LONDON BOROUGH OF RICHMOND UPON THAMES

STATEMENT OF ACCOUNTS 2011/12

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www.richmond.gov.uk

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EXPLANATORY FOREWORD

INTRODUCTION

Welcome to the London Borough of Richmond upon Thames' Statement of Accounts for the financial year 2011/12. 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. 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 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

The Statement of Accounts is made up of 4 core statements as listed in the table below.

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. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.
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. Reserves are reported in two categories: The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be

	used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only be come 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'.
Cash Flow Statement	The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

REVENUE BUDGET

The 2010 Comprehensive Spending Review (CSR10) was published in October 2010 and in general terms identified that in order to bring Government borrowing under control and reduce the structural budget deficit, some £81bn of reductions to public expenditure would be required over the next 4 years. In early December 2010, the Local Government Finance Settlement started to give some details as to the share of the reductions which would fall on Local Government and hence, on Richmond upon Thames.

The settlement for Richmond was at the worst end of expectations with the headlines being summarised as follows:

- Reductions in Formula Grant of 14.3% in 2011/12
- Losses in specific grants totalling £2.7m
- New Council Tax Freeze Grant of £2.9m
- Announcement that the Primary Care Trust (PCT) would receive £1.75m to be spent on areas of joint benefit to social care and health

The Council was faced with setting a budget that needed to address unavoidable growth pressures whilst also taking into account the loss in central government support.

In particular the budget:

- ➢ Built in specific funds for new demands / costs of statutory services:

- £2m to address the existing overspend in Social Care (offset with new savings plans).
- A further £0.5m for further growth demands on social care services.
- £0.5m on Children's services.
- Just under £0.5m as a result of changed interest rate assumptions for borrowing/investments.

➢ Included efficiency/cuts/income generation of £11.9m.

➢ Included specific one off allowances, totalling £3.25m, to provide for investment in the Council's priorities (pot hole repairs, Twickenham Riverside improvements / 'uplift' schemes and support for the development of the Education Strategy for school places).

The Council Tax was maintained at the 2010/11 level.

REVENUE SPEND

The table below sets out the final revenue outturn position for each directorate of the Council. The figures have been adjusted for decisions made by Cabinet when the outturn position was reported in June 2012.

Directorate	**Budget £m**	**Outturn £m**	**Variance £m**
Education, Children's & Cultural Services	28.2	28.2	0.0
Adult and Community Services	62.1	60.1	(2.0)
Environment	22.1	22.0	(0.1)
Finance & Corporate Services	25.2	24.8	(0.4)
Central Items & Contingency	8.3	6.9	(1.4)
Total	**145.9**	**142.0**	**(3.9)**
Recommended Carry Forwards	0.0	0.8	0.8
Used to Finance the Capital Programme	0.0	3.6	3.6
Final balance met from General Reserve	**145.9**	**146.4**	**0.5**

The full provisional revenue and capital outturn report is available on the Council's website at:

http://cabnet.richmond.gov.uk/documents/s33469/Report%20Item.pdf

The main reasons for over/underspends by directorate are detailed below:

Education, Children's & Cultural Services (ECCS)

The ECCS Directorate experienced a number of over and underspends in relation to demand led services during 2011/12. The Directorate was able to manage the financial impact of these fluctuations within its budget and has a small overspend of £16k for the 2011/12 financial year. The 3 main variances are detailed below:

- **Looked after Children, underspend of £104k -** The number of children looked after reduced towards the end of the year which led to an overall underspend.
- **Asylum, underspend of £184k** – The Directorate did not use all of the Home Office grant because of a fall in the number of service users and some of the service users claiming

support through housing and other benefits rather than Living Allowances paid for by the grant.

- **Special Educational Needs Services, overspend of £193k** – This service overspent due to an increase in demand for Special Educational Needs transport. The Council is seeking to procure a new transport contract from September 2012 and growth of £100k has been allowed in the 2012/13 budgets.

The full provisional outturn report is available on the Council's website at:

http://www.richmond.gov.uk/home/council_government_and_democracy/democratic_processes_and_events/council_committees_list.htm?mgl=ieListDocuments.aspx&CId=536&MId=2844&Ver=4

Adult and Community Services (ACS)

The ACS Directorate underspent by £2m before carry forwards and by £1.4m after allowing for a £600k carry forward agreed by Cabinet in June 2012. The main variances that contributed to this position are as follows:

- **Commissioning, Corporate Policy and Strategy, underspend of £875k**
  £600k of this underspend has been carried forward to 2012/13 to meet the cost of property dilapidations and transitional costs relating to the move from grant giving to commissioning and the move away from rent subsidies. There is also an underspend on the London Boroughs Grant Scheme budget, following a review by London Councils. The 2012/13 budget has been reduced to reflect the Council's lower contribution to the London Boroughs Grant Scheme.

- **Directorate Management and Finance, underspend of £421k**
  There are agreed under spends which include savings resulting from the recent Directorate Administration Review. The 2012/13 budget has been reduced to reflect the full year effect of savings resulting from this restructure.

- **Commissioning Care Services, underspend of £131k -** There is an underspend on care services for older people and adults with physical disabilities relating to reduced demand, mainly resulting from the Council's investment in prevention and recovery services through its Reablement Service and a 37% reduction in admissions to residential and nursing care compared to the previous three years. Overall the implementation of Reablement Services has delivered the planned level of efficiencies in the current year and has been the main factor in a decreasing level of demand experienced for adult social care services.

The full provisional outturn report is available on the Council's website at:

http://cabnet.richmond.gov.uk/documents/s33663/Item%208%20-%20Finance%20Report.pdf

Environment Directorate

The Environment Directorate had many over and underspends during 2011/12 which netted off to an overall overspend of £104k after allowing for a carry forward of £244k. This money was originally set aside for parking refunds and will be spent on highways maintenance in 2012/13. The 2 main variances are:

- **Development and Street Scene, underspend of £1.9m -** This position is made up of underspends in a number of service areas. The key areas are: Waste Disposal (-£456k) reflecting a reduction in land fill tonnages when compared to the budget and as a result of a change in the charging mechanism used to calculate Richmond's waste disposal costs; Waste and Recycling collections (-£665k) including £513k attributable to efficiency savings; and £493k underspend on street cleansing following the re-tender of the cleansing contract.

- **Traffic and Transport, overspend of £1.9m -** Highways has overspent by £513k because of additional utility costs, maintenance of street trees, gully cleansing and road maintenance requiring the re-profiling of the works programme. A detailed overspend control report is attached to the Environment Directorate Outturn report (O&S June 2012). Parking Enforcement has overspent by £1.7m made up of £806k of one-off camera car refunds and £892k for on and off street enforcement activities (reduction in Penalty Charge Notices). Overspend Control reports on these items were presented to Overview & Scrutiny Committee during the year.

The full provisional outturn report is available on the Council's website at:

http://cabnet.richmond.gov.uk/documents/s33597/Finance%20Report.pdf

Finance and Corporate Services (FCS)

The FCS Directorate underspent by £385k in 2011/12 excluding central items and by £2.3m including Central Items. The main variances are:

- **ICT overspent by £881k -** This is due to a £1.7m one off payment made during the year to settle in full the part of the SERCO contract charge for capital investment included in the original contract. This payment generates an ongoing saving of approximately £90k per month which will continue next year and has been reflected in the 2012/13 budget. This one off payment was approved by Cabinet in June 2011.
- **Council Tax & Business Rates underspent by £642k**
  The majority of this relates to the impact of the recent restructure. These changes have been factored into the Council's forward financial strategy. In the short term there remains some uncertainty over the impact of the economic situation and the proposed changes to Council Tax Benefit and Universal Credit on the workload of the section.
- **Treasury underspent by £1,395k -** This is due to a combination of factors including the decision to finance much expenditure "internally" during 2011/12 as formalised by Members in February. The Council's strong cash flow position and the low investment rates available make it advantageous to fund the capital programme this way in the short to medium term. The Treasury budgets for 2012/13 will be adjusted throughout the year to allow for changes to a variety of elements including changes in capital funding, changes in direct revenue financing and borrowing decisions.

The full provisional outturn report is available on the Council's website at:

http://cabnet.richmond.gov.uk/documents/s33469/Report%20Item.pdf

Despite the underspend position 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 a programme would present significant challenges in isolation but the Council is seeking to implement the programme alongside other major changes to the funding regime.
The Local Government Resource Review, which involves major changes to the way in which Councils are funded, is due to be introduced from April 2013 and the details of how it will work and its impact on Richmond's finances are not yet finalised. This presents a major risk to the achievement of the Council's financial strategy.

In addition, the Government is making major changes to the Welfare System with introduction of Universal Credit, changes in Local Housing Allowance and the localisation of Council Tax Benefit. All of these areas will be the subject of further reports during 2012/13 to both Overview and Scrutiny Committee and Cabinet.

The Council's budget continues to show a good degree of resilience to both the general economic climate and nationally implemented policies in areas such as welfare. Council Tax and NNDR collection levels, whilst marginally down from previous highs, remain good and benefit claimant increases are relatively low compared to others in London. However, these issues have and will continue to flow through into budgetary changes required in areas such as investment income, borrowing and homelessness. They also continue to represent a major risk for both increasing pressures and costs in both these areas and others, more capital based, such as the demand for school places and affordable housing.

REVENUE RESERVES

Earmarked Reserves (excluding schools and specific Grants) have decreased overall by £1.4m. This is the second successive year that non-schools balances have reduced. Schools Balances increased by £4.5m and in accordance with the agreed procedures, schools will be required to provide the Council with details of the intended use of reserves. The grants and contributions that are held as earmarked reserves increased by £3.2m.

The General Fund reserve reduced by £0.5m and now stands at £10.2m which is in line with the recommended level as prescribed by the Medium Term Financial Strategy.

CAPITAL EXPENDITURE

The table below sets out the provisional capital outturn position for each directorate of the Council.

Directorate	Budget £000	Outturn £000	Slippage / Re-phasing £000	Variance £000
Education, Children's Services & Culture	42,195	41,020	1,222	47
Adult and Community Services	7,179	4,558	2,621	0
Environment	9,901	8,107	1,731	(63)
Finance & Corporate Services	2,151	2,047	35	(69)
Total	**61,426**	**55,732**	**5,609**	**(85)**

The outturn figures confirm the continuing emphasis on Education projects which will continue into the future.

Looking forward, there continues to be a requirement to provide additional school places and, with the Council's own resources and Government support diminishing, new borrowing may be required to finance the programme.

The Council had total debt of £48m at 31st March 2012 of which £40.9m was long term to support capital investment. It has the power to borrow to fund short term cash flow or for long term capital investment (e.g. building works) and cannot borrow to invest in the financial markets. The Council has to demonstrate its need to borrow based on planned capital works and has to assess the affordability of the borrowing required for these works before agreeing the capital programme.

The Council has a 5 Year Capital Programme which is reviewed annually along with the Prudential Indicators based on the programme which give more information on the need for and costs of borrowing of the Programme and facilitates informed decision making. This programme includes £56m of new borrowing over the 5 years to finance £146m of capital spend, a large proportion of which is related to the expansion of borough primary schools required due to rising school rolls in the borough.

MATERIAL ASSETS ACQUIRED OR DISPOSED

There were no material assets purchased during the year. However, a deposit was paid to acquire land within the Borough. The expenditure has been recorded as a capital payment in advance and consequently will show in the 2012/13 accounts. The Council received £4.7m of capital receipts during 2011/12, the largest element of which was from a share of preserved right to buy properties (£0.7m).

PENSIONS DEFICIT

The accounts show a deficit in the Pension Fund of £147.3m at 31st March 2012 (up from £110.6m at 31st March 2011). 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 increased deficit this year is mainly due to the change in the discount rate (which is linked to the return on investments) making the cost of liabilities higher and the increase in value of the assets lower. The Council has a 20 year plan in place to recover the deficit. In addition, further changes are expected to be implemented following the Hutton Review of public sector pensions. These changes are expected to reduce the overall cost of pensions to the Council.

UNUSUAL CHARGES OR CREDITS

The following unusual charges or credits occurred during the 2011/12:

- Over the last two financial years the Authority has been going through a restructuring process. The impact of reorganisation has resulted in £2.3 million in 2011/12 and £2.8 million in 2010/11 of redundancy costs.

- Capital receipts totalling £4.7m were received on the sale of various Council assets during 2011/12. There were no individual items over £1m. Capital receipts totalling £3m were generated in 2010/11 relating to the sale of the freehold interest in two premises.

- A one off payment of £5m was made during the year to secure the purchase of land within the Borough. The payment has been treated as a Payment in Advance in 2011/12 and will be reported as capital expenditure in the 2012/13 accounts. The payment is reported in the Balance Sheet (debtor) and the Cashflow Statement in the 2011/12 statement. Full details of the proposed use of the site and the relevant consultation were presented to Cabinet in May 2012 and can be viewed on the Council's website:

  http://cabnet.richmond.gov.uk/documents/s33117/Cabinet%20report%2024%20May%202012%20re%20Clifden%20site.pdf

- A one off payment of £1.7m was made to the Council's ICT provider to settle the Council's outstanding capital liability under the contract. The ICT contract is treated as a similar arrangement to a Private Finance Initiative (PFI) in the accounts (see Note 44). The Council received a discount on the settlement of the liability. Full details of the Cabinet's decision to pay this money is available on the Council's website (Cabinet June 2011):

http://cabnet.richmond.gov.uk/documents/s25520/Item%2023%20-%20ICT%20Capital%20Repayment%20-%20Public.pdf

CHANGES IN ACCOUNTING POLICIES

The 2011/12 accounts have been prepared in accordance with International Financial Reporting Standards as required by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2011 (known as 'the code'). The 2011 code is in line with the previous year's code with only a few minor changes:

A new class of Asset called Heritage Assets (see Note 13 in the accounts) which is defined as:

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

Exit Packages – a more detailed note on redundancy and severance payments made to employees during the year (see Note 37 in the Accounts)

Carbon Reduction Commitment – From 2011/12 the Council 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. A new accounting policy has been included in Note 1 to reflect this new requirement.

CHANGES IN STATUTORY FUNCTIONS AND POTENTIAL IMPACT ON FUTURE PLANS

As part of the Council's efficiency measures, the following support services have entered into shared arrangements with other Local Authorities.

Legal Services
During 2011/12, the Legal Services section entered into a shared support service arrangement with the London Borough of Merton. The newly formed 'Merton and Richmond Legal Services' is based at the London Borough of Merton and was the first local authority shared legal service in London. The aim of the service is to provide a more resilient and higher quality legal service than that provided by each authority individually and to continuously improve the service provided to both Councils.

HR and Payroll
From 4 April 2012, the HR and Payroll section will enter into a shared service arrangement with the Royal Borough of Kingston upon Thames. There will be a bigger HR team, meaning a wider range of expertise and a more resilient, cost effective service. The arrangement is expected to deliver a better service, particularly as the Council continues to go through a period of change. The service is hosted by RB Kingston.

Internal Audit
A shared service with the Royal Borough of Kingston upon Thames will be established (effective from June 2012), led by Richmond. The proposal will also allow the joint service, once established, to be extended to other boroughs and/or offer services to other organisations. The two boroughs have shared a Joint Head of Internal Audit since 1st December 2011.

PROVISIONS, CONTINGENCIES AND WRITE OFFS

There were no significant changes to contingencies or write off's during the year. However, the short term provisions (see Note 23 to the accounts) have increased by £642k (33%) which is mainly due to an increased provision for redundancies (see Note 37 to the accounts). Long term provisions remain similar to previous years.

MATERIAL POST BALANCE SHEET EVENTS

There are no events that occurred after 31st March 2012 that require adjustment to the accounts. The following non adjusting events have occurred:

Three schools have transferred to Academy status

The following schools transferred to Academy status after the unaudited accounts were authorised for issue: Teddington School (1st August 2012), Waldegrave School (1st August 2012) and Orleans Park School (1st September 2012). The transfer to Academy status means that they will still be Government funded but will not fall within Council control. The following arrangements have been put in place which will impact on the Council's accounts in future years:

Lease agreements between the schools and the Council have been put in place for up to 7 years from the date of transfer to Academy status for the use of the land and buildings currently used by the schools. The Council intends to undertake works to these schools as part of its capital programme and it is anticipated that upon completion of these works 125 year leases will be put in place for the use of these land and buildings. The Council will receive a peppercorn rent each year. The initial short term leases mean that for the duration of these agreements the assets will remain on the Council's Balance Sheet as they will be treated as operating leases because the lease term is significantly less than the asset lives and does not constitute the transfer of the majority of the benefit that will be gained from the assets over their useful lives. When the 125 year leases are introduced it is likely (this will be assessed at the time) that the buildings will be treated as finance leases and the land will be treated as operating leases. This will mean that the Council's Property Plant and Equipment will reduce by the NBV of the assets at the point the 125 year leases are introduced (current net book value of buildings is £51m). All other leases for plant and equipment (e.g. photocopiers) will transfer to the Academies as at the date of transfer. The impact of this on the accounts is not material.

As at 31st March 2012 the Council held £3.1m on behalf of the 3 three schools. These balances transferred to the schools on the date they became Academies. The Council's earmarked reserves will reduce accordingly.

Purchase of Long Term Assets

The Council purchased a site on Clifden Road, Twickenham on the 11th September 2012. The Council made an initial deposit of £5m during the 2011/12 financial year, to secure the purchase, and made a final payment of £3.45m to complete the purchase after the Balance Sheet date. As of 11th September 2012 the Council has legal title to these assets and will therefore recognise them as Long Term Assets on the Balance Sheet. The value of Long Term Assets has therefore increased by £8.45m since the 31st March 2012, £5m of which was reported under Current Assets on the Balance Sheet (Payment in Advance) as at 31st March 2012. Further details on the proposed use of this site are contained in note 5 to the accounts.

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 31st March 2012 and its income and expenditure for the year ended 31st March 2012.

Mark Maidment
Director of Finance and Corporate Services
17th September 2012

CERTIFICATE OF APPROVAL

These financial statements were approved by the Statutory Accounts Committee on 17th September 2012.

Councillor Lord True
Chairman
Statutory Accounts Committee
17th September 2012

Date authorised for issue: This statement of accounts is authorised for issue on 17th September 2012 and any events up to this date are reflected in the note on events after the Balance Sheet date – see Note 6.

THE CORE FINANCIAL STATEMENTS

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 (restated) £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves (restated) £000	Total Unusable Reserves (restated) £000	Total Council Reserves (restated) £000
Balance at 31 March 2010 (restated)		**(10,706)**	**(43,017)**	**(2,165)**	**(5,030)**	**(60,918)**	**(378,032)**	**(438,950)**
Movement in reserves during 2010/11								
(Surplus) or deficit on provision of services	*CI&E*	(48,169)	0	0	0	**(48,169)**	**25**	**(48,144)**
Other Comprehensive Expenditure and Income	*CI&E*	(57,885)	0	0	0	**(57,885)**	**0**	**(57,885)**
Total Comprehensive Expenditure and Income		**(106,054)**	**0**	**0**	**0**	**(106,054)**	**25**	**(106,029)**
Adjustments between accounting basis & funding basis under regulations	*7*	102,237	0	(1,542)	1,037	**101,732**	**(101,732)**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(3,817)**	**0**	**(1,542)**	**1,037**	**(4,322)**	**(101,707)**	**(106,029)**
Transfers to/from Earmarked Reserves	*8*	3,817	(3,817)	0	0	**0**	**0**	**0**
Increase/Decrease (movement) in Year		**0**	**(3,817)**	**(1,542)**	**1,037**	**(4,322)**	**(101,707)**	**(106,029)**
Balance at 31 March 2011 carried forward (restated)	*25/26*	**(10,706)**	**(46,834)**	**(3,707)**	**(3,993)**	**(65,240)**	**(479,739)**	**(544,979)**
Movement in reserves during 2011/12								
(Surplus) or deficit on provision of services	*CI&E*	(41,296)	0	0	0	**(41,296)**	**5**	**(41,291)**
Other Comprehensive Expenditure and Income	*CI&E*	31,223	0	0	0	**31,223**	**0**	**31,223**

Movement in Reserves continued…	*Notes*	General Fund Balance (restated)	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves (restated)	Total Unusable Reserves (restated)	Total Council Reserves (restated)
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Total Comprehensive Expenditure and Income		**(10,073)**	**0**	**0**	**0**	**(10,073)**	**5**	**(10,068)**
Adjustments between accounting basis & funding basis under regulations	*7*	4,341	0	(2,661)	(9,568)	**(7,888)**	**7,888**	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves		**(5,732)**	**0**	**(2,661)**	**(9,568)**	**(17,961)**	**7,893**	**(10,068)**
Transfers to/from Earmarked Reserves	*8*	6,232	(6,232)			**0**	**0**	**0**
Increase/Decrease (movement) in Year		**500**	**(6,232)**	**(2,661)**	**(9,568)**	**(17,961)**	**7,893**	**(10,068)**
Balance at 31 March 2012 carried forward	*25/26*	**(10,206)**	**(53,066)**	**(6,368)**	**(13,561)**	**(83,201)**	**(471,846)**	**(555,047)**

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 2012			31 March 2011 (restated)		
		Expenditure	Income	Net	Expenditure	Income	Net
	Notes	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Central services to the public		19,414	(15,653)	3,761	15,825	(11,554)	4,271
Cultural & related services		17,412	(5,089)	12,323	17,386	(4,329)	13,057
Environmental & regulatory services		18,306	(6,079)	12,227	19,423	(6,387)	13,036
Planning services		8,412	(3,499)	4,913	9,851	(2,912)	6,939
Education and children's services		182,116	(142,220)	39,896	200,515	(144,078)	56,437
Highways and transport services		25,751	(12,717)	13,034	26,421	(15,761)	10,660
Housing services (General Fund)		76,505	(68,133)	8,371	80,115	(68,802)	11,313
Adult social care		75,437	(25,507)	49,930	78,243	(26,138)	52,105
Corporate and democratic core		3,781	(63)	3,718	3,712	(53)	3,659
Non distributed costs*		468	(1)	467	(56,414)	(2)	(56,416)
Cost Of Services	*30*	**427,602**	**(278,962)**	**148,640**	**395,077**	**(280,016)**	**115,061**
Other Operating Expenditure	*9*	7,958	(4,728)	3,230	6,077	0	6,077
Financing and Investment Income and Expenditure	*10*	14,065	(11,732)	2,333	17,573	(11,534)	6,039
Taxation and Non-Specific Grant Income	*11*	0	(195,499)	(195,499)	0	(175,346)	(175,346)
(Surplus) or Deficit on Provision of Services	*30*	**449,625**	**(490,921)**	**(41,296)**	**418,727**	**(466,896)**	**(48,169)**
Surplus or deficit on revaluation of Property, Plant and Equipment	*12*	0	(9,130)	(9,130)	0	(4,592)	(4,592)
Actuarial gains/losses on pension assets/liabilities	*49*	40,353	0	40,353	0	(53,293)	(53,293)
Other Comprehensive Income and Expenditure		**40,353**	**(9,130)**	**31,223**	**0**	**(57,885)**	**(57,885)**
Total Comprehensive Income and Expenditure		**489,978**	**(500,051)**	**(10,073)**	**418,727**	**(524,781)**	**(106,054)**

***a large credit of £56.1 million has been included under Non Distributed Costs in 2010/11 as a result of a negative past service cost relating to pensions. This is due to the change in the reference index for pensions increases (RPI to CPI) prescribed by the Government. Further detail on this is disclosed within Note 5 and Note 49 to the Accounts.

****the comparative figures (2010/11) have been restated to reflect changes in the CIPFA Code on the reporting of Heritage Assets. Further details are available in Note 55 to the accounts.

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 (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Notes	31 March 2012 £000	31 March 2011 (restated) £000	1 April 2010 (restated) £000
NET ASSETS				
Property, Plant & Equipment	*12*	699,114	674,892	669,168
Heritage Assets	*13*	2,785	2,606	2,689
Investment Property	*14*	6,853	6,698	9,696
Intangible Assets	*15*	416	209	315
Assets held for sale	*21*	0	470	1,153
Long Term Investments	*16*	7,250	15,250	12,250
Long Term Debtors	*19*	2,858	2,938	3,578
Long Term Assets		**719,276**	**703,063**	**698,849**
Short Term Investments	*16*	53,446	52,262	48,562
Assets Held for Sale	*21*	234	0	0
Inventories	*17*	64	98	287
Short Term Debtors	*19*	31,783	25,780	24,523
Cash and Cash Equivalents	*20*	13,916	17,284	16,168
Current Assets		**99,443**	**95,424**	**89,540**
Short Term Borrowing	*16*	(7,462)	(7,157)	(7,737)
Short term Creditors	*22*	(35,717)	(36,797)	(39,966)
Provisions	*23*	(2,567)	(1,925)	(1,651)
Current Liabilities		**(45,746)**	**(45,879)**	**(49,354)**
Long Term Creditors (Grants Receipts in Advance – Revenue)	*22*	(1,198)	(1,432)	(911)
Grants Receipts in Advance - Capital	*22*	(4,383)	(23,379)	(10,973)
Provisions	*23*	(1,064)	(1,007)	(1,121)
Long Term Borrowing	*16*	(40,861)	(45,848)	(40,848)
Other Long Term Liabilities	*24*	(170,420)	(135,963)	(246,223)
Long Term Liabilities		**(217,926)**	**(207,629)**	**(300,076)**
Net Assets		**555,047**	**544,979**	**438,959**

Balance Sheet continued ….	Notes	31 March 2012 £000	31 March 2011 (restated) £000	1 April 2010 (restated) £000
TOTAL RESERVES				
Usable Reserves	25	(83,201)	(65,240)	(60,918)
Unusable Reserves	26	(471,846)	(479,739)	(378,041)
Total Reserves		**(555,047)**	**(544,979)**	**(438,959)**

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 2012 £000	31 March 2011 (restated) £000
Net (surplus) or deficit on the provision of services		(41,296)	(48,169)
Adjustments to net surplus or deficit on the provision of services for noncash movements		(2,760)	17,767
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		4,510	6,892
Net cash flows from Operating Activities		(39,546)	(23,510)
Investing Activities	*28*	33,651	27,466
Financing Activities	*29*	9,263	(5,072)
Net (increase) or decrease in cash and cash equivalents		**3,368**	**(1,116)**
Cash and cash equivalents at the beginning of the reporting period		17,284	16,168
Cash and cash equivalents at the end of the reporting period	*20*	**13,916**	**17,284**

NOTES TO THE ACCOUNTS

NOTE 1 ACCOUNTING POLICIES

General principles

Basis of preparation - accounting practices

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its year end position at 31 March 2012. 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 2011/12,
- Service Reporting Code of Practice 2011/12
- 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 accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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.

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 affect 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 cost centre / 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 31st 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 these are 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. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. 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

From 1st April 2011 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 (the Code 4.10.2.1 and 2).

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.

Where a Heritage Asset is operational this will be treated as Property, Plant and Equipment 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 (PP&E) 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).

Deprecation 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 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 wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the Non Distributed Costs 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 two separate pension schemes:

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

Both schemes provide defined benefits to members, earned as employees worked for the Council.

However, the arrangements for the teachers' 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 Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

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

- The liabilities of the LBRUT pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of 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 the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.
- The change in the net pensions liability is analysed into seven components:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
    - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
    - gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
    - contributions paid to the LBRUT Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

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).

Instruments Entered Into Before 1 April 2006

The Council entered into a financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts as a contingent liability note under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

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. Grants that fall under this category include Revenue Support Grant (RSG), Area Based Grant (ABG) and Council Tax Freeze Grant. Council Tax Freeze Grant is a general grant allocated to central Government to councils who froze Council Tax in 2011/12 and Area Based Grant is a general non-ringfenced grant that ceased in 2010/11.

Group relationships

Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and there is no requirement to prepare group accounts.

Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

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.

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

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 2011/12* (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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 an employee is formally notified. If a notification of redundancy has been issued before 31st 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. This scheme is currently in its introductory phase which will last until 31 March 2014. 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.

NOTE 2 ACCOUNTING STANDARDS ISSUED, NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code) has introduced a change in accounting policy in relation to the treatment of financial instruments - disclosures (IFRS 7) by the Council, which will need to be adopted fully by the Council in the 2012/13 financial statements.

The Council is required to disclose information relating to the expected impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council, in this case, financial instruments - disclosures. As is set out above, full adoption of the standard will be required for the 2012/13 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2011/12) financial statements.

The change in the 2012/13 Code for IFRS 7 is a minor addition which clarifies that these disclosures may include financial assets that are derecognised in their entirety but in which an authority has continuing involvement, for example an authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership. CIPFA/ LASAAC are of the view that the transfers described by the amended standard do not occur frequently in local authorities.

It has been assessed that the minor change to IFRS 7 would have no expected material impact on the 2011/12 financial statements.

NOTE 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, 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. A provision has been made for the cost of likely redundancies at 31 March 2012 and an earmarked reserve (Invest to Save Reserve - £3.9 million at 31 March 2012) 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 the latter part of 2010/11 charitable status was granted for this Trust with the Council the sole trustee. Certain governance arrangements were agreed with the Charity Commissioners to ensure that the operation and control of the charitable Trust would remain independent of the Council and on this basis it has been determined that the Trust is not a subsidiary of the Council.

d) The Council has 3 PFI contracts which require current year entries and items on the Balance Sheet that relate to future liabilities under these contracts. The entries in the accounts relating to future years (reserves and liabilities) are based around certain judgements and assumptions about inflation rates, interest rates and levels of service over the life of the contracts.

NOTE 4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Non-current assets – PPE The Council values its property assets on a rolling five-year basis. 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.

The gross book value of PPE at 31 March 2012 was £754m. A 1% change on the assets revalued in any one year equates to approximately £1m. 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
- 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.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below		
Change in assumptions at year ended 31 March 2012:	**Approximate % increase to Employer**	**Approximate monetary amount £000**
0.5% decrease in Real Discount Rate	9%	48,809
1 year increase in member life expectancy	3%	15,858
0.5% increase in the Salary Increase Rate	2%	11,797
0.5% increase in the Pension Increase Rate	7%	36,864

Arrears

At 31 March 2012 the Council had a balance of £6.7 million in respect of sundry debtors and had an impairment for doubtful debts of £1.5 million. 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 £150,000 to be set aside as an allowance for impairment.

Interest Rates

The Council has borrowings of £2m and investments of £68m at 31 March 2012 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 £0.7m.

The Capital programme for 2012/13 includes new borrowing of £16.8m. The impact of a 1% change in interest rates on this new borrowing would change the cost by £0.2m resulting in a variance against the Council's budgeted interest costs.

Changes to Accounting Estimates

Discount Rate used under IAS 19

The Council's actuary reviews the discount rate used under IAS 19 to discount the Council's share of Fund liabilities. IAS 19 requires a rate equivalent to the "current rate of return available on a high quality corporate bond of equivalent currency and term to the scheme liabilities". The actuary assesses the suitability of their rate annually and has previously recommended using the yield on iBoxx Sterling Corporates AA over 15 year index. For 2011/12 the actuary has changed their recommendation to the 20 year gilt yield plus credit spread from the iBoxx index. This longer duration better matches the likely duration of the LGPS liabilities.

This results in a discount rate of 4.8%. The actuary supplied comparatives as at 31st December, where the iBoxx rate was 4.7% compared to 5.2% using gilt rates. The actuary have pro actively discussed this change with the Audit Commission who did not raise any concerns over the change.

NOTE 5 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 2011/12 and 2010/11 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 £2.3 million in 2011/12 and £2.8 million in 2010/11 of redundancy costs. In 2010/11 compensation payments equalled £0.5 million which were in relation to the cessation of the Authority's car allowance scheme being recognised in the 2010/11 accounts.

- Capital receipts totalling £4.7m were received on the sale of various Council assets during 2011/12. There were no individual items over £1m. Capital receipts totalling £3 million were generated in 2010/11 relating to the sale of the freehold interest in two premises.

- A one off payment of £5m was made during the year to secure the purchase of some land within the Borough. The payment has been treated as a Payment in Advance in 2011/12 and will be reported as capital expenditure in the 2012/13 accounts. The payment is reported in the Balance Sheet (debtor) and the Cashflow Statement in the 2011/12 statement. Full details of the proposed use of the site and the relevant consultation were presented to Cabinet in May 2012 and can be viewed on the Councils website:

http://cabnet.richmond.gov.uk/documents/s33117/Cabinet%20report%2024%20May%202012%20re%20Clifden%20site.pdf

- A one off payment of £1.7m was made to the Council's ICT provider to settle the Council's outstanding capital liability under the contract. The ICT contract is treated as a similar arrangement to a Private Finance Initiative (PFI) in the accounts (see Note 44). The Council received a discount on the settlement of the liability because it paid it as a one-off payment in 2011/12. Full details of the Cabinet's decision to pay this money is available on the Council's website (Cabinet June 2011):

  http://cabnet.richmond.gov.uk/documents/s25520/Item%2023%20-%20ICT%20Capital%20Repayment%20-%20Public.pdf

- In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This had the effect of reducing the Authority's liabilities in 2010/11 by £56.1 million.

NOTE 6 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts is authorised for issue on 17th September 2012. There are no events that occurred after 31st March 2012 that require adjustment to the accounts. The following non adjusting events have occurred:

Three schools have transferred to Academy status

The following schools transferred to Academy status after the unaudited accounts were authorised for issue: Teddington School (1st August 2012), Waldegrave School (1st August 2012) and Orleans Park School (1st September 2012). The transfer to Academy status means that they will still be Government funded but will not fall within Council control. The following arrangements have been put in place which will impact on the Council's accounts in future years:

Lease agreements between the schools and the Council have been put in place for up to 7 years from the date of transfer to Academy status for the use of the land and buildings currently used by the schools. The Council intends to undertake works to these schools as part of its capital programme and it is anticipated that upon completion of these works 125 year leases will be put in place for the use of these land and buildings. The Council will receive a peppercorn rent each year. The initial short term leases mean that for the duration of these agreements the assets will remain on the Council's Balance Sheet as they will be treated as operating leases because the lease term is significantly less than the asset lives and does not constitute the transfer of the majority of the benefit that will be gained from the assets over their useful lives. When the 125 year leases are introduced it is likely (this will be assessed at the time) that the buildings will be treated as finance leases and the land will be treated as operating leases. This will mean that the Council's Property Plant and Equipment will reduce by the NBV of the assets at the point the 125 year leases are introduced (current net book value of buildings is £51m). All other leases for plant and equipment (e.g. photocopiers) will transfer to the Academies as at the date of transfer. The impact of this on the accounts is not material.

As at 31st March 2012 the Council held £3.1m on behalf of the 3 three schools. These balances transferred to the schools on the date they became Academies. The Council's earmarked reserves will reduce accordingly.

Purchase of Long Term Assets

The Council purchased a site on Clifden Road, Twickenham on the 11th September 2012. The Council made an initial deposit of £5m during the 2011/12 financial year, to secure the purchase, and made a final payment of £3.45m to complete the purchase after the Balance Sheet date. As of 11th September 2012 the Council has legal title to these assets and will therefore recognise them as Long Term Assets on the Balance Sheet. The value of Long Term Assets has therefore increased by £8.45m since the 31st March 2012, £5m of which was reported under Current Assets on the Balance Sheet (Payment in Advance) as at 31st March 2012. Further details on the proposed use of this site are contained in note 5 to the accounts.

NOTE 7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Movement in reserves during 2011/12:

	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	(12,447)	0	0	0	**(12,447)**	**12,447**	**0**
Impairment/revaluation losses (charged to CI&ES)	(6,795)	0	0	0	**(6,795)**	**6,795**	**0**
Movement in market value of investment property	331	0	0	0	**331**	**(331)**	**0**
Movement in value of held for sale assets	0	0	0	0	**0**	**0**	**0**
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	42,227	0	0	0	**42,227**	**(42,227)**	**0**
Revenue expenditure funded from capital under statute	(14,106)	0	0	0	**(14,106)**	**14,106**	**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	(1,231)	0	0	0	**(1,231)**	**1,231**	**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	4,156	0	0	0	**4,156**	**(4,156)**	**0**
Capital expenditure charged against the General Fund	10,799	0	0	0	**10,799**	**(10,799)**	**0**
Adjustments primarily involving the CAA	0	0	0	0	**0**	**0**	**0**
Capital grants and contributions unapplied credited to the CI&ES	12,567	0	0	(12,567)	**0**	**0**	**0**
Application of grants to capital financing transferred to the CAA	0	0	0	2,999	**2,999**	**(2,999)**	**0**
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash sale proceeds from gain/loss on disposal	4,728	0	(4,728)	0	**0**	**0**	**0**
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	1,787	0	**1,787**	**(1,787)**	**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**
Contribution towards costs of non-current asset disposal	(218)	0	218	0	**0**	**0**	**0**
Contribution to finance Government Capital Receipts Pool	(22)	0	22	0	**0**	**0**	**0**
Contribution to finance the Distribution of HLU Capital Receipts	(80)	0	80	0	**0**	**0**	**0**
Transfer from Deferred Capital Receipts on receipt of cash	0	0	(40)	0	**(40)**	**40**	**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	165	0	0	0	**165**	**(165)**	**0**
Adjustments Primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited to CI&ES	(52,696)	0	0	0	**(52,696)**	**52,696**	**0**
Employer's pensions contributions and payments to pensioners due in the year	16,001	0	0	0	**16,001**	**(16,001)**	**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	1,004	0	0	0	**1,004**	**(1,004)**	**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	(71)	0	0	0	**(71)**	**71**	**0**
Adjustments Primarily involving the Deferred Lease Income Account							
Transfer of Deferred Lease Receipts included in gain/loss on disposal to CI&ES	29	0	0	0	**29**	**(29)**	**0**
Adjustments between accounting basis and funding basis under regulations	**4,341**	**0**	**(2,661)**	**(9,568)**	**(7,888)**	**7,888**	**0**

Movement in reserves during 2010/11:

	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	(11,765)	0	0	0	**(11,765)**	**11765**	**0**
Impairment/revaluation losses (charged to CIES)	(11,191)	0	0	0	**(11,191)**	**11191**	**0**
Movement in market value of investment property	24	0	0	0	**24**	**(24)**	**0**
Movement in value of held for sale assets	0	0	0	0	**0**	**0**	**0**
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	20,942	0	0	0	**20,942**	**(20,942)**	**0**
Revenue expenditure funded from capital under statute	(14,675)	0	0	0	**(14,675)**	**14675**	**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	(4,852)	0	0	0	**(4,852)**	**4852**	**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	2,805	0	0	0	**2,805**	**(2,805)**	**0**
Capital expenditure charged against the General Fund	2,586	0	0	0	**2,586**	**(2,586)**	**0**
Adjustments primarily involving the CAA							
Capital grants and contributions unapplied credited to the CI&ES	2,708	0	0	(2,708)	**0**	**0**	**0**
Application of grants to capital financing transferred to the CAA	0	0	0	3,745	**3,745**	**(3,745)**	**0**
Adjustments primarily involving the Capital Receipts Reserve							
Transfer of cash sale proceeds from gain/loss on disposal	6,891	0	(6,891)	0	**0**	**0**	**0**
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	4,772	0	**4,772**	**(4,772)**	**0**
Contribution towards costs of non-current asset disposal	(317)	0	317	0	**0**	**0**	**0**
Contribution to finance Government Capital Receipts Pool	(44)	0	44	0	**0**	**0**	**0**
Contribution to finance the Distribution of HLU Capital Receipts	(280)	0	280	0	**0**	**0**	**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 from Deferred Capital Receipts on receipt of cash	0	0	(64)	0	**(64)**	**64**	**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	108	0	0	0	**108**	**(108)**	**0**
Adjustments Primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited to CI&ES	92,736	0	0	0	**92,736**	**(92,736)**	**0**
Employer's pensions contributions and payments to pensioners due in the year	16,507	0	0	0	**16,507**	**(16,507)**	**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	70	0	0	0	**70**	**(70)**	**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	(44)	0	0	0	**(44)**	**44**	**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	**102,237**	**0**	**(1,542)**	**1,037**	**101,732**	**(101,732)**	**0**

NOTE 8 TRANSFERS TO/FROM EARMARKED RESERVES

DESCRIPTION / PURPOSE	Balance at 31 March 2010 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2011 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2012 £000
STATUTORY OR OUTSIDE THE COUNCIL'S DIRECT CONTROL:							
Home Loans Unit	(79)	45	0	(34)	0	(11)	(45)
Thames Landscape Strategy - Funds held for third party	(328)	129	0	(199)	60	0	(139)
Orleans House	(468)	0	(20)	(488)	0	(20)	(508)
	(875)	**174**	**(20)**	**(721)**	**60**	**(31)**	**(692)**
EARMARKED FOR CERTAIN OR PROBABLE EXPENDITURE OUTSIDE THE COUNCIL'S CONTROL:							
General Insurance Reserve	(3,117)	624	(559)	(3,052)	583	(505)	(2,974)
Vehicles Insurance Reserve	(214)	0	(5)	(219)	0	(46)	(265)
PFI Reserve (Social Services)	(2,577)	0	(28)	(2,605)	614	(90)	(2,081)
PFI Reserve (Education)	(3,355)	149	(10)	(3,216)	0	(137)	(3,353)
VAT Liabilities	(205)	0	0	(205)	17	0	(188)
	(9,468)	**773**	**(602)**	**(9,297)**	**1,214**	**(778)**	**(8,861)**
OTHER EARMARKED RESERVES:							
Infrastructure Reserve	(3,312)	3,272	0	(40)	40	0	0
Infrastructure Reserve (Earmarked for Schools)	0	0	(2,518)	(2,518)	1,809	(576)	(1,285)
Twickenham Riverside / Uplift Projects	0	0	(484)	(484)	0	(774)	(1,258)
Project Development Reserve	(885)	179	(735)	(1,441)	181	0	(1,260)
Repairs and Renewals Fund	(677)	164	(1,186)	(1,699)	15	(1,054)	(2,738)
Social Services Special Equipment and Furniture Fund	(140)	21	0	(119)	14	0	(105)
Carry Forwards Reserve	(998)	998	(462)	(462)	462	(844)	(844)
Waste and Recycling Reserve	(2,036)	0	(1,128)	(3,164)	1,145	(2,060)	(4,079)
Youth Development Fund	(846)	333	(170)	(683)	0	0	(683)
Community Development Fund	(153)	33	0	(120)	16	(3)	(107)
Climate Change Reserve	(560)	101	(59)	(518)	48	(59)	(529)

DESCRIPTION / PURPOSE	Balance at 31 March 2010 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2011 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2012 £000
Invest to Save	(6,807)	3,790	(3,269)	(6,286)	3,259	(921)	(3,948)
Section 106 Interest Reserve (Affordable Housing Fund)	(728)	0	(4)	(732)	0	(3)	(735)
Section 106 Interest Reserve	(379)	0	(14)	(393)	0	(1)	(394)
Section 117 Reserve	(484)	484	0	0	0	0	0
Recession and Recovery Fund	(465)	395	0	(70)	70	0	0
Economic Development Fund	(393)	79	0	(314)	314	0	0
Salaries and General Oncost Account	(489)	700	(841)	(630)	921	(291)	0
Public Service Agreement Revenue	(812)	812	0	0	0	0	0
Youth Centres Reserve	(278)	0	(51)	(329)	8	0	(321)
Civic Pride Fund	(79)	0	(34)	(113)	113	0	0
All In One Reserve	0	0	0	0		(125)	(125)
Economic Support Fund	0	0	0	0	118	(384)	(266)
Connexions Legal Challenge	0	0	0	0		(325)	(325)
Other Minor Earmarked Reserves	(538)	232	(61)	(367)	32	(52)	(387)
	(21,059)	**11,593**	**(11,016)**	**(20,482)**	**8,565**	**(7,472)**	**(19,389)**
TOTAL RESERVES EXCLUDING SCHOOLS	**(31,402)**	**12,540**	**(11,638)**	**(30,500)**	**9,839**	**(8,281)**	**(28,942)**
SCHOOLS RESERVES:							
Schools' Balances	(7,533)	0	(2,718)	(10,251)	0	(4,487)	(14,738)
Dedicated Schools Grant Reserve	(824)	12	(61)	(873)	3	(31)	(901)
Schools Maternity and Supply cover scheme	(471)	40	(1)	(432)	0	(136)	(568)
	(8,828)	**52**	**(2,780)**	**(11,556)**	**3**	**(4,654)**	**(16,207)**
TOTAL INCLUDING SCHOOLS	**(40,230)**	**12,592**	**(14,418)**	**(42,056)**	**9,842**	**(12,935)**	**(45,149)**

DESCRIPTION / PURPOSE	Balance at 31 March 2010 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2011 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2012 £000
REVENUE INCOME FROM GRANTS / CONTRIBUTIONS WHERE NO CONDITIONS ARE OUTSTANDING AND EXPENDITURE HAS NOT YET BEEN INCURRED:							
Pre-contact point	(138)	138	(138)	(138)	27	0	(111)
S106 Revenue Contributions	(2,418)	339	(854)	(2,933)	5	(1,140)	(4,068)
Overcrowding Grant	(114)	114	(122)	(122)	122	(108)	(108)
Homelessness Grant	0	0	(200)	(200)	0	0	(200)
PCT Contributions to Services	0	0	(31)	(31)	31	0	0
PCT Section 256 Contributions	0	0	(381)	(381)	381	(998)	(998)
PCT Continuing Care	0	0	(459)	(459)	459	(240)	(240)
PCT Funding Carers break	0	0	(247)	(247)	247	0	0
Learning Disability and Health Reform	0	0	0	0	0	(1,011)	(1,011)
Warm Homes Healthy People	0	0	0	0	0	(162)	(162)
Flood Defence Grant	0	0	0	0	0	(125)	(125)
Health Authority - S256 (Winter Pressures)	0	0	0	0	0	(408)	(408)
Other Minor Earmarked Reserves	(117)	117	(267)	(267)	145	(364)	(486)
	(2,787)	**708**	**(2,699)**	**(4,778)**	**1,417**	**(4,556)**	**(7,917)**
TOTAL EARMARKED RESERVES	**(43,017)**	**13,300**	**(17,117)**	**(46,834)**	**11,259**	**(17,491)**	**(53,066)**

NOTE 9 OTHER OPERATING EXPENDITURE

	2011/12 £000	2010/11 £000
Levies payable		
West London Waste Authority (WLWA)	5,500	6,539
Lee Valley Regional Park	264	271
London Pensions Fund Authority	305	339
Environment Agency Flood Defence	176	177
Coroners' Service	162	141
Financial Reporting Council Levy	0	1
Administration costs	0	8
Payments of Housing capital receipts to govt pool	22	44
(Gain)/loss on disposal of non current assets	(3,279)	(1,723)
HLU Distribution of Capital Receipts	80	280
Total	**3,230**	**6,077**

NOTE 10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2011/12 £000	2010/11 £000
Interest payable and similar charges	3,992	3,778
Pensions interest cost and expected return on pensions assets	746	4,314
Interest receivable and similar income	(1,835)	(1,680)
Income and expenditure in relation to investment properties and changes in their fair value	(570)	(373)
Other investment income	0	0
Total	**2,333**	**6,039**

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. The gross figures for income and expenditure are £9.634 million in 2011/12 and £9.480 million in 2010/11.

NOTE 11 TAXATION AND NON-SPECIFIC GRANT INCOME

Grants & Contributions Credited to Taxation & Non Specific Grant Income	2011/12 £000	2010/11 £000
Council Tax Income (including Collection Fund Surplus)	**(116,206)**	**(115,013)**
National Non Domestic Rates	**(23,492)**	**(24,463)**
Revenue Support Grant	(7,261)	(3,552)
Area Based Grant	0	(8,668)
Council Tax Freeze Grant	(2,874)	0
	(10,135)	**(12,220)**
Capital Grants	(44,383)	(22,280)
Capital Contributions	(705)	(1,230)
S106 Contributions	(578)	(140)
Capital Grants and Contributions	**(45,666)**	**(23,650)**
Total Taxation and Non-Specific Grant Income	**(195,499)**	**(175,346)**

Full breakdowns of all capital and revenue grants and contribution are available in Note 40.

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

Movements in Property, Plant and Equipment 2011/12 are as follows:

2011/12	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastru-cture Assets	Comm-unity Assets	Surplus Assets	PP&E Under Constru-ction	Total PP&E	PFI Assets Included in Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2011	582,303	16,180	92,378	18,183	10,994	650	**720,688**	30,190
Additions	19,707	1,392	3,928	2,576	196	16,477	**44,276**	441
Revaluation Increases/(decreases) to Revaluation Reserve	6,389	0	0	352	21	0	**6,762**	1,913
Revaluation Increases/(decreases) to Surplus/Deficit on Provision of Services	(16,120)	0	0	(243)	(1)	0	**(16,364)**	0
Derecognition-Disposals	(275)	(42)	0	0	(110)	0	**(427)**	0
Reclassifications	(1,297)	190	0	0	630	0	**(477)**	0
At 31 March 2012	**590,707**	**17,720**	**96,306**	**20,868**	**11,730**	**17,127**	**754,458**	**32,544**
Depreciation and Impairment								
At 1 April 2011	22,320	10,154	12,928	0	394	0	**45,796**	3,638
Depreciation Charge	7,884	1,931	2,423	0	34	0	**12,272**	863
Depreciation written out to Revaluation Reserve	(2,123)	0	0	0	(49)	0	**(2,172)**	(85)
Depreciation written out to Surplus/Deficit on Provision of Services	(4,178)	0	0	0	0	0	**(4,178)**	0
Impairment losses/(reversals) to Surplus/Deficit on Provision of Services	3,700	41	0	0	0	0	**3,741**	0
Derecognition-Disposals	(12)	(37)	0	0	0	0	**(49)**	0
Reclassification	(85)	21	0	0	(2)	0	**(66)**	0
At 31 March 2012	**27,506**	**12,110**	**15,351**	**0**	**377**	**0**	**55,344**	**4,416**
Net Book Value								
At 31 March 2012	**563,201**	**5,610**	**80,955**	**20,868**	**11,353**	**17,127**	**699,114**	**28,128**
At 31 March 2011	**559,983**	**6,026**	**79,450**	**18,183**	**10,600**	**650**	**674,892**	**26,552**

Comparative movements in Property, Plant and Equipment for 2010/11 are:

2010/11 (restated)	**Other Land & Buildings**	**Vehicles, Plant & Equipment**	**Infrastru-cture Assets**	**Comm-unity Assets**	**Surplus Assets**	**PP&E Under Constru-ction**	**Total PP&E**	**PFI Assets Included in Total PPE**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation								
At 1 April 2010	558,254	14,822	84,648	16,185	11,173	21,978	**707,060**	29,708
Additions	10,789	308	7,730	2,175	17	8,628	**29,647**	199
Revaluation Increases/(decreases) to Revaluation Reserve	5,826	0	0	0	10	0	**5,836**	283
Revaluation Increases/(decreases) to Surplus/Deficit on Provision of Services	(19,442)	(62)	0	0	0	0	**(19,504)**	0
Derecognition-Disposals	(2,018)	(316)	0	(177)	(206)	0	**(2,717)**	0
Reclassifications	28,894	1,428	0	0	0	(29,956)	**366**	0
At 31 March 2011	**582,303**	**16,180**	**92,378**	**18,183**	**10,994**	**650**	**720,688**	**30,190**
Depreciation and Impairment								
At 1 April 2010	18,431	8,386	10,707	0	368	0	**37,892**	3,164
Depreciation Charge	7,386	2,021	2,221	0	26	0	**11,654**	474
Depreciation written out to Revaluation Reserve	(1,360)	0	0	0	0	0	**(1,360)**	0
Depreciation written out to Surplus/Deficit on Provision of Services	(890)	0	0	0	0	0	**(890)**	0
Impairment losses/(reversals) to Surplus/Deficit on Provision of Services	(1,211)	(52)	0	0	0	0	**(1,263)**	0
Derecognition-Disposals	(36)	(201)	0	0	0	0	**(237)**	0
At 31 March 2011	**22,320**	**10,154**	**12,928**	**0**	**394**	**0**	**45,796**	**3,638**
<u>Net Book Value</u>								
At 31 March 2011	**559,983**	**6,026**	**79,450**	**18,183**	**10,600**	**650**	**674,892**	**26,552**
At 31 March 2010	**539,823**	**6,436**	**73,941**	**16,185**	**10,805**	**21,978**	**669,168**	**26,544**

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 2012, 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 £36.4m (compared to £9.8m on outstanding contracts at 31st March 2011). The major commitments are:

Croft Children's Centre - £0.2 million
Darell Primary School - £0.1 million
Orleans Infant School - £0.1 million
Chase Bridge primary School - £1.2 million
Lowther Primary School - £1.7 million
St Mary's and St Peter's CE Primary School - £1.9 million
Stanley Primary School - £4.8 million
St Mary Primary School (at Strafford Road site) - £2.0 million
Hampton Academy - £9.5 million
Twickenham Academy - £13.7 million
Barn Elms Sports Pavilion - £1.1 million
Jubilee Gardens - £0.4 million

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. All valuations were carried out internally. 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" section 1.12 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 impact of revaluation over the last 5 years:

	Other Land & Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000
Carried at historical cost	38,971	17,720	96,306	19,469	0	172,466
Valued at fair values as at:						
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
31st March 2009	167,990	0	0	0	1,086	169,076
31st March 2008	125,945	0	0	0	2,433	128,378
Gross Book Value	**586,285**	**17,720**	**96,306**	**20,868**	**16,519**	**737,698**

NOTE 13 HERITAGE ASSETS

Movements in Heritage Assets are as follows:

	Civic Regalia £000	Art Collection £000	Land & Buildings £000	Total Assets £000
Net Cost or Valuation				
1 April 2010	518	1,926	245	2,689
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	82	(149)	(12)	(79)
Impairment Losses/(reversals)	0	0	0	0
Depreciation	0	0	(4)	(4)
31 March 2011	**600**	**1,777**	**229**	**2,606**
Net Cost or Valuation				
1 April 2011	600	1,777	229	2,607
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	161	22	183
Impairment Losses/(reversals)	0	0	0	0
Depreciation	0	0	(4)	(4)
31 March 2012	**600**	**1,938**	**247**	**2,785**

NOTE 14 INVESTMENT PROPERTIES

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

	2011/12 £000	2010/11 £000
Rental income from Investment Property	(261)	(373)
Unrealised Gain from Investment Property Valuation	(331)	(24)
Direct operating expenses arising from Investment Property	22	24
Net (gain) / loss	**(570)**	**(373)**

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 of practice.

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:

	2011/12 £000	2010/11 £000
Balance at start of the year	**6,698**	**9,696**
Additions:		
Purchases	0	0
Construction	0	0
Subsequent Expenditure	15	0
Disposals	(709)	(1,447)
Net gains/(losses) from fair value adjustments	331	24
Transfers:		
to/from Assets Held for Sale	(220)	0
to/from Inventories	0	0
to/from Property, Plant, Equipment	737	(366)
Other Changes	0	(1,209)
Balance at end of year	**6,853**	**6,698**

NOTE 15 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 £172k charged to revenue in 2011/12 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 Expenditure 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 Licence Under SERCO Contract 2011/12	2	1
Software Licences via SERCO 2002-03	10	1
Software Licences via SERCO 2003-04	10	2
I@W Software Licence	5	3
Cyborg Licence	20	19
Customer Contact Centre Licence	20	15

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

	2011/12		2010/11	
	Other Assets	PFI Assets Included in Intangibles	Other Assets	PFI Assets Included in Intangibles
	£000	£000	£000	£000
Balance at start of year:				
Gross carrying amounts	1,080	1,030	1,080	1,030
Accumulated amortisation	(871)	(858)	(765)	(755)
Net carrying amount at start of year	209	172	315	275
Additions:				
Purchases	379	100	0	0
Amortisation for the period	(172)	(153)	(106)	(103)
Net carrying amount at year end	**416**	**119**	**209**	**172**
Comprising:				
Gross carrying amounts	1,459	1,130	1,080	1,030
Accumulated amortisation	(1,043)	(1,011)	(871)	(858)
Net Carrying amount at year end	**416**	**119**	**209**	**172**

The Council does not revalue its software assets acquired under licences due to the nature of our partnership arrangement with SERCO. There are no items of capitalised software that are individually material to the financial statements. The largest item is a software licence with a net book value of £249k at 31 March 2012.

NOTE 16 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 and 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 2012 £000	**31 March 2011 £000**	**31 March 2012 £000**	**31 March 2011 £000**
Investments (Loans & Receivables)				
Investments	7,250	15,250	53,446	52,262
Cash and Cash Equivalents	0	0	13,916	17,284
Debtors (Loans & Receivables)				
Trade Debtors	0	0	6,497	8,605
Total Financial Assets	**7,250**	**15,250**	**73,859**	**78,151**
Financial Liabilities at amortised cost				
Loans	(40,861)	(45,848)	(7,462)	(7,157)
Trade Creditors	0	0	(7,673)	(8,901)
Other Long Term Liabilities				
PFI and Finance Lease Liabilities	(23,114)	(25,351)	(846)	0
Total Financial Liabilities	**(63,975)**	**(71,199)**	**(15,981)**	**(16,058)**

Soft Loans Made by the Authority
The Council did not have any soft loans during 2011/12 or 2010/11 where the value of the subsidy would be material based on market rates at 31 March. The areas meeting the definition of soft loans are as follows :

Staff Loans - The Council offers loans to staff to purchase season tickets and cars. No interest is charged on these loans. The value of debt outstanding at 31 March 2012 was £80k and the annual interest due on this value at market rates would be approximately £5k and therefore not material.

Deferred Payment Agreements - Adult social care service users are able to request a deferred payment in respect of their residential or nursing care home fees. Service users are required to make a contribution to the fees from their income and savings until the property is sold, but the Council will pay the remainder of the cost on the understanding that this amount is repaid to the Council by the service user when their property is sold. The Council places a charge on the property to secure the debt. No interest is charged on this debt. The value of debt outstanding at 31 March 2012 was £648k and the annual interest due on this value at market rates would be approximately £41k and therefore not material.

Rent Deposit Guarantee Scheme – The scheme is intended to assist people who are homeless or at risk of becoming homeless to find housing in the private rented sector. It guarantees the deposit required against any reasonable dilapidations which may occur during the period of rental, up to the equivalent of 6 week's rent. Service users are assessed by the Council as being homeless or at risk of becoming homeless to qualify. This scheme is intended to provide accommodation for people who may be in priority need of housing but have not become homeless intentionally. The deposit is required to be paid back by the service user in instalments. No interest is charged on this debt. The value of debt outstanding at 31 March 2012 was £314k and the annual interest due on this value at market rates would be approximately £20k and therefore not material.

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.

INCOME EXPENSE – GAINS AND LOSSES

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

	2011/12			2010/11		
	Financial liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	3,992	0	3,992	3,778	0	3,778
Total expense in Surplus or Deficit on the Provision of Services	**3,992**	**0**	**3,992**	**3,778**	**0**	**3,778**
Interest income	0	(1,835)	(1,835)	0	(1,680)	(1,680)
Total income in Surplus or Deficit on the Provision of Services	**0**	**(1,835)**	**(1,835)**	**0**	**(1,680)**	**(1,680)**

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 2012.
- 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. 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.

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

Trade debtors 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 2012		31 March 2011	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Investments	60,696	61,938	67,512	68,511
Trade Debtors	6,497	6,497	8,605	8,605
Cash and Cash Equivalents	13,916	13,916	17,284	17,284
	81,109	**82,351**	**93,401**	**94,400**

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 increased slightly in 2011/12. This is due to a small increase in the fair value of Long Term Bonds.

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 2013.

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 2012 Carrying amount £000	31 March 2012 Fair value £000	31 March 2011 Carrying amount £000	31 March 2011 Fair value £000
Borrowings and PFI / Finance Lease Liabilities	(72,283)	(79,274)	(78,356)	(80,254)
Trade Creditors	(7,673)	(7,673)	(8,901)	(8,901)
	(79,956)	**(86,947)**	**(87,257)**	**(89,155)**

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 increased in 2011/12, due to interest rates on existing loans being higher than PWLB interest rates as at 31 March 2012.

NOTE 17 INVENTORIES

Inventories are valued at the lower of cost or net realisable value.

	2010/11					2011/12			
	Balance at 31 March 2010 £000	Purchases £000	Issues £000	Written off balances £000	Balance at 31 March 2011	Purchases £000	Issues £000	Written off balances £000	Balance at 31 March 2012
Consumable Stores									
Highways Salt	**14**	65	(25)		**54**	19	(16)	0	**57**
Print unit *	**31**	11	(19)	(3)	**20**	11	(13)	(12)	**6**
Transport Fuel**	**25**	762	(749)	(14)	**24**	251	(271)	(3)	**1**
Catering	**2**	0	(2)		**0**				**0**
	72	**838**	**(795)**	**(17)**	**98**	**281**	**(300)**	**(15)**	**65**
Stocks for resale									
Customer Services	**1**	108	(109)	0	**0**	0	0	0	**0**
	1	**108**	**(109)**	**0**	**0**	**0**	**0**	**0**	**0**
Work in Progress									
Rechargeable Orders ***	**214**	0	(214)	0	**0**	0	0	0	**0**
	214	**0**	**(214)**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**287**	**946**	**(1,118)**	**(17)**	**98**	**281**	**(300)**	**(15)**	**64**

* Print amounts written off are due to a changing demand for print services, combined with changing practices, which has lead to accumulated stock with no re-sale value or future use.
** Fuel amounts written off have been due to waste, spillage & evaporation.
*** During 2010/11 rechargeable orders relating to street repairs were re-classified between work in progress and short term debtors.

NOTE 18 CONSTRUCTION CONTRACTS

This note relates to the Council constructing assets on behalf of another body. At 31 March 2012 and 31st March 2011 there were no such construction contracts in progress with no work in progress shown on the Balance Sheet.

NOTE 19 DEBTORS

The table below summarises the short term debtors by type and organisation:

	31 March 2012 £000	31 March 2011 £000
Debtors	32,924	30,695
Payments in Advance	7,887	3,490
Less provision for impairment of bad debts	(9,028)	(8,405)
Total Debtors	**31,783**	**25,780**
Central Government Bodies	5,910	3,550
Other Local Authorities	6,350	4,248
NHS bodies and Trusts	990	36
Public Corporations and Trading Funds	5	217
Bodies external to general Government	18,528	17,729
Total short term Debtors	**31,783**	**25,780**

The table below summarises the long term debtors by type and organisation:

	31 March 2012 £000	31 March 2011 £000
Central Government Bodies	0	0
Other Local Authorities	0	0
NHS bodies and Trusts	0	0
Public Corporations and Trading Funds	0	0
Bodies external to general Government	2,858	2,938
Total long term Debtors	**2,858**	**2,938**

NOTE 20 CASH AND CASH EQUIVALENTS

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

	31 March 2012 £000	31 March 2011 £000
Cash held by the Council	32	65
Bank current accounts	(1,906)	(3,681)
Short Term Readily Convertible Investments	15,790	20,900
Total Cash and Cash Equivalents	**13,916**	**17,284**

NOTE 21 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		Non Current	
	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000
Balance outstanding at start of year	**0**	**0**	**470**	**1,153**
Assets newly classified as held for sale:				
Property, Plant and Equipment	0	0	0	0
Intangible Assets	0	0	0	0
Other assets / liabilities in disposal groups	220	0	0	0
Revaluation losses	0	0	0	0
Revaluation gains	14	0	0	0
Impairment losses	0	0	0	0
Assets declassified as held for sale:				
Property, Plant and Equipment	0	0	(326)	0
Intangible Assets	0	0	0	0
Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	0	0	(144)	(683)
Transfers from non-current to current	0	0	0	0
Other movements	0	0	0	0
Balance outstanding at year end	**234**	**0**	**0**	**470**

NOTE 22 CREDITORS

The table below summarises the short term creditors by type and organisation:

	31 March 2012 £000	31 March 2011 £000
Creditors	(32,302)	(32,479)
Receipt in Advance	(3,415)	(4,318)
Total Creditors in Balance Sheet	**(35,717)**	**(36,797)**
Central government bodies	(2,933)	(4,439)
Other local authorities	(3,747)	(3,168)
NHS Bodies and Trusts	(416)	(750)
Public Corporations and Trading Funds	(46)	(900)
Other Entities and individuals	(28,575)	(27,540)
Total Short Term Creditors	**(35,717)**	**(36,797)**

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

	31 March 2012 £000	31 March 2011 £000
Receipt in Advance - Revenue	(1,198)	(1,432)
Receipt in Advance - Capital	(4,383)	(23,379)
Total Creditors in Balance Sheet	**(5,581)**	**(24,811)**
Central government bodies	(4,020)	(23,177)
Other local authorities	0	0
NHS Bodies and Trusts	0	0
Public Corporations and Trading Funds	0	0
Other Entities and individuals	(1,561)	(1,634)
Total Long Term Creditors	**(5,581)**	**(24,811)**

NOTE 23 PROVISIONS

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 £650k will be paid for total Material Damage to Property, and no more than £750k will be paid for Additional Insurance Covers including Fidelity Guarantee, and Casualty Insurance including Public Liability claims.

Welfare Funds

Welfare funds are accounts for clients living in the community for whom the Council holds appointeeship over their finances (the majority of these clients receive most of their income in benefits and the Council is responsible for paying any day to day expenses the clients incur).

Carbon Reduction Commitment

The 2011/12 financial year is the first year for which there will be an obligation to purchase and surrender Carbon Reduction Commitment (CRC) Allowances in relation to carbon dioxide emissions. The retrospective purchase of allowances is anticipated to take place from 1 June 2012. Participating authorities are then required to surrender allowances to the scheme by the last working day in July 2012 in proportion to their reported emission for the preceding scheme year and in accordance with the scheme requirements.

The measurement of the obligation is accounted for as a provision in the accounts at 31 March 2012 and is the best estimate of the expenditure required to settle the obligation.

Redundancies

The Council holds a redundancy provision to allow for instances where notices of the intention to make an employee redundant have been issued (before the 31st March) but the payment has not yet been made.

The following table details the movements in the Council's provisions over the last 2 years:

	Central Insurance Fund	Welfare Funds	Carbon Reduction	Redundancy	Other Provisions	Total
	£000	£000	£000	£000	£000	£000
Short Term Provisions						
Balance at 1st April 2011	**(525)**	**(768)**	**0**	**(395)**	**(237)**	**(1,925)**
Additional provisions made in 2011/12	(435)	(1,144)	(167)	(785)	(29)	(2,560)
Amounts used in 2011/12	179	979	0	395	18	1,571
Unused amounts reversed in 2011/12	347	0	0	0	0	347
Balance at 31 March 2012	**(434)**	**(933)**	**(167)**	**(785)**	**(247)**	**(2,567)**
Long Term Provisions						
Balance at 1st April 2011	**(787)**	**0**	**0**	**0**	**(220)**	**(1,007)**
Additional provisions made in 2011/12	(844)	0	0	0	0	(844)
Amounts used in 2011/12	268	0	0	0	0	268
Unused amounts reversed in 2011/12	519	0	0	0	0	519
Balance at 31 March 2012	**(844)**	**0**	**0**	**0**	**(220)**	**(1,064)**

NOTE 24 LONG TERM LIABILITIES

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

	Balance at 31 Mar 12	Balance at 31 Mar 11
	£0	£0
Primary schools PFI	8,829	9,139
Residential care homes PFI	9,549	10,279
ICT support services	0	1,362
Lease liabilities	4,735	4,571
Pension fund defined benefit	147,307	110,612
Total	**170,420**	**135,963**

NOTE 25 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 8.

	Balance at 31 March 2012 £000	Balance at 31 March 2011 £000
General Fund Reserve	**(10,206)**	**(10,706)**
General Fund Earmarked Reserves	**(53,066)**	**(46,834)**
Capital Grants Unapplied:		
Capital Grants	(12,558)	(3,428)
S106 Contributions	(1,003)	(565)
	(13,561)	**(3,993)**
Capital Receipts Reserves:		
Usable Capital Receipts Reserve	(5,008)	(2,377)
Riverside House	(1,380)	(1,380)
Home Loans Unit	20	50
	(6,368)	**(3,707)**
TOTAL USABLE RESERVES	**(83,201)**	**(65,240)**

NOTE 26 UNUSABLE RESERVES

The following table summarises the Council's unusable reserves:

	31 March 2012 £000	31 March 2011 £000 (restated)
Revaluation Reserve	(62,609)	(54,741)
Capital Adjustment Account	(560,149)	(540,299)
Financial Instruments Adjustment Account	1,170	1,335
Deferred Capital Receipts Reserve	(1,884)	(1,928)
Pensions Reserve	147,307	110,612
Collection Fund Adjustment Account	(2,245)	(1,241)
Accumulated Absences Account	3,368	3,297
Deferred Lease Income Account	3,197	3,226
Total Unusable Reserves	**(471,846)**	**(479,739)**

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.

	2011/12		2010/11 Restated
	£000	£000	£000
Balance at 1 April		**(54,741)**	**(51,079)**
Upward revaluation of assets	(9,130)		(7,278)
Downward revaluation of assets and impairment losses not charged to the surplus / deficit on the Provision of Services	0		1,727
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(9,130)	(5,551)
Difference between fair value depreciation and historical cost depreciation	1,154		1,008
Accumulated gains on assets sold or scrapped	109		881
Amount written off to the Capital Adjustment Account		1,262	1,889
Balance at 31 March	**0**	**(62,609)**	**(54,741)**

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 7 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2011/12 £000	2011/12 £000	2010/11 Restated £000
Balance at 1st April		**(540,299)**	**(551,568)**
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	16,017		24,323
Revaluation losses on Property, Plant and Equipment	12,185		4,054
Amortisation of intangible assets	172		105
Revenue expenditure funded from capital under statute	14,106		14,675
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	1,231	43,711	4,852
			48,009
Adjusting amounts written out of the Revaluation Reserve		(1,262)	(1,889)
Net written out amount of the costs of non-current assets consumed in the year		42,449	46,120
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,787)		(4,772)
Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(42,227)		(20,943)
Application of grants to capital financing from the Capital Grants Unapplied Account	(2,999)		(3,745)
Statutory provision for the financing of capital investment charged against the General Fund	(4,156)		(2,805)
Capital expenditure charged against the General Fund	(10,799)		(2,586)
		(61,968)	(34,851)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(331)		0
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	0	(331)	0
Balance at 31 March		**(560,149)**	**(540,299)**

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 2012 will be charged to the General Fund over the next 12 years.

	2011/12 £000	£000	2010/11 £000
Balance at 1 April		**1,335**	**1,443**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(104)		0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(61)		(108)
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		(165)	(108)
Balance at 31 March		**1,170**	**1,335**

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.

	2011/12 £000	2010/11 £000
Balance at 1 April	**110,612**	**219,855**
Actuarial gains / losses on pensions assets and liabilities	40,353	(53,293)
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	12,343	(39,443)
Employer's pensions contributions and direct payments to pensioners payable in the year	(16,001)	(16,507)
Balance at 31 March	**147,307**	**110,612**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent 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.

	2011/12 £000	2010/11 £000
Balance at 1 April	**(1,928)**	**(2,017)**
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	4	25
Transfer to the Capital Receipts Reserve upon receipt of cash	40	64
Balance at 31 March	**(1,884)**	**(1,928)**

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.

	2011/12 £000	2010/11 £000
Balance at 1 April	(1,241)	(1,172)
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	(1,004)	(69)
Balance at 31 March	**(2,245)**	**(1,241)**

Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

The Council has no such cases outstanding and therefore does not have this account.

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.

	2011/12 £000	£000	2010/11 £000
Balance at 1 April		**3,297**	**3,253**
Settlement or cancellation of accrual made at the end of preceding year	(3,297)		(3,253)
Amounts accrued at the end of the current year	3,368		3,297
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		71	44
Balance at 31 March		**3,368**	**3,297**

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.

	2011/12 £000	2010/11 £000
Balance at 1 April	**3,226**	**3,254**
Write down of deferred leases signed in prior years	(29)	(28)
Balance at 31 March	**3,197**	**3,226**

NOTE 27 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2011/12 £000	2010/11 £000
Interest received	(1,837)	(2,144)
Interest paid	3,989	3,689

NOTE 28 CASH FLOW STATEMENT – INVESTING ACTIVITIES

The cash flows for investing activities are as follows:

	2011/12 £000	2010/11 £000
Purchase of Property, Plant and Equipment, investment property and intangible assets	44,975	27,658
Purchase of short-term and long-term investments	0	8,000
Proceeds from the sale of Property, Plant and Equipment, investment property and intangible assets	(4,510)	(6,892)
Proceeds from short-term and long-term investments	(6,814)	(1,300)
Net cash flows from investing activities	**33,651**	**27,466**

NOTE 29 CASH FLOW STATEMENT – FINANCING ACTIVITIES

The cash flows for financing activities are as follows:

	2011/12 £000	2010/11 £000
Cash receipts of short and long term borrowing	(949)	(5,000)
Other receipts from financing activities	(158)	(1,922)
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	2,327	1,182
Repayment of short and long term borrowing	5,634	668
Other repayments for financing activities	2,409	0
Net cash flows from financing activities	**9,263**	**(5,072)**

NOTE 30 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 provisional outturn of £141.6 million was reported to Cabinet in June 2012 and at the same meeting, further transfers to earmarked reserves were agreed which took the final outturn position to £500k variance. The table below shows the final management position. There have been some changes between directorates since the Cabinet meeting but no significant changes to the overall position.

Service Information for the year ended 31 March 2012:

	Education, Children's and Cultural Services	Environment	Adult and Community Services	Finance and Corporate Services	Central Items	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(21,791)	(31,523)	(24,880)	(2,745)	(939)	**(81,877)**
Interest & investment income	0	0	0	0	(1,487)	**(1,487)**
Income from Council Tax	0	0	0	0	(115,203)	**(115,203)**
Government Grants	(110,324)	(466)	(73,232)	(14,085)	(40,371)	**(238,479)**
Total income	**(132,115)**	**(31,989)**	**(98,112)**	**(16,830)**	**(158,000)**	**(437,046)**
Employee expenses	97,185	14,594	22,776	16,257	2,323	**153,135**
Other service expenses	63,202	33,665	135,418	24,714	8,054	**265,053**
Depreciation, Impairments etc.	(21)	0	0	0	10,799	**10,778**
Interest payments	0	0	0	0	2,197	**2,197**
Levies	0	5,740	0	643	0	**6,383**
Total expenditure	**160,366**	**53,999**	**158,194**	**41,614**	**23,373**	**437,546**
Net Expenditure	**28,251**	**22,010**	**60,082**	**24,784**	**(134,627)**	**500**

Service Information for the year ended 31 March 2011 (restated):

	Education, Children's and Cultural Services	Environment	Adult and Community Services	Finance and Corporate Services	Central Items	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(33,668)	(33,222)	(33,821)	(2,973)	303	**(103,381)**
Interest & Investment Income	0	0	0	0	(1,553)	**(1,553)**
Income from Council Tax	0	0	0	0	(114,944)	**(114,944)**
Government Grants	(114,657)	(190)	(62,027)	(14,141)	(36,683)	**(227,698)**
Total income	**(148,325)**	**(33,412)**	**(95,848)**	**(17,114)**	**(152,877)**	**(447,576)**
Employee expenses	102,298	18,456	24,586	15,227	2,259	**162,826**
Other service expenses	75,258	34,730	134,770	23,506	4,507	**272,771**
Depreciation, Impairments etc.	0	0	0	0	2,445	**2,445**
Interest payments	0	0	0	0	2,067	**2,067**
Levies	0	6,810	0	657	0	**7,467**
Total expenditure	**177,556**	**59,996**	**159,356**	**39,390**	**11,278**	**447,576**
Net Expenditure	**29,231**	**26,584**	**63,508**	**22,276**	**(141,599)**	**0**

Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of the management accounts relate to the amounts included in the Comprehensive Income and Expenditure Statement.

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	**2011/12**	**2010/11**
	£000	**£000**
Net expenditure in directorate analysis	500	0
Amounts in the Comprehensive Income and Expenditure Statement not included in the analysis	16,893	(21,690)
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	131,247	136,753
Cost of services in Income and Expenditure Statement	**148,640**	**115,063**

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 included in the Comprehensive Income and Expenditure Statement.

2011/12	Service analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of recharges	Cost of services	Corporate amounts	Total
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Fees, charges & other income	(81,877)	(42,773)	9,227	50,156	**(65,267)**	(13,170)	**(78,437)**
Interest and Investment Income	(1,487)	0	1,487	0	**(0)**	(1,836)	**(1,836)**
Income from Council Tax	(115,203)	0	115,203	0	**0**	(116,207)	**(116,207)**
Government Grants	(238,479)	(15,683)	40,405	62	**(213,695)**	(76,018)	**(289,713)**
Gain or Loss on Disposal of Assets	0	0	0	0	**0**	(4,728)	**(4,728)**
Total Income	**(437,046)**	**(58,456)**	**166,322**	**50,218**	**(278,962)**	**(211,959)**	**(490,921)**
Employees	153,135	(4,907)	(2,274)	(22,748)	**123,206**	3,189	**126,395**
Other Services Expenses	265,053	(3,675)	(16,957)	(15,614)	**228,807**	7,183	**235,991**
Support Services Recharges	0	42,162	0	(9,668)	**32,494**	873	**33,367**
Depreciation Etc.	10,778	41,770	(7,241)	(2,188)	**43,119**	378	**43,497**
Interest Payments	2,197	0	(2,197)	0	**0**	3,993	**3,993**
Precepts & Levies	6,383	0	(6,407)	0	**(24)**	6,407	**6,383**
Total Expenditure	**437,546**	**75,350**	**(35,076)**	**(50,218)**	**427,602**	**22,023**	**449,625**
Surplus or Deficit	**500**	**16,894**	**131,246**	**0**	**148,640**	**(189,936)**	**(41,296)**

2010/11 (restated)	Service analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of recharges	Cost of services	Corporate amounts	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other income	(103,103)	(42,912)	8,383	48,642	**(88,990)**	(33,504)	**(122,494)**
Interest & Investment Income	(1,553)	0	1,553	0	**0**	(1,680)	**(1,680)**
Income from Council Tax	(114,944)	0	114,944	0	**0**	(115,013)	**(115,013)**
Government Grants	(227,976)	269	36,683	0	**(191,024)**	(36,683)	**(227,707)**
Total Income	**(447,576)**	**(42,643)**	**161,563**	**48,642**	**(280,014)**	**(186,880)**	**(466,894)**
Employees	162,826	(60,378)	(2,618)	(24,010)	**75,820**	6,949	**82,769**
Other Services Expenses	272,771	12,402	(10,213)	(13,969)	**260,991**	5,041	**266,032**
Support Services Recharges	0	42,282	0	(9,135)	**33,147**	979	**34,126**
Depreciation Etc.	2,445	26,647	(2,445)	(1,528)	**25,119**	879	**25,998**
Interest Payments	2,067	0	(2,067)	0	**0**	3,778	**3,778**
Precepts & Levies	7,467	0	(7,467)	0	**0**	7,467	**7,467**
Gain or Loss on Disposal of Assets	0	0	0	0	**0**	(1,443)	**(1,443)**
Total Expenditure	**447,576**	**20,953**	**(24,810)**	**(48,642)**	**395,077**	**23,650**	**418,727**
Surplus or Deficit	**0**	**(21,690)**	**136,753**	**0**	**115,063**	**(163,230)**	**(48,167)**

NOTE 31 ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations in 2010/11 or 2011/12.

NOTE 32 TRADING OPERATIONS

The majority of support services are charged out to front line services on the basis of actual cost, but some services make charges that are based on a pre-determined charge basis (for example a fixed schedule of rates for specified works). These services are treated as trading operations within the definition applied under the Service Reporting Code of Practice (SeRCOP).

The following table shows the turnover, expenditure and surplus or deficit on these trading operations and explanations for their performance are shown below. The surplus or deficit is charged back to the relevant services in order to report total cost of services in the Income and Expenditure Account.

	Note	2011/12 Turn-over £000	2011/12 Expe-nditure £000	2011/12 (Surplus) / Deficit £000	2010/11 Turn-over £000	2010/11 Expe-nditure £000	2010/11 (Surplus) / Deficit £000
CHARGED WITHIN NET COST OF SERVICES							
Print Unit	A	274	414	140	317	370	53
Building Maintenance	B	1,233	1,343	110	743	837	94
Civic Catering	C	52	116	64	81	167	86
Vehicle Workshops / Contract Hire	D	2,824	2,581	(243)	2,924	3,272	348
Transport Operations	E	4,854	5,180	326	4,302	4,834	532
Total All Trading Accounts		**9,237**	**9,634**	**397**	**8,367**	**9,480**	**1,113**

A. The Print Unit is responsible for the provision of both general and specialised printing services for all Council services. Directorates have discretion over whether they use the Print Unit or buy in services from external suppliers. Over recent years the unit has faced increased competition from a growing number of private providers and its core work is now based around the provision of committee papers for Democratic Services. Despite a reduction in staffing and expenditure levels during 2011/12, a shortfall in income received has resulted in a deficit of £140k, an increase of £87k on 2010/11. In order to address the deficit, a further review of the service is ongoing which aims to increase the level of work the Unit undertakes. The review will also look to reduce direct equipment costs further by procuring new lease arrangements for print equipment and multi functional devices.

B. Building Maintenance turnover reduced slightly reflecting the continuing loss of work resulting from the reduced Council estate and significant refurbishment programme which has reduced general maintenance**.** This service will close during 2012/13 and will be provided in future by an external provider using a new bundled services hard facilities management contract to be awarded in June 2012, which will go live in August 2012. This will replace the in house team and various other adhoc contractor arrangements. This will include services such as:

- Mechanical and Electoral planned, day to day and reactive maintenance
- Building fabric planned, day to day and reactive maintenance
- Statutory Maintenance (legionella / water treatment, fixed wire testing, gas safety inspections, Portable Appliance Testing (PAT) etc.)
- Fire alarms, Security and CCTV

C. The Civic Catering Service was reviewed in 2009/10 with a smaller Pantry Service providing a trolley service and meeting refreshments only. Since January 2011 the trolley service has been provided externally. These changes have resulted in the deficit reducing on an annual basis, with a deficit of £64k occurring in 2011/12, a decrease from £86k in 2010/11. The service is to be included within the Council's review of all facilities management services as part of its Efficiency and Transformation Programme, which plans to procure a total facilities management contract by 2014/15.

D. Transport rates have historically been set on a fixed basis to recover estimated expenditure on direct maintenance, management, support and capital financing costs and a fixed charge made to internal users for each vehicle. This means that if expenditure exceeds estimated levels the service will not recover its costs in full. An ageing fleet has led to increased expenditure costs over the last 2-3 years leading to overall deficits. A review of expenditure and staffing costs was undertaken during 2011/12 leading to lower rates for spare parts and vehicle hire as well as a reduction in staffing costs. Overall there has been a total reduction of £691k in expenditure compared to 2010/11: £568k reduction in direct expenditure and £123k in indirect management and capital financing arrangements. Income levels have fallen and reflect the reduction in fleet numbers and expenditure.

A review of Transport Services is currently underway as part of the Council's Transformation and Efficiency Programme. The projects include the procurement and implementation of a maintenance service for the remaining in-house fleet; decommissioning the bulk fuel facility and introduction of fuel cards via a framework contract (now in place), and creation of a small brokerage function to act as the Council's strategic commissioners for all transport activities. Initial action has been taken to amalgamate and review all relevant transport budgets during 2012/13 in order to identify potential savings for inclusion in 2013/14 budgets and beyond.

E. Transport Operations provides transport for clients in Adult Social Care and Children's Services. Turnover and deficit has decreased since 2010/11, when increased demand was experienced, but a deficit of £326k did occur. A procurement review of the service is planned for 2012/13 where it is expected that efficiency savings will be achieved.

NOTE 33 AGENCY SERVICES

The Council provides the following agency services:

		2011/12			2010/11		
		Income	**Expend.**	**Net**	**Income**	**Expend.**	**Net**
	Note	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Emergency Duty Team	A	(304)	606	**302**	(292)	537	**245**
Adult Placement Team	B	(14)	14	**0**	(3)	3	**0**
Thames Landscape Strategy	C	(118)	176	**58**	(107)	240	**133**
Careline	D	(168)	265	**97**	(143)	481	**338**
Net (surplus)/deficit arising on the agency relationship		**(604)**	**1,061**	**457**	**(545)**	**1,261**	**716**

A. Emergency Duty Team

This LB Richmond Adult Emergency Duty team provides an emergency 'out of hours' social work service to RB Kingston, LB Sutton and LB Merton as well as LB Richmond. The service covers referrals which arise 'out of office hours' from the four boroughs which cannot be left until the next working day. The service also includes an emergency assessment and placement service for homeless adults on behalf of the housing departments of the four boroughs.

B. Adult Placement Scheme
This service provides carers for adult services clients. The service provided includes Criminal Records Bureau (CRB) visits/checks, assessments and publicity. The Council has been providing this service to LB Hounslow since 2010/11.

C. Thames Landscape Strategy
The Council is the lead borough for the Thames Landscape Strategy which undertakes work to conserve and enhance the Thames. As lead borough, the Council provides all professional services.

D. Careline
Careline provides technical and professional services to Royal Borough of Kingston, Richmond Housing Partnership, Hampton Fuel Allotment Charity, and the Richmond Charities in respect of alarm fitting and monitoring services.

NOTE 34 ROAD CHARGING SCHEMES

The Council does not operate any road charging schemes.

NOTE 35 POOLED BUDGETS

The Council entered into an agreement in March 2004 to operate a joint integrated community equipment service with NHS Richmond. This arrangement falls within section 75 of the NHS Act 2006.

The basis of the funding arrangement is that the Council and Hounslow & Richmond Community Healthcare (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 a central London Council, to which LB Richmond pays an administrative fee for governance, overseeing contract compliance, and negotiation of equipment prices. However, local pooled budget arrangements as above are unaffected.

Funding Basis

	2011/12	2010/11
London Borough of Richmond upon Thames (LBRUT)	50.0%	50.0%
Hounslow & Richmond Community Healthcare	50.0%	50.0%

Pooled Budget Memorandum Account

	2011/12		2010/11	
	£000	£000	£000	£000
Funding provided to the pooled budget:				
LBRUT	487		487	
Hounslow & Richmond Community Healthcare	486	973	486	973
Expenditure met from pooled budget:				
LBRUT	577		874	
Hounslow & Richmond Community Health Care	577	1,154	0	874
Net (surplus)/deficit arising on the pooled budget during the year		**181**		**(99)**
LBR share of 50% of the net surplus arising on the pooled budget		**91**		**(50)**

NOTE 36 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:

	2011/12 £000	2010/11 £000
Members Allowances	688	687
Members Expenses	3	0
Employers Pension Contributions	66	82
Total	757	769

NOTE 37 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 £	Expenses Allowances £	Pension Contribution £	Total £
Chief Executive (Note 1)	2011/12	176,346	102	42,996	**219,444**
Gillian Norton	2010/11	178,528	216	42,115	**220,859**
Director of Finance and Corporate Services	2011/12	127,039	0	30,998	**158,037**
Mark Maidment	2010/11	127,175	0	29,873	**157,048**
Director of Adult & Community Services	2011/12	123,047	198	29,998	**153,243**
Cathy Kerr	2010/11	120,892	458	28,893	**150,243**
Director of Environment	2011/12	122,941	0	29,998	**152,939**
Paul Chadwick	2010/11	120,606	0	28,893	**149,499**
Director of Education, Children's Services and Culture	2011/12	127,039	33	30,998	**158,070**
Nick Whitfield	2010/11	128,723	0	29,873	**158,596**
Head of Human Resources	2011/12	84,010	89	20,498	**104,597**
	2010/11	84,010	391	20,078	**104,479**
Head of Democratic Services	2011/12	58,440	0	14,259	**72,699**
	2010/11	57,477	0	13,737	**71,214**

		Salary, Fees & Allowances £	Expenses Allowances £	Pension Contribution £	Total £
Seconded to the Association of Directors of Adult Social Services (Costs fully reimbursed to the Council)					
Director of Adult & Community Services (Note 2)	2011/12	75,798	0	18,495	**94,293**
Jeff Jerome	2010/11	127,532	0	30,362	**157,894**

Notes:

Note 1 - The Chief Executive is the Head of the Paid Service
Note 2 - Jeff Jerome's secondment ended on 31 October 2011

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 includes the officers that were disclosed in the 'senior officers' table above.

Remuneration Band	Number of employees 2011/12	Number of employees 2010/11
£50,000 - £54,999	55	78
£55,000 - £59,999	45	46
£60,000 - £64,999	23	29
£65,000 - £69,999	21	19
£70,000 - £74,999	15	17
£75,000 - £79,999	8	5
£80,000 - £84,999	7	10
£85,000 - £89,999	4	4
£90,000 - £94,999	10	7
£95,000 - £99,999	4	4
£100,000 - £104,999	1	6
£105,000 - £109,999	1	0
£110,000 - £114,999	0	0
£115,000 - £119,999	0	1
£120,000 - £124,999	2	2
£125,000 - £129,999	2	3
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	0	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	199	232

The total number of employees paid over £50k, excluding redundancy payments, was 204 in 2011/12 and 183 in 2010/11.

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	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
							£000	£000
£0 - £20,000	18	35	13	31	31	66	283	573
£20,001 - £40,000	6	15	10	12	16	27	499	771
£40,001 - £60,000	3	1	2	10	5	11	220	542
£60,001 - £80,000	1	1	7	4	8	5	540	358
£80,001 - £100,000	0	0	0	2	0	2	0	162
£100,000 - £150,000	0	0	0	0	0	0	0	0
Sub-Total	**28**	**52**	**32**	**59**	**60**	**111**	**1,542**	**2,406**
Provision	6	8	18	10	24	18	785	394
Total	**34**	**60**	**50**	**69**	**84**	**129**	**2,327**	**2,800**

The total cost of £2.327m (£2.800m in 2010/11) in the table above includes £1.542m (£2.406m in 2010/11) for exit packages that have been agreed, accrued for and charged to the authority's Comprehensive Income and Expenditure Statement in the current year. In addition the authority's Comprehensive Income and Expenditure Statement includes a provision for £0.785m (£0.394m in 2010/11) which has been agreed and is payable to 24 (18) officers. These costs are not included in the bands and therefore an additional line has been added to reconcile to the total cost of termination benefits reported in the Comprehensive Income and Expenditure Statement.

NOTE 38 EXTERNAL AUDIT COSTS

Every year the Audit Commission sets a scale of fees for audit work required during the year. The Authority has incurred the following costs and rebates in relation to the audit of the Statement of Accounts, certification of grant claims, statutory inspections and to other services provided by the Authority's external auditors.

	2011/12 £000	2010/11 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year		
Main fee	200	223
Rebates	(16)	(30)
Fees payable to the Audit Commission in respect of statutory inspections	0	0
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	45	75
Fees payable in respect of other services provided by external auditors during the year	1	16
	230	**284**

Fees payable for other services in 2010/11 relate to a charge from PKF (UK) LLP (previous auditors) for work carried out relating to an objection by a member of the public on the 2009/10 accounts around parking income (£16k).

In 2011/12 the Council received direct rebates from the Audit Commission of £16k relating to 2011/12 audit fees. In 2010/11 the Council received direct rebates from PKF (UK) LLP of £30k relating to resources charged in error.

NOTE 39 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 2011/12 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2011/12	-	-	(104,018)
Brought forward from 2010/11	-	-	(873)
Carry forward to 2011/12 agreed in advance	-	-	0
Agreed budgeted distribution in 2011/12	**(20,154)**	**(84,737)**	**(104,891)**
Actual central expenditure	19,253	-	-
Actual ISB deployed in schools	-	84,737	-
Sub Total	**(901)**	**0**	**(901)**
Local Authority Contribution for 2011/12	0	0	0
Carry forward to 2012/13	**(901)**	**0**	**(901)**

	Revenue £000	Capital £000
Schools' balances at 1st April 2011	(10,251)	(1,334)
Revenue Balances Accrued	(4,487)	0
Capital Balances Draw Down	0	275
Schools' balances at 31st March 2012	**(14,738)**	**(1,059)**

	31 March 2012 £000	31 March 2011 £000
Range of size of revenue balances:		
Largest Overdrawn Balance	n/a	463
Largest Surplus Balance	(1,246)	(999)
Range of size of capital balances:		
Largest Overdrawn Balance	33	13
Largest Surplus Balance	(137)	(111)

NOTE 40 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:

	2011/12 £000	2010/11 £000
Council Tax Income (including Collection Fund Surplus)	**(116,206)**	**(115,013)**
National Non Domestic Rates	**(23,492)**	**(24,463)**
Revenue Support Grant	(7,261)	(3,552)
Area Based Grant	0	(8,668)
Council Tax Freeze Grant	(2,874)	0
	(10,135)	**(12,220)**
Capital Government Grants		
Academies Grant	(14,967)	(607)
ACS Reform Capital Grant	0	(100)
Aiming Higher for Disabled Children (Short Breaks) Grant	(107)	(206)
Basic Need Grant	(11,851)	(4,377)
Co-Location Grant	0	(234)
Department of Health Grants	(250)	0
Devolved Schools Grant	(1,471)	(874)
New Deals for Schools Devolved Capital Grant	0	(1,031)
Disabled Facilities Grant	0	(600)
Harness Technology	(2)	(185)
Modernisation Grant	(2,946)	0
Primary Grant	(2,251)	(3,110)
Social Care Grant	0	(110)
Surestart Grants	(183)	(538)
Target Diversity Grant	(1,644)	(756)
Targeted 14 -19 Grant	(4,333)	(2,123)
Targeted Fund	0	(247)
Targeted Kitchens Grant	(457)	(286)
Transport For London Grant	(2,081)	(5,409)
Other Capital Grants		
Capital Ambition Grant	0	(100)
Empty Property Grant	(158)	(175)
Football Foundation Grant	(126)	0
Football Pavilion Grant	(116)	(476)
Help a London Park Grant	(264)	0
Lawn Tennis Association Grant	(134)	0
London Waste Recycling Board Grant	(218)	0
Opportunity Learning Fund Grant	(597)	0
Playbuilder Grant	(21)	(369)
Wave 2 Playbuilders Grants	0	(241)
Schools other	(114)	(292)
Other capital grants under £100k	(92)	0
Capital Contributions		
Richmond Housing Partnership	(148)	(194)
Universal Coldbusters	(148)	(343)
S106 Contributions	(578)	(140)
Other capital contributions under £100k	(409)	(527)
	(45,666)	**(23,650)**
Total Grants, contribution & donations	**(195,499)**	**(175,346)**

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

	2011/12 £000	2010/11 £000
Revenue Government Grants		
16-19 Grant (LSC)	0	(153)
16+ Grant (LSC)	0	(219)
Adult Social Care Reform Grant	0	(632)
Asylum Seeker Grant	(398)	(347)
Big Lottery Fund	(120)	0
Community Safety	(183)	0
Contact Point	0	(169)
Council Tax Benefit	(12,700)	(12,810)
Dedicated Schools Grant	(104,018)	(94,223)
Diploma Formula Grant	(220)	0
Discretionary Benefit Grant	(145)	(114)
Early Intervention	(6,012)	0
Flood Defence (LSSG)	(130)	0
Fraud Grant (LSSG)	(100)	0
Homelessness Grant (LSSG)	(600)	(653)
Housing Benefit Grant	(62,265)	(59,198)
HB & CTB Benefit Admin Grant	(1,225)	(1,288)
Learning Disability & Health Reform Grant	(8,981)	0
Learning Disability Campus Closure Programme	0	(153)
London Pay Addition	0	(525)
Music Grant	(209)	0
New Homes Bonus	(733)	0
Pupil Premium Grant	(977)	0
PFI	(852)	(852)
Schools PFI	(1,342)	(1,342)
Skills Funding Agency	(490)	(528)
Standards Fund	(1,630)	(8,009)
Schools Standards Fund Grant	0	(3,608)
Surestart	(46)	(5,142)
Targeted Mental Health	(18)	(189)
Teacher Training Grant	(2)	(253)
Think Family	0	(478)
Transport Asset Grant	(299)	(104)
Warm Homes	(162)	0
Young Person Learning Agency	(441)	(474)
Youth Justice Board	(183)	(241)
Government Revenue Grants under £100k	(329)	(503)
Capital Government Grants		
Basic Need Grant	(3,915)	0
Disabled Facilities Grant	(644)	0
Target Diversity	(3,016)	0
Targeted 14 -19 Grant	(825)	0
Transport for London Grant	(395)	0
	(213,605)	**(192,207)**
Other Revenue Grants		
Help a London Park Grant	(33)	(44)
Low Carbon Zone	(103)	(187)
Outer London Fund	(210)	0
Other Revenue Grants under £100k	(46)	(62)

	2011/12 £000	2010/11 £000
Other Capital Grants		
Opportunity Learning Fund	(203)	0
	(595)	**(293)**
Revenue Contributions		
ADASS Contributions towards a Secondment	0	(170)
Delegated Schools Contributions	(3,050)	(2,452)
Elections	(4)	(212)
Health Authority Contributions	(4,727)	(13,248)
NHS Richmond Contributions	(837)	(426)
Parental Contributions	(304)	(1,100)
PFI School Contributions	(1,888)	(1,685)
Recoupment for Statemented Children in LBR Schools	(1,823)	(1,556)
Supporting People Grant	(113)	0
S106 Contributions	(1,638)	0
Revenue Contributions under £100k	(631)	(264)
Capital Contributions		
VA Schools	(131)	0
	(15,146)	**(21,113)**
Donations	**(170)**	**(250)**
Total Grants, Contributions and Donations	**(229,516)**	**(213,863)**

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

Grants & Contributions - Long Term Receipts in Advance	2011/12 £000	2010/11 £000
Academies (Project Support)	(2,374)	(2,218)
Basic Need Safety Valve	0	(5,517)
Co-location Grant	0	0
Modernisation	0	(1,000)
New Deal for Schools Devolved Capital	(1,504)	(1,774)
Primary Capital Programme	0	(5,268)
S106 Contributions (Capital & Revenue)	(1,561)	(203)
Targeted Capital Fund 14-19	0	(5,158)
Targeted Capital Fund Standard & Diversity	0	(1,644)
Targeted Capital School Kitchens	0	(457)
Other smaller LT grants and contributions under £100k	(142)	(142)
Total Long Term Receipts in Advance	**(5,581)**	**(23,381)**
Grants & Contributions - Short Term Receipts in Advance		
Council Tax benefit Subsidy	(115)	0
Diploma Grants	(80)	(299)
S106 Contributions (ST)	(329)	0
Social Work Improvement Fund	(131)	0
Standards Fund Grant	0	(712)
Early Years Surestart Grant	0	(100)
Department for Transport Grant	0	(299)
Health Contributions	(37)	(217)
Government ST Grants under £100k	(187)	(256)
Other smaller ST grants and contributions under £100k	(46)	(432)
Total Short Term Receipts in Advance	**(925)**	**(2,315)**

NOTE 41 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 re-distribution of non-domestic rates, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax & Housing Benefits). Details of grants received from Government departments are set out in Note 40 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:	2011/12 £000	2010/11 £000
Credited to Taxation and Non Specific Grant income		
Formula Grant - NNDR	(23,492)	(24,463)
Formula Grant - RSG	(7,261)	(3,552)
Area Based Grant	0	(8,668)
Council Tax Freeze Grant	(2,874)	0
Capital Grants	(42,543)	(22,280)
Credited to Services		
Housing Benefit subsidy	(62,265)	(59,198)
Council Tax Benefit subsidy	(12,700)	(12,810)
Housing and Council Tax benefit admin subsidy	(1,225)	(1,288)
Capital Grants	(8,795)	0
Service Related Revenue Grants	(128,620)	(117,578)
VAT recovery	(22,452)	(18,619)
Total Income from Government	**(312,227)**	**(268,456)**
Expenditure:		
Contribution to Non-Domestic Rates Pool	68,262	76,048
National Insurance, PAYE & other deductions	29,996	32,460
VAT	1,683	1,742
Total Expenditure to the Government	**99,941**	**110,250**

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members Allowances paid in 2011/12 is shown in Note 36. A number of Councillors are self employed; these Councillors would not be involved in any decisions that involve their self employed professional capacity. During the year Members of the Council (or their immediate family) were also members or employees of the following organisations:

Organisation	Nature of Transaction	2011/12 £000	2010/11 £000
London Councils	Subscription Paid	667	998
Audit Commission	Fees Paid	232	267
Greater London Authority	Precept & Surplus Paid	29,931	29,974
Local Government Association	Subscription Paid	48	52
London Pensions Fund Authority	Levy Paid	305	339
Petersham Common Conservators	Payment for Maintenance	18	18
Richmond Churches Housing Trust	Supported and Other Housing Services	597	660
Richmond Housing Partnership	Supported and Other Housing Services	1,274	1,192
Richmond Housing Partnership	Capital Payments	1,060	0
Richmond Theatre	Lease guarantee	824	790
NHS Richmond	Joint Commission / Funding	8,234	13,843
West London Waste Authority	Levy Paid	5,500	6,539
Environment Agency	Levy Paid	176	177
Solace Enterprises	Consultancy Services	1	0
South West Middlesex Crematorium Board	Support Services & Investment	558	574
Ultralux Windows Systems	Housing Services	12	-

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

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:

- The Chief Executive has declared an interest as an officer of SOLACE (Society of Local Authority Chief Executives) in 2010/11. The transactions with Solace Enterprises are disclosed in the table above.
- 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 co-opted member of the board NHS Richmond. There is partnership working between the PCT and the Council including joint commissioning and funding arrangements.
- The Director of Education, Children's and Cultural Services has declared that he is a board member of The Learning Schools Trust and The Academy Enterprise Trust. Both these organisations are involved in the management of Academy schools in the Borough.

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 40. Amounts owed to or by other public bodies are disclosed in notes 19 and 22.

The Authority has a pooled budget arrangement with Hounslow and Richmond Community Healthcare (HRCH), for the provision of a joint integrated community equipment service; details are disclosed in

Note 35. The Council also has shared service arrangements with LB Merton and RB Kingston. Full details are provided in Note 59 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 Statement of Accounts. The following material transactions took place between the Council and the Pension Fund:

	2011/12 £000	2010/11 £000
Expenditure:		
Pension Contributions to the employer's pension fund	14,494	15,045
Pension Contributions from employees	3,815	4,185
Interest	2	92
Total Expenditure	**18,311**	**19,322**
Income:		
Indirect support costs recovered from the Pension Fund	**(282)**	**(282)**

Amounts Due to and From Related Parties

	2011/12		2010/11	
	Amount owed by the Related party £000	Amount owed to the Related party £000	Amount owed by the Related party £000	Amount owed to the Related party £000
Central Government:				
Revenue Grants - Received / Payments in Advance	0	513	0	1,728
- Due	924	0	921	16
Capital Grants - Receipts in Advance	0	4,020	0	23,176
Amounts due from NNDR Pool	1,659	0	0	465
National Insurance	0	1,124	0	1,195
Income Tax	52	1,296	50	1,501
VAT	3,275	0	2,644	0
Other	0	0	0	0
Total Central Government	**5,910**	**6,953**	**3,615**	**28,081**
Other:				
Audit Commission	0	46	0	72
South West Middlesex Crematorium	9	0	7	0
Richmond Theatre	824	0	-	-
West London Waste Authority	549	0	-	-
Richmond Housing Partnership	163	0	-	-

NOTE 42 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2011/12 £000	2010/11 £000
Opening Capital Financing Requirement	**89,836**	**80,365**
Capital Investment		
Property, Plant and Equipment	44,276	29,647
Investment Properties	15	0
Intangible Assets	379	0
Revenue Expenditure Funded from Capital under Statute	14,106	14,675
Sources of Finance		
Capital Receipts	(1,786)	(4,773)
Government Grants and Other Contributions	(45,226)	(24,687)
Sums set aside from Revenue;		
Direct Revenue Contributions	(10,799)	(2,586)
MRP/loans fund principal	(4,156)	(2,805)
Closing Capital Financing Requirement	**86,645**	**89,836**
Explanations of Movements in Year		
Increase in underlying need to borrow (supported by government financial assistance)	0	1,043
Increase in underlying need to borrow (unsupported by government financial assistance)	0	11,092
Assets acquired under finance leases	619	12
Assets acquired under PFI/PPP contracts	346	129
MRP set aside to finance borrowing requirement	(4,156)	(2,805)
Increase/(decrease) in Capital Financing Requirement	**(3,191)**	**9,471**

The Council has two formal PFI arrangements and one PFI type contract where assets are being acquired, which is the ICT contract.

NOTE 43 LEASES

The Council as Lessee

Finance Leases

The Council has acquired a number of buildings, vehicles and equipment under finance leases.

The Council leases the Quadrant multi-storey car park on a 99 year finance lease and leases it out on identical terms. This asset is not included in the Balance Sheet as there is no net interest in the property. The Council is liable for its long-term lease payments but there is no guarantee that it will receive matching income in the event that the lessee defaults on its lease obligations. The assets and liabilities associated with these matching leases (the long-term liability of the Council as lessee and the finance lease debtor to the Council as lessor) are therefore accounted for separately and not netted off against each other.

The assets acquired under these leases (other than those in the lease for the Quadrant car park) are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2012 £000	31 March 2011 £000
Other Land and Buildings	5,038	5,236
Vehicles, Plant and Equipment	662	328
	5,700	**5,564**

The Council is committed to making minimum payments under these leases comprising of two elements – payment of the lease liability and interest payable on the outstanding liability each year. 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 minimum lease payments are as follows:

	31 March 2012 £000	31 March 2011 £000
Finance lease liabilities (net present value of minimum lease payments)		
Current	267	129
Non-Current	492	322
Finance cost payable in future years	487	401
Minimum lease payments	**1,246**	**852**

The minimum lease payments and the element relating to the repayment of the liability are payable over the future lease periods as follows:

	Minimum Lease payments		Finance Lease Liabilities	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Not later than one year	333	145	263	129
Later than one year and not later than five years	490	274	404	233
Later than five years	423	433	86	88
	1,246	**852**	**753**	**450**

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 both 2011/12 and 2010/11 contingent rents of £337,750 were payable by the Council.

The Council sub-lets the Quadrant car park on identical terms to those on which it leases the property. The total minimum rentals due under this sub-lease as at 31 March 2012 are £457,408 (£465,576 as at 31 March 2011).

Operating Leases

The Council has a number of operating leases in existence after 1 April 2011 that include property, vehicles and a variety of equipment (mainly office and schools - related equipment such as copiers, IT equipment etc.). The future minimum lease payments due under non-cancellable leases are as follows:

	31 March 2012 £000	31 March 2011 £000
Not later than 1 year	1,489	1,617
Later than 1 but not later than 5	2,279	2,303
Later than 5	2,731	3,040
	6,499	**6,960**

The Council has acquired Old Deer Park and Centre House properties under operating leases and these properties are sub-let to other parties. The future minimum sub-lease payments expected to be received by the Council (included within the Council as Lessor note below) are as follows:

	31 March 2012 £000	31 March 2011 £000
Operating Leases		
No later than one year	163	163
Later than one year and not later than five years	621	649
Later than five years	0	135
	784	**947**

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 2011/12 £46,000 contingent rents were payable by the Council (2010/11 £83,000).

The Council as Lessor

Finance Leases

The Council has leased out several properties, including the Quadrant Car Park mentioned under Council as Lessee. These leases vary between containing a premium in full or partial settlement of the principal to 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:

	2011/12 £000	2010/11 £000
Finance Leases		
Finance lease debtor (NPV of minimum lease payment)	1,701	1,726
Unearned finance income	10,451	10,670
Unguaranteed residual value of property	0	0
Gross investment in the lease	**12,152**	**12,396**

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 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
No later than one year	131	133	4	4
Later than one tear and not later than five years	524	531	22	20
Later than five years	11,497	11,733	1,675	1,702
	12,152	**12,397**	**1,701**	**1,726**

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 2011/12 £497,000 contingent rents were receivable by the Council (2010/11 £242,000). Included within this amount is the contingent rent of £337,750 for the Quadrant car park. As the Council leases and subs-lets this on identical terms, the contingent rent was recognised here as well as being disclosed as payable earlier in this note.

Operating Leases
The Council leases out property under operating leases for the following purposes:
- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses
- for use by partner organisations such as health or the police.

This includes Centre House and part of Old Deer Park which are leased in as described in Council as Lessee.

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

	31 March 2012 £000	31 March 2011 £000
Operating Leases		
No later than one year	676	772
Later than one year and not later than five years	2,343	2,713
Later than five years	18,232	19,751
	21,251	**23,236**

The minimum leases payments receivable exclude any adjustments to annual rental amounts that were agreed after the lease inception through rent reviews (contingent rents). In 2011/12 £94,000 contingent rents were receivable by the Council (2010/11 £67,000).

NOTE 44 PFI AND SIMILAR CONTRACTS

The Council has 2 formal PFI schemes (Primary Schools and Residential Care Homes), and one Similar Contract (for ICT support).

Primary Schools (PFI Scheme)
2011/12 was the 9th year of a 30 year PFI contract for the construction and maintenance of 5 primary school buildings. The Council has rights under the contract to use 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 them 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)
2011/12 was the 11th year of a 25 year PFI contract for the construction, maintenance and operation of 3 care homes. The Council has rights under the contract to use 195 of the bed spaces provided, and the option to purchase any of the 19 remaining beds at specified preferential 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)

The Council has also entered into a long-term ten year contract for the provision of IT support through an IT and e-government ‘partner’. The contract involves annual payments in excess of £5.5 million and is due to expire in February 2013. The Council has rights under the contract to have use of ICT equipment, both software and hardware. 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 provide and maintain the Council’s ICT equipment and systems in a minimum acceptable condition as well as providing on site and remote technical support. The equipment will be transferred to the Council at the end of the contract 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.

The Council agreed during the year to make a one off payment which would settle all future liabilities in respect of the equipment, software and set up costs purchased during the contract. This payment was made in June 2011.

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

The ICT contract has further provisions to vary charges based on equipment usage such as the number of laptops required, and also to enable the Council, at its discretion, to procure additional services and equipment (on an outright purchase basis) the cost of which is additional and separate to the annual charge in the contract. No future obligations arise from these additional and discretionary services.

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

Payments remaining to be made under the PFI contracts at 31 March 2012 (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 2012/13	12,955	667	1,621	15,243
Payable within two to five years	33,435	2,707	5,948	42,090
Payable within six to ten years	47,920	5,007	5,811	58,738
Payable within eleven to fifteen years	47,201	6,438	3,151	56,790
Payable within sixteen to twenty years	20,482	3,548	1,132	25,162
Payable within twenty one to twenty five years	60	677	25	762
Total	**162,053**	**19,044**	**17,688**	**198,785**

Long Term Liability

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

	2011/12				2010/11			
	ICT Support Services	Residential Care Homes	Primary Schools	Total	ICT Support Services	Residential Care Homes	Primary Schools	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	(1,362)	(10,279)	(9,139)	(20,780)	(1,837)	(10,599)	(9,275)	(21,711)
Capital expenditure incurred in the year	(345)	0	0	(345)	(128)	0	0	(128)
Payments during the year	1,707	349	148	2,204	0	0	0	0
Transfers to short term liability	0	381	162	543	603	320	136	1,059
Closing balance 31 March	**0**	**(9,549)**	**(8,829)**	**(18,378)**	**(1,362)**	**(10,279)**	**(9,139)**	**(20,780)**

Property Plant and Equipment

The assets used at the schools are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

	2011/12				2010/11			
	ICT Support Services	Residential Care Homes	Primary Schools	Total	ICT Support Services	Residential Care Homes	Primary Schools	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
Opening balance 1 April	2,831	14,642	12,717	30,190	2,703	14,359	12,646	29,708
Additions	245	0	196	441	128	0	71	199
Revaluation	0	0	1,913	1,913	0	283	0	283
Disposal	0	0	0	0	0	0	0	0
Closing balance 31 March	**3,076**	**14,642**	**14,826**	**32,544**	**2,831**	**14,642**	**12,717**	**30,190**
Depreciation & Impairments								
Opening balance 1 April	2,219	662	757	3,638	1,945	686	533	3,164
Depreciation	346	266	251	863	274	266	224	764
Revaluation	0	0	(85)	(85)	0	(290)	0	(290)
Disposal	0	0	0	0	0	0	0	0
Closing balance 31 March	**2,565**	**928**	**923**	**4,416**	**2,219**	**662**	**757**	**3,638**
New Book Value 31 March	**511**	**13,714**	**13,903**	**28,128**	**612**	**13,980**	**11,960**	**26,552**

Intangible Assets
As part of the ICT support services contract, the Council have access to intangible assets in the form of software licences. The movement in their value over the year is detailed below.

	2011/12 Software Licences £000	2010/11 Software Licences £000
Cost or Valuation		
Opening balance 1 April	1,030	1,030
Additions	100	0
Revaluation	0	0
Disposal	0	0
Closing balance 31 March	**1,130**	**1,030**
Depreciation & Impairments		
Opening balance 1 April	858	755
Depreciation	153	103
Revaluation	0	0
Disposal	0	0
Closing balance 31 March	**1,011**	**858**
New Book Value 31 March	**119**	**172**

NOTE 45 IMPAIRMENT LOSSES

During 2011/12 the Authority has recognised impairment losses of £3.741m. The main impairments are as follows:

£1.093m – Land and Buildings
This relates to the demolition of a building to facilitate the disposal of a site.

£0.135m – Land and Buildings – Primary Schools
This relates to the demolition of existing buildings to facilitate new buildings.

£2.472m – Land and Buildings – Secondary Schools
This relates to the demolition of existing school buildings to facilitate new buildings.

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 Provision of Services in line accounting practice, with the charge reversed from the charge to the General Fund within the Movement in Reserves Statement.

NOTE 46 CAPITALISATION OF BORROWING COSTS

The Council has not capitalised any borrowing costs during 2010/11 or 2011/12.

NOTE 47 TERMINATION BENEFITS

The Council terminated the contracts of 84 employees in 2011/12 incurring liabilities of £2.3m, see Note 37 for further details.

NOTE 48 PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTIONS SCHEMES

Participation in pension schemes

The Council participates in two pension schemes:

The Local Government Pension Scheme (the LGPS) – Defined Benefit Scheme:

This scheme is administered by the Council (as the administering authority) and 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. All employees of the Council (excluding those eligible to join the Teachers' Pension Scheme) are entitled to join the LGPS.

Teachers' Pension Scheme (TPS) – Defined Benefit Scheme accounted for as a Defined Contribution Scheme:

Teachers employed by the Council are members of the Teachers' Pension Scheme (TPS), administered by the Department for Education. It provides teachers with defined 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 defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011/12, the Council paid £8.1m (£8.6m in 2010/11) to TPS in respect of teachers' retirement benefits, representing 14.1% of pensionable pay in both years. There was £0.68m (£0.67m in 2010/11) owed to the TPS at year end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 49.

NOTE 49 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 that needs to be disclosed at the time that employees earn their future entitlement.
The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered 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

- 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 pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

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 required against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	2011/12 £000	2010/11 £000
Cost of Services:		
Current service costs	11,163	11,859
Past service costs	31	(56,100)
Settlements and curtailments	403	483
Financing and Investment Income and Expenditure		
Interest cost	26,448	27,802
Expected return on scheme assets	(25,702)	(23,488)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**12,343**	**(39,444)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial (gains) and losses	40,353	(53,293)
Total post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**52,696**	**(92,737)**
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	(36,695)	109,243
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	**14,494**	**15,024**
Retirement benefits payable to pensioners	**1,507**	**1,482**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £116.889m in 2011/12 and £76.318m in 2010/11.

The total value of Unfunded Benefits are shown as Retirement benefits payable to pensioners. The analysis of the costs is not split in the table due to the low value in comparison to the funded benefits.

Assets and Liabilities in Relation to Post-Employment Benefits
Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Liabilities	
	2011/12 £000	**2010/11 £000**
Opening balance at 1 April	**(482,498)**	**(549,272)**
Current service costs	(10,944)	(11,782)
Interest cost	(26,448)	(27,802)
Contributions by scheme participants	(3,815)	(4,028)
Actuarial losses / (gains)	(22,952)	37,633
Benefits paid	18,503	17,136
Past service costs	(31)	56,100
Curtailments & Settlements	(403)	(483)
Closing balance 31 March	**(528,588)**	**(482,498)**

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

	Assets	
	2011/12 £000	**2010/11 £000**
Opening balance at 1 April	**371,886**	**329,417**
Expected rate of return	25,702	23,488
Actuarial gains / (losses)	(17,619)	15,561
Employer contributions	16,000	16,528
Contributions by scheme participants	3,815	4,028
Benefits paid	(18,503)	(17,136)
Closing balance 31 March	**381,281**	**371,886**

In both these tables, the figures are presented unadjusted from the actuary's report. For accounting purposes, the Council is required to ensure that the transactions reported match the actual payments during the year. As the actuary estimates the payments before year end, adjustments are to be expected. These are made on the value of actuarial gain / (loss) as this figure is least certain.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £8.168m compared to £27.925m in 2010/11.

Scheme History

	2011/12 £000	**2010/11 £000**	**2009/10 £000**	**2008/09 £000**	**2007/08 £000**
Present value of liabilities					
- Local Government Pension Scheme	(506,799)	(461,758)	(527,100)	(324,030)	(329,951)
- Discretionary Benefits	(21,789)	(20,740)	(22,172)	(18,156)	(19,541)
Fair value of the assets in the local Government Pension Scheme	381,281	371,886	329,417	228,695	275,489
Surplus / (deficit) in the scheme	**(147,307)**	**(110,612)**	**(219,855)**	**(113,491)**	**(74,003)**
Surplus / (deficit) in the scheme:					
Local Government Pension Scheme	(125,518)	(89,872)	(197,683)	(95,335)	(54,462)
Discretionary Benefits	(21,789)	(20,740)	(22,172)	(18,156)	(19,541)
Total	**(147,307)**	**(110,612)**	**(219,855)**	**(113,491)**	**(74,003)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £528.6m is greater than the total assets of £381.3m, giving a net deficit of £147.3m. This reduces the net worth of the Council, as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £14.4m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2013 are £1.6m.

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 assessed by Hymans Robertson LLP, an independent firm of actuaries. Estimates for the Council Fund being based on the latest full valuation of the scheme as at 1 April 2010. The principal assumptions used by the actuary have been:

	Assumptions	
	2011/12 £000	**2010/11 £000**
Long term expected rate of return on assets in the scheme:		
Equity investments	6.3%	7.5%
Bonds	4.1%	4.9%
Property	4.4%	5.5%
Cash	3.5%	4.6%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	20.1 years	20.1 years
Women	22.9 years	22.9 years
Longevity at 65 for future pensioners:		
Men	22.0 years	22.0 years
Women	24.8 years	24.8 years
Financial assumptions		
Rate of inflation	2.5%	2.8%
Rate of increase in salaries	4.8%	5.1%
Rate of increase in pensions	2.5%	2.8%
Rate of increase in scheme liabilities	4.8%	5.5%
Expected return on assets	5.8%	6.9%
Take up option to convert annual position into retirement lump sum		
- Pre April 2008 Service	25%	25%
- Post April 2008 Service	63%	63%

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by value and proportion of the total assets held:

	31 March 2012		31 March 2011	
	£000	%	£000	%
Equity investments	285,961	75%	271,477	73%
Bonds	57,192	15%	59,502	16%
Property	34,315	9%	33,470	9%
Cash	3,813	1%	7,438	2%
Total	**381,281**	**100%**	**371,887**	**100%**

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

	2011/12 %	2010/11 %	2009/10 %	2008/09 %	2007/08 %
Actual compared to expected return on asset	(4%)	2%	24%	(31.0%)	(13.0%)
Experience (gains) and losses on liabilities	1.5%	4.3%	0.2%	(0.1%)	(2.7%)

	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000
Changes due to Experience					
Experience (gains) / losses on Assets	17,619	(15,562)	(80,316)	71,909	34,978
Experience (gains) / losses on Liabilities	7,732	20,981	989	(344)	(9,402)
Total	**25,351**	**5,419**	**(79,327)**	**71,565**	**25,576**
Changes due to Actuarial Assessment					
Actuarial (gains) / losses on Employer Assets	17,619	(15,562)	(80,316)	71,909	34,978
Actuarial (gains) / losses on Liabilities	22,952	(37,633)	187,447	(31,320)	(66,388)
Total (gains) / losses recognised in CI&ES	**40,571**	**(53,195)**	**107,131**	**40,589**	**(31,410)**
Cumulative Actuarial (gains) / losses recognised in CI&E	**116,889**	**76,318**	**129,512**	**22,382**	**(18,206)**

NOTE 50 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 potential liabilities. There are always a number of claims and potential costs outstanding against the Council of which those with material financial costs and possible chances of having to be met are included in the following disclosure:

At the 31st March 2012 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 in the future these costs will be met from the insurance provision or from in year budgets. For confidentiality reasons the Council can not disclose the details of all these cases.

Richmond Theatre

The Council is party to an agreement under which it guarantees annual lease rental payments in respect of Richmond Theatre that are due to the Royal Bank of Scotland (Industrial Leasing) Limited and payable by Ambassadors Theatre Group. The agreement commenced in 1999 and the final payment is due on 31 March 2013. This agreement supersedes a previous loan guarantee that ran from 1992 to 1999, which has been discharged.

Up to 31 March 2012 the Council has paid £1.6 million under the loan guarantee agreement and £7.7m under the lease rental guarantee agreement. Future lease rentals, for which the Council may be liable, total £1m and this is due in 2012/13. The present value of the total future contingent liability is £0.9m. The Council has made planned resources available in its medium term financial plan to accommodate this potential expenditure. This potential liability will be funded from capital resources as it arises and therefore there will be no direct charge to the Income and Expenditure Account arising from any probable future payments.

Land Charges

The government have changed the Local Land Charge Rules with effect from 17 August 2010 and this revokes the fee chargeable for a personal search of the local land charges register. The government have concluded that these charges are not compatible with the Environmental Information Regulations 2004 (EIR) and the underlying EU Directive. As a consequence, there is a possibility of the Council being required to make refunds for charges made between January 2005 (when the EIR came into force) and 17 August when charges ceased. The Council is contributing to a Local Government Association fund for a legal case between over 200 Local Authorities and 5 local search companies, the outcome of this case will determine whether a liability will arise between the Council and local search companies or whether the potential liability is between the Council and the individuals who commissioned the information.

The total charges are estimated to be £302k but because of the relative small individual sums involved (£11 prior to January 2010) the potential overall level of refunds is unclear.

Leases - Dilapidation Liability

A number of property leases have come to an end during the year. As part of the termination process a number of dilapidation claims have been made against the Council. The outcome of these claims is still to be decided but could potentially give rise to a liability. At present we are not in a position to confirm how much could be paid. If the Council makes future payment against these claims the liability will be met from in year budgets.

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.

NOTE 51 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 2012.

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, (detailed in the contingent liability above) the LGA are in discussion with the HM Treasury on behalf of London Boroughs regarding the reimbursement of all or a large 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 £302k.

SERCO Contract

The Council is currently in the process of negotiating a renewal of its ICT contract with SERCO. As the negotiations started in June 2011 it has been agreed that any price change will be backdated to this point. The final price is yet to be agreed and so the Council can not assess the impact at this point.

NOTE 52 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.

For Investments and Loans receivable:

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 2010/11 or 2011/12.

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:

http://cabnet.richmond.gov.uk/documents/s31013/Appendix%20B.pdf

The following are a summary of relevant limits approved for 2011/12:

Banks with over 40% UK government ownership - up to £15 million

Building Societies with required credit rating - up to £5 million for up to 3 months.

Banks that are on the Financial Services Authority authorised list – a total investment limit of between £10 million and £15 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 2011/12, regular reports were made to Cabinet. 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 Trade Receivables:

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 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 2012 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2012 %	Estimated maximum exposure to default and uncollectability at 31 March 2012 £000	Estimated maximum exposure at 31 March 2011 £000
	A	B	C	(AxC)	
Money Market Deals	73,390	0.00%	0.00%	0	0
Bonds	2,250	0.00%	0.00%	0	0
Customers	6,497	3.90%	7.70%	500	413
				500	**413**

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 2012 on the basis of the counterparty assessments the Council undertakes before making any investment.

The historic experience of default on customer debt has averaged 3.9% on debt outstanding at year-end over the last seven 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 seven years. On the evidence of collection rates in 2011/12 and taking into account the continuing difficult economic climate, a rate of 7.7% 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 £4.394 million of the £6.497 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2012 £000	31 March 2011 £000
Less than 3 months	2,090	1,672
3 to 6 months	444	476
6 months to 1 year	385	654
More than 1 year	1,475	1,781
	4,394	**4,583**

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 2012 £000	31 March 2011 £000
Less than one year (including accrued interest)	7,462	7,157
Between 1 and 2 years	3,013	0
Between 2 and 5 years	5,000	10,500
Between 5 and 10 years	10,348	7,000
Between 10 and 15 years	2,500	5,848
Between 15 and 25 years	15,000	17,500
More than 25 years	5,000	5,000
	48,323	**53,005**

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

Assets	31 March 2012 £000	31 March 2011 £000
Less than 1 year	53,446	52,262
Between 1 and 2 years	5,000	8,000
Between 2 and 5 years	1,500	5,000
More than 5 years	750	2,250
	60,696	**67,512**

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. Policy limits use of variable rate loans to a maximum of 50% of borrowings. For most local authorities the risk of loss will be ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs. As the Council's Formula Grant is paid at the guaranteed minimum level, there is no amelioration of this risk from that source.

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 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	Amount at 31 March 2012 £000	Amount at 31 March 2011 £000
Increase in interest payable on variable rate borrowings	25	75
Increase in interest receivable on variable rate investments	(684)	(692)
Increase in government grant receivable for financing costs	0	0
Impact on surplus or deficit on the Provision of Services	**(659)**	**(617)**
Decrease in fair value of fixed rate investment assets	0	0
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**.**

<u>Price risk</u>

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.

<u>Foreign exchange risk</u>

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 downturn which continued during 2011/12 has been well documented in the media and the 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.

Of the investments held at 31 March 2012, there was 1 investment of £5m fixed until 2013/14 with a counterparty which is now on the list for instant access accounts only. This was not recognised as at risk due to the perceived likelihood of full repayment.

NOTE 53 HERITAGE ASSETS – 5 YEAR SUMMARY OF TRANSACTIONS

There have been no acquisitions, donations, disposals or impairments of Heritage Assets over the last five years.

NOTE 54 HERITAGE ASSETS – FURTHER INFORMATION ON THE ASSETS

Assets on the Balance Sheet

Art Collection
The Authority's art collection includes approximately 3,000 paintings from various artists dating back to the early 19th century to the last decade. These paintings 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
This is related to 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.

Assets not recorded on the Balance Sheet

Heritage Assets in Schools
A number of items in schools were considered for heritage asset inclusion. This included paintings, sun dials and benches. However, these were highly likely to be de minimis and as per the Code the time and effort in obtaining fair values for these assets would not have been commensurate to the benefit they would provide to the users of the accounts if included. The exclusion of these items does not affect the true and fair view of the financial statements.

Other Information on Heritage Assets

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.

NOTE 55 HERITAGE ASSETS – RESTATEMENT

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

Heritage Assets
For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the Property, Plant and Equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies (Note 1). In applying the new accounting policy, the Authority has identified that the assets that were previously held as community assets within Property, Plant and Equipment at £0.8m should now be recognised as heritage assets and measured at £0.6m. These assets relate to the Council's Civic Regalia which was previously recognised in the community assets

classification of Property, Plant and Equipment. The Authority will also recognise an additional £2.186m for the recognition of Heritage Assets that were not previously recognised in the Balance Sheet. This increase is recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy. The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £2.689 million. The element that was previously recognised in Property, Plant and Equipment has been reclassified and written down by £0.3m. The Revaluation Reserve has increased by £2.171m.
- The fully restated 1 April 2010 Balance Sheet is provided on page 16. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11Statement of Accounts are as follows:

Effect on Opening Balance Sheet 1 April 2010

	Opening Balances as at 1 April 2010 £000	Restatement £000	Restatement required to opening balances as at 1 April 2010 £000
Property, Plant and Equipment	669,969	669,168	(801)
Heritage Assets	0	2,689	2,689
Long-term Assets	**696,961**	**698,848**	**1,888**
Total Net Assets	**437,071**	**438,958**	**1,888**
Unusable Reserves	376,153	378,040	1,888
Net Worth/Total Reserves	**437,071**	**438,958**	**1,888**

Movement in Reserves Statement – Unusable Reserves 2010/11

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below.

	As previously Stated 31 March 2011 £000	As Restated 31 March 2011 £000	Restatement 2011 £000
Balance as at the end of the previous reporting period - 31 March 2010	(10,706)	(10,706)	0
Surplus or Deficit on the Provision of Services	**(48,172)**	**(48,168)**	**4**
Other Comprehensive Income and Expenditure	(57,964)	(58,046)	(82)
Adjustments between the accounting basis and the funding basis under regulations	102,320	102,398	78
T/f To/(from) Earmarked Reserves	3,816	3,816	
Increase/(decrease) in the year	0	0	0
Balance at the end of the current reporting period 31 March 2011	**(10,706)**	**(10,706)**	**0**

The resulting restated Balance Sheet for 31 March 2011 is provided on page 16. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet 31 March 2011

	As previously Stated 31 March 2011 £000	As Restated 31 March 2011 £000	Restatement 2011 £000
Property, Plant and Equipment	675,693	674,892	(801)
Heritage Assets	0	2,606	2,606
Long-term Assets	**701,258**	**703,063**	**1,805**
Total Net Assets	**543,174**	**544,979**	**1,805**
Unusable Reserves	477,934	479,739	1,805
Net Worth/Total Reserves	**543,174**	**544,979**	**1,805**

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £2.606m on the Balance Sheet resulting in an increase to the Revaluation Reserve of £2.092m and Property, Plant and Equipment being restated by the amount of heritage assets previously recognised at cost in community assets (a sub-classification of Property, Plant and Equipment) of £0.8m.

NOTE 56 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 Comprehensive Income and Expenditure Account or Consolidated Balance Sheet.

Trust Fund	Balance at 31 March 2011 £000	Income £000	Expenditure £000	Balance at 31 March 2012 £000
Orleans House	6,652	242	63	6,831
Housing Trust	0	948	0	948
Endres Bequest Trust Fund	62	0	0	62
Richmond Chapel	161	0	0	161
Other minor Trust Funds	29	0	0	29
	6,904	**1190**	**63**	**8,031**

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.

Housing Trust
On 18th October 2011 Richmond Housing Partnership (RHP) & London Borough of Richmond entered into a Trust Account Deed. If RHP sell any of the properties that were transferred to RHP under the Large Scale Voluntary Transfer (LSVT) then from 2011 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. RHP will have 3 years from the completion date of the sale to spend these proceeds. After 3 years any unspent monies will be split equally between both parties.

Endres Bequest
The Endres Bequest was established to provide funds for the exchange of cultural and educational values between the residents of Richmond and other countries.

Richmond Chapel
This Trust was established from the proceeds of the sale of the chapel and the interest received is used to maintain the grounds around the area.

NOTE 57 HOME LOANS UNIT

REVENUE ACCOUNT

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 following table provides details of the Home Loans Unit Revenue Account:

	2011/12 £000	2010/11 £000
Income		
Interest Receivable		
On advances to mortgagors	(9)	(11)
On temporary investments	(1)	(1)
Other Income		
Insurance commission – buildings	(4)	(5)
Insurance commission – other	(71)	(59)
Rents	(57)	(55)
Miscellaneous (fees and charges)	(6)	(7)
	(148)	**(138)**
Expenditure		
Employees	66	66
Premises	0	0
Supplies and services	15	14
Central support costs	21	13
	102	**93**
Net Operating Surplus	**(46)**	**(45)**
Distribution to London Borough Councils	35	90
Transfer to / (from) Earmarked Reserve	11	(45)
Net effect on the General Fund Balance	**0**	**0**

BALANCE SHEET

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 2012		As at 31 March 2011	
	£000	£000	£000	£000
Long Term Assets				
Equity shares in property	4,286		4,396	
Current Assets				
Temporary Investments	151		64	
Sundry Debtors	138		157	
Cash and Bank	325	4,900	342	4,959
Current Liabilities				
Sundry Creditors	(325)		(325)	
Bank Overdrawn	(44)	(369)	(34)	(359)
Provisions		(220)		(220)
Total Assets less Liabilities		**4,311**		**4,380**
Represented By:				
Capital Reserve - Equity Shares in Property		(4,286)		(4,396)
Revenue Account Surplus		(45)		(34)
Capital Appropriation Account		20		50
		(4,311)		**(4,380)**

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.

CAPITAL DISTRIBUTION

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

	2011/12	2010/11
	£000	£000
Balance brought forward	50	(113)
Surplus for the year	(110)	(117)
	(61)	(230)
Amounts distributed to London Borough councils	80	280
Balance carried forward	**20**	**50**

The capital distribution relates to mortgage repayments and receipts from the freehold element of equity share mortgages that have been purchased by mortgagors.

NOTE 58 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	2011/12 Total Sum Insured £000	2011/12 Excess £000	2010/11 Total Sum Insured £000	2010/11 Excess £000
Property	869,201	100	752,890	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 2011.

Insurance Fund	2011/12 £000	2010/11 £000
Recognised as a Reserve	2,975	3,053
Recognised as a Provision	1,278	1,312
Total Fund at 31 March	**4,253**	**4,365**

NOTE 59 GROUP RELATIONSHIPS

Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and there is no requirement to prepare group accounts.

Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Legal Services - In September 2011 the Council entered into a joint arrangement with LB Merton for the provision of Legal Services. The service is hosted by LB Merton but governed by a joint board who oversee the delivery of services. The LB Richmond makes monthly payments to cover its share of the cost. The joint service provides legal services to all Directorates and across all of the Council's functions, and to schools and to certain other public bodies; procures specialist advice and advocacy where necessary; and ensures legality, probity and sound corporate governance.

Young People Substance Misuse Service. - The LB Richmond and the RB of Kingston have commissioned and developed a shared Young People's Substance Misuse Service. Key drivers for this were the ongoing reductions in funding from the National Treatment Agency, local efficiencies and the need to improve the delivery model to meet the identified needs and quality standards. The new shared service has been operational since 1st of April 2011. 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.

The table below summarises the expenditure and income incurred on the shared services detailed above during 2011/12:

	Expenditure £000	Income £000	Net £000
Legal Services	648	(0)	648
Young People Substance Misuse	102	(79)	23

Human Resources - From 1st April 2012 the Council's Human Resource (HR) services will be delivered via a shared service between LB Richmond and RB Kingston. The service includes recruitment, employment contracts, advice on terms and conditions, payroll, employee relations advice and the provision of learning and development. From 6 June 2012 the HR staff will be employed and based in LB Kingston.

Internal Audit Shared Service - From 1 June 2012 Internal Audit and Investigations work will be delivered via a shared service with the Royal Borough of Kingston upon Thames. The service will be hosted by LB Richmond. The proposal will also allow the joint service, once established, to be extended to other boroughs and/or offer services to other organisations. The two boroughs have shared a Joint Head of Internal Audit since 1st December 2011.

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 and non-domestic rates (NNDR).

		2011/12		2010/11
Income	*Note*	**£000**	**£000**	**£000**
Income from Council Tax	*C2*		(131,756)	(130,478)
Transfers from the General Fund:				
Council Tax Benefits		(12,915)		(13,056)
Transitional Relief		(3)	(12,918)	(2)
Income collectable from business ratepayers	*C1*		(68,756)	(77,954)
Income collectable from business ratepayers - BRS			(2,161)	(2,448)
			(215,591)	**(223,938)**
Expenditure				
Precepts:				
Payment to LB Richmond upon Thames	*C3*	114,953		114,443
Payment to Greater London Authority	*C3*	27,664	142,617	27,542
Business rate:				
Payment to National Pool		68,263		76,048
Payment to Greater London Authority - BRS		2,065		2,448
Costs of Collection		311		313
Costs of Collection - BRS		54	70,693	0
Bad and doubtful debts and appeals:				
Write offs Council Tax		145		243
Write offs NNDR		563		887
Provisions Council Tax		361		602
Provisions NNDR		(381)		706
Provisions NNDR - BRS		42	730	0
Contributions – distribution of previous year's surplus				
LB Richmond upon Thames		250		500
Greater London Authority		60	310	120
			214,350	**223,852**
Net (Surplus) / Deficit for the Year			**(1,241)**	**(86)**
Movement on Fund Balance				
Net (Surplus)/Deficit for year	*C4*		(1,241)	(86)
Surplus Brought Forward at 1st April	*C4*		(1,540)	(1,454)
Surplus Carried Forward at 31 March	*C4*		**(2,781)**	**(1,540)**

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.

	2011/12 £000	2010/11 £000
Total NNDR rateable value	206,706	214,959
NNDR multiplier	43.3 pence	41.4 pence
Small NNDR multiplier	42.6 pence	40.7 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.

	2011/12			2010/11
Valuation Band	**Number of Properties** (after discounts and exemptions)	**Ratio**	**Equivalent Band D Properties**	**Equivalent Band D Properties**
A*	1	5/9	0.42	0.42
A	426	6/9	284.30	276.87
B	1,733	7/9	1,347.69	1,337.23
C	10,612	8/9	9,433.24	9,374.40
D	17,606	9/9	17,605.95	17,534.35
E	17,658	11/9	21,582.31	21,627.34
F	10,692	13/9	15,444.36	15,386.87
G	11,527	15/9	19,212.00	19,139.50
H	2,985	18/9	5,969.00	5,797.90
			90,879.27	**90,474.88**
Less Adjustment for Collection Rate			(1,635.82)	(1,628.54)
Plus Ministry of Defence Properties			47.70	49.10
Council Tax Base			**89,291.15**	**88,895.44**
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.

	2011/12 £000	2010/11 £000
London Borough of Richmond upon Thames	114,953	114,443
Greater London Authority	27,664	27,542
	142,617	**141,985**

NOTE C4 COLLECTION FUND BALANCES

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

	2011/12			2010/11		
	LB Richmond £000	GLA £000	Total £000	LB Richmond £000	GLA £000	Total £000
Surplus Brought Forward at 1st April	(1,241)	(299)	**(1,540)**	(1,171)	(283)	**(1,454)**
Net (Surplus)/Deficit for year	(1,004)	(237)	**(1,241)**	(70)	(16)	**(86)**
Surplus Carried Forward at 31 March	(2,245)	(536)	**(2,781)**	(1,241)	(299)	**(1,540)**

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	2011/12 £000	2011/12 £000	2010/11 £000	2010/11 £000
DEALINGS WITH MEMBERS AND EMPLOYERS					
Contributions receivable					
From employers:	P7				
Normal		(13,261)		(12,231)	
Augmentation		(524)		(479)	
Deficit funding		(5,271)	(19,057)	(6,344)	(19,054)
From members (Normal)	P7		(4,962)		(5,305)
Transfers In:					
Group transfers from other schemes		(156)			0
Individual transfers from other schemes		(2,050)	(2,206)		(3,121)
			(26,225)		(27,480)
Benefits payable	P7				
Pensions		14,753		13,573	
Commutation of pensions and lump sum retirement benefits		3,201		4,086	
Lump sum death benefits		179	18,132	574	18,233
Payments to and on account of Leavers	P8				
Refunds of Contributions		16		18	
Transfers Out:					
Group transfers to other schemes		2,297		0	
Individual transfers (to other Schemes or Funds within the LGPS)		2,430	4,743	3,306	3,324
Administrative and other Expenses borne by the Scheme	P10		456		420
Net Additions from Dealings with Members			**(2,892)**		**(5,503)**
Returns on Investments					
Investment income					
Dividends from equities		(6)		(78)	
Income from pooled investments		(8,373)		(7,111)	
Interest on cash deposits		(35)		(93)	
Other		(15)	(8,429)	(8)	(7,290)
Taxes on income			521		401
Change in market value of investments:					
Realised (gains) / losses		(976)		(1,820)	
Unrealised (gains) / losses		(2,627)	(3,603)	(24,820)	(26,640)
Investment Management Expenses	P20		755		1,119
Net Returns on Investments			**(10,756)**		**(32,410)**
Net decrease / (increase) during the year			(13,648)		(37,913)
Opening net assets of the Fund 1 April			(430,859)		(392,946)
Closing Net Assets of the Fund 31 March			**(444,507)**		**(430,859)**

NET ASSET STATEMENT

	Note	31 March 2012 £000	31 March 2012 £000	31 March 2011 £000
Investment Assets				
Pooled investment Vehicles :				
Unit trusts:				
Property		39,260		36,927
Other		119,693	158,953	116,128
Unitised insurance policies:		204,448		194,612
Open ended investment companies (OEICS) - Other		77,422		76,625
Cash (Interest Bearing Deposits)		3,302	285,172	6,454
Total assets invested	*P12*		**444,125**	**430,746**
Other investment balances				
Investment debtors:				
Investment income accrued		1,420		1,144
Investment creditors:				
Investment settlements outstanding		(1,279)	141	(972)
			444,266	**430,918**
Net Current Assets and Liabilities				
Debtors:				
Monthly contributions due from employers		325		447
Other		176	501	127
Creditors:				
Unpaid benefits (lump sum entitlements)		(128)		(105)
Investment management expenses		(62)		(461)
Other		(70)	(260)	(67)
			241	**(59)**
Total Net Assets	*P12 & P14*		**444,507**	**430,859**

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.

NOTES TO THE PENSION FUND ACCOUNTS

NOTE P1 DESCRIPTION AND OPERATION OF THE FUND

Description of the Fund

Employees of the Council are generally entitled to join an occupational pension scheme. Non-teaching staff can join the Local Government Pension Scheme (the LGPS). The LGPS is a statutory scheme, and rules in respect of membership and benefits etc. are prescribed under regulation. The LGPS is a defined benefits 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 based on their final pensionable salary and the period of scheme membership. Full details on the LGPS can be found at the following website:

www.lgps.org.uk

Responsibilities of the Council to administer the Pension Fund

The Council is an Administering Authority under the Local Government Pension Scheme (Administration) Regulations 2008 (SI 2008/239), and as such 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 2011/12 was:

Councillor G. Acton (Chairman)
Councillor R. Martin (Vice-Chairman)
Councillor J. Churchill
Councillor G. Evans (from February 2012)
Councillor T. O'Malley
Councillor S. Salvoni (to February 2012)

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 and representatives of appointed fund managers 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 2011/12 the Fund employed two principal external fund managers with multi-asset mandates (Henderson Global Investors and Legal & General Investment Management Limited), each with approaching half 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).

Details of investments under management are provided in Notes P14 to P19.

The Fund has made the following external appointments:

Investment advisors	–	Hymans Robertson LLP
Independent auditors	–	The Audit Commission
Custodians	–	JP Morgan Chase & Co

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 2011 (the Local Government Code), and
- 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

General Policies

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 of account. 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 are 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 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 arms-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 includes 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 P17 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.

Gains or losses arising from currency futures contracts are only recognised when contracts are closed and are accounted for as either 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 Administrating 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.

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:

(Note admitted bodies marked ***** *had no contributing members in 2011/12 and paid no contributions to the Fund in that year. + St. Catherine's School ceased to be a scheme employer on 30.04.11 and its membership at cessation has been assimilated into the administering authority. # Nviro is a new transferee admission body from 01.08.11.)*

		31 March 2012				31 March 2011
FUND MEMBERSHIP		**Contributors**	**Members with Preserved Benefits**	**Pensioners and Dependents**	**Total Members**	**Total Members**
Admitted Bodies:						
Association of District Councils	*	0	2	19	21	21
Hampton School		46	20	23	89	90
Notting Hill Housing Trust		2	7	12	21	22
St. Mary's College		187	93	94	374	381
SW Middlesex Crematorium Board		9	11	17	37	34
Richmond CAB	*	0	0	1	1	1
Housing Organisations Mobility & Exchange Services	*	0	10	3	13	13
Richmond Council for Voluntary Services	*	0	4	4	8	8
Richmond upon Thames Music Trust		7	1	3	11	11
Christ's Community Management Body	*	0	2	0	2	2
IRRV		11	18	6	35	35
Project for Children with Special Needs	*	0	2	2	4	4
St. Catherine's School+		0	0	0	0	11
Museum of Richmond	*	0	1	1	2	2
Richmond Housing Partnership		17	31	22	70	71
Twining Enterprises	*	0	8	5	13	13
Mears Building Contractors Ltd		1	5	6	12	13
Scout Solutions	*	0	15	8	23	24
Veolia (formerly Cleanaway)		34	18	12	64	63
Nviro#		8	0	0	8	0
Total Admitted Bodies		**322**	**248**	**238**	**808**	**819**

Scheduled Bodies:						
Academies Enterprise Trust		32	7	1	40	37
Learning Schools Trust		71	15	21	107	77
Richmond Magistrates' Court	*	0	15	7	22	23
Richmond upon Thames College		200	218	130	548	542
Richmond Adult & Community College		51	151	46	248	239
Total Scheduled Bodies		**354**	**406**	**205**	**965**	**918**
The Council		**2,594**	**3,342**	**2,738**	**8,674**	**8,363**
TOTAL MEMBERSHIP		**3,270**	**3,996**	**3,181**	**10,447**	**10,100**

NOTE P4 BASIS OF ACTUARIAL VALUATION

The latest actuarial valuation of the Fund was completed as at 31 March 2010. 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	6.1%
Increases in Liabilities	
Salary increases	5.3%
Pension increases	3.3%

The market value of the scheme's assets at the date of valuation in March 2010 is shown in the following table.

ASSET CATEGORY	Valuation as at 31 March 2010 £000	%
UK Equities	152,839	39
UK Fixed Interest Gilts	19,558	5
UK Corporate Bonds	45,657	12
UK Index Linked Gilts	0	0
Overseas Equities	142,534	36
Overseas Bonds	0	0
Property	25,409	6
Cash & Net Current Assets	6,967	2
Total Net Assets at Valuation Date	**392,964**	100

NOTE P5 ACTUARIAL VALUATION – RESULTS

The results of the last actuarial valuation undertaken as at 31 March 2010 will be summarised in the Actuarial Statement included in the Fund's 2011/12 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 2010 valuation indicated that the actuarial value of the available assets of £393.0m (see table above) were sufficient to cover 80.1% 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 20 years, to bring the funding level up to a fully solvent position. The additional contribution rate set to achieve this is 7.3% on per capita basis, whilst the Council will meet equivalent fixed sum obligations (based on membership at the valuation date).

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 IAS 19 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 2012, using a valuation methodology that is consistent with IAS 19. 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 2010 triennial "funding valuation" is that the discount rate under IAS19 is based on 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 4.8% being used in the IAS19 assessment (compared to 6.1% in the funding valuation).

On this basis, the value of the Fund's promised retirement benefits as at 31 March 2012 (along with a prior-year comparator) was:-

Year Ended	31 March 2012 £m	31 March 2011 £m
Present Value of Promised Retirement Benefits	603	541

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

	2011/12			2010/11		
Contributions	**Employers £000**	**Members £000**	**Total £000**	**Employers £000**	**Members £000**	**Total £000**
Administering Authority (The Council)	14,494	3,815	18,309	15,045	4,185	19,230
Scheduled Bodies	1,945	554	2,499	1,766	517	2,283
Admitted Bodies	2,618	593	3,211	2,243	603	2,846
Total Contributions	**19,057**	**4,962**	**24,019**	**19,054**	**5,305**	**24,359**

Benefits

Benefits	2011/12 £000	2010/11 £000
Administering Authority (The Council)	15,607	15,888
Scheduled Bodies	1,168	1,061
Admitted Bodies	1,357	1,284
Total Benefits	**18,132**	**18,233**

NOTE P8 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

During 2011/12, the Fund paid one bulk transfer of £2.297m to LB Merton in respect of the Legal Services staff transferred to that authority under a "shared service" arrangement. 54 individual transfer values with an aggregate value of £2.430m 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 Fund Net Assets Statement, but details are given in the following table:

	31 March 2012		31 March 2011	
	£000	No. of Members	£000	No. of Members
Value of Investments				
Clerical Medical	1,529	112	1,518	109
Equitable Life	814	145	853	158
Total	**2,343**	**257**	**2,371**	**267**
Contributions received from members in year	**163**		**199**	

NOTE P10 ANALYSIS OF ADMINISTRATION COSTS

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

Administration Costs	2011/12 £000	2010/11 £000
Administration and processing	282	282
Actuarial fees	120	81
Audit fees	28	30
Communications with fund members	29	27
Other (incl. fees received)	(3)	0
Total Administration Costs	**456**	**420**

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 2012, in which these accounts will be included.

NOTE P12 RECONCILIATION OF MOVEMENT IN INVESTMENTS

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

(i) By Manager	Value as at 1 April 2011 £000	Purchases £000	Sale proceeds £000	(Profit) / Loss on Disposal £000	Change in Market Value £000	Value as at 31 March 2012 £000
Legal & General	199,755	5,000	0	0	5,121	209,876
Henderson	204,707	14,602	(8,299)	976	(2,834)	209,152
Schroders	16,448	1,624	0	0	338	18,410
LAMIT (property)	3,382	0	0	0	2	3,384
	424,292	**21,226**	**(8,299)**	**976**	**2,627**	**440,822**
Cash deposits	6,454					3,302
Total assets invested	**430,746**					**444,124**
Net Current Assets	113					383
Total Net Assets	**430,859**					**444,507**

(ii) By Asset Category	Value as at 1 April 2011 £000	Purchases £000	Sale proceeds £000	(Profit) / Loss on Disposal £000	Change in Market Value £000	Value as at 31 March 2012 £000
Unit Trusts - Property	36,927	1,624	0	0	709	39,260
Unit Trusts - Other	116,128	5,526	(1,727)	306	(540)	119,693
Unitised Insurance Policies	194,612	5,000	0	0	4,835	204,447
OEICs	76,625	9,076	(6,572)	671	(2,377)	77,422
	424,292	**21,226**	**(8,299)**	**977**	**2,627**	**440,822**
Cash deposits	6,454					3,302
Total assets invested	**430,746**					**444,124**
Net Current Assets	113					383
Total Net Assets	**430,859**					**444,507**

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 in 2011/12 were purchases of secondary property units through Schroders which resulted in direct transaction costs of £10,000.

Investment Transaction Costs	2011/12 £000	2010/11 £000
Henderson	0	4
Schroders	10	43
Total	10	47

NOTE P14 INFORMATION ON ASSETS UNDER MANAGEMENT

Summary of investment assets under management

Type of Asset	31 March 2012 L&G £000	Schroders £000	Henderson £000	Total £000	31 March 2011 L&G £000	Schroders £000	Henderson £000	Total £000
UK Investments – Listed	128,672	18,410	130,528	277,610	122,889	16,448	128,405	267,742
Overseas Investments – Listed	81,204	0	78,625	159,829	76,866	0	76,302	153,168
Cash	0	279	(968)	(689)	0	139	(754)	(615)
Total Under Management	**209,876**	**18,689**	**208,185**	**436,750**	**199,755**	**16,587**	**203,953**	**420,295**
Percentage of Fund under management	48%	4%	48%	100%	48%	4%	48%	100%
Directly held UK investments (LAMIT)				3,384				3,382
Cash (interest bearing deposits)				3,991				7,069
Other investment balances - debtors and creditors				141				172
Total investment assets				**444,266**				**430,918**
Other net current assets				241				(59)
Total Net Assets				**444,507**				**430,859**
Analysis of all investments:								
Total UK Investments (includes directly held LAMIT investment)				280,994				271,124
Total Overseas Investment				159,829				153,168
Cash and deposits				(689)				(615)
Total invested				**440,134**				**423,677**

All investments are in pooled investment vehicles with quoted prices

NOTE P15 ASSETS UNDER MANAGEMENT – TRANSACTIONS

The following table provides a summary of investment transactions for each fund manager.

	2011/12				2010/11			
	Legal and General	Schroders	Henderson	Total	Legal and General	Schroders	Henderson	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Purchases	5,000	1,624	14,602	21,226	0	6,250	22,376	28,626
Sales	0	0	8,299	8,299	0	0	16,970	16,970
Total Transactions	**5,000**	**1,624**	**22,901**	**29,525**	**0**	**6,250**	**39,346**	**45,596**

NOTE P16 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 2012		31 March 2011	
	£000	% of Fund	£000	% of Fund
Pooled Investments				
Henderson Investment Funds Limited				
UK Equity Enhanced Trust 'Z' (AUT)	85,194	20%	82,486	20%
Exempt North American Enhanced Equity 'Z' (UUT)	34,499	8%	33,642	8%
	119,693	**28%**	**116,128**	**28%**
Henderson Strategic Investment Funds				
European Enhanced Equity Fund 'Z' (OEIC)	22,448	5%	22,250	5%
Japan Enhanced Equity 'I' (OEIC)	5,886	1%	5,233	1%
Asia Pacific Ex Japan Enhanced Equity Fund 'I' (OEIC)	5,863	1%	5,682	1%
	34,197	**7%**	**33,165**	**7%**
Henderson Global Funds				
Emerging Markets Fund 'I' (OEIC)	9,930	2%	9,495	2%
	9,930	**2%**	**9,495**	**2%**
Henderson UK & Europe Funds				
Henderson UK Gilt Fund 'I' (OEIC)	10,784	3%	11,139	3%
Henderson All Stock Credit 'I' (OEIC)	22,510	5%	22,825	5%
	33,294	**8%**	**33,964**	**8%**
Henderson Property Management (Jersey) Limited				
UK Property Fund Units (PUT)	12,038	3%	11,955	3%
	12,038	**3%**	**11,955**	**3%**
Total invested	**209,152**	**48%**	**204,707**	**48%**
Cash	(968)	0%	(754)	0%
Total all Henderson Funds	**208,184**	**48%**	**203,953**	**48%**

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 2012		31 March 2011	
Pooled Investments	£000	% of Fund	£000	% of Fund
Legal and General Assurance (Pensions Management) Limited				
Policy Number 35334-2/000 / 01 (Insurance Policy)	104,938	24%	99,878	24%
Policy Number 35336-7/000 / 01 (Insurance Policy)	104,938	24%	99,877	24%
Total invested	**209,876**	**48%**	**199,755**	**48%**

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

	Value of Assets Under Investment			
	31 March 2012		31 March 2011	
	£000	% of Fund	£000	% of Fund
Pooled Investments				
Schroder Property Investment Management Limited				
Schroder Exempt Property Unit Trust (PUT)	18,410	4%	16,448	4%
Total invested	**18,410**	**4%**	**16,448**	**4%**
Cash	279	0%	139	0%
Total all Schroders Funds	**18,689**	**4%**	**16,587**	**4%**

NOTE P17 VALUATION OF FUNDS UNDER MANAGEMENT

The Pension SORP 2007 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:

Henderson (excluding property)

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)

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. They are not quoted on any independent pricing services.

Property Investments (including Henderson and L&G)

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.

NOTE P18 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 LAMIT, Henderson and Schroder property vehicles, if actual disposals were required within the relevant pooled vehicle.

NOTE P19 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.

	31 March 2012		31 March 2011	
	£000	**% of Fund**	**£000**	**% of Fund**
LAMIT Local Authorities Property Fund (PUT)	3,384	1%	3,382	1%

There were no purchases or sales in these units by the Fund during 2011/12 or 2010/11. 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 P20 ANALYSIS OF INVESTMENT MANAGEMENT COSTS

	2011/12 £000	2010/11 £000
Investment management expenses:		
Investment managers' fees	675	1,066
Custodian Fees	6	6
Investment advisor's fees	59	32
Performance Measurement Fees	15	15
	755	**1,119**

NOTE P21 FINANCIAL INSTRUMENTS

NOTE P21a 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.

31 March 2012	Designated as fair value through profit and loss	Loans and receivables	Financial Liabilities at Amortised Cost
Financial Assets	**£000**	**£000**	**£000**
Unit Trusts – Property	39,260	0	0
Unit Trusts – Other	119,693	0	0
Unitised Insurance Policies	204,448	0	0
Open Ended Investment Companies (OEICS)	77,422	0	0
Total	440,823	0	0
Financial Liabilities	**£000**	**£000**	**£000**
Total	0	0	0

31 March 2011	Designated as fair value through profit and loss	Loans and receivables	Financial Liabilities at Amortised Cost
Financial Assets	**£000**	**£000**	**£000**
Unit Trusts – Property	36,927	0	0
Unit Trusts – Other	116,128	0	0
Unitised Insurance Policies	194,612	0	0
Open Ended Investment Companies (OEICS)	76,625	0	0
Total	424,292	0	0
Financial Liabilities	**£000**	**£000**	**£000**
Total	0	0	0

NOTE P21b NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	31 March 2012	31 March 2011
Financial Assets	**£000**	**£000**
Fair value through profit and loss	2,603	26,640
Financial Liabilities	**£000**	**£000**
Fair value through profit and loss	0	0

NOTE P21c FAIR VALUE OF FINANCIAL INSTRUMENTS AND LIABILITIES

All of the Fund's investments at 31 March 2011 and 31 March 2012 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.

NOTE P21d VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

All of the Fund's investments, excluding cash, would be categorised as those where the fair values are not derived from unadjusted quoted prices in active markets but where the valuation techniques applied use inputs that are based significantly on observable market data.

NOTE P22 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Pension 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.

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

Portfolio: the risk that the Fund performs poorly relative to the chosen benchmark.

Operational: the risk of fraud and breaches of regulatory constraints.

In current terminology, benchmark and portfolio risk are collectively referred to as market risk 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 benchmark risk entailed by its 72.5% 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 2012 it is recognised that Fund's benchmark has an expected annual volatility (exclusive of currency risk) of just under 13%. (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 2012, the expected price volatility represented around £57m. The tables below detail the expected volatility of the fund's investments (by asset class), in % and monetary terms.

Asset type	Potential Market Movements (+/-)
UK Equities	15.3%
Overseas Equities	15.5%
UK Government Bonds	5.5%
UK Corporate Bonds	5.4%
Cash	0.3%
Property	6.9%

Asset type	Value as at 31 March 2012 £000	Percent-age Change %	Value on Increase £000	Value on Decrease £000
UK Equities	173,267	15.3%	199,759	146,774
Overseas Equities	159,829	15.5%	184,571	135,088
UK Government Bonds	25,346	5.5%	26,728	23,965
UK Corporate Bonds	43,121	5.4%	45,428	40,814
Cash	3,302	0.3%	3,312	3,292
Property	39,260	6.9%	41,953	36,567
Total Assets Invested	444,125		501,751	386,500

Asset type	Value as at 31 March 2011 £000	Percent-age Change %	Value on Increase £000	Value on Decrease £000
UK Equities	166,988	15.3%	192,521	141,456
Overseas Equities	153,168	15.5%	176,878	129,458
UK Government Bonds	23,810	5.5%	25,108	22,512
UK Corporate Bonds	43,399	5.4%	45,721	41,078
Cash	6,454	0.3%	6,474	6,434
Property	36,927	6.9%	39,460	34,394
Total Assets Invested	430,746		486,162	375,332

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 2012, 59% of fund assets were managed on a fully passive basis, 24% within "enhanced index" vehicles and 17% (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.

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 9% (£14m in value terms), or around 3% in terms of the Fund as a whole. (The equivalent figures for 31 March 2011 were volatility of 9%, £13m in value terms, or 3% of the fund as a whole.) Due to the essential long-term nature of the Fund's investment objective, the scope of its investment activities and its positive cash flow position, other risks such as liquidity risk, interest rate risk and credit risk are considered primarily as relevant factors in the evaluation of specific investments rather than principal risks at whole Fund level.

NOTE P23 MATERIAL TRANSACTIONS WITH RELATED PARTIES

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:

	2011/12 £000	2010/11 £000
Income:		
Pension Contributions from the Council (employer's contributions)	(14,494)	(15,045)
Pension Contributions from employees (deductions paid over)	(3,815)	(4,185)
Interest	(2)	(92)
Total Income	**(18,311)**	**(19,322)**
Expenditure:		
Indirect support costs provided by the Council	**282**	**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 2011/12, SWMCB paid over employer's contributions of £50k and employee's contributions of £15k to the Fund.

Management Remuneration

There are 2 key management personnel employed by the Council as administering authority to the Fund who perform a similar management function for both the Council and the Fund, and who attend the Pension Fund Committee and exercise the most senior level of control delegated by that body:-
Mark Maidment, Director of Finance & Corporate Services
Graham Russell, Assistant Director of Finance

Both of the above are included within the scope of Note 37 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 P24 CONTINGENT ASSETS AND LIABILITIES

Apart from future pension and benefit liabilities, the Pension Fund had no contingent assets or liabilities as at 31 March 2012.

NOTE P25 EVENTS AFTER THE REPORTING DATE

There have been no material movements subsequent to the reporting date.

The accounts for the Pension Fund are authorised for issue on the date that the Statement of Responsibilities for these accounts was signed 17th September 2012.

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

Opinion on the Authority financial statements

I have audited the financial statements of London Borough of Richmond upon Thames for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of London Borough of 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.

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

As explained more fully in the Statement of the Director of Finance and Corporate Services 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. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

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

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

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

I have nothing to report in these respects.

Opinion on the pension fund financial statements

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of London Borough of 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.

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the pension fund's financial statements:

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

Opinion on other matters

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

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

Respective responsibilities of the Authority and the auditor

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

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

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

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

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

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

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

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, London Borough of 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 2012.

Certificate

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

Paul Grady

District Auditor

1st floor, Millbank Tower,

Millbank, London, SW1P 4HQ

September 2012

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 authority 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 authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority 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 2012 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 based on the 6 key values that 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 a Community Plan in place which identifies 7 key priorities for the Richmond Borough area for 2007 – 2017. The Richmond Strategic Partnership (RSP) 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 has continued to provide strong leadership of all the partners in the borough. The Council is reviewing its existing partnership arrangements in line with emerging national policies and legislative changes. A key development in 2011/12 was the establishment of the Shadow Health & Well Being Partnership as a lead into the transfer of Public Health functions to the Council from the PCT and the establishment of Clinical Commissioning Groups as the basic unit for health commissioning.

The Council has a Corporate Plan which sets out its own specific key service priorities and objectives. Cabinet agreed the 2011/12 plan in March 2011 and has been updated again in March 2012 for 2012/13.

Following the “All in One” survey in November 2010, the Council has been holding community events to use the information gathered from local communities, and has been working on Village Plans, and has created a Community Links Programme. This programme aims to promote the work the Council, community groups, external service providers and local residents do across the borough and also to provide opportunities for people to get more involved with their communities. The programme will support the delivery of the Village Plans as they progress so that they continue to show a true reflection of village areas’ activities and issues.

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 Accounts and a Report on Performance. 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.

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 are currently in the process of being reviewed to align these to changes in organisational structures, and processes / procedures. The Scheme of Delegation will need to be reviewed following the approval and adoption of new Financial Regulations. A robust governance framework is essential to ensure the organisation's risks and controls are managed effectively.

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.

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 performance monitoring to Cabinet and Overview & Scrutiny Committees. These reports identify progress on key projects and programmes as well as on key performance indicators.

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

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

There is a Standards Committee which is responsible for ensuring high standards of conduct in the authority, and there is a published Annual report on Standards. For Members, Registers of Interests are available via the public website and Declarations of Interests are recorded at meetings and recorded in the minutes. Following the Localism Act, there will be changes to the Standards regime with a view to simplifying some of the process but the objective of maintaining high standards will remain.

For officers, a new online system for recording any interests, and also receipt of goods and hospitality was launched. 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 new system is working well but some work needs to be completed to ensure management reports are produced and acted upon accordingly.

A staff appraisal system is in place to support the ongoing assessment of staff performance and development. A Staff survey was undertaken in November 2011 and an action plan has been drawn up to address the issues raised.

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 year, there have been a number of Scrutiny Task groups set up to review specific service areas, - during the year, Task Groups were set up, for example on, Housing, Special Educational Needs and Tobacco Control.

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. It is also responsible for ensuring the Council's risk management processes are working effectively. The Council has an Anti Fraud and Corruption Strategy and operates a Whistle Blowing Policy; both were revised and approved by the Council in February 2012. Both documents are available on the Council's public website.

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 2011/12, there have been regular Extended Executive Board meetings involving senior managers, and also senior manager conferences held internally periodically during the year.

Inspiring Leaders is a leadership development programme for middle managers which has been established to help develop leadership skills and to enable staff to play a full and fulfilling part in Richmond's future development.

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

The Council carries out consultations with the public and other stakeholders on the quality of services provided, on budgets and on new proposals. The administration has set as one of its priorities the improvement of the effectiveness and inclusiveness of public consultation. It wishes to enhance the impact of public choice, locally and across the borough, on council decision making. Initiatives to help achieve this include the Community Links programme.

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.

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 to Cabinet and Standards Committee. This year's review has confirmed substantial compliance continued throughout 2011/12.

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.

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 authority 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
- Standards Committee reports
- Reports of External Audit
- External Inspection reports
- Council's Risk Management and Assurance Framework processes
- Assurances from key partners
- Joint Heads of Internal Audit Annual report

We 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, there are several areas identified by internal audit reports where improved controls are required. These are: Cash and Bank, Housing Benefits, CYBORG Application; Cash Receipting & e-receipts; Financial Assessments; Libraries; Parking; Planning Applications; Asbestos / Legionella; Street Lighting ;Print Unit and various ICT issues from follow up work. Details are set out in the Joint Heads of Internal Audit Annual Internal Audit report for 2011/12.

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 Transformation & Commissioning Programme; Resource & Budget Management; Capital programme (capacity to deliver); Programme and project management – compliance with corporate processes; Implementation of new legislation and consequential service changes (Welfare Reform Act, Health & Social Care Act and Localism Act, localisation of business rates); ICT service delivery and Disaster Recovery / Business continuity arrangements; Information Governance & Data Security (particularly in Commissioning).

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 20th June 2012.

Signed:

Lord True
Leader of the Council

Gillian Norton
Chief Executive

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.

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.

AREA BASED GRANT (ABG)
A general non-ring-fenced grant that replaced Local Area Agreement grant in 2008/09. It is allocated according to specific policy criteria rather than general formulae.

AUDIT COMMISSION
The Audit Commission is a public corporation set up in 1983 to protect the public purse. They appoint auditors to councils, NHS bodies (excluding NHS foundation trusts), local police bodies and other local public services in England, and oversee their work.

BALANCE SHEET
A statement of the Council's assets and liabilities at the 31st 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 a national tax based on the rateable value of business properties. The tax is administered by the government, who also determine the level of the tax. The Council collects business rates on behalf of the government and pays over the proceeds after costs of collection. The proceeds are re-distributed to local authorities based on the size of their population.

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. In 2011/12 a Business Rate Supplement is 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.

CAPITAL CHARGES

Charges made to service revenue accounts, based on the consumption of fixed assets by the service consisting of depreciation and impairment, net of government grant deferred credits where applicable.

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 5 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.

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.

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 BENEFIT

Assistance provided by the Council to adults on low incomes to help them pay their Council Tax bill. The cost to the Council of Council Tax benefit is 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 as the principal source of funding for schools and related activities in England. It replaced funding that was paid to local authorities as 'formula grant' with the intention that it would be more clearly 'ring-fenced' to schools based expenditure. It was distributed to local education authorities by the Department for Schools Children and Families (DSCF) that has been renamed the Department for Education following the 2010 general election.

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.

EFFICIENCY CHALLENGE

At national and local level there is a need to reduce public expenditure. This means there is a major challenge facing the Council to reduce costs by increasing efficiency. The Efficiency Challenge programme is focused on achieving these goals through redesign of Council services and creative thinking about the way we run things.

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.

FORMULA GRANT

A grant paid by central government in support of Council services in general as opposed to specific grants that may only be used for specific purposes.

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 charge to Council Tax payers (e.g, depreciation).

GENERAL FUND

This is the main revenue account of the Council and includes the net cost of all services.

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.

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.

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.

LSVT RECEIPT

This term relates to the ‘Large Scale Voluntary Transfer’ (LSVT) of Council housing stock in 2000 in which all the Council’s housing was transferred to Richmond Housing Partnership (RHP), a local registered social landlord, under a government supported scheme. This resulted in a capital receipt (see earlier explanation) that was used to finance social housing schemes.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the General Fund each year and set aside as 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.

MRICS

This term designates a Member of the Royal Institution of Chartered Surveyors.

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

Sometimes referred to as Operating Leases, 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.

PREMATURE REPAYMENT OF DEBT

The Council's long-term debt is regularly reviewed and when there is economic advantage loans are repaid prematurely. Such repayments are usually, but not necessarily, replaced by new borrowing at a more advantageous interest rate.

PDF

The Project Development Fund is one of the Council's earmarked reserves.

PRUDENTIAL INDICATORS

The Council is required to set Prudential Indicators to demonstrate it is exercising its power to borrow in a sustainable, affordable and prudent manner.

PROVISIONS

Amounts set aside for liabilities and losses which are likely to occur but where the exact amount or timing is uncertain.

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 CHARGED TO CAPITAL UNDER STATUTE

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 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. For example, a proposed new housing development may require compensatory transport measures (e.g. traffic management such as junction improvements, signalling etc.). Most S106 receipts are applied to capital expenditure but can be used for revenue purposes, such as subsidised bus services to alleviate traffic problems.

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. SeRCOP is reviewed annually to ensure that it develops in line with the needs of modern local government, Transparency, Best Value and public services reform.

SPECIFIC GRANTS

A term used to describe government grants to local authorities that are related to a specific service or policy and are each subject to conditions. A list of the main specific grants received is provided in the notes to the Cash Flow Statement.

TANGIBLE FIXED 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) include one long term loan 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.

TABLE OF NOTES

LONDON BOROUGH OF RICHMOND UPON THAMES

COLLECTION FUND

PENSION FUND

ALTERNATIVE FORMATS

If you have difficulty understanding this publication, please visit Reception at the address below where we can arrange a telephone interpreting service

Civic Centre
44 York Street
Twickenham
Middlesex
TW1 3BZ

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 پریٹنگ 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