LONDON BOROUGH OF RICHMOND UPON THAMES

STATEMENT OF ACCOUNTS 2009/10

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www.richmond.gov.uk

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EXPLANATORY FOREWORD

INTRODUCTION

The Council

The entity for which these accounts are prepared is the Council of the London Borough of Richmond upon Thames (the Council) that is one of 32 London Boroughs established under the London Government Act 1963. The Council's functions and constitution are governed by statute and its finances are strongly influenced by government through direct funding, statutory and regulatory control, and influence over its powers to raise and spend revenue. Its financial and operational performance is independently inspected and monitored by government appointed bodies.

The Council is a Unitary Authority providing most local government services to its population of 187,162. Services not provided directly by the Council are with the police, fire and rescue services (provided by functional bodies of the Greater London Authority [GLA] – the Metropolitan Police Authority and the London Fire and Emergency Planning Authority), and the waste disposal service (provided by the West London Waste Authority). The services the Council provides include education and children's services, adult social services and housing (the Council does not directly own and manage housing properties itself), highways and transportation, planning, licensing and inspection, refuse and street cleansing, libraries, arts and recreational facilities. The section of the Foreword on Council services provides a summary of the services that the Council provided in 2009/10 and further information on the Council's constitutions, services, organisation and performance are available on its website at: **www.richmond.gov.uk**

The Foreword

The purpose of the Foreword is to provide an introduction to the Statement of Accounts, an overview of the financial position of the Council and a brief commentary on some of the more significant features of the past year and plans for the near future. Information included in the Foreword does not form part of the Statement of Accounts and the financial information is, in some cases, prepared on the basis of the Council's management accounts so that they relate to the Council's budget, monitoring and performance reporting processes.

The Accounts – Basis of Preparation

This Statement of Accounts presents the financial position of the Council for the accounting year that ended on 31 March 2010. The Statement of Accounts has been prepared and presented in accordance with 'proper practices' in relation to the Accounts as required by the Accounts and Audit Regulations. These proper practices represent compliance with:

- All relevant Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRS) and Urgent Issues Task Force (UITFs) Abstracts issued by the Accounting Standards Board (ASB)
- The Code of Practice on Local Authority Accounting in the UK 2009; A Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance & Accountancy
- The Best Value Accounting Code of Practice 2008 (BVACOP) issued by the Chartered Institute of Public Finance & Accountancy.

In addition to these documents, the accounts of the Pension Fund are required to follow all relevant presentation and disclosure requirements of the Pensions SORP:

- Financial Reports of Pension Schemes: A Statement of Recommended Practice (Revised May 2007).

Although not regarded as forming part of 'proper practices', the accounts are prepared having regard to, and generally conform to, guidance provided by CIPFA, and in particular:

- Guidance Notes for Practitioners (detailed guidance on the 2009 SORP)

- LAAP Bulletins (guidance on topical issues and accounting developments and, when appropriate, clarification on the detailed accounting requirements - issued by the CIPFA's Local Authority Accounting Panel - LAAP).

The Accounts – Contents

The main statements and areas covered in the accounts are detailed below:

The Core Financial Statements:

- The Income and Expenditure Account
- Statement of the Movement on the General Fund Balance
- Statement of Total Recognised Gains and Losses
- Balance Sheet
- Cash Flow Statement

Notes to the Core Financial Statements

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The Council publishes a brief document for the year that includes summarised financial information in a simpler, less technical format. This publication will be available on the Council's website later in the year.

Pension Fund Accounts

The Pension Fund Accounts were approved by the Pension Fund Committee on 24th June 2010 and are subject to a separate audit. They are still required to be included (but are not consolidated) in the Council's Statement of Accounts for completeness. Further information on the Pension Fund Accounts is provided on page 21 in the Foreword.

Accounting changes

There are two significant changes in the 2009 SORP that require prior year adjustment and are explained in the following paragraphs.

PFI and similar contracts

Contracts entered into under the Private Finance Initiative (PFI contracts) were subject to a specific accounting treatment based on an assessment of the risks and rewards associated with the contract (application note F to FRS 5) and usually resulted in the assets used in these contracts to be recognised on the balance sheet of the contractor and not on the Council's balance sheet. Changes in the SORP applicable from 1 April 2009 require these contracts to be accounted for in accordance with International Financial Reporting Standards (IFRS) and specific guidance set out by the International Financial Reporting Interpretations Committee (IFRIC) in IFRIC 12. This new accounting treatment requires that assets used in PFI contracts, and similar arrangements that meet the criteria of a service concession under IFRIC 12, should be accounted for on the balance sheet of the Council and a corresponding liability has to be included for the financing of these assets (these are effectively being paid for through monthly contract payments over the life of the contract) where the Council controls or regulates the services and has significant residual interest in the asset(s) at the end of the contract.

The Council has two existing PFI contracts, for Primary Schools and Care Homes and in addition, it has a contract for ICT services that includes the provision of ICT equipment used exclusively by the Council that falls within the definition of a service concession.

The accounting changes are complex and set out in Note 1 to the Accounts and in summary involve the writing out of previous accounting entries since the start of the contract (which includes balance sheet items for long term debtors and deferred liabilities in the case of the two PFI contracts) and bringing the assets used in the contracts onto the balance sheet with a corresponding liability to finance these assets. There are changes to the way in which charges under these contracts are accounted for. In order to recognise that part of these payments is for the acquisition of the assets, payments are now split to recognise financing charges as well as a service element. The overall revenue impact on the General Fund is neutral.

Accounting for Council Tax and NNDR (National Non-Domestic Rates)

The Council collects Council Tax for both its own requirement and for the precept levied by the Greater London Authority (GLA), and collects NNDR on behalf of the government (the amount of NNDR collected less expenses is paid over to government and redistributed separately to all local authorities on a per capita basis).

Previously the Council presented transactions relating to the collection of the GLA element of Council Tax and NNDR as part of its operating activities. The SORP 2009 has prescribed that the collection of these local taxes are in substance an agency relationship because the risk of non-collection remains with the preceptor / central government and that these transactions should be presented in the accounts accordingly. This means that all entries in both the balance sheet and cash flow Statement should exclude money collected and paid that relates to the Greater London Authority precept (these entries will be reported in the GLA Accounts). Similarly, the balances relating to NNDR should be shown as a net debtor to central government rather than as gross debtors and creditors between the Council and the public / central government.

COUNCIL SERVICES

The Council is organised into five directorates that work together to provide the broad range of services. The following paragraphs provide a brief commentary on the services provided by each of the directorates in 2009/10.

The following link to the Council's website gives further information and contact details for each directorate and the services within each of their areas of responsibility:

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

ADULT AND COMMUNITY SERVICES.

The Adult and Community Services directorate provides housing, transport and adult social care services and leads on commissioning, corporate policy and strategy. A range of services are provided to help people retain their independence, offering choice to service users and support to carers. Housing services are provided to prevent homelessness, to support homeless people, provide supported living arrangements and build new affordable homes.

In 2009/10 Adult and Community Services provided the following services:

- 1,652 people received a Personal Budget (for the client to allocate per their own needs assessment) for their care and support during the year.
- 605 people received intensive care at home (Homecare and Direct Payments of Personal Budget to client).

- 10,249 items of equipment were provided to individuals, and minor adaptations provided at the homes of 1,122 people.
- 525 new people received Telecare (personal alarms, motion sensors etc) services.

Number of Service Users at 31 March 2010

	Care Homes	**Personal Budgets**
Older People	406	961
Younger Adults	33	182
Adults with Learning Disabilities	199	155
Adults with Mental Health Needs	40	28
Other adults	1	6
Total Adult Care Services	**679**	**1,332**

The Adult and Community Services Directorate employs 621 FTE across four divisions:
- Commissioned Care Services (236 FTE)
- Commissioning, Corporate Policy and Strategy (75 FTE)
- Community Service Operations (278 FTE)
- Directorate Management and Finance (32 FTE).

The 2009/10 net budget for the directorate was £60.4m.

The most significant developments in 2009/10 affecting the directorate's services are the implementation of the reablement programme and further expansion of Self Directed Support (SDS).

The aim of the reablement programme is to provide service users with an intensive short term service for up to six weeks, in order to reduce the need for ongoing services after this period. The outcome for the service user should be a reduced dependence on long-term services and increased independence. 162 people completed a period of reablement in 2009/10. Analysis suggests that approximately 75% of people completing reablement exit the programme with no further services required or with a reduced level of needs. The service will be expanded further in 2010/11.

As at 31 March 2010 more than 1,600 service users are receiving either a Direct Payment or a Personal Budget as part of the Self Directed Support (SDS) programme. The March 2010 "Putting People First" survey shows that Richmond spends 16% of its care service budget on SDS, which is a greater proportion than most other councils in the country. The survey also shows that the proportion of people receiving an ongoing community based service delivered via a personal budget is 51% for older people and 46% for younger adults. This significantly exceeds the government target of 30%.

Approved forward plans for the directorate include:

Whole System Redesign Cabinet has approved proposals to transform the adult social care delivery system, in order to ensure the successful delivery of SDS as the Council's default operating system. This will involve reorganisation of the Commissioning Care Services division. Enhanced business processes will deliver cashable savings, with a portion retained for reinvestment in services.

Borough based commissioning Cabinet has approved in principle proposals for borough based commissioning of community services. This will entail changes to the current governance and management structures of NHS Richmond and the Council, in order to secure robust arrangements for joint commissioning. The proposed future arrangements are designed to drive out efficiencies through more effective commissioning of services. Senior managers are in the process of designing the detailed structure and planning implementation of the proposals with staff.

Plans that are in the development stage include:

Learning Disabilities A review of in-house and external provision is underway, and People with Learning Disabilities (PLD) contracts are being considered as part of the Efficiency Challenge. It is likely that there will be changes to service configuration and the way services are commissioned and procured.
Older People's day services A review of day services and opportunities for older people is in progress, and it is possible that the outcome will be a change in the way services are configured, commissioned and procured.

CHILDREN'S SERVICES AND CULTURE

The Children's Services and Culture (CSC) Directorate brings together a range of children's and family services as part of the Every Child Matters agenda. The directorate works in partnership with other public and voluntary bodies to deliver the Children and Young People's Plan 2009-13, which sets out the actions that will be undertaken to improve the outcomes for children, young people and their families. The Council's arts, sports, play and library services are also located within this directorate and play a crucial role in improving outcomes for children and young people, as well as the wider population.

The directorate is responsible for the provision of a range of services. This includes educating approximately 20,800 pupils in a variety of settings such as:

- One nursery school and 12 nursery units
- 41 primary schools
- Eight secondary schools
- Two special schools
- Children's centre provision across the borough including four strategic children's centres, a network of three linked children's centres and additional children's centre services provided in outreach venues
- Designated youth provision across the borough including four Youth and Community Centres.

We also provide specialist services to meet specific needs where the focus is on provision for vulnerable young people and their families including:

- Residential and foster care
- Adoption support
- Support for children and young people leaving care.

Furthermore, the cultural offer in the borough includes:

- 12 lending libraries
- A central reference and information service
- An arts service based at the historic Orleans House Gallery
- Pools on the Park, Teddington Pools and Fitness Centre and four dual-use sports and fitness centres based at secondary schools.

During 2009/10 the directorate employed 532 FTEs (excluding schools) with increases during the year as children's centres opened. These staff are organised into six main service areas: Commissioning, Delivery and Service Improvement; Culture; Finance and Resources; Protective and Preventative Services; School Effectiveness; and Specialist Children's Services. The directorate had a net budget of £30.5m in 2009/10 which includes income from government grants, other support from public bodies, income from charges for services (including £95m in Dedicated Schools Grant).

The significant developments within CSC during 2009/10 include:

- Publication of a new Children and Young People's Plan and Cultural Partnership Plan for 2009-13, setting out ambitious objectives and priorities for the Council.

- Ofsted graded children's services as 'excellent' - making Richmond one of only ten local authorities in the country to achieve this.
- Following implementation of a range of measures to further strengthen our safeguarding quality and performance, the directorate underwent an unannounced inspection of safeguarding and received an excellent review. The inspection looked at how well Children's Services is managing the risk of harm to children and young people and minimising the incidence of child abuse and neglect. The inspection report identified that the Council is performing strongly across all areas and there were no recommendations for high priority action.
- To enable localised and flexible spending, Quindrat Commissioning Boards (QCBs) have been established in five areas across the borough. Each QCB is co-chaired by a local headteacher and the Council's Head of Protective and Preventative Services and contains representatives from key services, such as health, police, and the voluntary and community sector. The role of the boards is to agree what services should be commissioned locally based on an assessment of need. This is a new way of working and should herald a strengthening of our partnerships. During 2009/10, approximately £1.5m was devolved across all the QCBs.
- It has been agreed that Hampton Community College, Shene School and Whitton School will all be closed and reopened as new academies from the start of the autumn term in September 2010 following Cabinet decisions during 2009/10. The academy programme is a key element in the Council's strategy to drive up secondary school standards, building on the marked progress made over recent years – with further improvements in attainment at GCSE level across the borough during 2009.
- Further progress has been made towards implementing the £32m first phase of the primary school expansions programme, with the expansion of Holy Trinity due in the 2010/11 school year, and significant milestones have been reached in regard to the others – Chase Bridge, Orleans infant, St Mary's and St Peter's, and the Stanleys – all of which are due in 2011/12. Planning for a second phase of the programme, including 'shared forms of entry' between groups of three schools, is underway, to ensure that the anticipated demand for places is met.
- Improvements have been made to sports and cultural facilities across the borough including fully refurbishing Teddington Library, opening a new library in Hampton Hill, improving outdoor sports facilities at Lincoln Field in Whitton, and developing 11 new children's playgrounds to provide more challenging and adventurous play spaces.

Significant developments that are planned to take place in 2010/11 include:

- Developing the new Family Wellbeing Service to provide support to children and families who do not meet Specialist Service thresholds, but require more support than that provided by universal services.
- Establishing a new schools Behaviour and Attendance Partnership which will report to the Children and Young People's Trust Board (CYTB) and oversee the development of a new Behaviour and Attendance Strategy for the Council, with specific actions allocated to key services and stretching aims for performance improvement, including on bullying.
- Replacing the Pupil Referral Unit with new provision, working with schools to ensure that young people remain on school rolls, with tailored learning and support in place to meet their needs and ensure they continue to progress.
- Implementing new learning pathways to engage learners aged 14-19 including new Diploma Lines, a new Foundation Learning offer and expanding apprenticeships.
- Reviewing the provision of sexual health and substance misuse services to ensure stronger value for money and improved outcomes for the future.
- Developing, agreeing and publishing a Children and Young People's Trust Board Commissioning Framework setting out shared principles and practice for commissioning activity across the partnership.
- Supporting Hampton Community College, Shene School and Whitton School to re-open as academies at the start of the autumn term in September 2010.

- Setting out a clear youth offer within the borough, bringing together all the activities available, ensuring economies of scales and making sure this is widely communicated to increase participation particularly amongst hard to reach groups.
- Re-evaluate the existing youth capital strategy and its key projects funded from the Youth Development Fund in the context of cost efficiencies and agree key priorities.
- Developing a clear participation and engagement strategy so that all young people across the borough can work with the CYPTB to develop services that reflect their needs.
- Making further improvements to sports and cultural facilities across the borough, including developing a new exhibition and study room at Orleans House Gallery, opening a new dual-use sports centre at Teddington School, and building a new library in Heathfield.
- Increasing and widening participation in sport and cultural activities by improving the number and range of events available to children, young people and adults in libraries, museums, sports centres and at Orleans House Gallery.

ENVIRONMENT

The Environment Directorate provides a broad range of diverse services. In addition to a number of statutory and regulatory services including planning and building control, consumer protection and registration of births deaths and marriages there are further responsibilities for refuse collection and recycling, street cleansing, traffic, management, parking services, highway maintenance including street lighting and trees, cemeteries, parks and open spaces, property and asset management, facilities management and sustainability.

The directorate is responsible for:

- Collection of over 62,000 tonnes of refuse from domestic premises, of which approximately 27,000 tonnes is recycled
- Maintenance and cleaning of 405km of roads/footpaths
- Maintenance of 517 hectares of parks and open spaces
- Management of 200 properties with an asset value of approximately £523m
- Processing 3,597 (3,879 in 2008/09) planning applications and 1,721 (1,854 in 2008/09) building control requests
- Provision of services for the burial of 367 persons during the year (302 in 2008/09) and maintenance of 36 hectares of land
- Provision of over 2,600 car parking spaces within Council car parks and the maintenance/management of a number of controlled parking zones; approximately 90,200 penalty charge notices have been issued for clear contravention of parking regulation (this compares with 97,182 in 2008/09).

The directorate had budgeted for 452 FTEs during 2009/10 although an average of 25 vacancies was held during the year. This was achieved through additional internal controls on the recruitment of temporary and permanent staff.

The directorate is divided into four divisions:

- Traffic and Transport
- Property, Parks and Sustainability
- Development and Street Scene
- Finance and Performance (including Cemeteries and Registration Services).

The net budget for the directorate is £27.6m.

Income sources include:

- Government grants of £240,000
- Other support from public bodies of £2.2m
- Income from charges for services of £30m.

During 2009/10 the following significant developments were implemented:

- Introduction of charging for on and off-street parking based on the CO_2 emission of the vehicle; this was to encourage residents to use lower CO_2 emission cars and to help tackle climate change.
- The Richmond Works programme is nearing completion with a further 530 staff now accommodated on the Twickenham Campus and the release of some previously rented accommodation. In addition a few smaller properties have either been sold or will be marketed in the future.
- Low Carbon Zone status for Ham and Petersham
- Completion of Parks Improvement Programme – culmination of a 5 year, £4m improvement programme for our parks.

In response to the recession the following initiatives have been introduced:

- Support for long term unemployed young people through the Future Jobs Fund which provides opportunities for them to gain some work experience.
- Direct support to around 70 professional/executive unemployed residents by providing access to two series of seminars focussed on developing back to work strategies.
- Local shopping initiatives and events to help shops and businesses through the recession as well as enhancing the attractiveness of town centres as a place to do business. Recent monitoring shows that the number of empty shops has fallen in several areas of the borough.
- Project to provide preventative financial advice for disadvantaged residents in partnership with Richmond Citizens' Advice Bureau.

During 2010/11 we have the following major initiatives to progress:

- Street light replacement programme.
- Electronic on-line application processes for all licensing applications.
- Letting of two multi-million pound contracts for Parking Enforcement and Street Cleansing.
- Employment of an Inward Investment Officer to target potential new businesses
- Major construction programme for our schools.

For a link to information on how the Council is planning to reduce its environmental footprint, please see page 18.

CHIEF EXECUTIVE'S OFFICE and FINANCE AND CORPORATE SERVICES

These two directorates employ 298 FTEs with a net budget of £23.3m and provide services to a variety of stakeholders including members of the public, Councillors and other teams within the Council. The directorate provides most of the Council's core support services that enable the Council to function as an effective business. The directorate's Customer Service Team and Web Team are the first point of contact for members of the public and the directorate is responsible for the collection of Council Tax and Business Rates (National Non-Domestic Rates or NNDR – a national tax charged on commercial properties) and the payment of Housing and Council Tax Benefits.

Services that provide corporate support:

- Corporate finance (accountancy, treasury, financial planning and advice, and internal audit and risk management)
- Payroll and Pensions
- ICT services and support
- Human Resources
- Legal Services.

Services providing support to the democratic functions of the Council:

- Democratic services - e.g. dealing with arrangements for meetings of the Council, business of the Executive (arrangements for meetings and decisions of the Cabinet) and scrutiny functions (mainly arrangements for Overview and Scrutiny Committees and panels) and public consultation.

- Electoral services (local, London-wide and national elections and electoral register).

Services dealing directly with customers:

- Billing and collection of Council Tax and Business Rates
- Council Tax and Housing Benefits
- Customer services – provision of reception facilities and call centre services
- Council Web Team who provide and develop the Council's website that is now one of the main means of communicating with members of the public.

The significant developments within the directorates during 2009/10 include:

- The Revenue and Benefits team collected over £129m in Council Tax from over 81,000 properties and over £72m in Business Rates from over 5,800 commercial properties during the year. The economic situation is having an impact on the Council's benefits case load and turnover, with more people having to look for help in meeting their rents and Council Tax debts. The number of benefit enquiries was 21.5% higher than in 2008/09. Despite experiencing a significant increase in workload the Revenue and Benefits section have maintained the Council Tax collection rate at 98.5% (98.4% in 2008/09) and the Business Rates collection rate at 98.4% (98.4% in 2008/09). In 2009/10 they once again achieved one of the highest Council Tax collection rates in London.
- The number of Land Searches has recovered in 2009/10 following a significant reduction in demand because of the recession during 2008/09 (41%). The number of searches impacts on the Council's ability to meet income targets. In March 2010 the demand for land searches had recovered and was 10% higher than in March 2008. The Council has reduced fee levels in this area by 36% to ensure the service remains competitive, the service broke even in 2009/10 compared to an overspend of £189,000 in 2008/09.
- Customer Services is the primary point of contact for all Richmond upon Thames residents. 90,000 visitors are assisted in the Civic Centre per year and the contact centre deals with over 290,000 calls and 50,000 emails per annum.
- The Web Team have been developing the Council's website over the year to ensure services and information is accessible for both staff and the public online. During the year the internet public website had 2.1m visits (14% higher than 2008/09) and processed 34% more web transactions (excludes externally managed transactions). Members of the public can now make payments for many services online including leisure and arts, waste services and planning applications. Residents can also view and amend their Council Tax Accounts and Planning Applications.
- Electoral Services prepares and maintains the Register of Electors for the Council and conducts all Parliamentary and Local elections and Referenda. Its role is to ensure that every eligible elector is registered and has the opportunity to vote. During 2009/10 Electoral Services arranged and administered the European Elections. The Council achieved a turnout of 41.72%, the highest in London.
- During the year Legal Services has been a part of a High Court challenge against a third runway at Heathrow. The case was brought by a coalition of local councils, environmental organisations and residents groups. The consortium won its case with the High Court judge ruling that the government's stance on Heathrow's third runway was 'untenable in law and common sense'.
- There have been some key restructures within the directorate aimed at improving the way services are delivered. The Payroll and Pensions team has been merged with the Corporate Human Resources team to improve communication and service to staff. The external customer facing section of the cash office has been restructured so that resources can be concentrated on new methods of payment such as direct debit and web based credit card payments.
- During the year the directorate has worked on developing a plan to achieve efficiency savings. A new Efficiency Challenge Programme Team has been formed with seconded staff from across the Council to project manage the design and development of efficiency projects in key areas.

Significant developments that are planned to take place in 2010/11 include:

- Electoral services prepared for the Local and General elections in the early part of 2010/11. These elections took place in May 2010. The turnout for the Local and General Elections were 73% and 75% respectively.
- There is currently considerable uncertainty around the charging for Land Searches. Several legal challenges are currently ongoing and could have a considerable impact on the level of charges in this area. These issues are being dealt with at a national level through the Local Government Association. The 2010/11 budget includes an allowance for a £250,000 reduction in income.
- The Accountancy section will continue its preparation for the change in reporting guidance in line with International Financial Reporting Standards. This will involve restating the 2009/10 Statement of Accounts in line with the new Accounting Standards and preparing the 2010/11 Statement of Accounts on the new basis.
- Significant work will be undertaken to assess the impact of the expected changes in government funding and priorities both for the directorate and for the organisation as a whole.
- The directorate will be undergoing several reviews which are expected to shape how the directorate works in the future years. This will include a review of the finance function, Human Resources and the way the Council communicates and delivers Customer Services. In addition to this all services within the directorate will be taking part in a zero based budget exercise during 2010.

REVIEW OF THE YEAR

REVENUE PERFORMANCE

The financial information reported in this Foreword includes items that are reported on a management accounts basis and these differ from those included in the sections on the main financial statements.

The Council's budget for 2009/10 was originally set at £147.869m. During the year the Council received an additional £0.045m of non ring-fenced Area Based Grant (ABG) resulting in a final net budget of £147.914m (Table A). The actual revenue outturn for the year showed an underspend of £3.5m after allowing for carry-forward budgets. There were underspends in all directorates offset by a slight overspend in Children's Services and Culture Directorate.

Management Accounts

The following table sets out the revenue outturn for 2009/10 in the same format as the Council's budget and reflects the structure with which regular readers of the Council's budget monitoring reports will be familiar.

Table A 2009/10 REVENUE OUTTURN SHOWN IN MANAGEMENT ACCOUNT FORMAT

Service	Net Budget £000	Net Expenditure £000	Variance £000
Children's Services and Culture	30,481	30,507	26
Environment	27,584	26,916	(668)
Adult & Community Services	60,398	59,972	(426)
Finance & Corporate Services	23,304	22,464	(840)
Sub Totals	**141,767**	**139,859**	**(1,908)**
Central Items	5,327	3,687	(1,640)
Sub Totals	**147,094**	**143,546**	**(3,548)**
Transfers to Other Earmarked Reserves	1,570	5,118	3,548
Transfer from General Fund	(750)	(750)	0
Total Cost of Services	**147,914**	**147,914**	**0**
Formula Grant & ABG	(34,270)	(34,270)	0
Demand on the Collection Fund	(113,644)	(113,644)	0
	(147,914)	**(147,914)**	**0**

The main reasons for the variations are provided below:

Children's Services and Culture Directorate (Overspend of 0.1%)

The Children's Services and Culture Directorate had a net overspend of £26,000 in 2009/10. Despite this near break even position, there were a number of compensatory over and underspends across the directorate.

The Looked after Children service underspent by £170,000. This underspend relates to a reduction in residential placements for children and staffing vacancies within the fostering team, offset by an increase in the number of independent fostering placements. Services for children with special educational needs overspent by £147,000 mainly due to an increased number of special educational needs pupils requiring transport. These children attend both independent and state schools and in September 2008, 262 children were transported over 104 routes. This rose to 312 children over 112 routes in September 2009.

Adult and Community Services Directorate (Underspent by 0.7%)

The Adult and Community Services Directorate underspent by £426,000 in 2009/10. There are three main areas that contributed to this position.

Care Services relating to people with learning disabilities overspent by £780,000. This overspend is partly due to the underachievement of planned savings from the Learning Disability Change programme, where a lower than planned number of people moved from residential care into supported living. In addition, the overspend reflects the impact of young people in transition from children's service as well as increased levels of need from existing service users.

The directorate's management and finance budgets were underspent by £443,000 because of a number of underspends planned to offset budgetary pressures in the Commissioning Care Services Division's budget.

The Council underspent by £817,000 on rent allowances because of an increase in the recovery of Housing Benefit overpayments which in turn has led to a reduction in the need for a bad debt provision.

Environment Directorate (Underspend of 2.4%)

The Environment Directorate underspent by £667,000 in 2009/10. This position is made up of several over and underspends across the directorate.

Property Parks and Sustainability underspent by £197,000. The 3 highest variances were an underspend of £182,000 on Corporate Property Maintenance because of delays on 3 building maintenance schemes, an overspend of £154,000 on the Print Unit Trading Account (service to be reviewed by July 2010) and an underspend of £151,000 on facilities management and building cleaning.

Development and Street Scene overspent by £236,000. The main reasons for this position were: Waste and recycling underspent by £368,000 because of reduced transport costs as a result of reduced fuel usage, reduced supplier and contract payments and increased income from waste and recycling which was offset by an increase in the bad debt provision to allow for a potential payment following the Council's waste paper processor going into administration. Development Control overspent by £280,000 because of reduced income from planning applications following the economic downturn and several over and underspends on other budgets. In addition to this Consumer Protection underspent by £206,000, Building Control overspent by £199,000 and Waste Disposal overspent by £166,000.

Traffic and Transport underspent by £411,000. The key underspend in this area was Transport Planning which underspent by £534,000 because of additional fee income and staff vacancies. In addition to this Parking overspent by £146,000 and Parking Enforcement overspent by £269,000.

Finance, Performance and Customer Services underspent by £295,000 mainly due to an underspend on cemeteries of £176,000 because of additional income of £115,000 and underspends on staff and other expenses.

Finance and Corporate Services and Chief Executive (Underspend of 3.6%)

The Finance and Corporate Services Directorate underspent by a net £840,000 in 2009/10. This was made up of a number of over and underspends during the year the 3 key areas are discussed below:

The directorate underspent by £414,000 on salary budgets. A high level of vacancies has been maintained pending various upcoming service delivery reviews across the directorate (average of 29 vacancies). This is particularly apparent within Accountancy, Payroll and Pensions, Legal Services, Internal Audit and the Customer Contact Centre.

Budget was allocated in 2009/10 for additional contract payments on the main ICT contract. The rate of inflation was lower than anticipated resulting in an underspend of £131,000 on ICT services.

Corporate Management underspent by £136,000. The main reasons were £70,000 because of an underspend on External Audit Fees and £50,000 on bank charges because of new methods of income collection.

Central Items (Underspend of 30.8%)

Central Items have underspent by £1.6m in 2009/10 in 3 key areas:

£1.1m was included in the contingency budget for the 2009/10 pay award. The pay award was agreed at 1% compared to a budgeted 1.7% so this budget has underspent by £467,000. An additional £432,000 was set aside for items of expenditure that occur during the year that could not be anticipated at the time the budget was set. £28,000 has been used in 2009/10 and £404,000 remains unused.

Following reviews of debt recovery procedures, the level of bad debt provision required has reduced by £300,000 during the year.

The Council has paid less interest in the year because of lower levels of borrowing than budgeted leading to an underspend of £477,000 on interest payable budgets.

Reserves

The total usable revenue reserves have increased from £46.3m to £51.0m as at 31 March 2010. The General Fund accounts for £10.7m of the total usable revenue reserves and £750,000 (6.5%) has been used during 2009/10 to support revenue activities. The fund now represents 7.2% of net budgeted expenditure excluding schools. This is in line with the minimum 5% level outlined in the Medium Term Financial Strategy.

Table B SUMMARY OF RESERVES

DESCRIPTION / PURPOSE	Balance at 31 March 2009 £000	Usage £000	Additions £000	Balance at 31 March 2010 £000
Application Governed by Statute	(107)	28	0	(79)
Application Outside the Council's Direct Control	(6,045)	0	(1,816)	(7,861)
Earmarked for Specific Purposes	(28,737)	7,806	(11,468)	(32,399)
General Fund Balance	(11,455)	750	0	(10,705)
TOTAL USABLE REVENUE RESERVES:	**(46,344)**	**8,584**	**(13,284)**	**(51,044)**
Pensions Reserve	113,491	229,885	(123,521)	219,855
Accounting Adjustment Accounts	(366)	1,443	(806)	271
TOTAL REVENUE RESERVES	**66,781**	**239,912**	**(137,611)**	**169,082**

During the year the Council moved £11.5m to earmarked reserves within its direct control. The key additions were £1m in repayments to the Repairs and Renewals Fund, £974,000 to the Waste and Recycling Reserve in line with the Waste Strategy, £824,000 to the new Dedicated Schools Grant (DSG) Reserve from unspent DSG grant during the year and £997,000 in Carry forwards. £6m was added to the Invest to Save Fund of which £1.2m was transferred in from other earmarked reserves where over provisions were identified and does not represent an increase in the overall reserves level. £1.3m came from one off income claimed following a VAT claim (see Note **3** for further details), £3.5m was the underspend on revenue budgets in the year.

The Council spent £7.8m from controllable earmarked reserves in line with previously agreed priorities. The reserves were spent on a variety of projects including Teddington School, the Parks Strategy, the refurbishment of Teddington Library, a new email archiving system and Parking Pay and Display machines. £770,000 was used to meet PFI scheme payments during the year and £1.5m related to budgets carried forward from 2008/09.

If you would like to view the detailed reports to Members on the budget outturn these are available on the public website at the following address:
http://www.richmond.gov.uk/home/council_government_and_democracy/democratic_processes_and_events/calendar_of_meetings.htm

Financial Accounts

In the main financial statements, the Income and Expenditure Account sets out revenue expenditure and income for the year in accordance with the Best Value Accounting Code of Practice (BVACOP) 2008 and SORP 2009. This provides a common analysis of expenditure used by all local authorities and is the standard that is used for all external comparisons including performance measures, published statistics and benchmarking. The Income and Expenditure Account includes items that are not charged (or credited) to the General Fund (for example depreciation of fixed assets), and also excludes items that are charged (or credited) to the

General Fund (for example Minimum Revenue Provision for the repayment of debt). These items are taken into account in the Statement of Movement on the General Fund Balance.

The following table shows the Council's total net expenditure in BVACOP format compared with the budget.

Table C 2009/10 REVENUE OUTTURN SHOWN IN BVACOP FORMAT

	Revised Budget £000	Net Expenditure £000
Net Cost of Services		
Central Services - Local Taxation	2,328	2,208
Other Central Services to the Public	1,785	1,679
Cultural, Environmental and Planning Services	32,298	31,478
Children's and Education Services	32,097	31,639
Highways, Roads and Transport Services	7,755	7,325
Housing Services	4,126	2,841
Social Services	51,680	52,195
Corporate and Democratic Core	4,081	3,838
Non Distributed Costs	793	720
Exceptional Item	(1,286)	(1,286)
Total Net Cost of Services	**135,657**	**132,637**
Items excluded from Net Cost of Services under BVACOP		
Precepts and Levies	7,192	7,133
Interest Payable	7,543	7,020
Interest and Investment Income	(2,450)	(2,364)
Other Corporate Income	(256)	(256)
FRS17 Past Pension Costs Adjustment	9,187	9,187
Minimum Revenue Provision	2,299	2,267
Financial Instrument Adjustment for Premium	(1,443)	(1,443)
Net Reversal of Capital Charges	(13,768)	(13,768)
Capital Expenditure financed from Revenue	2,801	2,801
Net Transfer to Earmarked Reserves	1,902	5,450
Transfer from General Fund Reserve	(750)	(750)
Total Net Expenditure	**147,914**	**147,914**
Financed By:		
Formula Grant & ABG	(34,270)	(34,270)
Demand on the Collection Fund	(113,644)	(113,644)
	(147,914)	**(147,914)**

MAJOR CONTRACTS

Some services are provided on behalf of the Council by external organisations, and significant amounts of money are committed within some of the long-term contracts with private and 'not-for-profit' external partners. The major contracts that the Council has entered into are detailed as follows:

PFI Contracts

In addition to the capital programme, the Council has two long-term PFI contracts for the provision of residential care homes and primary schools. These two contracts commit the Council to future payments of £167m, spread over the next 16 to 22 years. The full year payments under these two contracts for 2009/10 are £8.8m. Changes in the accounting requirements in SORP 2009 have necessitated inclusion of the PFI assets (4 primary schools and 3 care homes) on the Council's Balance Sheet as the controlling party. Further details of these contractual obligations and payments, as well as asset values are given in Note 27 (page 54).

IT 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 £5.3m and is due to expire in February 2013. Changes in the accounting requirements in SORP 2009 for PFI assets also include similar contracts, and the assets the Council is acquiring under the SERCO contract are now also included on the Council's Balance Sheet. Further details of these contractual obligations and payments, as well as asset values are given in Note 27 (page 54).

Waste and Recycling Contract

An integrated Waste and Recycling services contract was outsourced to Cleanaway (subsequently taken over by Veolia from 1st November 2004). This contract expires in 2014. Veolia are required to provide refuse and recycling collection services for both domestic and trade premises.

In October 2008 a further change was made to the recycling service in order to address the collection and capacity issues being experienced by the service. This changed the collection method for dry recycling materials which now uses a box system.

The annual contract value for this service in 2009/10 was £5.044m.

Street Cleansing

The street cleansing contract, which covers the street sweeping of borough roads and gully cleansing, was awarded to Serviceteam in February 2001. Since the initial contract was awarded a number of changes to services have been made and the annual core contract value currently stands at £2.9m per annum. Serviceteam were subsequently taken over by Cleanaway and now Veolia. The contract operates under flexible partnering arrangements with open book accounting in respect of both the Council's and Veolia's finances. This facilitates the targeting of resources to priority service areas. The contract expires in 2011.

Grounds Maintenance and Related Services Contract

The Grounds Contract covers grounds maintenance and arboriculture across the borough. It also includes a small sports bookings service and the provision of Parks Patrol Officers. The contract runs from 1 April 2003 to March 31 2013 with Veolia. The current contract value stands at approximately £2.0m.

Parking Enforcement

The parking enforcement contract was awarded to NCP (National Car Parks) and came into effect in January 2006. NCP are now known as NSL and during 2009/10 they were paid £2.4m. The contract that expires in 2011 (a report was provided to Cabinet in April 2010 detailing the proposed procurement process), covers:

- Collection of parking income
- Provision of staff for Council multi-storey car parks
- On and off-street enforcement patrols
- CCTV enforcement of bus lanes, static cameras & provision of two mobile CCTV vehicles
- The issue of penalty charge notices, both by hand & electronic means
- Provision of a parking shop for PCN payments, permit applications/issue, suspensions & dispensations and general enquiries.

Civil Engineering and Road Maintenance

Contracts were awarded to John Crowley (Maidstone) Ltd. (now trading as Volker Highways) in November 2003 and FM Conway Ltd. in April 2004. The contracts cover:

- Carriageway resurfacing
- Road marking
- Civil engineering works.

During the year ended 31 March 2010, work to the value of £7.3m was completed, with £5.2m going to Volker Highways and £2.1m to FM Conway. All three contracts were re-tendered during 2009/10 with the carriageway resurfacing and road marking contracts awarded to FM Conway. The civil engineering works contract award is still to be made.

ENVIRONMENTAL FOOTPRINT

In view of the increasing general concerns about environmental issues and energy costs, and in common with best practice, the Council produces a short statement on its environmental footprint, explaining what it is doing to reduce it. Further information is available on the Council's website at the following link:

www.richmond.gov.uk/gogreen.

We are absolutely committed to reducing our own environmental footprint and in particular the demands we ourselves place on energy consumption and therefore on the costs of our services delivery.

CAPITAL PERFORMANCE

Capital Expenditure and Financing

Capital expenditure is incurred on the construction, acquisition or improvement of an asset, which has a beneficial life of more than one year.

Capital expenditure can be financed by borrowing, grants and other contributions, capital receipts (from the sale of assets) or from revenue (or reserves set aside from revenue). Since the introduction of the Prudential Code, local authorities have been empowered to borrow funds to finance capital schemes without prior agreement from central government.

Grants are mainly received from the government or Transport for London (part of the Greater London Authority), and often have to be spent on specific services or schemes. Capital receipts provide the largest source of capital finance over which the Council has discretion, although they are, by their nature, a finite resource. In-year receipts in 2009/10 are significantly lower than last year at £1.0m compared with £3.2m. Careful planning is undertaken to allow for the uncertainties of timing and actual sale value.

Although capital expenditure is usually financed from capital resources (such as capital grants and receipts), there is the option to use revenue resources to fund capital works. This is used where there are schemes that meet Council priorities for which capital resources are not available, or where revenue income can be created. A large proportion of the revenue financing of capital in 2009/10 has come from revenue reserves such as the Infrastructure Reserve, which was set up specifically to address the backlog of works identified in the Asset Management Plan, and the Repairs and Renewals Fund which is used for 'invest to save' schemes that repay into the Fund over a 5 to 7 year period.

The following table provides details of the capital expenditure in both 2009/10 and 2008/09 across the Council's departments and the resources used to finance this expenditure as reported to Members during the financial year.

Table D CAPITAL EXPENDITURE AND FINANCING

	2009/10		2008/09
	Budget	Actual	Actual
	£000	£000	£000
CAPITAL EXPENDITURE:			
Children's Services & Culture	28,250	30,047	20,493
Adult & Community Services	5,916	3,841	3,566
Environmental Services	11,716	11,484	14,716
Finance and Corporate Services	5,240	4,839	5,065
Total Capital Expenditure	**51,122**	**50,211**	**43,840**
CAPITAL FINANCING:			
Capital Grants:			
Department for Children, Schools & Families	20,884	21,860	13,562
Department for Communities and Local Government	1,502	1,326	734
Transport for London	7,063	7,018	9,770
Other Grants	3,769	2,706	3,276
Sub-Total Capital Grants	**33,218**	**32,910**	**27,342**
Borrowing	2,682	5,042	2,164
Section 106 Planning Obligations*	193	136	173
LSVT (transfer of housing stock) Receipt	1,082	672	172
Capital Receipts	9,693	7,460	6,424
Direct Revenue Financing	3,698	2,739	6,035
Contributions	556	1,252	1,530
Total Capital Financing	**51,122**	**50,211**	**43,840**

* In this table Section 106 receipts are shown as a discrete source of finance, but in the financial statements they are treated as either revenue financing or capital contributions (see Note 28)

In addition to the capital expenditure reported to Members, the Council also has two PFI and one similar contract which are now deemed to represent the acquisition and enhancement of Council assets under SORP 2009. The two PFI for Primary Schools and Care Homes resulted in new or enhanced assets in prior years. Only the ICT contract, which is similar to a PFI, results in ongoing capital expenditure on ICT assets. The relevant asset enhancing expenditure incurred was:

	2009/10	2008/09
	Actual	Actual
	£000	£000
ICT Capital Acquisition	373	252

FORWARD PLANS

The Council has a Medium Term Financial Strategy (MTFS) that sets the parameters and expectations for the Council's finances over the next three to five years. This financial strategy is reviewed annually and includes consultation with the public, major businesses and the Council's partners. Since the end of the financial year the Council has also seen a change in the local administration and this strategy will be subject to a more fundamental review in 2010/11.

Like all businesses, the current global economic position has had a significant impact on the Council's current budgets and its plans for the future. Although the Council has managed to avoid any direct losses associated with the demise of financial institutions in various parts of the world, amongst the immediate impacts it has had to deal with are a significant reduction in its expectations for income from investments and a reduction in other sources of income. The longer-term consequences include the expectation that public expenditure will need to be reduced over a long period as the government seeks to recover the investment it has had to make in supporting the economy in general and the financial sector in particular. The new government has begun the changes with announcements of £6bn of funding cuts at the start of the 2010/11 financial year.

The Council has for many years been one of the worst funded in terms of general grant per head of population from central government. This means that it is less reliant on government income than other councils and has become used to delivering services within a very tight funding position. However, when specific grants and subsidies are included, the government still remains a major funder (£60m+ excluding schools) and, in starting from a low spending position, the challenges of finding further savings or efficiencies are even greater.

During 2009/10 the Council carried out a wide ranging efficiency review of the way it works with the help of external consultants. This led to the establishment of an Efficiency Challenge programme to add at least £10m-£15m to the savings/efficiencies already programmed by the Council. The financial strategy is being further reviewed by the new local administration with a view to an even greater focus on the efficient and effective use of resources to ensure that Council Tax increases remain as low as possible, whilst supporting the most vulnerable in the community. The revenue outturn position for 2009/10 was an underspend which has enabled the Council to meet its target for providing funding for pump priming efficiency projects but, once again, there are identified key areas of service pressures which will present additional challenges in the years ahead.

For 2010/11 the Council froze the Council Tax which was well within its longer-term aim of maintaining increases below 5%. The new administration has, however, targeted a low level of increases for the future as well, recognising that any Council Tax increase in the current economic climate will be unwelcome. Hence it has required that the Council undertakes a zero based budget review at the start of 2010/11.

The government has signalled very strongly that it intends to reduce public finances very significantly in the early part of its term and hence the challenges for the Council's finances will remain for some time.

Capital Programme

The Council regularly reviews its capital programme, particularly to ensure that adequate resources are available to finance the programme. The Council agrees a programme of capital works every year. The latest programme agreed by Cabinet in February 2010 set the 2010/11 programme of works and considered works for the longer term to 2014/15.

Capital schemes cover expenditure, which results in the creation or enhancement of an asset, such as refurbishing a school or purchasing a new street sweeping machine. Potential capital projects are assessed on a priorities basis, taking into account the Council's Community and Service Plans. When setting the capital programme, the Council has to consider how this expenditure will be financed and whether it will result in a cost to local taxpayers. Where schemes are funded by external sources, such as government grants, contributions from other organisations, or money that has been saved in prior years to finance them, there is little capital cost to residents. However, some schemes would need to be funded from borrowing, and this borrowing would attract interest to be repaid, in addition to the principal. The largest single scheme in the capital programme involves the rebuilding of Teddington School. Work on the school is due to complete in July 2010 and open in September 2010.

PENSION FUND

The Pension Fund accounts are subject to a separate audit engagement and have been separately approved by the Pension Fund Committee. These accounts are still required to be included in the Council's Statement of Accounts for completeness and are shown in a separate section, starting from page 86. These accounts relate to the whole of the Pension Fund, that also includes other employing bodies in addition to the Council.

The Council's accounts include figures relating only to the Council's share of the Pension Fund. Future liabilities in respect of benefit entitlements for Council employees who are members of the Pension Fund are effectively borne by the Council. Unfunded obligations relating to future liabilities are disclosed in notes to the Core Statements. These future liabilities and assets are calculated in accordance with the 'FRS 17' basis (an accounting standard) that is different from the valuation basis on which actual pension contributions are calculated.

The deficit on the Pension Fund increased by £106.364m in 2009/10, with a deficit at 31 March 2010 of £219.855m. The value of the Fund's assets, which are applicable to the Council, increased by £100.722m to £329.417m during the year, with liabilities increasing by £207.086m to £549.272m. Details of the Council's pension liabilities and assets are set out in Note 19 to Note 25 in the Accounts.

It is important to understand that the net pensions liability is a position taken at one point in time at the end of the financial year. Market prices tend to move up and down in the short-term, and this will impact on the level of deficit disclosed at a particular point in time.

FURTHER INFORMATION

If you require further information in respect of the Council's Statement of Accounts, please contact:

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Twickenham
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TW1 3BZ

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CORE FINANCIAL STATEMENTS

THE INCOME AND EXPENDITURE ACCOUNT

This account summarise the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

	Note	2009/10 Gross Expenditure £000	2009/10 Gross Income £000	2009/10 Net Expenditure £000	Restated 2008/09 Net Expenditure £000
Central Services - Local Taxation	2	16,116	(13,908)	2,208	2,446
Other Central Services to the Public	2	3,023	(1,344)	1,679	1,434
		19,139	**(15,252)**	**3,887**	**3,880**
Adult Social Services	2	84,326	(32,131)	52,195	50,940
Children's and Education Services	2	172,591	(140,952)	31,639	66,055
Cultural, Environmental, Regulatory and Planning Services	2	47,605	(16,127)	31,478	32,411
Highways and Transport Services	2	23,896	(16,571)	7,325	8,916
Housing Services (General Fund)	2	69,475	(66,634)	2,841	4,077
Corporate and Democratic Core	2	3,878	(40)	3,838	3,975
Non Distributed Costs	2	724	(4)	720	3,324
Exceptional Items	3	79	(1,365)	(1,286)	0
Net Cost of Services		**421,713**	**(289,076)**	**132,637**	**173,578**
(Gain) / Loss on Disposal of Fixed Assets				6,152	(1,033)
Receipt on Assets Previously Disposed				(1,235)	(994)
Distribution of Capital Receipts to Other Local Authorities	17			300	160
Levies	5			7,133	6,483
Surplus on Trading Accounts	6			0	(28)
Interest Payable	14 & 42			7,020	6,580
Contribution of Housing Capital Receipts to Government Pool				46	66
Interest and Investment Income	14 & 42			(2,364)	(5,236)
Other Corporate Income				(256)	(900)
Pensions Interest Costs	19			23,481	24,112
Expected Rate of Return on Pension Assets	19			(15,037)	(19,842)
Net Operating Expenditure				**157,877**	**182,946**
Income from Council Tax				(114,450)	(108,997)
Government Grant not attributable to a specific service (RSG and ABG)	4			(11,833)	(9,584)
Distribution from non-domestic rates pool	4			(22,437)	(23,857)
Deficit for the Year				**9,157**	**40,508**

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account Shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- The payment of a share of housing capital receipts to the government scores as a loss in the Income and Expenditure Account, but is met from the Capital Receipts Reserve balance rather than Council Tax
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned

The General Fund Balance compares the Council's spending against the Council Tax that is raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. Council tax income is accounted for on the basis of the precept on the Collection Fund and does not include any share of the surplus or deficit in the year included in the Income and Expenditure account. Premiums arising on the early repayment of debt are charged over the remaining period of the loan rather than at the date of repayment.

This reconciliation statement summarised the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

	2009/10 £000	Restated 2008/09 £000
Deficit for the year on the Income and Expenditure Account	9,157	40,508
Net additional amount required by statute and non-statutory proper practices to be credited to the general fund balance for the year	(8,407)	(39,869)
Decrease in General Fund Balance for the year	**750**	**639**
General Fund Balance brought forward	(11,455)	(12,094)
General Fund Balance carried forward	**(10,705)**	**(11,455)**

NOTE TO THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	Note	2009/10 £000	2009/10 £000	Restated 2008/09 £000	Restated 2008/09 £000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year:					
Depreciation and impairment of Fixed Assets	31	(12,678)		(47,847)	
Government Grant Deferred amortisation matching depreciation and impairments	47	6,566		5,932	
Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute		(7,657)		(6,378)	
Net Gain / (Loss) on sales of fixed assets		(6,152)		1,033	
Amount by which finance costs calculated in accordance with the SORP are different from the amount of finance costs calculated in accordance with statutory requirements	13	(1,443)		0	
Receipt on Assets Previously Disposed of		1,235		994	
Distribution of Capital Receipts to Other Local Authorities		(300)		(160)	
Amount by which pension costs calculated in accordance with the SORP are different from the contributions due under the pension scheme regulations	19	743		1,094	
Amount by which Council Tax income and residual Community Charge adjustment included in the I&E is different from the amount taken to the General Fund in line with regulations		806	(18,880)	(686)	(46,018)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year:					
Statutory provision for repayment of debt (MRP)	12	2,267		1,947	
Capital Expenditure charged to the General Fund Balance	28	2,801		6,069	
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool		(46)	5,022	(66)	7,950
Transfers to and from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year:					
Net transfer to / (from) earmarked reserves	52		5,451		(1,801)
Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year			**(8,407)**		**(39,869)**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	2009/10 £000	Restated 2008/09 £000
Deficit for the year on the Income and Expenditure Account	9,157	40,508
Surplus arising on the revaluation of fixed assets	(21,830)	(14,259)
Actuarial (gains)/losses on pension fund assets and liabilities	107,107	40,582
	94,434	**66,831**

BALANCE SHEET

The balance sheet is fundamental to the understanding of an authority's financial position at the year end. It shows its balances and reserves and its long term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

NET ASSETS

	Note	As at 31 March 2010 £000	As at 31 March 2010 £000	Restated As at 31 March 2009 £000	Restated As at 31 March 2009 £000
Fixed Assets:					
INTANGIBLE FIXED ASSETS	31		315		420
TANGIBLE FIXED ASSETS					
Operational Assets:					
Land and buildings	31	544,688		526,138	
Vehicles, plant, furniture and equipment	31	5,908		6,905	
Infrastructure assets	31	73,942		66,843	
Community assets	31	16,987	641,525	13,997	613,883
Non-Operational Assets:	31				
Land awaiting development		3,828		4,022	
Assets under construction		21,977		4,931	
Investment properties		17,607		17,168	
Equity Share Properties	16	4,514	47,926	4,814	30,935
TOTAL FIXED ASSETS			**689,766**		**645,238**
Long Term Investments	35		12,250		24,150
Long Term Debtors	36		908		484
TOTAL LONG TERM ASSETS			**702,924**		**669,872**
Current Assets:					
Stocks and Work in Progress	34	287		278	
Debtors (net of impairments for bad debts)	37	24,400		25,689	
Investments	35	70,405		44,297	
		95,092		70,264	
Current Liabilities:					
Temporary Borrowing	39	(7,737)		(7,224)	
Creditors	37	(39,101)		(37,226)	
Cash and Bank (overdrawn)	61	(5,674)		(4,539)	
		(52,512)		(48,989)	
TOTAL NET CURRENT ASSETS			**42,580**		**21,275**
Long Term Liabilities:					
Long Term Creditors	38	(1,378)		(1,386)	
Long Term Borrowing	39	(40,848)		(36,848)	
Deferred Liabilities	27	(21,711)		(22,242)	
Unused Capital Contributions	46	(1,768)		(1,320)	
Unused Government Grant	46	(14,046)		(3,291)	
Government Grant Deferred	47	(99,413)		(71,742)	
Provisions	49	(2,663)	(181,827)	(2,571)	(139,400)
Defined Benefit Pension Scheme Liability	22		(219,855)		(113,491)
TOTAL NET ASSETS			**343,822**		**438,256**

NET WORTH

				Restated	
		As at 31 March 2010		As at 31 March 2009	
	Note	£000	£000	£000	£000
Represented By:					
Revaluation Reserve	*51*		(54,101)		(33,384)
Capital Adjustment Account	*51*		(456,351)		(463,358)
Deferred Capital Receipts	*51*		(287)		(350)
Usable Capital Receipts Reserve	*51*		(2,052)		(7,833)
Home Loans Unit Capital Receipts	*17 & 51*		(113)		(113)
TOTAL CAPITAL RESERVES			**(512,904)**		**(505,038)**
Pensions Reserve	*22*	219,855		113,491	
Financial Instruments Adjustment Account	*52*	1,443		0	
Collection Fund Adjustment Account	*52*	(1,172)		(366)	
Schools' Reserves	*52*	(7,533)		(5,937)	
Earmarked Reserves	*52*	(32,727)		(28,844)	
Home Loans Unit	*52*	(79)	179,787	(107)	78,237
General Fund Balance	*52*		(10,705)		(11,455)
TOTAL NET WORTH			**(343,822)**		**(438,256)**

CASH FLOW STATEMENT

The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

		2009/10		Restated 2008/09	
	Notes	£000	£000	£000	£000
Net (inflow) / outflow from Revenue Activities	*58*		**(8,739)**		**2,992**
Returns on Investments and Servicing of Finance					
Cash Outflows:					
Interest Paid		5,198		4,683	
Interest Element of Finance Lease Rental		1,912		1,955	
Cash Inflows:					
Interest Received		(3,611)	**3,499**	(5,784)	**854**
Capital Activities					
Cash Outflows:					
Purchase & Investment in Fixed Assets		41,636		36,986	
Purchase of Long-Term Investments		0		15,400	
Other Capital Cash Payments		46		66	
Total Capital Outflows		41,682		52,452	
Cash Inflows:					
Sale of Fixed Assets		(2,397)		(2,942)	
Capital Grants Received		(43,132)		(23,138)	
Other Capital Cash Receipts		(1,774)		(2,353)	
Total Capital Inflows		(47,303)		(28,433)	
Net capital (inflows) / outflows			**(5,621)**		**24,019**
Net Cash (inflow) / outflow before financing			**(10,861)**		**27,865**
Management of Liquid Resources					
Net increase / (decrease) in Short Term Deposits		13,046		(30,569)	
Net increase in Other Liquid Resources		2,281	15,327	2,396	(28,173)
Financing					
Cash Outflows:					
Repayments of Amounts Borrowed		9,962		1,188	
Capital Element of Finance Lease Rental Payments		904		762	
Cash Inflows:					
New Long term Loans Raised		(10,000)		0	
New Short term Loans Raised		(4,197)	(3,331)	(126)	1,824
Decrease in Cash	*61*		**1,135**		**1,516**

NOTES TO THE CORE FINANCIAL STATEMENTS

Note 1 PRIOR YEAR CHANGES

There are two main changes to the SORP in 2009/10 which require restatement of the prior year's balances. These are in respect of assets held under PFI and similar contracts and the Collection Fund.

a) Restatement for the Recognition of Assets Acquired under PFI and Similar Contracts required by SORP 2009

SORP 2009 changes the accounting treatment of the Council's two formal PFI (Primary Schools and Care Homes) and one similar contract of ICT Support.

The changes represent a difference in the accounting tests applied to identify which party should recognise the assets on their balance sheet. The prior FRS 5 test demonstrated that the risks and rewards of ownership resided with the PFI contractors and so assets were not included on the Council's balance sheet. However, the Council did include adjustments to recognise the assets over the life of the contract, and to show the benefit of land given to the PFI contractor over the life of the contract.

The revised control test shows that the Council controls what the assets are used for, the prices paid and will take ownership of the assets at the end of the contract. Therefore the PFI and ICT contract assets should be included on the Council's balance sheet. The substance of the transaction is that there is a combination of a service contract and a financing lease, and these elements should be disaggregated in the accounts to show the costs of services provided and the costs of financing the assets acquired.

This new accounting treatment constitutes a change in accounting policy and therefore requires restatement of the opening balance sheet and prior-year comparison.

There are three stages to the restatement. Firstly, the removal of the existing accounting entries, followed by writing on assets and liabilities at the start of each contract and adjustments to show balances as if the new treatment was always in place.

<u>Step 1 - Write out the existing balance sheet entries for 31 March 2009</u>

The existing balance sheet entries include:

- Writing off of the land given to both contractors as advance "payment in kind" which was used to reduce charges over the life of the contract. This was accounted for as a long term debtor due to the advance nature of the payment.
- Writing on the assets acquired under the PFI over the life of the contract and financing these from revenue

These entries applied to the formal PFI contracts only. The ICT contract was never considered a PFI contract, and contract costs are charged to expenditure as they fall due without ay further adjustments.

Assets and Liabilities written out of Balance Sheet at 31 March 2009	Original Balances 31st March 2009	Adjustment for Care Homes	Adjustment for Primary Schools	Adjustment for ICT Support	Restated Balances 31st March 2009
	£000	£000	£000	£000	£000
Assets - Long Term Debtors					
Long Term Debtor (asset write on)	3,716	(2,415)	(1,301)	0	**0**
Deferred Consideration (payment in advance)	4,101	(1,564)	(2,537)	0	**0**
	7,817	**(3,979)**	**(3,838)**	**0**	**0**
Capital Reserves					
Capital Adjustment Account	(464,851)	1,564	2,537	0	**(460,750)**
PFI Capital Financing Account	(3,716)	2,415	1,301	0	**0**
	(468,567)	**3,979**	**3,838**	**0**	**(460,750)**

<u>Step 2 - Write on the Long Term Liabilities as at Day 1 of the Contracts</u>

Under the new regulations, assets acquired under PFI are recognised initially with an equal and opposite long term liability. This is in line with the accounting treatment for financing leases and recognises that the substance of the PFI contract is a combined financing lease and service agreement.

The initial liability is then adjusted to recognise the land given to the contractors as reducing their need to finance the contract and thereby reducing the level of debt the Council is taking on.

The assets and liabilities at initial values are:

	Assets	Deferred Consideration	Liability
	£000	**£000**	**£000**
Primary Schools	13,169	(3,250)	(9,919)
Care Homes	14,419	(2,300)	(12,119)
	27,588	**(5,550)**	**(22,038)**

In the case of the ICT services contract, most of the assets acquired initially in the first year of the contract will have been replaced and written out of the balance sheet so the initial assets and liability are not directly relevant. The assets and liability outstanding at 1 April 2009 are:

Gross assets	£1.030m
Cumulative Depreciation	<u>(£0.652m)</u>
Net carrying value of assets	£0.378m
Liability	(£1.949m)

Assets are written down over the anticipated economic life of the relevant asset (typically four years) whereas the liability is written down over the remaining period of the contract from when the liability is incurred.

Step 3 - Write on Revaluation and Other Changes to 31 March 2009

Subsequent to the acquisition of the assets under the lease, they are treated as any other asset of that class and depreciated and revalued as such an asset. The accumulated depreciation and revaluations therefore need to be added to the opening asset values.

The requirement to make prudent provision for debt repayment in respect of the assets is met by allocating the notional debt repayment element of the payments to the contractor to MRP.

The following table shows all the adjustments for the two PFI contracts and the ICT contract and the existing movements in 2008/09 to provide a record of the movements from the previously reported balance sheet at 31 March 2008 from the previously reported balances at 31 March 2008 to the restated balances at 31 March 2009:

	Previously Reported Balances 31 March 2009	Adjustment for Care Homes	Adjustment for Primary Schools	Adjustment for ICT Support	Restated Balances 31st March 2009
	£000	£000	£000	£000	£000
Assets					
Intangible Assets	42	0	0	378	420
Tangible Assets - Land & Buildings	500,719	13,929	11,490	0	526,138
Tangible Assets - Vehicles, Plant & Equipment	6,225	0	0	680	6,905
Long Term Debtors	8,301	(3,979)	(3,838)	0	484
Long Term Liabilities					
Deferred Liability		(10,893)	(9,400)	(1,949)	(22,242)
Capital Reserves					
Capital Adjustment Account	(464,851)	(49)	651	891	(463,358)
PFI Capital Financing Account	(3,716)	2,415	1,301	0	0
Revaluation Reserve	(31,757)	(1,423)	(204)	0	(33,384)
Net Change		**0**	**0**	**0**	

Summary of changes in respect of the I&E, SMGFB and STRGL:

The restatement changes in respect of the revenue transactions are as follows (this table include the changes to the I&E and SMGFB in respect of Council Tax and NNDR referred to in part **(b)** of this Note, for completeness):

	Previously Reported 2008/09 £000	Adjustment PFI £000	Adjustment CTAX £000	Restated in 2008/09 £000
Treatment of Unitary Charges				
Amount recognised as service in Net Cost of service		14,737		
Amount recognised as repayment of liability and taken as additional MRP in the SMGFB		762		
Amount recognised as interest in I&E		1,955		
Total Unitary Payments		**17,454**		
Income and Expenditure Account				
Reduction in Net Cost of Services (MRP and Interest as show above)		(2,717)		
Reversal of transfer to CAA (PFI deferred consideration) in 2008/09		370		
Addition for Depreciation & Impairment		1,903		
Total Net Cost of Services	**174,022**	**(444)**	**0**	**173,578**
Addition to Interest payable		1,955		
Council Tax and NNDR not recognised in I&E			686	
Effect on I&E	**38,311**	**1,511**	**686**	**40,508**
SMGFB				
Council Tax and NNDR not included in I&E			(686)	
Removal of Depreciation & Impairment		(1,903)		
Charge for MRP		762		
Reversal of transfer to CAA (PFI deferred consideration) in 2008/09		(370)		
Total Adjustments through the SMGFB	**(37,672)**	**(1,511)**	**(686)**	**(39,869)**
Net Affect on the General Fund		**0**	**0**	
STRGL				
Recognition of additional revaluation gains	**(12,602)**	**(1,657)**	**0**	**(14,259)**

The net effect of these changes on the general Fund is nil, with the Income and Expenditure Account deficit increasing by £1.511 million to £40.508 million.

The impact in 2009/10 was accounted for during the year and 2009/10 therefore requires no adjustment.

b) Adjustments for Council Tax and National Non Domestic Rates (NNDR) required by SORP 2009

From 1st April 2009 the way the Council reports Council Tax and NNDR in the Statement of Accounts changed in line with SORP 2009 guidance. This change required the restatement of the prior year financial statements.

Accounting for Council Tax
There are two key changes from 2009:

1) Income from Council Tax (Richmond element) will be accounted for on an accruals basis. This means the amount reported in the Income and Expenditure Account will change from the amount actually paid from the Collection Fund in the year to the accrued income for the year. In practical terms the Demand on Collection Fund will represent the budgeted demand and distribution of surplus or deficit that has actually been paid during the year plus the Council's proportion of the actual surplus or deficit for the year. The impact of this on the 2008/09 revenue account is as follows:

REVENUE ACCOUNT RESTATEMENT	Original 2008/09 £000	Adjustment £000	Restated 2008/09 £000	Explanation of Adjustment
Income and Expenditure: Demand on Collection Fund	(109,683)	686	(108,997)	Richmond proportion of in year deficit
Statement of Movement General Fund Balance	0	(686)	(686)	Reconcile to General Fund Movement

2) The relationship between the Council and the Greater London Authority (GLA) has been defined as an 'agency' relationship and as such the collection of the Council Tax income on behalf of the GLA, and all associated expenditure will show in the GLA's accounts rather than the Council's. This requires adjustments to the 2008/09 cash flow and balance sheet figures to exclude all transactions relating to the collection and payment of the GLA precept and the GLA's proportion of the surplus / deficit on the Fund. The amount owed to the GLA at 31 March remains as a creditor on the Balance Sheet and the difference between the amount collected and paid over that remains in the Council's bank account at the year end will show as a net increase / decrease in liquid resources. The Council tax debtors and creditors between the Council and the public will exclude amounts owed that relate to the GLA precept, these amounts will now be shown in the GLA's accounts. The adjustments needed to remove all entries that arise as a result of the agency relationship are as follows:

BALANCE SHEET RESTATEMENT	Original 2008/09 £000	Adjustment £000	Restated 2008/09 £000	Explanation of Adjustment
Debtors: Amount owed by members of the public	7,226	(1,402)	5,824	Exclude GLA proportion of debtor
Debtors: Provision for Bad Debts	(3,670)	712	(2,958)	Exclude GLA proportion of provision
Creditors: Receipt In Advance from the public	(2,044)	987	(1,057)	Exclude GLA proportion of creditor
Creditors: Amounts owed to public	(3,045)	0	(3,045)	
Creditors: Amounts owed by Collection Fund to GLA	(93)	(292)	(385)	Net amount owed to GLA
Reserves: Collection Fund Attributable to RUT	(361)	361	0	Richmond element of fund
Reserves: Collection Fund Adjustment Account (New Reserve)	0	(366)	(366)	Richmond element of fund
	(1,987)	0	(1,987)	

CASH FLOW RESTATEMENT	Original 2008/09 £000	Adjustment £000	Restated 2008/09 £000	Explanation of Adjustment
Net Cash flow from Revenue Activities				
Cash inflow for GLA element of Council Tax	(25,148)	25,148	0	Remove cash inflow relating to GLA
Cash outflow on GLA Precept	27,288	(27,288)	0	Remove cash outflow relating to GLA
Cash outflow on Distribution of Surplus to GLA	256	(256)	0	Remove cash outflow relating to GLA
Management of Liquid Resources	0	2,396	2,396	Cash change resulting from agency relationship
	2,396	0	2,396	

Accounting for National Non-Domestic Rates (NNDR)
SORP 2009 has prescribed that the Council collects NNDR as an agent activity on behalf of central government and as such any amount owing or owed to central government at the year end should be shown as a net debtor or creditor in the balance sheet. The consequence of this change is that all transactions relating to NNDR, including amounts owed to/from the public will be presented as amounts owed to/from central government rather than the Council.

	Original 2008/09 £000	Adjustment £000	Restated 2008/09 £000	Explanation of Adjustment
Debtors - NNDR owed by public	2,298	(2,298)	0	Consolidate into net debtor
Debtors - Provision for Bad Debts	(565)	565	0	Consolidate into net debtor
Creditors - Receipts in Advance owed to public	(600)	600	0	Consolidate into net debtor
Creditors - NNDR owed to public	(2,622)	2,622	0	Consolidate into net debtor
Debtors - Owed to the Council by Central Government	1,970	(1,489)	481	Net NNDR Debtor
	481	0	481	

Note 2 ANALYSIS OF NET COST OF SERVICES

The following tables provide analysis of the Net Cost of Services shown in the Income and Expenditure Account based on the standard service expenditure analysis under the Best Value Accounting Code of Practice (BVACOP).

All asset revaluations that result in a downward valuation have to be charged as a revaluation loss to the relevant service unless they can be offset against an accumulated revaluation gain in the Revaluation Reserve. All land and buildings are valued once every 5 years on a rolling basis (see Note 32), which reduces the year on year comparability of figures at this level. This has an effect on a number of services in the Income and Expenditure Account. The charge for revaluation losses is reversed in the Statement of Movement on the General Fund Balance so there is no impact on the General Fund. Primary and secondary schools have significant variances between years arising from revaluation and are marked *

	2009/10 Net Expenditure £000	2008/09 Restated Net Expenditure £000
Central Services - Local Taxation		
Council Tax	2,135	2,328
Business Rates	73	118
	2,208	**2,446**
Other Central Services to the Public		
Elections	534	445
Registration of Births, Deaths & Marriages	189	214
Emergency Planning	191	216
Local Land Charges	(259)	(250)
General Grants, Bequests, Donations	1,024	809
	1,679	**1,434**
Adult Social Care		
Service Strategy	530	750
Older People	25,248	24,264
Adults with Physical Disabilities	6,118	5,755
Adults with Learning Disabilities	14,077	14,787
Mental Health	5,016	4,515
Other Adult Services	764	870
Supported Employment	442	(1)
	52,195	**50,940**
Children's and Education Services		
Education Services		
Nursery Schools	374	432
Primary Schools	*52,425	68,107
Secondary Schools	*38,111	53,454
Special Schools	12,811	13,806
Non-School Funding	7,579	7,521
Dedicated Schools Grant	(95,057)	(91,127)
Children's Social Care		
Service Strategy	101	92
Children's Services -Commissioning & Social Work	5,335	5,221
Looked After Children	4,661	4,396
Family Support Services	2,065	1,659
Youth Justice	531	505
Asylum Seekers	713	405
Other Children & Family Services	1,990	1,584
	31,639	**66,055**
Culture, Environmental, Regulatory and Planning Services		
Culture & Related Services	10,398	12,322
Environmental and Regulatory Services	13,963	14,324
Planning & Development Services	7,117	5,765
	31,478	**32,411**

Table continued on next page

Table continued from previous page

	2009/10 Net Expenditure £000	2008/09 Restated Net Expenditure £000
Highways and Transport Services		
Transport Planning, Policy & Strategy	650	607
Structural Maintenance	2,348	2,534
Environmental, Safety and Routine Maintenance	2,169	2,137
Street Lighting	1,349	1,546
Winter Service	326	185
Traffic Management & Road Safety	932	1,113
Parking Services	(5,414)	(5,462)
Public Transport	4,965	6,256
	7,325	**8,916**
Housing Services		
Housing Strategy	562	592
Housing Advice	612	377
Homelessness	1,766	2,404
Housing Benefit Payments	(734)	(179)
Housing Benefit Administration	409	758
Other Council Property	(7)	(38)
Private Sector Housing #	215	0
Supporting People	18	163
	2,841	**4,077**
Corporate and Democratic Core		
Corporate Management	1,223	1,389
Democratic Representation & Management	2,615	2,586
	3,838	**3,975**
Non-distributed Costs	**720**	**3,324**
Exceptional Item	**(1,286)**	**0**
Net Cost of Services	**132,637**	**173,578**

Previously shown under Environmental & Regulatory Services

Note 3 EXCEPTIONAL ITEM

An exceptional item is an item that is material in terms of the Council's overall expenditure but is not expected to recur frequently or regularly.

During 2009/10 the Council received one-off income of £1.365m as a result of a decision by the House of Lords in the case of Fleming (trading as Bodycraft) v HMRC, Conde Nast Publications Limited v HMRC 2008 [UKHL] 2, published on 23 January 2008. In this case the HMRC accepted that the failure of the UK government to provide a transitional period for the introduction of a three year cap on input VAT claims made from 1 May 1997 was a breach of EU law. As a result the Council has been able to claim back £694,000 in input VAT claims and £671,000 in interest on those claims from the HMRC. The legal cost of pursuing this income was £79,000. There is the possibility of future income pending the outcome of a claim for compound interest (see Note 55).

	2009/10 £000
Statutory Interest	(671)
VAT Refund	(694)
Legal Fees	79
Total Exceptional Item	**(1,286)**

Note 4 GENERAL GOVERNMENT GRANT

The Area Based Grant (ABG) is a non ring-fenced general grant and the Council has full local control over how the funding is used. The ABG is therefore disclosed with the general Revenue Support Grant on the Income and Expenditure Account, as it is not ring-fenced to a specific service area. The table below provides a breakdown of the government grants not attributable to a specific service and the NNDR distribution.

	2009/10 £000	2008/09 £000
Formula Grant		
Revenue Support Grant (RSG) entitlement	(5,179)	(3,321)
Distribution from non-domestic rate (NNDR) pool	(22,437)	(23,857)
	(27,616)	**(27,178)**
Area Based Grant	(6,654)	(6,263)
Total General Government Grant	**(34,270)**	**(33,441)**

Note 5 LEVIES

The Council is required to make certain payments to other bodies in respect of services that they provide within the local, or London area. The most significant levy charged to the Council's Income and Expenditure Account is paid to the West London Waste Authority for waste disposal. The following table lists the levies that the Council pays to other organisations that are included in the Income and Expenditure Account:

LEVYING BODY	2009/10 £000	2008/09 £000
West London Waste Authority (WLWA)	6,150	5,538
Lee Valley Regional Park	271	269
London Pensions Fund Authority	358	371
Environment Agency Flood Defence	177	178
Coroners' Service	177	127
Charge to the Income and Expenditure Account	**7,133**	**6,483**

Note 6 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 Best Value Accounting Code of Practice (BVACOP).

The following table shows the turnover and surplus or deficit on these trading operations and explanations for their performance are shown below. Where the surplus or deficit is material it is charged back to the relevant services in order to report total cost of services, but where the surplus or deficit is not material it can be carried directly as a surplus or deficit to Net Operating Expenditure in the Income and Expenditure Account.

		2009/10		2008/09	
		Turnover	(Surplus) / Deficit	Turnover	(Surplus) / Deficit
	Note	£000	£000	£000	£000
CHARGED TO NET OPERATING EXPENDITURE					
Trading with other Council Services:					
Vehicle Workshops / Contract Hire	*A*	-	-	3,224	(28)
Total Trading Operations		**0**	**0**	**3,224**	**(28)**
CHARGED WITHIN NET COST OF SERVICES					
Print Unit	*B*	342	80	372	85
Building Maintenance	*C*	926	9	974	54
Civic Catering	*D*	151	158	248	181
Vehicle Workshops / Contract Hire	*A*	3,254	117	-	-
Transport Operations	*E*	4,066	465	3,820	350
Total Charged within Net Cost of Services		**8,739**	**829**	**5,414**	**670**
Total All Trading Accounts		**8,739**	**829**	**8,638**	**642**

Notes for Trading Operations

A. Workshop rates are set on budgeted expenditure to recover direct, support and capital financing costs. The variance between the two years relates to an increase in direct costs mainly associated with purchase of parts and spares. As a result of the deficit being material in 2009/10 it was charged out to the relevant services within Net Cost of Services whereas in 2008/09 the deficit remained in Net Operating Expenditure.

B. 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. Deficits have been occurring over the last few years but substantive resolution has been delayed because the need for a Council-wide approach to the use of this facility and a number of changes to the Council's structure during this period. A report will be submitted to Executive Board in July 2010 which will propose a future strategy.

C. Turnover reduced slightly reflecting the continuing loss of work resulting from parking meter replacement programme (maintenance and repair work was previously undertaken by Building Maintenance) plus reduced workload from the private landlord sector and schools.

D. The Civic Catering Service was reviewed during the year with the existing service closing, in an endeavour to reduce the deficit, and being replaced by a smaller Pantry Service providing a trolley service and meeting refreshments only. The canteen and external catering services are no longer provided. The benefit of this change will be seen in future years.

E. This service provides transport for clients in Adult Social Care and Children's Services. The net deficit of £465,000 is due to an increase in vehicle and depot hire charges, an increase in departmental recharges and a reduction in income from learning disability services. There is expected reduction in costs for 2010/11 when the new taxi contract is due to be re-tendered. This deficit was apportioned to the relevant service and is included within the net cost of services at year-end.

Note 7 NHS ACT 2006 – POOLED FUNDS

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 NHS Richmond contribute jointly to a pooled fund 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 basis on which costs are shared is reviewed periodically to reflect usage of equipment by different client groups.

Funding Basis

	2009/10	2008/09
London Borough of Richmond upon Thames	50.00%	54.60%
Richmond and Twickenham Primary Care Trust	50.00%	45.40%

	2009/10 £000	2008/09 £000
POOLED BUDGET ACCOUNT		
Budget	1,059	1,078
Outturn Expenditure	902	1,052
Underspend	**(157)**	**(26)**
CONTRIBUTIONS FROM PARTNERS		
London Borough of Richmond upon Thames	451	574
Richmond and Twickenham Primary Care Trust	451	478
	902	**1,052**

Note 8 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:

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

The total payments made to Members were as follows:

	2009/10 £000	2008/09 £000
Total paid as Members' Allowances	820	829

Note 9 OFFICERS' EMOLUMENTS

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.

Range of Emoluments From £	To £	2009/10 Number of Employees	2008/09 Number of Employees
50,000	54,999	73	66
55,000	59,999	34	36
60,000	64,999	39	25
65,000	69,999	17	22
70,000	74,999	11	6
75,000	79,999	7	8
80,000	84,999	7	1
85,000	89,999	2	2
90,000	94,999	5	5
95,000	99,999	5	5
100,000	104,999	1	1
105,000	109,999	1	0
110,000	114,999	0	0
115,000	119,999	2	2
120,000	124,999	3	1
125,000	129,999	0	1
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	1
165,000	169,999	0	0
170,000	174,999	1	1
	Total	**208**	**183**

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

Senior Officers' Remuneration for 2009/10

Post Holder Information	Notes	Salary (Including Fees & Allowances) £	Expense Allowances £	Total Remuneration excluding Pension Contributions 2009/10 £	Pension Contributions £	Total Remuneration including Pension Contributions 2009/10 £
Chief Executive Gillian Norton	1	173,507	769	**174,276**	41,381	**215,657**
Director of Finance & Corporate Services Mark Maidment		123,736	255	**123,991**	29,383	**153,374**
Director of Adult & Community Services Cathy Kerr		118,843	125	**118,968**	28,404	**147,372**
Director of Environment Paul Chadwick	2	106,262	49	**106,311**	25,305	**131,616**
Director of Environment Trevor Pugh	3	16,657	0	**16,657**	3,949	**20,606**
Director of Childrens' Services & Culture Nick Whitfield		122,941	0	**122,941**	29,383	**152,324**
Head of Human Resources	4	81,961	400	**82,361**	19,589	**101,950**
Head of Democratic Services Postholder 1	5	35,017	0	**35,017**	3,400	**38,417**
Head of Democratic Services Postholder 2	6	5,888	0	**5,888**	1,407	**7,295**
Sub-Total		**784,812**	**1,598**	**786,410**	**182,201**	**968,611**
Seconded to the Association of Directors of Adult Social Services (Costs fully reimbursed to the Council)						
Director of Adult & Community Services Jeff Jerome	7	121,687	0	**121,687**	28,893	**150,580**
TOTAL		**906,499**	**1,598**	**908,097**	**211,094**	**1,119,191**

Notes:

Note 1 - The Chief Executive is the Head of the Paid Service

Note 2 - Paul Chadwick was employed from 14 May 2009

Note 3 - Trevor Pugh left the Council's employment on 17 May 2009

Note 4 - The Head of Human Resources has a direct line report to the Head of the Paid Service

Note 5 - The Head of Democratic Services has a direct line report to the Head of the Paid Service. Postholder 1 left on 30 June 2009

Note 6 - The Head of Democratic Services has a direct line report to the Head of the Paid Service. Postholder 2 started on 22 February 2010

Note 7 - Jeff Jerome took a secondment opportunity with the Association of Directors of Adult Social Services which started on 1st October 2008.

Senior Officers' Remuneration for 2008/09

Post Holder Information	Notes	Salary (Including Fees & Allowances) £	Expense Allowances £	Total Remuneration excluding Pension Contributions 2009/10 £	Pension Contributions £	Total Remuneration including Pension Contributions 2009/10 £
Chief Executive Gillian Norton	1	170,820	1,135	**171,955**	40,646	**212,601**
Director of Finance & Corporate Services Mark Maidment		121,644	145	**121,789**	28,893	**150,682**
Director of Adult & Community Services Jeff Jerome	2	59,250	0	**59,250**	14,101	**73,351**
Director of Adult & Community Services Cathy Kerr	3	28,433	0	**28,433**	6,795	**35,228**
Director of Environment Trevor Pugh		121,644	0	**121,644**	28,893	**150,537**
Director of Children's Services & Culture Nick Whitfield		118,842	761	**119,603**	28,403	**148,006**
Head of Human Resources	4	79,911	0	**79,911**	19,099	**99,010**
Head of Democratic Services	5	55,972	0	**55,972**	13,377	**69,349**
Sub-Total		**756,516**	**2,041**	**758,557**	**180,207**	**938,764**
Seconded to the Association of Directors of Adult Social Services (Costs fully reimbursed to the Council)						
Director of Adult & Community Services Jeff Jerome	2	67,106	0	**67,106**	14,792	**81,898**
TOTAL		**823,622**	**2,041**	**825,663**	**194,999**	**1,020,662**

Notes:

Note 1 - The Chief Executive is the Head of the Paid Service

Note 2 - Jeff Jerome took a secondment opportunity with the Association of Directors of Adult Social Services which started on 1st October 2008

Note 3 - Cathy Kerr was employed from 5 January 2009

Note 4 - The Head of Human Resources has a direct line report to the Head of the Paid Service

Note 5 - The Head of Democratic Services has a direct line report to the Head of the Paid Service.

Note 10 AUDIT COSTS

The following table provides a breakdown of the external audit and inspection fees incurred:

	2009/10 £000	2008/09 £000
Fees payable to the Audit Commission in respect of external audit services carried out by the appointed auditor	215	208
Fees payable to the Audit Commission in respect of statutory inspection	14	27
Fees payable to the Audit Commission for the certification of grant claims and returns	69	34
Fees payable in respect of other services provided by the appointed auditor	12	21
	310	**290**

The scale fees for statutory inspection as set by the Audit Commission were reduced in 2009/10 to reflect the reduced inspection regime. Fees in respect of grant claims and certification work are paid for on the basis of the amount of work carried out. This is usually estimated to be around £50,000 for regular grants and certification but in 2008/09 less work was undertaken. The corresponding figures for 2007/08 and 2006/07 were £75,000 and £78,000. Fees for other services relate to work in relation to questions from members of the public that the auditor is required to investigate. In both 2009/10 and 2008/09 this was mainly in respect of Twickenham Riverside. The amount of time and cost arising from questions raised by the public can vary significantly.

Note 11 OPERATING LEASES

The Council acts as both a lessor, where it leases assets to third parties, and as lessee, where it acquires the economic use of assets owned by third parties. The following tables disclose relevant information in respect of all leases, other than those at a peppercorn or similar de minimis values.

<u>Assets leased from other parties:</u>

The following table shows payments made under lease agreements:

	2009/10			2008/09		
	Other land and buildings £000	Vehicles, Plant and equipment £000	Total £000	Other land and buildings £000	Vehicles, Plant and equipment £000	Total £000
Total rentals paid under operating leases	1,273	52	1,325	1,273	75	1,348

The Council is committed to making payments of £1.071 million under operating leases in 2010/11, comprising the following elements:

	2009/10			2008/09		
	Other land and buildings	Vehicles, plant and equipment	Total	Other land and buildings	Vehicles, plant and equipment	Total
	£000	£000	£000	£000	£000	£000
Leases expiring within one year	218	49	267	0	3	3
Leases expiring between one and five years	152	0	152	621	49	670
Leases expiring in over five years	652	0	652	652	0	652
Total lease payment commitments for the next financial year	**1,022**	**49**	**1,071**	**1,273**	**52**	**1,325**

Assets leased to other parties:

The total rental income received by the Council under operating leases is shown in the following table:

	2009/10	2008/09
	£000	£000
Total rentals received under operating leases	1,897	1,714

This income relates wholly to leases in respect of other land and buildings, there being no leases made by the Council in respect of other assets. The gross value of assets held for use in operating leases at 31 March 2010 was £58.489m that was subject to £0.925m depreciation at that date.

Note 12 MINIMUM REVENUE PROVISION (MRP)

The Local Government and Housing Act 1989 requires that the Council to set aside a minimum provision from the Income and Expenditure Account for the repayment of external debt. This is based upon the underlying need to borrow (capital assets financed from borrowing) represented by the Capital Financing Requirement (see Note 33 on page 59).

Under the change in regulations made in Statutory Instrument SI 2008/414 the Council is now required to make prudent provision. While this provision is still based on the underlying need to borrow, the calculation is now based on the origin of the borrowing and the assets it relates to.

In 2008/09 the Council chose to use the transitional arrangements within the SI to continue on the old basis that the Capital Financing Requirement (CFR) represented debt required which would be taken as a 25 year loan with equal annual repayment of principal, hence provision was made for 1/25 (or 4%) of the CFR to be repaid.

From 2009/10 the Council chose to adopt the following options from the methods suggested by the DCLG :

- Continue with 4% MRP on CFR prior to the change in regulations.
- Use 4% MRP for new borrowing in line with Supported Capital Expenditure (the level of borrowing towards which the government is willing to contribute).
- Provide for repayment over the life of the asset financed from the loan for non supported (prudential) borrowing.

In addition, PFI and similar contracts included as assets of the Council require a prudent provision to repay any associated borrowing. This requirement is met by the amount identified as repaying the financing lease principal within the contract payment, which is now included as MRP in the Council's accounts.

The Council's full policy on MRP was approved by Cabinet in February 2010 and is available in the Treasury Management Strategy report on that Cabinet agenda or via the Treasury Management web page.

	2009/10 £000	Restated 2008/09 £000
Calculation		
MRP on Historic CFR (4%)	1,404	1,452
MRP on Supported Borrowing (4%)	68	0
MRP on Prudential Borrowing (life)	15	0
MRP for PFI and Similar Implied Borrowing	904	762
Less adjustment for commuted loans	(124)	(267)
Minimum Revenue Provision to be made	**2,267**	**1,947**

Note 13 PREMIUM PAID ON REDEMPTION OF LOANS

The Council's long-term debt is regularly reviewed and, when there is economic advantage, loans are repaid prematurely and this invariably results in premiums being paid or discounts received on the carrying value of the loan to reflect the present value of future interest payments that would have been paid under the terms of the loan on a continuing basis.

There were no premature repayments of loans in 2008/09. In 2009/10 the Council repaid two loans totalling £6m to Public Works Loan Board (PWLB) prematurely incurring a premium of £1.5 million which is being written off over the remaining life of the loans repaid. The value written down during 2009/10 was £73,000.

Note 14 ANALYSIS OF INTEREST PAYABLE AND INVESTMENT INCOME

The following table provides a detailed analysis of interest and investment income:

	2009/10 £000	Restated 2008/09 £000
External Interest Payments		
PWLB	2,894	1,638
Money Market loans	354	389
PFI Type lease interest	1,912	1,955
Civic Centre lease *	2,289	2,410
Other	(429)	188
	7,020	**6,580**
Investment Income		
Money Market investments	(2,100)	(4,958)
Local Authority Bond	(255)	(259)
Other	(9)	(19)
	(2,364)	**(5,236)**

*Note - This is the final payment under the lease agreement for the Civic Centre.

Note 15 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:

	2009/10	2008/09
Income	**£000**	**£000**
Interest Receivable		
On advances to mortgagors	(14)	(19)
On temporary investments	(1)	(5)
Other Income		
Insurance commission – buildings	(6)	(6)
Insurance commission – other	(81)	(96)
Rents	(58)	(59)
Miscellaneous (fees and charges)	(7)	(7)
	(167)	**(192)**
Expenditure		
Employees	68	66
Premises	0	1
Supplies and services	14	15
Central support costs	13	12
	95	**94**
Net Operating Surplus	**(72)**	**(98)**
Distribution to London Borough Councils	100	100
Transfer from Earmarked Reserve	(28)	(2)
Net effect on the General Fund Balance	**0**	**0**

Note 16 HOME LOANS UNIT – 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 2010		As at 31 March 2009	
	£000	£000	£000	£000
Long Term Assets				
Equity shares in property	4,514		4,814	
Current Assets				
Temporary Investments	250		213	
Sundry Debtors	194		251	
Cash and Bank	323	5,281	330	5,608
Current Liabilities				
Sundry Creditors	(325)		(325)	
Bank Overdrawn	(30)	(355)	(29)	(354)
Provisions		(220)		(220)
Total Assets less Liabilities		**4,706**		**5,034**
Represented By:				
Capital Reserve - Equity Shares in Property		(4,514)		(4,814)
Revenue Account Surplus		(79)		(107)
Capital Appropriation Account		(113)		(113)
		(4,706)		**(5,034)**

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.

Note 17 HOME LOANS UNIT – CAPITAL DISTRIBUTION

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

	2009/10	2008/09
	£000	£000
Balance brought forward	(113)	(174)
Surplus for the year	(300)	(99)
	(413)	(273)
Amounts distributed to London Borough councils	300	160
Balance carried forward	**(113)**	**(113)**

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

Note 18 INFORMATION ON PENSION 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 Children, Schools and Families. 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.

In 2009/10, the Council paid £6.1m (£5.8m in 2008/09) to TPS in respect of teachers' retirement benefits, representing 14.1% of pensionable pay in both years. There was £0.647m (£0.679m in 2008/09) owed to the TPS at year end.

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.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits are fully accrued in the pensions liability described in Note 20.

Transactions relating to retirement benefits

In the Income and Expenditure Account, the cost of retirement benefits is recognised in the Net Cost of Services when these are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is adjusted in the Statement of Movement in the General Fund Balance, so that the charge to the General Fund reflects cash payable for the year. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year to reflect this accounting treatment:

Note 19 TRANSACTIONS RELATING TO RETIREMENT BENEFITS

The following table represents the outturn figures shown in the Council's main statements.

	2009/10 £000	2008/09 £000
Net Cost of Services:		
Current Service Cost	7,192	7,653
Past Service Cost	16	2,717
Cost of Settlements & Curtailments	20	176
	7,228	**10,546**
Net Operating Expenditure:		
Interest Cost	23,481	24,112
Expected Return on Assets in the Scheme	(15,037)	(19,842)
	8,444	**4,270**
Net Charge to the Income and Expenditure Account	**15,672**	**14,816**
Additional Charges made for retirement benefits in the Statement of movement in the General Fund Balance (in accordance with FRS17)**:**		
Movement in Pensions Reserve	743	1,094
Actual amount in respect of pension costs charged against Council Tax:		
Employer's contributions payable to the Scheme and Unfunded Discretionary Payments	**16,415**	**15,910**

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £107.107m (£40.582m in 2008/09) were included in the Statement of Total Recognised Gains and Losses.

Note 20 RECONCILIATION OF PRESENT VALUE OF THE SCHEME LIABILITIES

This table shows the movement in the scheme liabilities during the year as estimated by the Council's Actuary.

	2009/10 £000	2008/09 £000
1 April	**342,186**	**349,492**
Current service cost	7,170	7,641
Interest cost	23,481	24,112
Contributions by scheme participants	4,282	3,854
Actuarial gains and losses	187,447	(31,320)
Benefits paid	(15,330)	(14,486)
Past service costs	16	2,717
Settlements	20	176
Curtailments	0	0
31 March	**549,272**	**342,186**

Note 21 RECONCILIATION OF FAIR VALUE OF THE SCHEME ASSETS

This table shows the movement in the scheme assets during the year as estimated by the Council's Actuary.

	2009/10 £000	2008/09 £000
1 April	**228,695**	**275,489**
Expected rate of return	15,037	19,842
Actuarial gains and losses	80,316	(71,909)
Employer contributions	16,415	15,910
Contributions paid by scheme participants	4,284	3,849
Benefits paid	(15,330)	(14,486)
31 March	**329,417**	**228,695**

The expected return on scheme assets is determined by the current investment policy. Expected returns 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 expected return on scheme assets in the year was £15.037m (£19.842m in 2008/09).

Note 22 SCHEME HISTORY

	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000	* 2005/06 £000
Present value of liabilities	(549,272)	(342,186)	(349,492)	(394,852)	(396,129)
Fair value of assets in the scheme	329,417	228,695	275,489	286,518	263,747
Deficit in the scheme	(219,855)	(113,491)	(74,003)	(108,334)	(132,382)

* The council has elected not to restate fair value of scheme assets for 2005/06 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the Council has, over the long term, to pay retirement benefits. The total liability of £549.272m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £219.855m for the Pension Reserve.

However, statutory arrangements for funding the deficit mean that the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The total contributions as estimated by the Actuary to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2011 is £15.554m

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries.

Note 23 PENSION FUND RESERVE

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000	* 2005/06 £000
Difference between the expected and actual return on assets	80,316	(71,909)	(34,978)	1,555	35,637
As % of present value of assets	24%	(31%)	(13%)	1%	14%
Experience gains and losses on liabilities	(989)	344	9,402	720	(36)
As % of present value of liabilities	0.2%	(0.1%)	(2.7%)	(0.2%)	0.0%

* The Council has elected not to restate for 2005/06 as permitted by FRS 17 (as revised).

Note 24 LONG TERM EXPECTED RATE OF RETURN ON ASSETS IN THE SCHEME

The principal assumptions used by the actuary have been:

	2009/10 £000	2008/09 £000
Equity investments	7.80%	7.00%
Bonds	5.00%	5.40%
Property	5.80%	4.90%
Cash	4.80%	4.00%
Mortality assumptions (years in receipt of pension):		
Longevity at 65 for current pensioners:		
Men	20.8	19.6
Women	24.1	22.5
Longevity at 65 for future pensioners:		
Men	22.3	20.7
Women	25.7	23.6
Rate of inflation	3.80%	3.10%
Rate of increase in salaries	5.30%	4.60%
Rate of increase in pensions	3.80%	3.10%
Rate for discounting scheme liabilities	5.50%	6.90%
Expected Return on Assets	7.10%	6.50%
Take-up of option to convert annual pension into retirement lump sum	25.00%	25.00%

Note 25 SCHEME ASSETS

The Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2010		31 March 2009	
	£000	%	£000	%
Equity investments	247,063	75%	169,234	74%
Bonds	56,001	17%	38,878	17%
Property	19,765	6%	16,009	7%
Cash	6,588	2%	4,574	2%
	329,417	100%	228,695	100%

Note 26 MATERIAL TRANSACTIONS WITH RELATED PARTIES

The Council is required to disclose material transactions with related parties (bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council). Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Council. Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of 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. housing benefits). Details of transactions with government departments are set out in the table below:

	2009/10	2008/09
Income:	**£000**	**£000**
Formula Grant – NNDR	(22,437)	(23,857)
Formula Grant – RSG	(5,179)	(3,321)
Area Based Grant	(6,654)	(6,263)
Housing Benefit Subsidy	(57,584)	(47,373)
Council Tax Benefit Subsidy	(12,677)	(11,176)
Housing and Council Tax Benefit Admin Subsidy	(1,340)	(1,305)
Service related grants:		
Corporate Services	(157)	(55)
Children's Services & Culture	(113,443)	(109,113)
Environmental Services	(181)	(336)
Housing Services	(3,404)	(3,417)
Adult & Community Services	(1,794)	(1,758)
VAT recovery	(18,087)	(18,710)
Other - Corporate Income	(256)	(900)
Total Income from Government	**(243,193)**	**(227,584)**
Expenditure:		
Contribution to Non-Domestic Rates Pool	71,539	69,944
National Insurance, PAYE & other deductions	30,262	32,637
VAT	1,420	1,705
Total Expenditure to the Government	**103,221**	**104,286**

Members and senior officers of the Council have direct control over the Council's financial and operating policies. During the year Members of the Council (or their immediate family) were also members or employees of the following organisations with which the Council had material transactions:

Organisation	Nature of Material Transaction	2009/10 £000	2008/09 £000
London Councils	Subscription Paid	1,008	972
Audit Commission	Fees Paid	310	290
Greater London Authority	Precept & Surplus Paid	27,350	27,544
Local Government Association	Subscription Paid	56	65
London Pensions Fund Authority	Levy Paid	358	371
Petersham Common Conservators	Payment for Maintenance	18	18
Richmond Churches Housing Trust	Supported and Other Housing Services	635	668
Richmond Housing Partnership	Supported and Other Housing Services	860	811
Richmond Theatre	Lease guarantee	739	683
NHS Richmond	Joint Commissioning / Funding	12,763	12,425
West London Waste Authority	Levy Paid	6,150	5,538
Environment Agency	Levy Paid	177	178
Solace Enterprises	Consultancy Services	5	42
South West Middlesex Crematorium	Support Services & Investment	544	770

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:

	2009/10 £000	2008/09 £000
Payments:		
Pension contributions from the Council – employer's contributions	14,887	14,441
Pension contributions from employees - deductions paid over	4,217	3,995
Interest	15	90
	19,119	**18,526**
Receipts		
Indirect support costs recovered from the Pension Fund	(378)	(378)

Senior Officers

Except for the following three declarations, Directors within the Council, who are in a position to significantly influence the policies of the Council, held no positions of influence during the year with any potential related parties where material transactions occurred:

- The Chief Executive has declared an interest as an officer of the SOLACE (Society of Local Authority Chief Executives) in 2009/10, of which Solace Enterprises is a subsidiary. 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 for Richmond and Twickenham PCT. There is partnership working between the PCT and the Council including joint commissioning and funding arrangements.

The transactions with these organisations are disclosed in the table above.

Amounts Due to and from Related Parties

Amounts outstanding in respect of related parties, including central government at the year-end are set out in the following table:

	2009/10		2008/09	
	Amount owed by the Related party	Amount owed to the Related party	Amount owed by the Related party	Amount owed to the Related party
	£000	£000	£000	£000
Central Government:				
Grants - Received in Advance	0	3,014	0	1,517
- Due	847	0	1,918	0
Amounts due from NNDR Pool	868	0	481	0
National Insurance	0	1,254	0	1,265
Income Tax	0	1,474	0	1,507
VAT	2,442	0	2,476	0
Total Central Government	**4,157**	**5,742**	**4,875**	**4,289**
Other:				
Audit Commission	0	57	0	72
South West Middlesex Crematorium	25	0	398	0

Note 27 PFI AND SIMILAR CONTRACTS

SORP 2009 requires changes to the accounting tests applied to PFI and similar contracts to determine whether they should be treated as Council assets or not. The Council's two formal PFI and one similar contract for ICT Support were previously determined under the FRS 5 test to be assets of the contractor and not the Council. SORP 2009 tests now determine these are Council assets (4 primary schools, 3 care homes and various ICT software and hardware).

These contracts are now reported in a similar manner to Financing Leases, as the substance of the contract is similar to such leases, whereby assets are acquired and paid for over the term of the contract.

The nature of the contracts is reported in the following tables:

Value of Assets held under PFI and similar contracts:	Opening Balance 1 April 2009	Movement Additions	Revaluation	Depreciation	Closing Balance 31 March 2010
	£000	£000	£000	£000	£000
Residential Care Homes	13,929	0	0	(256)	**13,673**
Primary Schools	11,490	57	790	(224)	**12,113**
ICT Support	1,058	373	0	(398)	**1,033**
Total	**26,477**	**430**	**790**	**(878)**	**26,819**

Value of Outstanding Liabilities under PFI and similar contracts:	Opening Balance 1 April 2009	Movement Additions to Liability	Repayment of Liability	Closing Balance 31 March 2010
	£000	£000	£000	£000
Residential Care Homes	(10,893)	0	294	**(10,599)**
Primary Schools	(9,400)	0	125	**(9,275)**
ICT Support	(1,949)	(373)	485	**(1,837)**
	(22,242)	**(373)**	**904**	**(21,711)**

Future Payments due to be made under PFI and similar contracts as at 31 March 2010:	Repayments of liability	Interest Payments	Services	Total at 31 March 2010
	£000	£000	£000	£000
Payments Due:				
Within one year	1,035	1,843	11,102	13,980
Within two to five years	3,535	6,489	34,044	44,068
Within six to ten years	4,212	6,606	30,054	40,872
Within eleven to fifteen years	6,491	4,327	30,054	40,872
Within sixteen to twenty	4,156	1,751	19,274	25,181
Within twenty one to twenty five years	2,282	292	6,259	8,833
Total outstanding liability at 31 March 2010	**21,711**	**21,308**	**130,787**	**173,806**

Future Payments due to be made under PFI and similar contracts as at 31 March 2009:	Repayments of liability	Interest Payments	Services	Total as at 31 March 2009
	£000	£000	£000	£000
Payments Due:				
Within one year	904	1,912	10,759	13,575
Within two to five years	3,925	6,814	39,135	49,874
Within six to ten years	3,863	6,955	30,054	40,872
Within eleven to fifteen years	5,953	4,866	30,054	40,873
Within sixteen to twenty	4,984	2,151	23,277	30,412
Within twenty one to twenty five years	2,986	523	8,268	11,777
Total outstanding liability at 31 March 2009	**22,615**	**23,221**	**141,547**	**187,383**

Note 28 SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

The following Table demonstrates how capital expenditure on each class of asset has been financed within the year.

	Note	2009/10 £000	Restated 2008/09 £000
Capital Expenditure			
Operational Assets:			
Land and Buildings	*31*	12,548	17,108
Vehicles, Plant, Furniture and Equipment	*31*	1,003	2,472
Infrastructure Assets	*31*	9,230	11,083
Community Assets	*31*	2,990	2,001
Non-operational assets:			
Investment Properties	*31*	109	120
Assets Under Construction	*31*	17,047	4,931
Revenue Expenditure Charged to Capital Under Statute		7,657	6,377
Total Capital Expenditure		**50,584**	**44,092**
Financing			
Borrowing		5,042	2,164
Finance leases		373	252
Capital Grants	*46*	32,910	27,342
LSVT (transfer of housing stock) Capital Receipt	*51*	672	172
Capital Receipts	*51*	7,460	6,424
Direct Revenue Funding *		2,801	6,069
Contributions *	*51*	1,326	1,669
Total Financing		**50,584**	**44,092**

* *In this Table, Section 106 receipts are shown as direct revenue funding and capital contributions as shown in the following table:*

Section 106 Classification	2009/10 £000	2008/09 £000
Direct Revenue Financing (Creditors and Receipts in Advance)	62	34
Capital Contributions	74	139
Total Section 106 Funding	**136**	**173**

Note 29 COMMITMENTS UNDER CAPITAL CONTRACTS

The following capital schemes had future expenditure commitments (individual contracts) in excess of £0.5 m at 31 March 2010:

Scheme	Outstanding Commitment £000	Total Value of Contract £000	Estimated Completion
Teddington School – new build contract	7,231	29,320	March 2011
Holy Trinity – increase school capacity	4,496	4,774	April 2011

Note 30 INFORMATION ON ASSETS HELD

The following table is intended to give a descriptive insight into the range of assets that make up the fixed asset balances in the Balance Sheet, which now include assets held under PFI and similar contracts (adjustments have been made to the prior year comparative figures). Assets used but not owned (e.g. leased office accommodation) are not included:

	31 March 2010	Restated 31 March 2009
Land and Buildings:		
Nursery schools	1	1
Primary schools (excludes VA Schools)	26	26
Secondary schools (excludes VA Schools)	7	7
Special schools	2	2
Child guidance centre	1	1
Youth and community centre	5	5
Lending Libraries	12	12
Reference Library	1	1
Art Galleries	0	1
Cemeteries	6	6
Sports Centres	4	4
Allotment land (including leased plots) - in hectares	27.54	27.54
Swimming pools	2	2
Public halls	4	4
Offices (excludes leased accommodation)	10,231m^2	10,231m^2
Conventional Public conveniences	5	5
Depots	1	1
Under 5's centres	2	2
Day centres for older people	8	8
Day Centres for people with physical disabilities	1	1
Day Centre for people with learning difficulties	1	1
Training Centre	1	1
Residential care home for older people	3	3
Residential care home for people with learning disabilities	1	1
Supported housing	2	2
Garages	32	91
Hostels	3	3
Vehicles & Plant	117	117
Infrastructure:		
Roads	405kms	405kms
Bridges and other structures	54	53
Car parks	27	27
Community assets:		
Ornamental parks	4	4
Parks / recreation grounds	16	16
Sports grounds	37	36
Open spaces	63	63
Conservation areas	72	72

Note 31 MOVEMENTS IN FIXED ASSETS

Movements in Fixed Assets can be due to additions and enhancements (result of capital expenditure during the year), disposals (sale of assets), revaluation (by the Council's Valuer as part of a rolling five year programme), impairment (physical or economic) or depreciation (which allows for loss of value of an asset over time). The following table provides details of the movements in the value of tangible and intangible fixed assets held by the Council from 1 April 2009 to 31 March 2010:

	Intangible Assets	Operational Assets Land & Buildings	Vehicles Plant & Equipment	Infra-structure Assets	Community Assets	Total Operational Assets	Non-Operational Assets	Total Fixed Assets
	£000	£000	£000	£000	£000	£000	£000	£000
Gross Book Value								
Value at 1 April 2009 (Restated)	**1,080**	**540,537**	**12,433**	**75,418**	**13,997**	**642,385**	**30,947**	**674,412**
Additions / Enhancements	0	12,548	1,003	9,230	2,990	**25,771**	17,156	**42,927**
Disposals	0	(6,220)	0	0	0	**(6,220)**	(1,505)	**(7,725)**
Impairments	0	(856)	0	0	0	**(856)**	(888)	**(1,744)**
Revaluations	0	17,260	0	0	0	**17,260**	2,218	**19,478**
Value at 31 March 2010	**1,080**	**563,269**	**13,436**	**84,648**	**16,987**	**678,340**	**47,928**	**727,348**
Accumulated Depreciation								
Value at 1 April 2009 (Restated)	**(660)**	**(14,399)**	**(5,528)**	**(8,575)**	**0**	**(28,502)**	**(12)**	**(29,174)**
Depreciation Charge for the Year	(105)	(7,047)	(2,000)	(2,131)	0	**(11,178)**	0	**(11,283)**
Disposals	0	173	0	0	0	**173**	0	**173**
Impairments	0	340	0	0	0	**340**	10	**350**
Revaluations	0	2,352	0	0	0	**2,352**	0	**2,352**
Value at 31 March 2010	**(765)**	**(18,581)**	**(7,528)**	**(10,706)**	**0**	**(36,815)**	**(2)**	**(37,582)**
Net Book Value								
Value at 1 April 2009 (Restated)	**420**	**526,138**	**6,905**	**66,843**	**13,997**	**613,883**	**30,935**	**645,238**
Total net Movement	**(105)**	**18,550**	**(997)**	**7,099**	**2,990**	**27,642**	**16,991**	**44,528**
Value at 31 March 2010	**315**	**544,688**	**5,908**	**73,942**	**16,987**	**641,525**	**47,926**	**689,766**
Financing of Assets								
Owned	**40**	**518,902**	**5,150**	**73,942**	**16,987**	**614,981**	**47,926**	**662,947**
PFI & Similar (Restated)	**275**	**25,786**	**758**	**0**	**0**	**26,544**	**0**	**26,819**
Total	**315**	**544,688**	**5,908**	**73,942**	**16,987**	**641,525**	**47,925**	**689,766**

This table includes 4 PFI primary schools 3 PFI care homes as well as various intangible software and equipment assets from the ICT services contract that is recognised as a service concession under SORP 2009. The new Teddington School building is included as an Asset Under Construction within Non-Operational Assets, with the existing building still in use showing as Operational. The Intangible Assets recognised are all software licences.

Note 32 VALUATION OF FIXED ASSETS

The basis on which tangible assets are valued in the balance sheet before depreciation is as follows:

- Intangible assets are valued at historic cost.
- Land and buildings are valued at open market value on existing use basis with the exception of certain specialised operational assets (mainly leisure centres & schools) where the evidence of market value for existing use may not be available and alternative use value has been used.
- Vehicles, plant and equipment are valued at historic cost.
- Infrastructure assets are valued at historic cost.
- Community assets are valued at historic cost.
- Non-operational assets are valued at open market value.

Assets valued on a market value basis are subject to a rolling five-year programme of valuations. These valuations are carried out by the Council's internal Valuer, Peter Southcombe MRICS. The last time that a full revaluation of all assets was carried out was 1994 when these were first required and subsequently revaluations are undertaken on a rolling five-year programme.
The following table is required to show the progress of the Council's five-year rolling programme for the revaluation of fixed assets (the dates and amounts of valuations). This table shows the value of assets that have been re-valued in the last five years only. The value of assets not included in the revaluation programme is also shown for information. As this table shows only changes due to revaluation and excludes purchase, sale or enhancements to assets, it will not reconcile to any other assets' analysis in this document.

	Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Non-Operational Assets	Total
	£000	£000	£000	£000	£000	£000
Assets Valued at Historic Cost	0	5,908	73,942	16,987	0	94,740
Assets Valued at Current Value in the following years:						
2005/06	37,870	0	0	0	1,356	39,226
2006/07	101,417	0	0	0	5,213	108,727
2007/08	125,945	0	0	0	2,433	128,378
2008/09	167,990	0	0	0	1,086	169,076
2009/10	69,959	0	0	0	11,609	81,568
Total Valuations at 31 March 2010	**503,181**	**5,908**	**73,942**	**16,987**	**21,697**	**621,715**

Note 33 CAPITAL FINANCING REQUIREMENT

Since the introduction of the Prudential Code, local authorities are required to calculate a number of indicators that help to determine whether it can maintain its borrowing within prudent and sustainable levels. One of the key indicators is the Capital Financing Requirement (CFR). The CFR represents the Council's underlying need to borrow, which is the value of assets, which have not been financed from existing resources and therefore require borrowing to fund them.

	31 March 2010	Restated 31 March 2009
	£000	£000
Fixed Assets	689,766	645,238
Revaluation Reserve	(54,101)	(33,384)
Capital Adjustment Account	(456,351)	(463,358)
Government Grants Deferred	(99,413)	(71,742)
Capital Financing Requirement	**79,901**	**76,754**

Note 34 STOCKS AND WORK IN PROGRESS

The following table provides an analysis of stocks and works in progress:

	31 March 2010 £000	31 March 2009 £000
Stock		
Highways Salt	14	10
Print Unit	31	34
Transport Fuel	25	33
Catering	2	9
Customer Services (items for sale)	1	1
	73	87
Work in Progress		
Works chargeable to third parties	214	191
	287	**278**

Note 35 INVESTMENTS

The Council holds significant reserves to finance its expenditure and also receives regular cash receipts from sources including government grants and local taxpayers. These amounts are actively invested to maximise returns on cash balances with respect to the security of principal invested.

The following table summarises the Council's actively managed investment portfolio, showing the principal amounts invested, excluding accrued interest:

	31 March 2010				31 March 2009			
Principal - by period to maturity	**Building Societies £000**	**Banks £000**	**Public Sector Entities £000**	**Total £000**	**Building Societies £000**	**Banks £000**	**Public Sector Entities £000**	**Total £000**
Less than one Month	3,400	25,840	0	29,240	0	21,297	0	21,297
One to Three Months	14,300	11,100	0	25,400	5,000	3,900	0	8,900
Three to Six Months	7,200	4,400	0	11,600	4,800	7,300	0	12,100
Six Months to One Year	0	3,000	0	3,000	2,000	0	0	2,000
Over one Year	2,000	8,000	2,250	12,250	13,900	8,000	2,250	24,150
	26,900	**52,340**	**2,250**	**81,490**	**25,700**	**40,497**	**2,250**	**68,447**
Interest Received from Treasury Investments	1,194	908	259	2,361*	3,294	1,663	260	5,217

Notes:

Principal The total of current investments in the balance sheet includes accrued interest of £1.165 million as specified in LAAP 84. The principal amounts shown above relate to the actual treasury investments outstanding that exclude this accrued interest.

***** Interest The Council received interest of £671k from HMRC as disclosed in Note 3. This interest was not derived from Treasury activities and is not included in the above Table, nor in the line for Interest and Investment Income in the Income and Expenditure Account.

The Council also received interest on staff loans of £3,000 (£19,000 in 2008/09) which is also not in the above table for the same reason, although it is included as Interest in the I&E.

Note 36 LONG TERM DEBTORS

The following table provides an analysis of the Council's long-term debtors (debt with a remaining life of over a year):

Analysis by Type	31 March 2010 £000	Restated 31 March 2009 £000
Mortgages	279	342
Car Loans	112	109
Loan to South West Middlesex Crematorium Board	26	33
NNDR Delayed Payments *	491	0
	908	**484**

* From 31 July 2009 Business Rate Payers will be able to apply to defer a proportion of their 2009/10 bill (3% in most cases) under the new Business Rates Deferral Scheme. 50% of the deferred amount will be payable in 2010/11 and the remaining 50% will be payable in 2011/12. The Long Term Debtor relates to the amount due to central government in 2011/12.

Note 37 CURRENT DEBTORS AND CREDITORS

The following table shows payments in advance and receipts in advance included within gross debtors and creditors and the provision for impairment of bad and doubtful debts:

	31 March 2010		Restated 31 March 2009	
	Debtors £000	Creditors £000	Debtors £000	Creditors £000
Debtors/Creditors	29,767	(30,763)	29,641	(29,896)
Receipts/Payments in Advance	2,497	(8,338)	3,866	(7,330)
Less Provision for impairment of Bad Debts	(7,864)	0	(7,818)	0
Total Debtors / Creditors in Balance Sheet	**24,400**	**(39,101)**	**25,689**	**(37,226)**
ANALYSIS BY TYPE:				
Council Tax Payers:	7,082	(4,506)	5,824	(4,102)
Government & Government Agencies				
National Insurance	0	(1,254)	0	(1,265)
Value Added Tax	2,442	0	2,476	0
Pay As You Earn	0	(1,474)	0	(1,507)
Teachers' Pension Contributions	0	(647)	0	(679)
Government Grants	847	(3,014)	1,918	(1,517)
National Non-Domestic Rates	868	0	481	0
Other Government	733	(1,117)	531	(1,748)
	4,890	(7,506)	5,406	(6,716)
Other Public Bodies				
Other Local Authorities	2,524	(2,187)	2,189	(2,684)
Health Authorities & Trusts	201	(1,759)	24	(2,485)
	2,725	(3,946)	2,213	(5,169)
General				
Rents	2,464	(153)	2,267	(176)
Housing Benefit Claimants	2,429	0	2,033	0
Council Mortgagees	170	(321)	228	(325)
Other Debtors / Creditors	8,549	(19,529)	10,106	(17,533)
	13,612	(20,003)	14,634	(18,034)
Treasury Management				
Banks & Other Financial Institutions *	0	0	1,392	(368)
Capital - General	3,955	(3,140)	4,038	(2,837)
	3,955	(3,140)	5,430	(3,205)
Total Debtors / Creditors	**32,264**	**(39,101)**	**33,507**	**(37,226)**
Less Provision for Bad Debts	**(7,864)**	**0**	**(7,818)**	**0**
Total Debtors / Creditors in Balance Sheet	**24,400**	**(39,101)**	**25,689**	**(37,226)**

Interest is aggregated within the balance sheet totals for investments and borrowings, from 2009/10, and not as debtors or creditors.

Note 38 LONG TERM CREDITORS

The following tables provide an analysis of long-term creditors:

Analysis by Type	31 March 2010 £000	31 March 2009 £000
Performance Bonds	14	14
Section 106 receipts repayable if work not completed	1,364	1,372
	1,378	**1,386**

Note 39 TEMPORARY AND LONG TERM BORROWING

The following tables provide an analysis of temporary and long-term borrowing:

	31 March 2010 £000	31 March 2009 £000
Analysis by Type		
PWLB - Fixed Rate	35,848	31,848
Market Loans	5,000	7,000
Other non-treasury balances	7,737	5,224
	48,585	**44,072**
Analysis by Age		
Less than one year	7,737	7,224
Between 1 and 5 years	10,500	3,000
Between 5 and 10 years	7,000	5,000
Over 10 years	23,348	28,848
	48,585	**44,072**

The Council also has Long Term Liabilities under the PFI and similar contract which relate to the financing element of the contracts. Further information on these commitments is shown in Note 27.

Note 40 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.

The following financial instruments are recognised in the Council's accounts for 2009/10:

Financial Liabilities (at amortised cost)

- Borrowings and finance lease obligations
- Trade and other payables
- Bank overdrafts

Financial Assets (at amortised cost)

- Investments and Loans receivable
- Trade and other receivables

Bank deposits.

Note 41 ANALYSIS OF FINANCIAL INSTRUMENT BALANCES IN RESPECT OF INVESTMENTS AND BORROWINGS

Borrowing and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current		TOTAL	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009	31 March 2010	31 March 2009
	£000	£000	£000	£000	£000	£000
Financial liabilities at amortised cost:						
Borrowing	(40,848)	(36,848)	(7,737)	(7,224)	(48,585)	(44,072)
Finance leases	(20,676)	(21,338)	(1,035)	(904)	(21,711)	(22,242)
Total Borrowings and Finance Lease liabilities	**(61,524)**	**(58,186)**	**(8,772)**	**(8,128)**	**(70,296)**	**(66,314)**
Loans and Receivables	12,250	24,150	70,405	44,297	82,655	68,447
Total Investments	**12,250**	**24,150**	**70,405**	**44,297**	**82,655**	**68,447**

Note 42 GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

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

	Restated Financial Liabilities Measured at Amortised Cost		Restated Financial Assets Loans and Receivables		Total	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
	£000	£000	£000	£000	£000	£000
Interest Expense *	7,020	6,580	0	0	7,020	6,580
Interest Income	0	0	(2,364)	(5,236)	(2,364)	(5,236)
Net (gain)/loss for the year	**7,020**	**6,580**	**(2,364)**	**(5,236)**	**4,656**	**1,344**

*Interest Expense in 2009/10 includes £1.515m premium on early repayment of debt which is written down over the life of the loan repaid via the Financial Instruments Adjustment Account.

Note 43 ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE

Financial liabilities at amortised cost

The Council's financial liabilities consist of long and short-term borrowing , finance lease obligation 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 seven day lending rates.

Long term fixed rate debt is anticipated to be held to maturity to finance the Council's need to borrow as calculated in the Capital Financing Requirement (see Note 33). 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 average 7-day market rate. 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.

Loans and Receivables

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 (that is - they are not held for trading, do not show evidence of being managed for short term profit making and are not derivatives).

Short-term investments are mainly fixed term deposits with financial institutions, although there is a small loan to a local charity. There is no trading and interest is fixed at the time the deposit is made. Where maturity is within 12 months the amortised cost is assumed to be equivalent to fair value.

Long-term investments are fixed term deposits mainly with financial institutions but also one other Local Authority. Again, interest is usually set at the time of the investment, although one of the deposits held at year end had the option for the borrower to repay early at set points on the anniversary of the agreement date.

Bank deposits (including instant and short notice deposit accounts) accrue variable rate interest. Where maturity is within 12 months 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 over-riding 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.

Note 44 FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

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 2010.
- 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.

The following table shows fair values that are different to their carrying value in the balance sheet.

	31 March 2010		31 March 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Assets				
Loans and Receivables	82,655	84,405	68,447	72,946
Liabilities				
Financial Liabilities	(70,296)	(71,730)	(66,314)	(71,265)

Financial Assets: The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest rate receivable is higher than the rates available for similar investments at the balance sheet date. This guarantee to receive interest above current market rates increases the amount that the Council would receive if it agreed to early repayment of the investments. The difference in value has decreased in 2009/10. This is due to the maturity of investments leaving less higher value investments outstanding, with new investments made at closer to current rates.

Financial Liabilities: 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 higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans. The difference in value has decreased in 2009/10. This is due to the repayment of 2 loans totalling £6m (see Note 13) at a high interest rate leaving less higher value loans outstanding. The £10m new borrowing taken in March 2010 was closer to current interest rates.

Note 45 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND HOW THE COUNCIL MANAGES THOSE RISKS

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, market borrowing 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 2008/09 or 2009/10.

In respect of the security of its investment assets, the Council's policy uses credit ratings published by Fitch (one of the 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 either substantial government ownership or an explicit offer of support 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://moderngov.richmond.gov.uk/mgConvert2PDF.aspx?ID=18298

The following are a summary of relevant limits approved for 2009/10:

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

Banks and Building Societies with explicit UK government support - up to £15m with up to £5m for more than a year.

Building Societies with required Fitch rating - up to £5m for up to 3 months.

Banks that are on the Financial Services Authority authorised list – a total investment limit of between £10m and £15 m for durations up to a year dependent on the rating of the institution.

Money Market Funds with AAA Fitch rating - up to £10m (added during the year, not in the original list approved in February)

Local Authorities - up to £5m

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 2009/10, regular reports were made to Cabinet. These reports covered the need to focus on the security of investments, updates on the financial market position and discussion of the inclusion of Building Societies on the counterparty list.

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 2010	Historical experience of default	Historical experience of default adjusted for market conditions at 31 March 2010	Estimated maximum exposure to default and uncollectability	Estimated maximum exposure to default and uncollectability 31 March 2009
	£000	%	%	£000	£000
	A	B	C	(A x C)	
Deposits with banks and financial institutions	80,405	0.0%	0.0%	0	0
Loans with Other Local Authorities	2,250	0.0%	0.0%	0	0
Customers	7,413	3.2%	4.8%	356	349
	90,068			**356**	**349**

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and loans. The Council did not have any exposure to Icelandic banks during 2009/10. The Council has taken advice from its Treasury Advisors who have confirmed there is no adjustment for market conditions at 31 March 2010 on the basis of the counterparty assessments the Council undertakes before making any investment.

The historic experience of default on customer debt has averaged 3.2% on debt outstanding at year-end over the last five 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 five years. On the evidence of collection rates in 2009/10 (as evidenced by the table below), and taking into account the continuing difficult economic climate, a rate of 4.8% 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 £4.031m of the £7.413m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	Amount at 31 March 2010	Amount at 31 March 2009
	£000	£000
Less than three months	1,373	1,141
Three to six months	458	511
Six months to one year	471	460
More than one year	1,729	1,464
	4,031	**3,576**

Liquidity risk

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:

	2009/10			2008/09		
	Lower Limit	Upper Limit	Outturn	Lower Limit	Upper Limit	Outturn
	%	%	%	%	%	%
Under 1 year	0%	30%	16%	0%	30%	16%
1 to 2 years	0%	40%	0%	0%	40%	0%
2 to 5 years	0%	50%	22%	0%	50%	7%
5 to 10 years	0%	60%	14%	0%	60%	5%
10 to 15 years			12%			33%
15 to 25 years	20%	85%	26%	20%	85%	28%
over 25 years			10%			11%

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 Income and Expenditure Account or Statement of Total Recognised Gains & Losses. 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 is to aim to set a limit of a maximum of 50% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. 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 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	Amount at 31 March 2010 £000	Amount at 31 March 2009 £000
Increase in interest payable on variable rate borrowing	75	52
Increase in interest receivable on variable rate investments	(692)	(440)
Increase in government grant received for financing costs	0	0
Impact on Income and Expenditure Account	**(617)**	**(388)**

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

Price risk

The Council does not generally invest in equity shares. The Council is consequently not exposed to losses arising from movements in the prices of shares.

Foreign exchange risk

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

Economic Environment

The economic downturn which continued during 2009/10 has been well documented in the media and the impact on various Council services has been reported to Cabinet and Council Members.

The impact of the recession on trade receivables and payables is detailed above.

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 produced by Fitch. Ratings agencies have been criticised for delays in reviewing ratings. The move to a shorter list from 2008/09 did not avoid any counterparty risk, but setting higher standards leaves more room for ratings to decrease without undue risk of the counterparty failing.

Of the investments held at 31 March 2010, there were 6 with counterparties that did not meet the formal criteria approved by Council, totalling £11.9m. These were all with Building Societies that were no longer used for new investments. These were not recognised as at risk due to the perceived likelihood of full repayment.

A summary of the investments by institution type on 31 March 2010 is given below for further information:

Institution	Investment £000
Building Societies	
- Nationwide Building Society	15,000
- Other Building Societies	11,900
UK Banks	
- Royal Bank of Scotland	14,050
- Lloyds Group	14,300
- Santander UK	15,000
- Other UK Banks	8,990
Local Authorities	2,250
TOTAL *	**81,490**

** excludes cash held in banks for cash flow purposes*

Note 46 UNUSED CAPITAL CONTRIBUTIONS AND GRANT

The following table shows the movement on government grants for capital expenditure and capital contributions from third parties, for example from schools (in relation to expenditure on their buildings).

	Balance at 1 April 2009	Grant / Contribution Received	Grant / Contribution Used	Balance at 31 March 2010
	£000	£000	£000	£000
Capital Contributions	1,320	1,774	(1,326)	1,768
Government Grant	3,291	43,665	(32,910)	14,046
	4,611	**45,439**	**(34,236)**	**15,814**

Note 47 GOVERNMENT GRANT DEFERRED

The following table shows the amount of government grant (and other external contributions) that has been applied to finance capital expenditure in the year (government grant deferred) and written down to the Capital Adjustment Account through the Income and Expenditure Account.

	2009/10		2008/09	
	£000	£000	£000	£000
Balance Brought Forward		(71,742)		(48,662)
Applied in Year:				
Government Grants	(32,910)		(27,342)	
Section 106 Receipts*	(75)		(140)	
Other Capital Contributions	(1,252)	(34,237)	(1,530)	(29,012)
		(105,979)		(77,674)
Written down to Capital Adjustment Account through the Income & Expenditure Account		6,566		5,932
Balance Carried Forward at 31 March		**(99,413)**		**(71,742)**

* In this Table, Section 106 receipts are shown as a discrete source of finance but for accounting purposes they are treated as either revenue financing (creditors or receipts in advance) or capital contributions.

Note 48 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:

	2009/10		2008/09	
Policy	Total Sum Insured	Excess	Total Sum Insured	Excess
	£000	£000	£000	£000
Property	677,638	100	649,056	100
Public Liability	30,000	116	30,000	112
Employer's Liability	30,000	116	30,000	112
Vehicles	n/a	162	n/a	157

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 2009.

Insurance Fund	**31 March 2010**	**31 March 2009**
	£000	**£000**
Recognised as a Reserve	3,117	3,659
Recognised as a Provision	1,502	1,395
Total Fund at 31 March	**4,619**	**5,054**

Note 49 PROVISIONS

The following table provide an analysis of movement in provisions:

	Balance at 1 April 2009	**Provision Made**	**Provision Used**	**Balance at 31 March 2010**
	£000	**£000**	**£000**	**£000**
Insurance Fund	(1,395)	(1,502)	1,395	(1,502)
Excluded Pupils	(216)	(13)	0	(229)
Home Loans Unit	(220)	0	0	(220)
Tideway Service Charges	(100)	0	100	0
Other Provisions	(640)	(577)	505	(712)
	(2,571)	**(2,092)**	**2,000**	**(2,663)**

The provision for bad debts is netted off against debtors in the balance sheet as an estimate of the reduction in the value of outstanding debts at 31 March. Details of the provisions set out in the above table are as follows:

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. Details of the Insurance Fund are provided in the Note on Insurances (see Note 48).

Excluded Pupils

Excluded pupils that are placed in other local authorities’ schools are subject to future retrospective claims for Formula Funding (other local authorities have up to 6 years to make a claim). The provision has been established to meet claims that are anticipated after 31 March 2010.

Home Loans Unit (HLU)

The Council operates the HLU on behalf of all London Borough Councils. A provision has been established for future disbursements to these Councils arising from past transactions.

Tideway Service Charges

A provision was recognised in 2008/09 for service charges due in respect of property leased by the Council. These charges were subject to a dispute between the parties but following detailed discussions between both parties during 2009/10 this has now been resolved and resulted in both the backdated service charges being paid by the Council and compensation being received by Council.

Other Provisions
The Council maintains a number of smaller provisions within both adult and children's social care areas that relate to funds received from third parties to finance expenditure in specific service areas. The Council has an obligation to incur the particular expenditure for which funds have been received.

Note 50 SUMMARY OF MOVEMENT IN RESERVES

The following table summarises the movement in all the Council's reserves as set out in the balance sheet. It analyses the movement in reserves between those that are included in the Income and Expenditure Account and those that are separately recognised in the Statement of Total Recognised Gains and Losses.

Details of movements in the Pension Fund Reserve, Capital Reserves and Revenue Reserves are set out in subsequent notes.

	Restated Balance at 1 April 2009	Total Recognised Gains and Losses: Net Revenue (Surplus) / Deficit in the I&E	Revaluation (Gains)/ Losses	Net Capital Movement	Balance at 31 March 2010
	£000	£000	£000	£000	£000
Capital Reserves					
Revaluation Reserve	(33,384)	867	(21,830)	246	(54,101)
Capital Adjustment Account	(463,358)	13,880	0	(6,873)	(456,351)
Deferred Capital Receipts	(350)	0	0	63	(287)
Usable Capital Receipts Reserve	(7,833)	(1,083)	0	6,864	(2,052)
Home Loans Unit Capital Reserve	(113)	300	0	(300)	(113)
TOTAL CAPITAL RESERVES	**(505,038)**	**13,964**	**(21,830)**	**0**	**(512,904)**
Revenue Reserves					
Earmarked Revenue Reserves	(28,844)	(3,883)	0	0	(32,727)
Schools' Reserves	(5,937)	(1,596)	0	0	(7,533)
Home Loans Unit	(107)	28	0	0	(79)
General Fund Balance	(11,455)	750	0	0	(10,705)
	(46,343)	(4,701)	0	0	(51,044)
Collection Fund Adjustment Account	(366)	(806)	0	0	(1,172)
Financial Instruments Adjustment Account	0	1,443	0	0	1,443
Pensions Reserve	113,491	(743)	107,107	0	219,855
TOTAL REVENUE RESERVES	**66,782**	**(4,807)**	**107,107**	**0**	**169,082**
TOTAL RESERVES / NET WORTH	**(438,256)**	**9,157**	**85,277**	**0**	**(343,822)**

Note 51 ANALYSIS OF CAPITAL RESERVES

	31 March 2010 £000	Restated 31 March 2009 £000
Revaluation Reserve		
Balance brought forward at 1 April	(33,384)	(19,729)
Revaluations upwards	(21,830)	(14,259)
Depreciation on current cost value	867	604
Disposal - current value	246	0
Balance carried forward at 31 March	**(54,101)**	**(33,384)**
Capital Adjustment Account (CAA)		
Balance brought forward at 1 April	(463,358)	(497,643)
Capital Receipts applied	(8,132)	(6,596)
Capital Grants applied	(6,566)	(5,932)
Revenue financing	(2,801)	(6,069)
MRP	(1,364)	(1,185)
PFI MRP	(903)	(762)
Depreciation - historic cost	10,418	9,536
Write-off of revenue expenditure treated as capital under statute	7,657	6,378
Disposals - historic cost	1,259	1,213
Disposal of asset transferred to Trust	6,046	0
Revaluation downwards / impairment	1,393	37,702
Balance carried forward at 31 March	**(456,351)**	**(463,358)**
Deferred Capital Receipts		
Balance brought forward at 1 April	(350)	(431)
Written down	63	81
Balance carried forward at 31 March	**(287)**	**(350)**
Usable Capital Receipts Reserve		
Balance brought forward at 1 April	(7,833)	(11,271)
Capital receipts	(1,017)	(3,224)
Capital receipt transferring from Trust Fund	(1,380)	0
Payment to Government (Pooling Payment)	46	66
Capital receipts applied	8,132	6,596
Balance carried forward at 31 March	**(2,052)**	**(7,833)**
Home Loans Unit Capital Receipts		
Balance brought forward at 1 April	(113)	(174)
Capital receipts	(300)	(99)
Capital distribution	300	160
Balance carried forward at 31 March	**(113)**	**(113)**
Total Capital Reserves	**(512,904)**	**(505,038)**

Note 52 ANALYSIS OF REVENUE RESERVES

DESCRIPTION / PURPOSE	Balance at 31 March 2009 £000	Usage £000	Additions £000	Balance at 31 March 2010 £000
APPLICATION GOVERNED BY STATUTE:				
Home Loans Unit	(107)	28	0	(79)
	(107)	**28**	**0**	**(79)**
APPLICATION OUTSIDE THE COUNCIL'S DIRECT CONTROL:				
Schools' Balances	(5,937)	0	(1,596)	(7,533)
Thames Landscape Strategy - Funds held for third party	(108)	0	(220)	(328)
	(6,045)	**0**	**(1,816)**	**(7,861)**
EARMARKED FOR FUTURE EXPENDITURE OUTSIDE THE COUNCIL'S CONTROL:				
General Insurance Reserve	(3,659)	542	0	(3,117)
Vehicles Insurance Reserve	(177)	0	(37)	(214)
Schools Maternity and Supply cover	(457)	0	(14)	(471)
	(4,293)	**542**	**(51)**	**(3,802)**
EARMARKED FOR POSSIBLE EXPENDITURE / LOSS OF INCOME OUTSIDE THE COUNCIL'S CONTROL:				
VAT Liabilities Reserve	(164)	0	(41)	(205)
	(164)	**0**	**(41)**	**(205)**
EARMARKED FOR FUTURE INVESTMENT IN BUILDING, TECHNOLOGY, INFRASTRUCTURE AND MAINTENANCE:				
Infrastructure Reserve	(5,226)	1,914	0	(3,312)
Project Development Reserve	(1,505)	620	0	(885)
Repairs and Renewals Fund	(159)	532	(1,050)	(677)
Libraries Trading Account	(65)	0	(187)	(252)
IT Systems Reserve	(7)	7	0	0
Maintenance of Graves	(25)	0	0	(25)
Staff Common Room Lets	(1)	0	(1)	(2)
Education - Field House Holding A/C	(37)	2	0	(35)
	(7,025)	**3,075**	**(1,238)**	**(5,188)**
EARMARKED FOR PURCHASE, REPAIR & MAINTENANCE OF VEHICLES, PLANT & EQUIPMENT:				
Social Services Special Equipment and Furniture Fund	(261)	121	0	(140)
	(261)	**121**	**0**	**(140)**

Table continued on next page

Table continued from previous page

DESCRIPTION / PURPOSE	Balance at 31 March 2009 £000	Usage £000	Additions £000	Balance at 31 March 2010 £000
EARMARKED FOR SPECIFIC PURPOSES WITHIN SPECIFIC SERVICES OR HELD ON BEHALF OF THIRD PARTIES:				
Carry Forwards Reserve	(1,523)	1,523	(997)	(997)
Community / Initiatives Fund	0	0	(79)	(79)
PFI Reserve	(6,679)	770	(23)	(5,932)
Waste and Recycling Reserve	(1,061)	0	(974)	(2,035)
Youth Development Fund	(1,000)	154	0	(846)
Community Development Fund	(212)	59	0	(153)
Climate Change Reserve	(831)	275	(4)	(560)
Invest to Save Reserve	(983)	117	(6,051)	(6,917)
Section 106 Interest Reserve	(1,108)	0	0	(1,108)
Section 117 Reserve	(1,022)	538	0	(484)
Economic Development Fund	(754)	361	0	(393)
Recession & Recovery Fund	0	35	(500)	(465)
St. Luke's Day Centre Holding A/C	(73)	0	0	(73)
Way to Work Modern Apprenticeship Scheme Reserve	(54)	0	(10)	(64)
Salaries and General Oncost Account	(487)	0	(1)	(488)
Public Service Agreement Revenue	(1,039)	227	0	(812)
Youth Centres Reserve	(70)	0	(208)	(278)
Dedicated School Grant Reserve	0	0	(824)	(824)
Orleans House	0	0	(468)	(468)
Other Minor Earmarked Reserves	(97)	9	0	(88)
	(16,993)	**4,068**	**(10,139)**	**(23,064)**
TOTAL EARMARKED FOR SPECIFIC PURPOSES	**(34,888)**	**7,834**	**(13,285)**	**(40,339)**
HELD AS A GENERAL CONTINGENCY FOR ANY PURPOSE:				
General Fund Balance	(11,455)	750	0	(10,705)
TOTAL USABLE REVENUE RESERVES:	**(46,343)**	**8,584**	**(13,285)**	**(51,044)**
Pensions Reserve	113,491	229,885	(123,521)	219,855
Financial Instrument Adjustment Account	0	1,443	0	1,443
Collection Fund Adjustment Account	(366)	0	(806)	(1,172)
TOTAL REVENUE RESERVES	**66,782**	**239,912**	**(137,612)**	**169,082**

Note 53 DEDICATED SCHOOLS GRANT

In 2009/10, the Council continued to receive a specific grant called the Dedicated Schools Grant (DSG). £95.057m has been credited against the Children's and Education Services outturn in the Income and Expenditure Account, compared to £91.127m in 2008/09.

Note 54 SCHOOLS' BUDGETS AND BALANCES

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families (DCSF) – 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 2009/10 are as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG	-	-	(95,057)
Brought forward from 2008/09	-	-	0
Carry forward to 2010/11 agreed in advance	-	-	0
Agreed budgeted distribution in 2009/10	**(11,410)**	**(83,647)**	**(95,057)**
Actual central expenditure	10,597	-	-
Actual ISB deployed in schools	-	83,647	-
	(813)	**0**	**(813)**
Local Authority Contribution for 2009/10:	0	0	0
Carry forward to 2010/11	**(813)**	**0**	**(813)**

Summary Revenue and Capital Balances held with Schools

This table shows the total of school balances held at the start of the year, movements in the year and closing balances.

	Revenue £000	Capital £000
Schools' Balances at 1 April 2009	(5,937)	(1,235)
Additions to Balances	(1,596)	(411)
Schools' Balances at 31 March 2010	**(7,533)**	**(1,646)**

Range of Size of Balances

	31 March 2010 £000	31 March 2009 £000
Range of size of revenue balances:		
Largest Overdrawn Balance	211	313
Largest Surplus Balance	(842)	(492)
Range of size of capital balances:		
Largest Overdrawn Balance	50	0
Largest Surplus Balance	(137)	(106)

Balances on individual schools' budgets are carried forward to the next financial year and held in an earmarked reserve. Unspent balances are added to the school's budget for the following year and overspends are deducted. Schools are required to maintain a balanced budget taking one year with another.

Note 55 CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities and assets relate to possible expenditure or 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. A review is undertaken annually to identify potential contingent assets and 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:

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 2010 the Council has paid £1.6 m under the loan guarantee agreement and £6.1 m under the lease rental guarantee agreement. Future lease rentals, for which the Council may be liable, total £2.7 m of which £0.8 m is due in 2010/11. The present value of the total future contingent liability is £2.5 m. 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.

Cost of care

The relative of a deceased client has made a complaint to the Ombudsman in respect of a claim for the full cost of care of the client. The Council has already made an ex-gratia payment but there is potential for additional cost of around £100k if the Ombudsman rules against the Council. The Council does not believe that any further payments will be required

VAT Refund due under Fleming Ruling

The Council submitted a claim for overpayment of VAT and compound interest on that overpayment to HMRC during 2008/09 (see Note 3). The overpayment relates to the change in regulations on reclaiming VAT. HMRC refunded the agreed VAT value with statutory interest during 2009/10, but the claim for compound interest remains outstanding at appeal. Compound interest of £700,000 is outstanding and may be received if the claim is settled in our favour.

Note 56 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts is authorised for issue on 30 September 2010 (see page 107). There is one event after 31st March that is reported as follows:

Local land charges – search fees

The government have changed the Local land Charge Rules with effect from 17th 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 17th August when charges ceased. Although the total charges made in this period are estimated to be £215k, because of the relative small individual sums involved (£11 prior to January 2010) it is unlikely that any material level of refunds will be made. The effect of lost income in a full year is estimated at around £45,000.

As it is estimated that there is no likely material impact that should be recognised as a contingent liability as at 31st march 2010, this matter is reported as a non-adjusting event.

Pensions – annual increases for inflation

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. The Council's Actuary has advised that it is estimated that this change will reduce the value of the Council's FRS17 liabilities in the Fund by £33.2 million.

Note 57 TRUST FUNDS

The following table provides a summary for 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 Income and Expenditure Account or Consolidated Balance Sheet.

Trust Fund	Restated Balance at 1 April 2009	Income and Assets Transferred into Trusts	Expenditure and assets Transferred out of Trusts	Balance at 31 March 2010
	£000	£000	£000	£000
Riverside House	1,828	0	(1,828)	0
Orleans House Charitable Trust	0	6,775	(61)	6,714
Endres Bequest	63	0	0	63
Richmond Chapel	161	1	(3)	159
Other Minor Funds	53	0	(1)	52
	2,105	6,776	(1,893)	6,988

Riverside House and Orleans House Charitable Trusts

The Riverside House Trust Fund was established in 2003/04 and held the proceeds of the sale of Riverside House, accrued interest on this sum and the rental income from Garden Cottage that were all part of the Ionides Bequest in 1963. This was an interim arrangement pending clarification of detailed legal issues and consultation on the basis for permanent arrangements in respect of this bequest.

A report to Cabinet in November 2009 provided the definitive clarification for the treatment of the Ionides bequest. Arising from this report the following changes are required in the Council's accounts and those of both the Riverside House and Orleans House Charitable Trusts. This requires the setting up of a new Trust Fund to deal with the assets that are transferred to that Trust and the closure of the Riverside House Trust following the transfer of its assets to the Council. The changes are:

- The assets previously held in the Riverside House Trust are transferred to the Council's balance sheet as they are held for the Council's statutory purposes.
- The assets brought onto the Council's balance sheet as part of the bequest in 1963 that comprise of the Octagon Room (and extension wings), the Stable Block and the art collection are transferred to the new Orleans House Charitable Trust, as these are to be held for the public benefit, as opposed to the Council's statutory purposes. The assets transferred have been valued as at 1 April 2009 as follows:

	£000
Orleans House Gallery (Octagon Room)	4,414
Stable Block and Coach House	1,611
	6,025
Art Collection	750
	6,775

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 58 RECONCILIATION OF NET CASH FLOW FROM REVENUE ACTIVITIES

	2009/10 £000	Restated 2008/09 £000
Deficit on the Income and Expenditure Account	**9,157**	**40,508**
Net additional amount required by statute and non statutory proper practices to be debited or credited to the general fund balance for the year	(8,407)	(39,869)
Decrease in General Fund Balance	**750**	**639**
Add (surplus) / deficit on Collection Fund relating to the Council	(806)	686
Net (Surplus)/Deficit	**(56)**	**1,325**
Non Cash Transactions		
Net Movements to Provisions	(139)	1,107
Movements to/from Reserves	(4,006)	1,801
Revenue Financing of Capital Expenditure	2,587	(1,582)
Collection Fund Adjustment	(2,281)	(2,396)
Accruals & Other Items		
Change in Stock	9	(149)
Change in Revenue Debtors	(674)	4,992
Change in Revenue Creditors	(1,564)	(763)
Net Change in Investments / Borrowing Interest	(2,615)	(1,343)
Net Cash (inflow) / outflow from Revenue Activities	**(8,739)**	**2,992**

Note 59 RECONCILIATION OF MOVEMENT IN CASH AND NET DEBT / (FUNDS)

	2009/10 £000	Restated 2008/09 £000
Cash Flow from Revenue Activities	(8,739)	2,992
Interest on Investments and Servicing of Debt	3,499	854
Capital Activities	(5,621)	8,618
	(10,861)	12,464
Non Cash Items		
Collection Fund Adjustment	2,281	2,396
Increase in Financing Lease Obligation	373	252
Movement in Net Debt	**(8,207)**	**15,112**
Balance of Net Debt (Funds) at 1 April	2,406	(12,706)
Movement during the Year	(8,207)	15,112
Balance of Net Debt (Funds) at 31 March	**(5,801)**	**2,406**

Note 60 ANALYSIS OF CHANGE IN NET DEBT / (FUNDS)

	2009/10 £000	Restated 2008/09 £000
Cash at 1 April (overdrawn balance)	4,539	3,023
Borrowing at 1 April	44,072	45,134
Finance Lease Obligation	22,242	22,752
Investments at 1 April	(68,447)	(83,615)
Net Debt (Funds) at 1 April	**2,406**	**(12,706)**
Cash Inflows:		
Decreases in Cash	1,135	1,516
New Borrowing	14,197	126
Decrease in Investments	0	15,168
	15,332	**16,810**
Cash Outflows:		
Repaid Borrowing	(9,962)	(1,188)
Decrease in Finance Lease Obligation	(904)	(762)
Increase in Investments	(13,046)	0
	(23,912)	**(1,950)**
Non Cash Movements		
Increase in Financing Lease Obligation	**373**	**252**
Net Debt (Funds) at 31 March	**(5,801)**	**2,406**

Note 61 ANALYSIS OF MOVEMENT IN CASH

	Balance as at 1 April 2009 £000	Movement in 2009/10 £000	Balance as at 31 March 2010 £000
Cleared Balances at Bank	344	129	473
Cash in Hand	45	4	49
	389	133	522
Payments made –not yet cleared	(6,056)	(954)	(7,010)
Income received –not yet cleared	1,128	(314)	814
Total	**(4,539)**	**(1,135)**	**(5,674)**

Note 62 FINANCING AND MANAGEMENT OF LIQUID RESOURCES

	2009/10 Movement £000	Restated 2008/09 Movement £000
Cash Flow Statement		
Management of Liquid Resources	15,327	(28,173)
Financing	(3,331)	1,824
	11,996	**(26,349)**
Less: changes in other liquid deposits	(2,281)	(2,396)
	9,715	**(28,745)**
Balance Sheet		
Movement in Short term Investments	26,108	(14,296)
Movement in Short term Borrowing	(513)	(938)
Movement in Long term Borrowing	(4,000)	2,375
Movement in Deferred Liabilities	531	510
Non Cash Items (accruals etc.)	(12,411)	(16,396)
	9,715	**(28,745)**

Note 63 EXPLANATION OF LIQUID RESOURCES

Liquid resources comprises of short-term asset investments that can be sold or converted into cash without any material impact or consequential effect, financial or otherwise, upon the Council. This year the balance shown in the cash slow statement includes the amount of cash attributable to the Council's precept (GLA)

Note 64 ANALYSIS OF GOVERNMENT GRANT (Cash Basis)

Grants Received		2009/10 £000	2009/10 £000	2008/09 £000	2008/09 £000
Education & Children's Services					
Dedicated Schools Grant		95,057		91,127	
Education Support Grants		4,035		3,938	
Schools Standard Fund		6,577		5,311	
PFI		1,342		2,683	
Learning Skills Council		1,079		1,468	
Surestart		3,690		2,828	
Home Office (Asylum)		364		630	
Other		1,311	113,455	670	108,655
Finance & Corporate Services					
Council Tax Benefit	*	13,094		10,584	
Benefits Administration Grant	*	1,340		1,207	
LABGI		256		244	
PSA Reward Grant		328		328	
Other		83	15,101	29	12,392
Environment					
Planning Delivery Grant		152		227	
Other		67	219	49	276
Adult Social Services					
PFI		852		852	
Community Safety		63		127	
Social Care Reform		515		220	
Other		366	1,796	72	1,271
Housing Services					
Rent Allowances	*	59,360		46,659	
Supporting People		2,848		2,848	
Other		723	62,931	966	50,473
Total			**193,502**		**173,067**

***** These items relate to grants received from the Department for Work and Pensions (DWP) in respect of benefits.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

There is a statutory requirement for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax, National Non-domestic Rates (NNDR), and any residual Community Charge.

SORP 2009 has changed the treatment of Council Tax and NNDR in the Council's main Statements. The collection and distribution of the GLA element of Council Tax and NNDR are now treated as transactions that occur because of an agency arrangement as the risk associated with these activities remains with the preceptor / central government. In line with this change the Council no longer recognises amounts owed to / by the public for the collection of these taxes as amounts owed to the Council but rather as net creditors / debtors to the precepting authorities. In addition to this the Council now accounts for the Collection Fund surplus / deficit on an accruals basis so the actual surplus / deficit on the fund for the year appears in the Income and Expenditure Account as part of the income from Council Tax during the year. Note 1 provides a full explanation of these changes.

		2009/10		2008/09
Income	*Note*	**£000**	**£000**	**£000**
Income from Council Tax	*66*		(129,899)	(125,675)
Transfers from the General Fund:				
Council Tax Benefits		(12,887)		(11,366)
Transitional Relief		(4)	(12,891)	(4)
Income collectable from business ratepayers	*65*		(72,298)	(70,801)
			(215,088)	**(207,846)**
Expenditure				
Precepts:				
Payment to LB Richmond upon Thames		113,645		108,683
Payment to Greater London Authority		27,350	140,995	27,288
Business rate:				
Payment to National Pool		71,539		69,944
Costs of Collection		309	71,848	308
Bad and doubtful debts and appeals:				
Write offs Council Tax		448		472
Write offs NNDR		108		474
Provisions Council Tax		348		212
Provisions NNDR		341	1,245	75
Contributions – distribution of previous year's surplus				
LB Richmond upon Thames		0		1,000
Greater London Authority		0	0	256
			214,088	**208,712**
Net (Surplus) / Deficit for the Year			**(1,000)**	**866**
Movement on Fund Balance				
Net (Surplus)/Deficit for year			(1,000)	866
Surplus Brought Forward at 1 April			(454)	(1,320)
Surplus Carried Forward at 31 March			**(1,454)**	**(454)**

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

The Collection Fund balance attributable to the Greater London Authority is recognised in the balance sheet as part of the net creditor to the Greater London Authority and the balance attributable to the Council as a revenue reserve as part of Net Worth as follows:

	2009/10 £000	Restated 2008/09 £000
Greater London Authority Creditor attributable to accumulated surplus	(282)	(88)
LB Richmond upon Thames (Collection Fund Adjustment Account)	(1,172)	(366)
Balance on Collection Fund	**(1,454)**	**(454)**

Note 65 INCOME FROM NATIONAL NON-DOMESTIC RATES (NNDR)

This table provides a summary of the calculation of the amount of NNDR collectable on behalf of central government:

	2009/10 £000	2008/09 £000
Total NNDR rateable value	177,456	176,717
NNDR rate multiplier	48.1 pence	45.8 pence
Gross NNDR yield	85,356	80,936
Less allowances, reliefs etc.	(13,058)	(10,135)
Net Income collectable from NNDR	**72,298**	**70,801**

Note 66 COUNCIL TAX BASE

The following table shows the number of properties within each Council Tax band and the calculation of the Council Tax base:

	2009/10			2008/09
Valuation Band	**Number of Properties** (after discounts and exemptions)	**Ratio**	**Equivalent Band D Properties**	**Equivalent Band D Properties**
A*	1	5/9	1	1
A	411	6/9	274	284
B	1,693	7/9	1,316	1,308
C	10,358	8/9	9,207	9,051
D	17,329	9/9	17,329	17,244
E	17,553	11/9	21,453	21,600
F	10,648	13/9	15,381	15,304
G	11,418	15/9	19,030	19,062
H	2,835	18/9	5,670	5,606
			89,661	**89,460**
Less Adjustment for Collection Rate			(1,434)	(1,431)
Plus Ministry of Defence Properties			49	49
Council Tax Base			**88,276**	**88,078**
Note Band A* attracts disabled relief				

Note 67 PRECEPTS ON THE COLLECTION FUND

Both the Council and the Greater London Authority (GLA) make precepts on the Collection Fund, as shown in the following table:

	2009/10 £000	2008/09 £000
London Borough of Richmond upon Thames	113,645	108,683
Greater London Authority	27,350	27,288
	140,995	**135,971**

PENSION FUND ACCOUNTS

The Pension Fund Accounts were approved by the Pension Fund Committee at its meeting on 24th June. The relevant parts of the accounts are included in the Council's Statement of Accounts (as the Administering Authority) as set out in the following pages.

FUND ACCOUNT

	Note	2009/10 £000	2009/10 £000	2008/09 £000	2008/09 £000
DEALINGS WITH MEMBERS AND EMPLOYERS					
Contributions receivable					
From employers:	*73*				
Normal		(12,123)		(11,628)	
Augmentation		(111)		(309)	
Deficit funding		(6,300)	(18,534)	(6,052)	(17,989)
From members (Normal)	*73*		(5,244)		(4,988)
Transfers In:					
Group transfers from other schemes		0		(16)	
Individual transfers from other schemes		(5,912)	(5,912)	(1,916)	(1,932)
			(29,690)		(24,909)
Benefits payable	*73*				
Pensions		13,079		12,286	
Commutation of pensions and lump sum retirement benefits		2,920		2,752	
Lump sum death benefits		305	16,304	161	15,199
Payments to and on account of Leavers	*74*				
Refunds of Contributions		20		54	
Transfers Out:					
Group transfers to other schemes		1,027		0	
Individual Transfers (to other Schemes or Funds within the LGPS)		2,517	3,564	1,173	1,227
Administrative and other Expenses borne by the Scheme	*76*		504		524
Net Additions from Dealings with Members			**(9,318)**		**(7,959)**
Returns on Investments					
Investment income					
Interest from fixed interest securities		0		(567)	
Dividends from equities		(22)		(3,512)	
Income from index linked securities		0		(52)	
Income from pooled investments		(5,942)		(7,336)	
Interest on cash deposits		(19)		(329)	
Other		(9)	(5,992)	(4)	(11,800)
Change in market value of investments:					
Realised (gains) / losses		(313)		17,894	
Unrealised (gains) / losses		(106,439)	(106,752)	54,420	72,314
Investment Management Expenses	*86*		1,044		731
Net Returns on Investments			**(111,700)**		**61,245**
Net decrease / (Increase) during the year			(121,018)		53,286
Opening net assets of the Fund 1 April			(271,928)		(325,214)
Closing Net Assets of the Fund 31 March			**(392,946)**		**(271,928)**

NET ASSET STATEMENT

	Note	31 March 2010 £000	31 March 2010 £000	31 March 2009 £000
Investment Assets				
Pooled investment Vehicles :				
Unit trusts:				
Property		25,409		19,079
Other		106,520	131,929	72,316
Unitised insurance policies:			179,824	124,559
Open ended investment companies (OEICS) - Other			74,243	51,645
Cash (Interest Bearing Deposits)			7,610	3,948
Total assets invested	*78*		**393,606**	**271,547**
Other investment balances				
Investment debtors:				
Investment income accrued		1,032		1,133
Investment creditors:				
Investment settlements outstanding		(900)	132	(1,027)
			393,738	**271,653**
Net Current Assets and Liabilities				
Debtors:				
Monthly Contributions due from employers		370		386
Other		100	470	171
Creditors:				
Unpaid benefits (lump sum entitlements)		(223)		(20)
Investment management expenses		(522)		(109)
Other		(517)	(1,262)	(153)
			(792)	**275**
Total Net Assets	*78 & 80*		**392,946**	**271,928**

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 68 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 2009/1025), and as such is required to operate the LGPS on its own behalf and on behalf of other nominated employers (see Note 70). 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 Council is therefore effectively responsible for the financial liabilities of the Fund (in respect of its employees) and, for this reason, the disclosure notes in respect of the financial position of the Fund's liabilities are attributed to the Council.

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 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 2009/10 was:

Councillor C. Percival (Chairman to September 2009)
Councillor P. Hodgins (Chairman from October 2009)
Councillor G. Acton
Councillor J. Elloy
Councillor G. Evans
Councillor S. Knight (Vice Chairman)

In addition to these Councillors, Mr L Johnson was a non-voting attendee at meetings of the Committee as staff observer.

The Fund's investment advisor (Mr J Hastings of Hymans) 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 2009/10 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 holds a direct investment in property units managed by the Local Authorities Property Fund (LAPF), managed by Local Authorities Mutual Investment Trust (LAMIT).

Details of investments under management are provided in Notes 80 to 83.

The Fund has made the following external appointments:

Investment advisors	–	Hymans Robertson LLP
Independent auditors	–	PKF (UK) LLP (this appointment is made directly by the Audit Commission)
Custodians	–	JP Morgan Chase & Co

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

Note 69 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 2009; A Statement of Recommended Practice (the Local Government SORP), 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 Financial Reporting Standard FRS17.

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 majority of the Fund's investments are held in pooled vehicles. These are valued on the basis of bid prices with the exception of pooled vehicles managed by Hendersons where the values are recognised on the basis of the quoted mid-price less a percentage liquidation fee that reflects the price the Fund would receive if it realised these investments.

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 76. 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 70 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 2009/10 and paid no contributions to the Fund in that year).*

FUND MEMBERSHIP		31 March 2010 Contributors	Members with Preserved Benefits	Pensioners and Dependents	Total Members	31 March 2009 Total Members
Admitted Bodies:						
Association of District Councils	*	0	2	20	22	22
Hampton School		53	20	16	89	89
Notting Hill Housing Trust		2	8	12	22	20
St. Mary's College		175	85	81	341	314
SW Middlesex Crematorium Board		11	9	14	34	31
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		12	19	4	35	36
Project for Children with Special Needs	*	0	2	2	4	4
St. Catherine's School		3	7	1	11	11
Museum of Richmond	*	0	2	0	2	2
Richmond Housing Partnership		18	34	19	71	66
Twining Enterprises		1	9	4	14	13
Mears Building Contractors Ltd		1	6	6	13	13
Scout Solutions	*	0	16	8	24	24
Veolia (formerly Cleanaway)		42	14	8	64	63
Total Admitted Bodies		**325**	**250**	**206**	**781**	**743**
Scheduled Bodies:						
Richmond Magistrates' Court	*	0	15	11	26	42
Richmond upon Thames College		227	184	117	528	509
Richmond Adult & Community College		63	142	34	239	230
Total Scheduled Bodies		**290**	**341**	**162**	**793**	**781**
The Council		**2,835**	**2,911**	**2,556**	**8,302**	**8,026**
TOTAL MEMBERSHIP		**3,450**	**3,502**	**2,924**	**9,876**	**9,550**

Note 71 BASIS OF ACTUARIAL VALUATION

The latest actuarial valuation of the Fund was completed as at 31 March 2007, and work on the next valuation (as at March 2010) is currently under way, and results are expected later in 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	6.0%
Increases in Liabilities	
Salary increases	4.7%
Pension increases	3.2%

The market value of the scheme's assets at the date of valuation in March 2007 is shown in the following table.

	Valuation as at 31 March 2007	
ASSET CATEGORY	**£000**	**%**
UK Equities	144,305	43.0%
UK Fixed Interest Gilts	15,028	4.5%
UK Corporate Bonds	22,328	6.5%
UK Index Linked Gilts	2,204	0.7%
Overseas Equities	100,087	29.8%
Overseas Bonds	5,242	1.6%
Property	34,631	10.3%
Cash	11,036	3.3%
Net Debtors & Creditors (net current assets)	930	0.3%
Total Net Assets at Valuation Date	**335,791**	100.0%

Note 72 ACTUARIAL VALUATION – RESULTS

The results of the last actuarial valuation undertaken as at 31 March 2007 are summarised in the Actuarial Statement included in the Fund's Annual Report. Employers' contributions are then set taking into account the results of the valuation and the Funding Strategy for the Fund, which is also included in the Annual Report. The key elements in this process are:

Level of Funding

The results of the last revaluation at 31 March 2007 indicated that the actuarial value of the available assets of £335.8m (see table above) were sufficient to cover 82.1% 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 15 years, to bring the funding level up to a fully solvent position. The additional contribution rate set to achieve this is 8.2%, and this funding policy applies to all employers in the Fund.

Note 73 CONTRIBUTIONS AND BENEFITS

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

Contributions

	2009/10			2008/09		
	Employers	Members	Total	Employers	Members	Total
Contributions	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Administering Authority (The Council)	14,887	4,217	19,104	14,441	3,995	18,436
Scheduled Bodies	1,505	446	1,951	1,448	423	1,871
Admitted Bodies	2,142	581	2,723	2,100	570	2,670
Total Contributions	**18,534**	**5,244**	**23,778**	**17,989**	**4,988**	**22,977**

Benefits

	2009/10	2008/09
Benefits	**£000**	**£000**
Administering Authority (The Council)	14,251	13,422
Scheduled Bodies	903	792
Admitted Bodies	1,150	985
Total Benefits	**16,304**	**15,199**

Note 74 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

During 2009/10, a group of 16 Fund members with deferred benefits who were former employees of Richmond Magistrates Court were transferred to the London Pensions fund Authority, for which the Fund received a transfer value of £1,027,000.

Note 75 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. 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 2010 £000	31 March 2009 £000
Value of Investments		
Clerical Medical	1,354	1,175
Equitable Life	953	954
Total	**2,307**	**2,129**
Number of members participating	**Number**	**Number**
Clerical Medical	122	119
Equitable Life	182	200
Total	**304**	**319**
	2009/10 £000	**2008/09 £000**
Contributions received from members in year	148	174

Note 76 ANALYSIS OF ADMINISTRATIVE COSTS

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

Administration Costs	2009/10 £000	2008/09 £000
Administration and processing	378	378
Actuarial fees	62	71
Audit Fees	30	33
Communications with Fund Members	21	25
Other	13	17
Total Administration Costs	**504**	**524**

Note 77 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 2010, in which these accounts will be included.

Note 78 RECONCILIATION OF MOVEMENT IN INVESTMENTS

The following table reconciles the movement in the Fund's investment assets in the year.

	Value as at 1 April 2009	Purchases	Sale proceeds	(Profit) / Loss on Disposal	Change in Market Value	Value as at 31 March 2010
	£000	£000	£000	£000	£000	£000
Legal & General	124,558	4,500			55,469	184,527
Henderson	131,376	16,307	(9,649)	278	50,335	188,647
Schroders	8,779	522			312	9,613
LAMIT (property)	2,886				323	3,209
	267,599	**21,329**	**(9,649)**	**278**	**106,439**	**385,996**
Cash deposits	3,948	Residual profit on unquoted equity		35		7,610
Total assets invested	**271,547**			**313**		**393,606**
Net Current Assets	381					(660)
Total Net Assets	**271,928**					**392,946**

Note 79 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 exception in 2009/10 was a purchase of secondary property units through Schroders which resulted in direct transaction costs of £3,600.

	2009/10	2008/09
	£000	£000
Investment transaction costs	4	289

Note 80 INFORMATION ON ASSETS UNDER MANAGEMENT

Summary of investment assets under management

	31 March 2010				31 March 2009			
	L&G	Schroders	Henderson	Total	L&G	Schroders	Henderson	Total
Type of Asset	£000	£000	£000	£000	£000	£000	£000	£000
UK Investments - Listed	112,013	9,613	118,629	240,255	75,831	8,779	84,522	169,132
Overseas Investments - Listed	72,514	0	70,018	142,532	48,727	0	46,854	95,581
Cash	0	395	(387)	8	0	965	(726)	239
Total Under Management	**184,527**	**10,008**	**188,260**	**382,795**	**124,558**	**9,744**	**130,650**	**264,952**
Percentage of Fund under management	48%	3%	49%	100%	47%	4%	49%	100%
Directly held UK investments (LAMIT)			3,209				2,886	
Cash (interest bearing deposits)			7,602				3,709	
Other investment balances - debtors and creditors			132	10,943			106	6,701
Total investment assets				**393,738**				**271,653**
Other net current assets				(792)				275
Total Net Assets				**392,946**				**271,928**
Analysis of all investments:								
Total UK Investments (includes directly held LAMIT investment)				243,464				172,018
Total Overseas Investment				142,532				95,581
Cash and deposits				8				239
Total invested				**386,004**				**267,838**

All investments are in pooled investment vehicles with quoted prices

Note 81 ASSETS UNDER MANAGEMENT – TRANSACTIONS

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

	2009/10				2008/09			
	Legal and General	Schroders	Henderson	Total	Legal and General	Schroders	Henderson	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Purchases	4,500	522	16,307	21,329	130,662	44,264	58,672	233,598
Sales	0	0	9,648	9,648	0	172,779	34,424	207,203
Total Transactions	**4,500**	**522**	**25,955**	**30,977**	**130,662**	**217,043**	**93,096**	**440,801**

Note 82 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
- USM United States Mutual Fund
- UCITS Fund managed under the EU Directives: Undertakings for Collective Investments in Transferable Securities

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 2010		31 March 2009	
	£000	% of Fund	£000	% of Fund
Pooled Investments				
Henderson Investment Funds Limited				
UK Equity Enhanced Trust 'Z' (AUT)	75,230	20%	51,611	19%
Exempt North American Enhanced Equity 'Z' (UUT)	31,291	8%	20,705	8%
	106,521	**28%**	**72,316**	**27%**
Henderson Strategic Investment Funds				
European Enhanced Equity Fund 'Z' (OEIC)	18,746	5%	12,208	4%
Japan Enhanced Equity 'I' (OEIC)	5,678	1%	3,325	1%
Asia Pacific Ex Japan Enhanced Equity Fund 'I' (OEIC)	5,305	1%	3,977	2%
	29,729	**7%**	**19,510**	**7%**
Henderson Global Funds				
Emerging Markets Fund 'I'	8,998	2%	6,639	2%
	8,998	**2%**	**6,639**	**2%**
Henderson UK & Europe Funds				
Henderson UK Gilt Fund 'I' (OEIC)	9,391	2%	7,715	3%
Henderson All Stock Credit 'I' (OEIC)	22,499	6%	14,747	6%
Henderson Long Dated Credit Fund 'I' (OEIC)	3,625	1%	3,034	1%
	35,515	**9%**	**25,496**	**10%**
Henderson Property Management (Jersey) Limited				
UK Property Fund Units (PUT)	7,884	2%	7,415	3%
	7,884	**2%**	**7,415**	**3%**
Total invested (Error! Reference source not found.)	**188,647**	**48%**	**131,376**	**49%**
Cash	(387)	0%	(726)	0%
Total all Henderson Funds	**188,260**	**48%**	**130,650**	**49%**

Legal and General Investments managed by Legal and General Investment Management Ltd . These are held in two unitised insurance policies providing passive management based on index-linked returns covering the benchmark portfolio allocation.

	Value of Assets Under Investment			
	31 March 2010		31 March 2009	
Pooled Investments	£000	% of Fund	£000	% of Fund
Legal and General Assurance (Pensions Management) Limited				
Policy Number 35334-2/000 / 01 (Insurance Policy)	92,264	24%	62,279	23%
Policy Number 35336-7/000 / 01 (Insurance Policy)	92,263	24%	62,279	23%
Total invested (**Error! Reference source not found.**)	**184,527**	**48%**	**124,558**	**46%**

Schroders Investments managed by Schroder Investment Management Ltd were managed on an active basis with holdings directly in pooled investment funds, and equities and fixed interest securities held on a segregated basis. No individual segregated investment exceeded 5% of the Fund's total asset value.

	Value of Assets Under Investment			
	31 March 2010		31 March 2009	
	£000	% of Fund	£000	% of Fund
Pooled Investments				
Schroder Property Investment Management Limited				
Schroder Exempt Property Unit Trust (PUT)	9,613	3%	8,779	3%
Total invested (**Error! Reference source not found.**)	**9,613**	**3%**	**8,779**	**3%**
Cash	395	0.0%	965	0.1%
Total all Schroders Funds	**10,008**	**3%**	**9,744**	**4%**

Note 83 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

Investments are held in a variety of pooled investment vehicles. Units in these are all valued at a 'mid-price'. There is no 'bid' price quoted for these vehicles so Fair Value of these investments is determined by applying a "dilution levy" issued on a monthly basis by the manager for each investment vehicle. This levy reflects the estimated liquidation cost of the underlying assets based on the current conditions and liquidity of the relevant market and is designed to protect the interests of ongoing unit holders. Mid price less the dilution levy represents the minimum realisable value of the investment and represents the fair value of these assets. The exception to this is Henderson's Property Unit Trust, where a conventional unit bid value is quoted by the manager.

L&G

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.

Schroders

Schroders' Property Unit Trust has been valued at the official unit bid value issued by the manager for each respective year end.

Note 84 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 85 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 2010		31 March 2009	
	£000	% of Fund	£000	% of Fund
LAMIT Local Authorities Property Fund (PUT)	3,209	1%	2,886	1%

There were no purchases or sales in these units by the Fund during 2009/10 or 2008/09. 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 86 ANALYSIS OF INVESTMENT MANAGEMENT COSTS

	2009/10	2008/09
	£000	£000
Investment management expenses:		
Investment managers' fees	1,003	667
Custodian Fees	7	17
Investment advisor's fees	19	35
Performance Measurement Fees	14	12
	1,043	**731**

Note 87 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:

	2009/10	2008/09
Income:	**£000**	**£000**
Pension Contributions from the Council (employer's contributions)	(14,887)	(14,441)
Pension Contributions from employees (deductions paid over)	(4,217)	(3,995)
Interest	(15)	(90)
Total Income	**(19,119)**	**(18,526)**
Expenditure:		
Indirect support costs provided by the Council	**378**	**378**

Note 88 CONTINGENT ASSETS AND LIABILITIES

Apart from future pension and benefit liabilities, the Pension Fund had no contingent assets or liabilities as at 31 March 2010.

Note 89 EVENTS AFTER THE BALANCE SHEET DATE

The accounts for the Pension Fund are authorised for issue on the date that the Statement of Responsibilities for these accounts was signed – 16th June 2010. There are no events after 31 March 2010 that require adjustment to the accounts.

The only non-adjusting event that is reported is that investment values have generally decreased since 31 March and are approximately 3.5% lower (based on the valuation at end of May), equivalent to around £14 million less than reported in the Net Asset Statement.

STATEMENT OF ACCOUNTING POLICIES

General Principles

The Statement of Accounts has been prepared and presented in accordance with 'proper practices' in relation to the Accounts' as required by the Accounts and Audit Regulations. These proper practices represent compliance with:

- All relevant Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRS) and Urgent Issues Task Force (UITFs) Abstracts issued by the Accounting Standards Board (ASB)
- The Code of Practice on Local Authority Accounting in the UK 2009; A Statement of Recommended Practice (SORP)
- The Best Value Accounting Code of Practice 2008 (BVACOP) issued by the Chartered Institute of Public Finance & Accountancy

These policies apply to all the statements except those relating to the Pension Fund, for which separate accounting policies are set out within its notes, and any specific exceptions that are referred to in detail in the following paragraphs.

Changes in Accounting Policies

The following changes have been made in accounting policies in 2009/10:

Recognition of assets acquired under PFI and Similar Contracts

SORP 2009 has changed the accounting tests applied to assets acquired under PFI and similar contracts in preparation for the full introduction of IFRS accounting from 2010/11. The main change is that previously the assets were deemed to be owned by the party who held the balance of the risks and rewards of ownership, whereas the new treatment assesses the level of control over the use of the assets.

The Council has substantive control of the assets held under both PFI (4 primary schools and 3 care homes) and those held under the SERCO contract for ICT Support, which meets the definition of a Similar Contract.

Prior year restatement has been undertaken to recognise these assets and the associated liability at the relevant points in the contracts. Once the assets are on the balance sheet, they are treated as any other Council assets of that class and will be depreciated and revalued as required.

The payments to the contractor will be split to recognise the substance of the contract as a contract for services combined with a financing lease. The split isolates the service charge and the lease principal and interest payments, accounting for the latter in line with proper practice.

The requirement to make prudent provision for the repayment of the notional debt associated with the asset is deemed to be met by the principal repayment element of the lease charge.

Accounting for Council Tax and National Non-Domestic Rates

From 1st April 2009 the GLA element of Council Tax and NNDR are treated as transactions that occur purely because of an agency relationship rather than as part of the Council's operating activities. As a result all NNDR balances will be treated as a net debtor / creditor between the Council and central government and balances relating to the payment and collection of the GLA precept will show as a net debtor / creditor to the GLA.

The recognition of the surplus/ deficit on the Collection Fund will now be reported in line with the Accruals Concept and recognised in the revenue account in the year to which it relates (with the exception of the in year cash distribution of the fund which will still be recognised on a cash basis). Previously the Council's share of the in year surplus/deficit was taken directly to the Collection Fund Reserve and the distribution was recognised on a cash basis.

Full details of this change in accounting policy and the resulting prior year restatement is disclosed in Note 1 to the accounts.

Existing Accounting Policies

1. Accruals Basis

The accounts are prepared on an accruals basis, with the exception of regular utility payments and income from Parking Control Notices (PCNs).

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 SORP 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 Parking Control Notices (PCNs)

Income received from PCNs does not directly relate to the face value of notices issued due to the incidence of discount for prompt payment, disputed notices and other mitigating circumstance, with the result that only around 10% of the face value of PCNs is collected. 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.

2. Estimation

The following material estimations are made in preparation of the Statement of Accounts:

Creditors
All creditor accruals at 31 March are based on the value of orders placed, invoices received or on an estimated basis where orders or invoices are not available (e.g. in respect of payments to and from government in respect of grants, Business Rates (NNDR) etc. where payments are made on the basis of claims, returns etc. usually completed after year-end).

Debtors
Debtors are raised for amounts owed to the Council up to 31 March. Provision for impairment of debts is estimated having regard to the age of debt and the status of recovery procedure. Separate bad debt provisions are made for general debtors, Collection Fund (Council Tax) and housing debts (short term lets and bed and breakfast).

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 to accurately estimate and record all accruals. This level is reviewed annually and is currently set at £10,000. There has been no change in this level since last year.

3. Revenue Recognition of Revenue Expenditure, Interest Income and Interest Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.

- Interest payable and receivable on borrowings is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment.
- Where income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

4. Fixed Assets

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis.

Recognition

Assets are recognised on the balance sheet if they meet de minimis criteria, as per the CIPFA Practitioner's Guide to Capital Finance in Local Government.

The Council applies the following de minimis values:

- Land and Buildings valued below £50,000 on acquisition or revaluation are not recognised
- Vehicles, plant and equipment valued below £10,000 on acquisition are not recognised
- Capital assets funded by capital grant which require inclusion as capital expenditure for receipt of the grant are included irrespective of value.

Operational assets - Valuation

Assets are brought into the balance sheet on the basis of valuation less depreciation. The basis of valuation for each class of asset is as follows:

- Intangible assets are valued at historic cost.
- Land and buildings are valued at open market value on existing use basis except Specialised Operational assets (see below).
- Specialised Operational assets (mainly leisure centres and schools) are valued on open market value - alternative use basis because there is insufficient evidence of market value on existing use basis. This is in accordance with the Royal Institute of Chartered Surveyors (RICS) guidance.
- Vehicles, plant and equipment are valued at historic cost. This basis of valuation is used because the effect is presently not material to the accounts (the total value of this category of assets is in the region of £6.9m) and the time and cost involved in revaluing a disparate inventory of vehicles and plant is not justified.
- Infrastructure assets are valued at historic cost.
- Community assets are valued at historic cost.

Non-Operational assets - Valuation

- Non-operational assets are valued at open market value.

Assets other than land, community and investment assets (which are not depreciated) are written down for depreciation on a straight-line basis over their estimated life. These lives are assessed on an individual basis for vehicles, plant and equipment and on a standard basis for other classes of assets as follows:

Operational assets - Depreciation

- Intangible assets are depreciated over the period of their useful life.

- Buildings are depreciated over the period of their useful life, up to 60 years depending upon the type of structure.
- Infrastructure assets are depreciated over a standard period of 40 years.
- Vehicles, plant and equipment are depreciated over the period of their useful lives. These vary from between 3 to 25 years and are based upon technical or professional advice at the time of acquisition.

Non-operational assets are not depreciated.
Land and buildings, including those that are non-operational, are valued on a rolling programme over 5 years. A full simultaneous valuation of all assets has not been carried out since capital financing regulations first required current valuations in April 1994.

5. Sale of Fixed Assets

Sales of fixed assets give rise to capital receipts that are credited to the Usable Capital Receipts Reserve and are available to finance further capital expenditure. An exception to this policy arises in respect of the Home Loans Unit that manages a mortgage portfolio on behalf of all London Borough Councils. Capital receipts that arise from the repayment and redemption of mortgages in respect of the Home Loans Unit are not available to the Council but are distributed to all London Borough Councils, as set out in the disclosure note to the Home Loans Unit Accounts.

Gains or losses on disposal are reported in the Income and Expenditure Account but reversed in the Statement of Movement on the General Fund Balance so there is no effect on the General Fund.

6. Basis of Charges to Revenue in Respect of Fixed Assets

Capital charges are made to the revenue account of individual services on the basis of depreciation and impairment, as set out above net of write down of Government Grant Deferred and impairment.

7. Revenue Expenditure Charged to Capital under Statute

Where the Council incurs expenditure that does not result in the creation or enhancement of an asset for the Council (where no asset is created or where an asset is created or enhanced that is the property of a third party), this is deemed to be a revenue cost under accounting practice and is charged in the year to the relevant line in Net Cost of Service. Statute requires that these items are treated as capital expenditure which should be amortised in that year but financed from capital resources. These charges are therefore credited in the Statement of Movement in General Fund balance and charged to the Capital Adjustment Account.

8. Leases

Finance Leases

The Council recognises finance leases where it has substantially all the risks and rewards of ownership of an asset as part of a lease arrangement. The interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC 12) with regard to service concessions (adopted by the SORP) introduces partial adoption of International Financial Reporting Standards (IFRS) n respect of existing contracts let under the Private Finance Initiative (PFI contracts) and similar existing arrangements that are deemed to be service concessions. The application of IFRS and IFRIC accounting treatment in respect of all other leases is deferred until the 2010/11 financial year.

As a result, the Council recognises assets used in these contracts (PFI and service concessions) on its balance sheet, and accounts for these in the same way as other assets. The Council recognises a corresponding liability on its balance sheet to reflect future payments under these contracts that will finance the assets.

Liabilities for finance leases are written down over the life of the relevant lease (that is the term of the relevant contract) by the relevant part of the unitary charge.

Operating Leases

Leases that are not a finance lease are treated as operating leases. Operating leases give no right of control over the residual interest in the asset leased and these are not recognised on the Council's balance sheet. Lease rentals are regular payments and are charged to revenue as they occur.

9. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the Council's borrowing the amount presented in the balance sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year under the loan agreement.

Long-term borrowing is reviewed on a regular basis and, where there is economic advantage, loans are repaid prematurely. Gains and losses on the repurchase or early settlement of borrowing are credited or debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. Any premium on settlement is transferred to the Financial Instruments Adjustment Account and amortised to the general Fund over the period of the original loan.

10. Financial Assets – Loans and receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account 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 and interest credited to the Income and Expenditure Account 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 Income and Expenditure Account.

11. Stocks and Works in Progress

Stocks are valued on a weighted-average basis, taking account of all items in stock at their purchase cost. Work in progress is valued at cost. This policy does not comply with the SORP that requires stocks and work in progress to be valued at the lower of cost or net realisable value. The effect of this non-compliance is regarded to be not material.

12. Government Grants

Government grants and contributions are accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

Revenue grants and contributions are credited to the relevant service and matched with the expenditure to which they relate, with grants that cannot be attributed to a particular revenue service taken to the Income and Expenditure Account as corporate income. Formula Grant, Area Based Grant and the contribution in respect of Non-Domestic Rates are made to finance the general activities of the Council and are credited to the Income and Expenditure Account (as corporate income) in the year that they are receivable.

Where the acquisition of a fixed asset is financed either wholly or partly by a government grant or contribution the contribution is taken to the Government Grants Deferred account and written down to the service revenue account over the useful life of the asset to which it relates. This policy results in the grant amortising in line with the depreciation of the asset to which the grant relates.

13. Allocation of Support Costs

Support costs are fully allocated to services in accordance with the Best Value Accounting Code of Practice (BVACOP). BVACOP also requires that the cost of the Corporate and Democratic Core and of Non Distributed Costs be treated as two objective cost centres in the Income and Expenditure Account.

Support costs are allocated using the most appropriate basis available (primarily staff numbers or staff time).

14. Long Term Contracts

Some contracts for capital expenditure extend beyond one financial year. Expenditure on these contracts is charged to capital expenditure on an accruals basis in the relevant financial year. These assets are initially valued at cost and the value of the asset will increase in the balance sheet in line with each year's capital expenditure. As part of the rolling five-year valuation process these assets will be re-valued as described in the earlier paragraph on Fixed Assets.

The Council has a number of revenue contracts, for example for the provision of IT support services that extend over a number of years. The periods relating to these contracts vary, but are usually for periods of between 5 to 10 years. Expenditure on these contracts is charged, on an accruals basis, to revenue in the financial year in which value (goods or services) are received.

The Council has entered into two PFI contracts that have substantially longer periods. Details of these two contracts and their financing arrangements are set out in the notes to both the Income and Expenditure Account and the balance sheet. As a result of the effect of government grant on the financing of these contracts, an earmarked reserve has been established into which surpluses in the early years of these contracts are paid. The reserve will be used to fund deficits in the later years of the contracts. The effect of this accounting treatment is that the Cost of Services in the Income and Expenditure Account reflects the actual net cost of the PFI contracts for each financial year taking into account the full unitary charge and government grant received, but the appropriation to or from the PFI reserve adjusts the amount to be met by Council Tax, in each year, effectively smoothing the effect of the incidence of the government grant over the period of each PFI contract.

15. Revenue Provisions and Reserves

Amounts are set aside from revenue for both provisions and reserves.

Provisions are established where a future loss or liability is recognised but the timing and value are uncertain. In the balance sheet, the provision for bad debts is deducted from current debtors.

Reserves are established in a prudent manner to meet future expenditure needs that are non-specific at the balance sheet date, including general contingencies and cash flow management in respect of the General Fund Balance. Earmarked reserves are set aside for specific purposes.

16. Pension Costs

The Council operates a Pension Fund as an administering authority for the Local Government Pension Scheme. This is a funded, defined benefits scheme, details of which are given in the notes to the Pension Fund Accounts.

The Council's contributions to the Fund are based upon periodic actuarial valuation and set at a level sufficient to enable the Fund to meet its accrued liabilities. The last valuation was for 31 March 2007, at which time the Fund covered 82.1% of its accrued liabilities, and the Council's contributions are increasing annually to make up the deficit. The Council's contributions are set as a percentage of pensionable pay and charged to service expenditure alongside employees' pay.

In accordance with FRS 17 'Retirement Benefits' in local authority accounts, additional disclosure notes are included in the Statement of Accounts in relation to the Income and Expenditure Account. These disclosure notes are in accordance with the accounting policy requirements of FRS17, which has the effect of standardising the assumption on the growth of invested pension funds. The required adjustment results in organisations' accounts becoming more comparable.

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 those of 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 SORP).

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 Local Authority SORP.

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 presents a true and fair view of the financial position of London Borough of Richmond upon Thames Council at the end of the period to which it relates and its income and expenditure for that period.

Mark Maidment
Director of Finance and Corporate Services
29th September 2010

APPROVAL OF THE ACCOUNTS AND DATE AUTHORISED FOR ISSUE

These financial statements replace the unaudited statements approved in June 2010.

Councillor Nicholas True
Chairman of the Statutory Accounts Committee
29th September 2010

THIS STATEMENT OF ACCOUNTS IS AUTHORISED FOR ISSUE ON 30th SEPTEMBER 2010.

In accordance with Financial Reporting Standard 21 (FRS 21), this is the date up to which any events will have been considered in the Statement of Accounts (see Note 56)

INDEPENDENT AUDITORS' REPORT

Opinion on the Council's accounting statements

We have audited the accounting statements of London Borough of Richmond upon Thames Council ("the Council") for the year ended 31 March 2010 under the Audit Commission Act 1998. The Council's accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance and the related note, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Notes to the Core Financial Statements, the Collection Fund Income and Expenditure Account and related Notes to the Collection Fund, and the Statement of Accounting Policies. The Council's accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of London Borough of Richmond upon Thames Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

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

The Director of Finance and Corporate Services' responsibilities for preparing the Statement of Accounts and accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the Council's accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Council's accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Council and its income and expenditure for the year.

We review whether the Annual Governance Statement reflects compliance with "Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the Council's accounting statements. We are not required to consider, nor have we considered, whether the Annual Governance Statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Councils corporate governance procedures or its risk and control procedures.

We read other information published in the Council's Statement of Accounts, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword and the Glossary of Terms. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the Council's accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the Council's accounting statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Council's accounting statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Council's accounting statements.

Opinion

In our opinion the Council's accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Council as at 31 March 2010 and its income and expenditure for the year then ended.

Opinion on Pension Fund accounting statements

We have audited the London Borough of Richmond upon Thames Pension Fund ("the Pension Fund") accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The Pension Fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The Pension Fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

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

The Director of Finance Corporate Services' responsibilities for preparing the Pension Fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the Pension Fund accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Pension Fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

We read other information published with the Council's Statement of Accounts and consider whether it is consistent with the audited Pension Fund accounting statements. This other information comprises the Foreword and the Glossary of Terms. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Pension Fund accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Pension Fund accounting statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the Pension Fund accounting statements, and of whether the accounting policies are appropriate to the Pension Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Pension Fund accounting statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Pension Fund accounting statements.

Opinion

In our opinion the Pension Fund accounting statements give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Council's responsibilities

The Council 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditors' responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. We report if significant matters have come to our attention which prevent us from concluding that the Council has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, we are satisfied that, in all significant respects, the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Delay in certification of completion of the audit

We are required to give an opinion on the financial statements of the Pension Fund included in the Pension Fund Annual Report of the London Borough of Richmond upon Thames. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by the 1 December 2010. As the Council has not yet prepared the Pension Fund Annual Report we have not yet been able to read the other information to be published with those financial statements and we have not issued our report on those financial statements.

Matters have also been brought to our attention by local authority electors regarding the lawful basis for accounting for penalty charge notice income in the Statement of Accounts. I am satisfied that these matters do not have a material effect on the financial statements.

However, the audit cannot be formally concluded and an audit certificate issued until we have issued our report on the Pension Fund Annual Report and completed our consideration of matters brought to our attention by local authority electors.

Leigh Lloyd-Thomas 30 September 2010

for and on behalf of **PKF (UK) LLP**
London, UK

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 Regulations 2003, as amended by the Accounts and Audit regulations (Amendment) (England) Regulations 2006 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 "in accordance with proper practices".

Scope of responsibility

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

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

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

Link to document:

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

(see part 5)

This statement explains how the Council has complied with this code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations (Amendment) (England) Regulations 2006 in relation to the publication of an Annual Governance Statement.

The purpose of the governance framework

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

The system of internal control is a significant part of 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 the Council's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2010 and up to the date of the approval of the annual governance statement and statement of accounts.

The governance framework

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

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 seven key priorities for the Richmond Borough Council area for 2007 – 2017. The Community Plan was formulated after a major consultation exercise and included all major partners and partnerships. The Local Strategic Partnership has agreed Terms of Reference and is responsible for delivery and achievement of the Local Area Agreement. Underlying the Community Plan and Local Area Agreement, the Council has a Corporate Plan which sets out its own specific key service priorities and objectives. This was updated during 2009/10.

In terms of communication with stakeholders and accountability, the Council publishes a Forward Plan which identifies all upcoming key decisions to be taken, and publishes Annual Accounts and a Report on Performance. The Medium Term Financial Strategy details both revenue and capital budgets and forward plans.

The Corporate Area Assessment for 2009 has rated the Council as Performing Well, scoring 3 out of 4 for both Managing its Performance and Use of Resources. The report continues to provide a positive assessment of the Council providing value for money.

The Local Strategic Partnership has continued to provide strong leadership of all the partners within the borough, and is driving forward to achieve the objectives set out in the Community Plan. These structures need continual review to ensure they focus on practical outcomes and limit bureaucratic creep. The Council has undertaken a Place Survey and this together with information from a Joint Needs Assessment provides the Council and its partners with data to ensure our services are focussed on meeting community needs.

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

The roles of Members and officers are clearly defined in the Council's Constitution which is kept under regular review and updated accordingly. The Constitution also contains an agreed Scheme of Delegation to Members and officers, and sets out decision making processes. It also includes regulatory procedures e.g. Contract Standing Orders, and Financial Regulations.

The 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 descriptions.

There is a Performance Management framework which translates priorities and objectives 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. There have been ongoing improvements to performance monitoring and reporting during 2009/10.

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 Council, and there is a published Annual report on Standards. For Members, Register of Interests are available via the public website and Declarations of Interests are recorded at meetings and recorded in the minutes.

For officers, there are registers of interest in directorates and annual reminders are issued to staff to declare any conflicts of interest and to record any gifts and / or hospitality received, although some inconsistencies in practice have been identified. These processes will be reviewed during 2010/11 to ensure they are efficient and effective and proportionate to the level of potential risk.

There is a system of staff appraisal in place which has been reviewed and revised for implementation from 1st April 2010 to ensure the appraisal system fully supports ongoing assessment of staff performance and development. The Council has an Equalities Scheme and Corporate Equality and Diversity Action Plan 2007 – 2010. The Council has been externally assessed at Level 4 for Equalities and Diversity.

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 during 2009/10, had 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, - Small Business, Home Based/Self Employed, Parental Involvement in their Children's Education, and Road Safety 20mph. The new administration has determined that half the Scrutiny Committees will be chaired by the minority party to improve democratic challenge.

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, and also 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 January 2010. 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 and future training and development. The Council has a Workforce Development Plan 2009 - 2010, which sets out the Council's vision for its work force and identifies key strategic areas with broad targets and outcomes for the lifetime of the plan.

During 2009/10, there have been regular senior management development days, and also development days for senior managers with Executive Members. Inspiring Leaders is a new 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. These have not always carried sufficient public conviction. A Citizen's Panel has been in existence since 2001; a new panel was recruited in 2007 and has approximately 1500 members. The new 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.

A number of ways are used to encourage the community to engage / contribute / participate, including providing specialist facilities for individuals where required, such as interpreters and providing crèche facilities for individuals with young children. The new administration has pledged to consult every citizen and business directly in its first year of office to engage then in the formulation of future Council policy.

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 2009/10.

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also comments made by the external auditors and other review agencies and inspectorates.

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

- Audit Committee reports (internal controls and risk management processes)
- Scrutiny Committee reports
- 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 where improved controls are required. These are: Payroll & Pensions, Accounts Payable, Contracts, ICT issues, Parking income, Data Quality, Partnership arrangements (Rent Deposit scheme), Self Directed Support and Safeguarding Adults. Details are set out in the Joint Heads of Internal Audit Annual report for 2009/10.

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.

Councillor Nicholas True
Leader of the Council

Gillian Norton
Chief Executive

Date: 30 June 2010

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.

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.

BALANCE SHEET

A statement of the Council's assets and liabilities at the balance sheet date.

BEST VALUE CODE OF PRACTICE (BVACOP)

This code of practice was introduced in support of the government's modernisation agenda for local government and, in particular, the process of performance management and best value. The code modernises the system of local authority accounting and reporting and provides a common service cost to facilitate comparison between authorities.

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.

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 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.

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).

CODES OF PRACTICE

In addition to the BVACOP (see above) the principal code of practice that governs the presentation of local authority accounts is the Code of Practice on Local Authority Accounting in the United Kingdom. This code is a Statement of Recommended Practice (or SORP) that is approved by the Accounting Standards Board and is recognised by statute as representing proper accounting practice.

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 BVACOP, 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.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

FIXED 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.

FRS
Financial Reporting Standards issued by the Accounting Standards Board.

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.

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

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.

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.

LABGI
This is the Local Authorities Business Growth Incentive Scheme, where some local authorities are able to retain a percentage of their annual growth in business rates. This was abolished in 2010/11.

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 is separately identified for use in respect of 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).

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.

NON-DISTRIBUTED COSTS
This category of expenditure under BVACOP 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.

OPERATIONAL 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.

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.

SORP

This is the Statement of Recommended Practice in preparing local authority accounts.

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.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

A Core Financial Statement showing how the balance of resources generated and consumed in the year has to be reconciled with statutory requirements for setting Council Tax.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

A Core Financial Statement that demonstrates how the movement in Net Worth in the Balance Sheet is represented by the surplus or deficit on the Income and Expenditure Account and other unrealised gains and losses.

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.

TABLE OF NOTES

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 انٹرپریٹینگ 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