lessee</u>

Finance Leases

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

Lease payments are apportioned between:

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

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

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds (Minimum Revenue Provision – MRP) 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).

<u>The Council as Lessor</u>

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.

Overheads and Support Costs

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 CIPFA *Service Reporting Code of Practice 2013/14* (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.

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.

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 four elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- finance cost – an interest charge 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)

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.

Redundancy Costs

The Council provides for redundancy costs at the point that it is demonstrably committed (cannot retract the offer). If a notification of redundancy has been issued before 31 March but the amount has not yet been paid, a liability is recognised in the accounts.

Carbon Reduction Commitment (CRC)

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

Contingent Liabilities

A contingent liability arises where 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. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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 where it is probable that there will be an inflow of economic benefits or service potential.

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 within the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

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

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.

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.

Community Infrastructure Levy

The Community Infrastructure Levy (CIL) is a planning charge available to local authorities in England and Wales which was introduced by the Planning Act 2008 and came into force on 6 April 2010. The Council collected a CIL on behalf of the Greater London Authority in 2012/13 and 2013/14. CIL collected on behalf of other bodies is treated as an agency transaction and as such only the net cost of administration will be reported in the Council's accounts. The actual amount collected and paid over will not be reported as income and expenditure of the Council but will instead be reported as part of the levying body's accounts.

Accounting for schools

Revenue Income and Expenditure

The Council includes all revenue income / expenditure and resulting assets / liabilities (e.g. debtors, creditors, reserves etc) arising from maintained schools as part of its Statement of Accounts. Revenue income and expenditure incurred by Academies and Voluntary Aided schools are not consolidated into the Council's Accounts.

Capital

The Council currently holds all Local Authority maintained schools on the Balance Sheet. This includes Academy buildings on an operating lease, which will be kept on the Council's Balance Sheet until finance lease arrangements are signed upon completion of building works at the respective schools. The Council does not currently have a policy of holding Voluntary Aided (VA) schools on its Balance Sheet. Capital expenditure on schools not on the Council's Balance Sheet such as VA schools goes through REFCUS - Revenue Expenditure Funded by Capital under Statue. REFCUS refers to any expenditure that should be treated as capital but where the council does not own the asset. This expenditure is reported through the Comprehensive Income and Expenditure Statement.

2. ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) has introduced a number of changes in accounting policies which will need to be adopted fully by the Council in the 2014/15 financial statements.

The Council is required to disclose information relating to the expected impact of the accounting changes on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Council.

The expected impact will be as follows:

1. The change in the 2014/15 Code for amendments to IAS 32 (Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities, December 2011) effective for accounting periods starting after 1st January 2014, requires reference to the amended application guidance for offsetting financial assets and liabilities, where applicable. The London Borough of Richmond upon Thames does not offset financial assets and liabilities therefore this amendment has no impact.

2. The 2014/15 Code includes the requirements of five new / amended standards introduced by the International Accounting Standards Board in May 2011. These are IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Ventures, IFRS 12 – Disclosure of Interests in Other Entities, IAS 27 – Separate Financial Statements (amended in 2011) and IAS 28 – Investments in Associates and Joint Ventures (amended in 2011).

   In 2013/14, the London Borough of Richmond upon Thames has produced Group Accounts as it has a subsidiary in the form of Orleans House Trust and a joint arrangement in the form of Achieving for Children (AfC). However, none of the above 5 standard amendments would have an impact on the 2013/14 accounts. This is for the following reasons:

   - The accounts of AfC have not been grouped in 2013/14 as the amounts involved are not material and AfC was not operational until 1 April 2014.

   - The amendments to IFRS 10, IFRS 12 and IAS 27 cover investment entities which do not apply to the LB Richmond Group

   - The amendments to IFRS 11 and IAS 28 cover joint ventures and associates and the Council does not have these categories of relationships

3. The 2014/15 Code includes IAS 1 (Presentation of Financial Statements) amendments as required by the Annual Improvements to IFRS 2009–2012 Cycle issued in May 2012. The amendment is clarification based, and states the requirements for comparative information. The London Borough of Richmond upon Thames complies fully in the disclosure of comparative information in each round of financial accounts issued; therefore the change has no impact.

3. UNUSABLE RESERVES

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.

	2013/14		2012/13
	£000	**£000**	**£000**
Balance at 1 April		**(54,776)**	**(62,609)**
Upward revaluation of assets	(22,925)		(2,973)
Downward revaluation of assets and impairment losses not charged to the surplus / deficit on the Provision of Services	5,748		9,449
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(17,177)	6,476
Difference between fair value depreciation and historical cost depreciation	1,313		1,153
Accumulated gains on assets sold or scrapped	950		204
Amount written off to the Capital Adjustment Account		2,263	1,357
Balance at 31 March		**(69,690)**	**(54,776)**

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.

	2013/14	2012/13
	£000	**£000**
Balance at 1 April	**(1,820)**	**(1,884)**
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(2,304)	4
Transfer to the Capital Receipts Reserve upon receipt of cash	33	60
Balance at 31 March	**(4,091)**	**(1,820)**

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, depreciation, impairment losses and amortisations. The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.
The Account also contains accumulated gains and losses on Investment Properties and Property, Plant and Equipment (revalued before 1 April 2007). Note 12 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2013/14		2012/13	
	£000	£000	£000	£000
Balance at 1st April		**(583,869)**		**(560,149)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	12,721		14,876	
Revaluation losses on Property, Plant and Equipment	2,278		14,324	
Amortisation of intangible assets	82		80	
Revenue expenditure funded from capital under statute	13,396		11,316	
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	5,685	34,162	1,171	41,767
Adjusting amounts written out of the Revaluation Reserve		(2,263)		(1,357)
Net written out amount of the costs of non-current assets consumed in the year		31,899		40,410
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	(10,298)		74	
Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(22,165)		(31,914)	
Application of grants to capital financing from the Capital Grants Unapplied Account	(1,413)		(10,537)	
Statutory provision for the financing of capital investment charged against the General Fund	(2,278)		(2,934)	
Capital expenditure charged against the General Fund	(14,472)		(18,990)	
		(50,626)		(64,301)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	85		171	
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	(49)	36	0	171
Balance at 31 March		**(602,560)**		**(583,869)**

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.

The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2014 will be charged to the General Fund over the next 10 years.

	2013/14		2012/13	
	£000	£000	£000	£000
Balance at 1 April		**1,119**		**1,170**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0		0	0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(108)		(51)	
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(108)		(51)
Balance at 31 March		**1,011**		**1,119**

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.

	2013/14	2012/13
	£000	£000
Balance at 1 April	(2,338)	**(2,245)**
Amount by which Council Tax and Business Rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements	490	(93)
Balance at 31 March	**(1,848)**	**(2,338)**

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.

	2013/14		2012/13	
	£000	£000	£000	£000
Balance at 1 April		**2,527**		**3,368**
Settlement or cancellation of accrual made at the end of preceding year	**(2,527)**		(3,368)	
Amounts accrued at the end of the current year	**2,287**		2,527	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**(240)**		(841)
Balance at 31 March		**2,287**		**2,527**

Deferred Lease Payment Account

The Deferred Lease Payment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for lease payments to and from the Council in respect of operating leases. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2013/14	2012/13
	£000	£000
Balance at 1 April	**3,171**	**3,197**
Lease signed during the year	0	0
Write down of deferred leases signed in prior years	(28)	(26)
Balance at 31 March	**3,143**	**3,171**

Pensions Reserve

The Pensions Reserve absorbs the financial impact of 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.

	2013/14 £000	2012/13 £000
Balance at 1 April	**178,898**	**147,307**
Actuarial gains / losses on pensions assets and liabilities	(33,215)	32,492
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	26,412	14,671
Employer's pensions contributions and direct payments to pensioners payable in the year	(15,837)	(15,572)
Balance at 31 March	**156,258**	**178,898**

4. 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.
- **liquidity risk –** the possibility that the Council might not have funds available to meet its commitments to make payments.
- **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.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management for treasury instruments is carried out under policies approved by the Council in the annual treasury management strategy and policy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

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

In respect of investment assets, the Council's investment strategy:

- Sets out clear procedures for determining the type of asset class to be used
- Restricts investments to those denominated in sterling to avoid any exchange rate risk
- Prescribes maximum periods for investments in each asset class
- Prescribes financial limits to be invested in each asset class
- Limits the amount to be invested over 12 months to 40% of the investment portfolio.

<u>For Investments and Loans Receivable</u>:

The Council's investment objectives are to achieve security and liquidity of investments and obtain the optimum return commensurate with the prior objectives. Overall levels of investment are governed by cash flow, and cash flow projections are used to determine the duration of investments made to ensure sufficient liquidity. Liquidity is further enhanced by the use of "instant access" deposit accounts, and as a last resort the Public Works and Loans Board (PWLB) would offer short term loans to cover any cash flow deficit. There was no requirement to use PWLB borrowing in this way during 2012/13 or 2013/14.

In respect of the security of its investment assets, the Council's policy uses credit ratings published by major international credit rating agencies to measure the credit quality and risk of each counterparty with which it invests. Credit ratings are continuously monitored and, in addition to notification of changes by the credit rating agency, the Council's treasury team receives regular updates from its external financial advisors as well as using its own assessment of changes to individual risks. This assessment is used to determine appropriate limits for each category of investment. The Council also recognises banks and building societies with substantial government ownership as secure institutions, with this support over-riding low credit ratings.

These limits are set out in the Treasury Management Strategy that can be viewed via the following link:

https://cabnet.richmond.gov.uk/documents/g3283/Public%20reports%20pack%20Tuesday%2004-Mar-2014%2019.00%20Council.pdf?T=10

The following are a summary of relevant limits approved for 2013/14:

Banks with over 20% UK government ownership - up to £15 million

Building Societies with required credit rating - up to £5 million for up to 6 months.

Banks that are on the Financial Services Authority authorised list – a total investment limit of between £5 million and £10 million for durations up to a year dependent on the rating of the institution.

Money Market Funds with AAA Fitch rating - up to £10 million

Local Authorities - up to £5 million or 10% of net budget per authority

UK Government Debt Management Office - unlimited investment.

These limits on amounts to be placed with counterparties are based both on the credit assessment of the counterparty, and with a view to limiting the Council's exposure with any one institution.

During 2013/14, regular reports were made to Members. These reports covered the need to focus on the security of investments and updates on the financial market position.

Further information on the changes made and risks discussed is available in the relevant Cabinet reports.

For Loans and Trade Debtors:

Customers are assessed, taking into account their financial position, past experience and other factors, with credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council has agreed to make a long term loan to WLWA of up to £15m (£2.4m to 31 March 2014) to part finance the construction of a new waste facility. This loan was agreed as a Council policy decision as a member of WLWA and not for investment purposes. WLWA is a waste disposal authority controlled by its 6 constituent councils. It is therefore assess to have the same risk as a local authority.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and collection data over the last five financial years, adjusted to reflect current market conditions:

	Amount at 31 March 2014	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2014	Estimated maximum exposure to default and uncollectability at 31 March 2014	Estimated maximum exposure at 31 March 2013
	£000	%	%	£000	£000
	A	B	C	(AxC)	
Money Market Deals	56,800	0.00%	0.00%	0	0
Bonds	2,250	0.00%	0.00%	0	0
Long Term Loan	2,379	0.00%	0.00%	0	0
Customers	14,089	4.40%	10.40%	1,465	572
				1,465	572

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and loans. The Council has taken advice from their Treasury Advisors who have confirmed there is no adjustment for market conditions at 31 March 2014 on the basis of the counterparty assessments the Council undertakes before making any investment.

The historic experience of default on customer debt has averaged 4.4% on debt outstanding at year-end over the last 9 years (comparative data is only available from the introduction of new systems in 2004/05). Due to the recent recession and the uncertainty in the economy the potential risk of default on customers' debts is assessed as equivalent to the average of the two worst years experience in the past 9 years. On the evidence of collection rates in 2013/14 and taking into account the continuing difficult economic climate, a rate of 10.4% is assumed in the current projection of risk exposure to default on these outstanding debts.

The Council does not generally allow credit for customers, such that £7.998 million of the £14.089 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2014 £000	31 March 2013 £000
Less than 3 months	5,364	1,509
3 to 6 months	415	468
6 months to 1 year	676	492
More than 1 year	1,543	1,129
	7,998	3,598

LIQUIDITY RISK

The Council uses cash flow projections to ensure that cash is available as needed. As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. To limit the risk of having to refinance or repay a significant amount of loans at any one time, the Council sets maturity limits of loans. Possible repayment and new borrowing considers the maturity curve of debt while weighing this against the interest costs of different loans. The maturity analysis of treasury financial liabilities is as follows:

Liabilities	31 March 2014 £000	31 March 2013 £000
Less than one year (including accrued interest)	4,447	4,045
Between 1 and 2 years	3,013	3,013
Between 2 and 5 years	2,000	2,500
Between 5 and 10 years	8,348	10,348
Between 10 and 15 years	5,000	5,000
Between 15 and 25 years	17,500	12,500
More than 25 years	5,000	5,000
	45,308	42,406

The maturity analysis of financial investment assets, excluding sums from customers, is as follows:

Assets	31 March 2014 £000	31 March 2013 £000
Less than 1 year	42,281	57,537
Between 1 and 2 years	0	0
Between 2 and 5 years	1,500	1,500
More than 5 years	750	750
	44,531	59,787

MARKET RISK

Interest rate risk

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- borrowings at fixed rates – the fair value of the borrowings will fall
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £.

The Council has a number of strategies for managing interest rate risk. Treasury policy limits use of variable rate loans to a maximum of 50% of borrowings. The treasury team will monitor interest rates and forecasts to adjust exposures 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 rates borrowing would be postponed.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the expenditure projections quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	Amount at 31 March 2014 £000	Amount at 31 March 2013 £000
Increase in interest payable on variable rate borrowings	**25**	**21**
Increase in interest receivable on variable rate investments	**(568)**	**(671)**
Increase in government grant receivable for financing costs	**0**	**0**
Impact on surplus or deficit on the Provision of Services	**(543)**	**(650)**
Decrease in fair value of fixed rate investment assets		
Impact on Other Comprehensive Income and Expenditure	0	0
Decrease in fair value or fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	0	0

The impact of a 1% fall in interest rates would be as above but with the movements being reversed**.**

Price risk

The Council does not currently invest in any tradable financial instrument subject to changes in fair value. The Council is consequently not exposed to losses arising from movements in the prices of such instruments.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates. The Council occasionally transacts in foreign currency but the value and frequency of these transactions does not indicate any currency hedging or other risk control measure would be beneficial.

Economic Environment

The economic issues which continued during 2013/14 have been well documented in the media and their impact on various Council services has been reported to Cabinet and Council Members.

The impact on counterparty risk in terms of treasury management is that all institutions with high street customers would be exposed to increased defaults. The concerns of commercial institutions, which continue to limit inter-bank lending to mitigate their own risks, further pressurise institutions at risk. This could lead to further defaults and possible failure of financial institutions. The Council's policy limits the counterparties it would invest with by using credit ratings that have been produced by ratings agencies.

5. POOLED BUDGETS

The Council has entered into 2 pooled budget agreements under S75 of the NHS Act 2005:

1. Joint Integrated Community Equipment Service with NHS Richmond CCG

The basis of the funding arrangement is that the Council and Hounslow & Richmond Community Healthcare NHS Trust (formally the provider arm of NHS Richmond) contribute jointly to a pooled budget for the provision of a daily living and nursing equipment service comprising of the procurement, storage, delivery, installation, maintenance, collection, cleansing and recycling of equipment. This service includes minor works adaptations and the servicing of hoists and other equipment. The pooled budget is hosted and managed by the Council and the basis on which costs are shared is reviewed periodically to reflect usage of equipment by different client groups. In October 2011 the Council joined the London Consortium contract for provision of equipment, which is administered by the RB of Kensington & Chelsea. LB Richmond pays an administrative fee for governance, overseeing contract compliance, and negotiation of equipment prices

2. Joint Integrated Mental Health Service with South West London and St George's Mental Health NHS Trust (SWLstG).

The Council entered into an agreement in October 2013 to operate a joint integrated Mental Health Service with South West London and St George's Mental Health NHS Trust (SWLstG). The basis of the funding arrangement is that the Council and SWLstG contribute jointly to a pooled budget for the staffing provision of a joint Mental Health service. The pooled budget is hosted and managed by the SWLstG and the basis on which costs are shared is reviewed periodically. The purpose is to maximise the effectiveness and efficiency of mental health provision through the implementation of the Section 75 Health Act 2006 flexibilities (pooled budget and integrated provision) for adults with a mental illness.

	2013/14	2012/13
Joint Equipment Service		
London Borough of Richmond upon Thames	50.0%	50.0%
Hounslow & Richmond Community Healthcare	50.0%	50.0%
Mental Health Service		
London Borough of Richmond upon Thames	39.0%	-
South West London and St George's Mental Health NHS Trust	61.0%	-

	2013/14		2012/13	
	JES	**MHS**	**JES**	**MHS**
	£000	**£000**	**£000**	**£000**
Funding provided to the pooled budget:				
London Borough of Richmond upon Thames	487	809	487	-
Hounslow & Richmond Community Healthcare	486	-	486	-
South West London & ST George's Mental Health NHS Trust	-	1,267	-	-
	973	**2,076**	**973**	**-**
Expenditure met from pooled budget:				
London Borough of Richmond upon Thames	522	765	460	-
Hounslow & Richmond Community Healthcare	523	-	460	-
South West London & ST George's Mental Health NHS Trust	-	1,275	-	-
	1,045	**2,040**	**920**	**-**
Net surplus arising on the pooled budget during the year	**72**	**(36)**	**(53)**	**-**
LBRUT share of 50% of the net surplus/deficit arising on the pooled budget	**36**	**(14)**	**(27)**	**-**

TABLE OF NOTES

NOTES TO THE LB RICHMOND SINGLE ENTITY ACCOUNTS

NOTES TO THE LB RICHMOND CONSOLIDATED GROUP ACCOUNTS

COLLECTION FUND

PENSION FUND

GLOSSARY OF TERMS

ACCRUALS
Amounts charged to the accounts for goods or services received during the year for which payments have not yet been made, and for income due, which has not yet been received.

ACHIEVING FOR CHILDREN (AFC)
A Community interest Company that is jointly owned by the LB Richmond and RB Kingston. From 1st April 2014 both Councils will procure the majority of children and educational services from this organisation.

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

AUDIT COMMISSION
The Audit Commission is a public corporation set up in 1983 to protect the public purse. The Audit Commission is currently in the process of being wound up. Going forward external audit services for Local Authorities will be provided by private sector audit firms and will be procured in line with procurement best practice.

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

BUDGET
An estimate of amounts expected to be spent or received during the year. This can refer to the Council's overall budget, the budget for a particular area (e.g. Capital Budget or Education Budget) or for a specific item (e.g. Printing Budget).

BUSINESS RATES
Also referred to as national non-domestic rates (NNDR). This is tax is payable by Businesses and administered by the Council. The tax is based upon the rateable value of the business premises and a multiplier rate set by Central Government each year. The income is shared by Central Government, the Council and the Greater London Authority in the proportion 50:30:20.

BUSINESS RATE SUPPLEMENT
The Business Rate Supplements Act 2009 enables levying authorities - county councils, unitary district councils and, in London, the Greater London Authority - to levy a supplement on the Business Rate to support additional projects aimed at economic development of the area. A Business Rate Supplement is currently being levied by the Greater London Authority in relation to the Crossrail project.

CABINET
This is the executive body responsible for undertaking all of the Council's functions except those that are reserved to the full Council or delegated to Committees or officers.

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

CAPITAL EXPENDITURE
Expenditure on the acquisition or enhancement of assets that have a significant value and a useful life beyond one year.

CAPITAL FINANCING REQUIREMENT
With the introduction of the Prudential Code on 1 April 2004, each local authority has to calculate a number of indicators that help to determine whether the authority can maintain its borrowing with prudent and sustainable levels. One of the key indicators is the Capital Financing Requirement (CFR) that represents the Council's underlying need to borrow. This is the value of capital assets that have not been financed from Council resources.

CAPITAL CHARGES
Charges made to service revenue accounts, based on the consumption of fixed assets by the service consisting of depreciation and impairment.

CAPITAL CONTRIBUTIONS
Some capital schemes receive contributions from third parties that have an interest in supporting a capital scheme. The most common source of capital contributions is from Schools that contribute part of their own resources towards a capital scheme in which they have an interest.

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

CAPITAL PROGRAMME
A 6 year plan that identifies Capital projects and purchases. The Capital Programme provides a planned schedule for financial planning and is reviewed annually.

CAPITAL RECEIPTS
Income received from the sale of land, buildings and other capital assets or the Council's share of such sales by other bodies. These may be used to finance capital expenditure but are not available to finance revenue expenditure.

CASH & CASH EQUIVALENTS
Cash is represented by notes and coins held by the Council and deposits available on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value e.g. instant access accounts.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)
This is an accountancy body that produces standards and codes of practice for accounting and financial functions in the public sector. It is one of the bodies responsible for the two principal codes of practice that determine how the Council presents its accounts (see the next paragraph).

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

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

COMMUNITY ASSETS
Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks and historic buildings.

COMMUNITY INTEREST COMPANY
A Community Interest Company is a special type of LTD company which exists to benefit the community rather than the private shareholders. Its primary objectives are social objectives and any surpluses are re-invested into the organisation.

CONTINGENCIES
Money set aside from a budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

CORPORATE AND DEMOCRATIC CORE
Under the terms of SeRCOP, all support costs are allocated to services except for Corporate and Democratic Core and Non Distributed Costs. Corporate and Democratic Core includes corporate policy making and all other member-based activities, and activities that relate to the corporate management of the Council.

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

COUNCIL TAX SUPPORT
Assistance provided by the Council to adults on low incomes to help them pay their Council Tax bill. Previously, this was known as Council Tax Benefit and the cost was largely met by Government Grant.

CREDITORS
Organisations and individuals to whom the Council owes money.

CURRENT ASSETS
These are assets that will be consumed within the next accounting period (i.e. less than one year). Examples are stock, cash and debtors.

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

DEBTORS
Organisations and individuals who owe money to the Council.

DEDICATED SCHOOLS GRANT (DSG)
DSG was introduced in 2006/07 and is the main ringfenced grant that pays for Education Services. Most of the DSG is delegated to schools.

DEPRECIATION
The writing down of the value of a fixed asset in the balance sheet in line with its expected useful life.

EARMARKED RESERVES
Amounts set aside for specific purposes falling outside the definition of provisions.

EMPLOYEE BENEFITS
Salaries, wages, paid annual leave and paid sick leave.

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

FINANCE LEASE
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.

FIXED ASSETS
These are assets that are likely to be in use by the Council for more than one year, such as land and buildings.

FTE
FTE is an abbreviation for the term Full Time Equivalents. FTE is commonly used to measure the number of staff employed within a service or other operational group. It enables amount of part-time and other flexible working arrangements (e.g. 2 days per week or term-time only) to be consistently measured.

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

GENERAL FUND
This is available for any purpose and is held to manage major in-year spending issues and to ensure financial stability.

HERITAGE ASSETS
Heritage Assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

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

IMPAIRMENT LOSS
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.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
A Core Financial Statement that provides a summary of the resources generated and consumed by the Council in the year.

INFRASTRUCTURE ASSETS
These are fixed assets that are not saleable, for example, roads.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
The regulations under which the accounts are published. A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements. IFRS are issued by the International Accounting Standards Board.

INTANGIBLE FIXED ASSETS
Intangible fixed assets that are likely to be in use by the Council for more than one year are recognised where there is no 'physical' asset but the Council controls future economic benefits from the asset. For example computer software.

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

LONG TERM BORROWING
This is external borrowing for a period of one year or more. Temporary borrowing is defined as external borrowing for 364 days or less.

MINIMUM REVENUE PROVISION (MRP)
The minimum amount which must be charged to the General Fund each year and set aside as prudent provision for debt repayment, as required by the Local Government Act 1989 and Capital Financing Regulations (as amended).

MOVEMENT IN RESERVES STATEMENT (MIRS)
A prime statement that draws together all the movement in both the usable and unusable reserves in one table.

NATIONAL NON-DOMESTIC RATES
Also referred to as Non-domestic Rates (NNDR), this is explained in the paragraph on Business Rates.

NET BOOK VALUE
An asset or liabilities original book value net of any accounting adjustments such as depreciation.

NET REALISABLE VALUE
The value of an asset that can be realised upon the sale of the asset, less any costs associated with either the eventual sale or the disposal of the asset in question.

NON-DISTRIBUTED COSTS
This category of expenditure under SeRCOP comprises the costs of any unused IT facilities and long term unrealisable assets as well as a number of adjustments in relation to pension costs that are not attributable to the current cost of frontline services.

OPERATIONAL ASSETS
These are fixed assets that are held, occupied, used or consumed by the Council in the direct delivery of its services.

OPERATING LEASE
This is a type of lease under which lease rentals are paid for the use of the asset over the period of the lease. The asset remains the property of the lessor and has to be returned at the end of the lease.

OUTTURN
This is the final expenditure and income in any financial year. Outturn reports usually compare the final net expenditure (expenditure less income) against the relevant budget.

PRECEPT
A charge made by prescribed public authorities that do not administer the local Council Tax on the Collection Fund.

PROVISIONS
Amounts set aside for liabilities and losses which are likely to occur but where the exact amount or timing is uncertain but can be reasonable estimated.

PWLB
The Public Works Loan Board is a government body that makes long-term loans to local authorities.

REVALUATION RESERVE
This reserve contains the balance on the revaluation of fixed assets and any subsequent movement in the current cost of assets arising from depreciation or disposals of those assets.

REVENUE EXPENDITURE
Day to day payments on the running of Council services such as salaries and wages, operating costs and charges for the use of assets.

REVENUE EXPENDITURE FUNDED BY CAPITAL UNDER STATUTE (REFCUS)
Capital expenditure that does not result in a new or enhanced asset in the Council's accounts. An example is an improvement grant made to an individual. This expenditure is also referred to as revenue expenditure classified as capital by statute.

SECTION 106 RECEIPT
Under Section 106 of the Town and Country Planning Act, 1990, developers and local authorities can enter into planning obligations to enable developments to proceed that might otherwise not be approved. These obligations are commonly referred to as Section 106 (S106) agreements and in some cases these provide for the developer to make financial payments to the Council that have to be used for compensatory works or measures that facilitate the proposed development.

SECTION 151 OFFICER
Section 151 of the Local Government Act 1972 requires each local authority to appoint a suitably qualified officer to be responsible for the proper administration of its financial affairs. This officer is sometimes referred to as the Section 151 Officer. The Section 151 Officer for this Council is the Director of Finance and Corporate Services.

SERVICE REPORTING CODE OF PRACTICE (SeRCOP)
The CIPFA SeRCOP establishes proper practices with regard to consistent financial reporting for services. It provides best practice guidelines about which services or transactions to report together.

TANGIBLE NON-CURRENT ASSETS
Tangible fixed assets are 'physical' assets that provide future economic benefit and are likely to be in use by the Council for more than one year.

TEMPORARY AND LONG TERM INVESTMENTS
The Council has cash surpluses that reflect its usable revenue and capital reserves and the incidence of cash flows. These investments are in loans to banks and other financial institutions. The majority of investments are short term, i.e. with repayment in less than 365 days. Longer term investments (365 days or longer) including long term loans to another local authority.

TEMPORARY BORROWING
This is defined as external borrowing for 364 days or less. Long-term borrowing is external borrowing for a period of one year or more.

TERMINATION BENEFITS
Amounts payable to employees as a result of a decision by the Council to terminate an officer's employment prior to normal retirement age or an officers decision to accept voluntary redundancy.

ALTERNATIVE FORMATS

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Twickenham
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Nese keni veshtersi per te kuptuar kete botim, ju lutemi ejani ne recepcionin ne adresen e shenuar me poshte ku ne mund te organizojme perkthime nepermjet telefonit.

এই প্রকাশনার অর্থ বুঝতে পারায় যদি আপনার কোন সমস্যা হয়, নিচে দেওয়া ঠিকানায় রিসেপ্শন-এ চলে আসুন যেখানে আমরা আপনাকে টেলিফোনে দোভাষীর সেবা প্রদানের ব্যবস্থা করতে পারবো।

إذا كانت لديك صعوبة في فهم هذا المنشور، فنرجو زيارة الإستقبال في العنوان المعطى أدناه حيث بإمكاننا أن نرتب لخدمة ترجمة شفوية هاتفية.

اگر در فهمیدن این نشریه مشکل دارید، لطفا به میز پذیرش در آدرس قید شده در زیر رجوع فرمایید تا سرویس ترجمه تلفنی برایتان فراهم آورده شود.

જો તમને આ પુસ્તિકાની વિગતો સમજવામાં મુશ્કેલી પડતી હોય તો, કૃપયા નીચે જણાવેલ સ્થળના રિસેપ્શન પર આવો, જ્યાં અમે ટેલિફોન પર ગુજરાતીમાં ઇન્ટરપ્રિટીંગ સેવાની ગોઠવણ કરી આપીશું.

ਜੇਕਰ ਤੁਹਾਨੂੰ ਇਸ ਪਰਚੇ ਨੂੰ ਸਮਝਣ ਵਿਚ ਮੁਸ਼ਕਲ ਪੇਸ਼ ਆਉਂਦੀ ਹੈ ਤਾਂ ਹੇਠਾਂ ਦਿੱਤੇ ਗਏ ਪਤੇ ਉੱਪਰ ਰਿਸੈਪਸ਼ਨ 'ਤੇ ਆਓ ਜਿੱਥੇ ਅਸੀਂ ਟੈਲੀਫ਼ੋਨ ਤੇ ਗੱਲਬਾਤ ਕਰਨ ਲਈ ਇੰਟਰਪ੍ਰਿਟਰ ਦਾ ਪ੍ਰਬੰਧ ਕਰ ਸਕਦੇ ਹਾਂ।

اگر آپ کو اِس اشاعت کو سمجھنے میں کوئی مشکل ہے تو، براہِ کرم نیچے دیئے ہوئے ایڈریس کے استقبالیے پر جا کر ملیئے، جہاں ہم آپ کیلئے ٹیلیفون انٹر پریٹینگ سروس (ٹیلیفون پر ترجمانی کی سروس) کا انتظام کر سکتے ہیں۔

FEEDBACK

We continuously try to improve our communications with the public and welcome any comments or suggestions on this publication. Please send any comments to:

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OTHER PUBLICATIONS:

In addition to this Statement of Accounts that has to be produced in a format that complies with legislation and professional guidance, the Council publishes a range of other reports covering finance and performance.

If you are interested in the Council's finances and how it performs, please visit our website and follow the link on the front page to 'Statements of Accounts'

WWW.RICHMOND.GOV.UK