LONDON BOROUGH OF RICHMOND UPON THAMES

STATEMENT OF ACCOUNTS 2010/11

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INTRODUCTION

Welcome to the London Borough of Richmond upon Thames Statement of Accounts for the financial year 2010/11. The Statement of Accounts is a complex, technical document, the form and content of which is governed by the Code of Practice on Local Authority Accounting in the United Kingdom. This Foreword is intended to provide a concise and understandable guide to the most significant aspects of the Council's financial performance, year end financial position and cash flow, as well as giving information as to how the Council will develop over the next few years.

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

Core Statement	Purpose / Relationship with other statements
Movement in Reserves Statement	Shows the movement in the year on the different reserves held by the Council. The reserves represent the Council's net worth as shown in the Balance Sheet.
Comprehensive Income and Expenditure Statement	Reports all gains and losses during the year based on IFRS standards. Because of this, the figures will differ from the Council's revenue budgets and management accounts although the underlying position remains the same.
Balance Sheet	Shows a snapshot as at the year end of the Council's assets, liabilities and reserves. It reflects the impact of all financial transactions during the year.
Cash Flow Statement	Shows the changes in cash and 'cash equivalents' (assets that can be readily converted into cash).

The Council set its budget for 2010/11 against a backdrop of a worsening national economic position with the prospect of significant reductions in public expenditure for years to come. At the same time, demand for services for adults and children were expected to continue to rise and the need to provide additional primary school places meant that both revenue and capital budgets would be under pressure. The budget had to balance the need to address reductions in public expenditure and the requirement to keep Council Tax increases to affordable levels with the need to continue to provide high quality services, especially to the most vulnerable members of the community. A key feature of the budget was the £4m of efficiency savings and income generation which formed the first phase of the Council's Efficiency Challenge which targeted an initial £15m of revenue savings over the following 3 years.

Council Tax was maintained at the 2009/10 level and the Capital Programme continued to be dominated by investment in schools although the expected reduction in government and internal sources of funding has seen an increased requirement to borrow.
The budget was set in the context of uncertainty caused by impending national and local elections. In May 2010, both the national and local administrations changed. Nationally, this led to the formulation and implementation of a deficit reduction plan, which culminated in significant in-year and future reductions in Government support to the Council.

Locally, the new administration set itself the key financial objective of:

Delivering a zero percent Council Tax increase for 2011/12 and working towards zero or sustainable low increase in the years beyond

To begin the process of achieving its objective, the Council undertook a budget review exercise to identify additional savings and took the decision that the Council would become a commissioning organisation with no presumption that services would be provided by Council staff. Rather, the best organisation, be it commercial, charitable, voluntary or in-house, to meet the needs for a particular service would be commissioned to do so. This would be likely to result in the Council employing significantly fewer staff in the future.

The Medium Term Financial Strategy identified a target of around £35m in revenue budget reductions over the following 3 – 5 years to allow the Council to meet its objectives.

The 2011/12 budget was set with Council Tax once again frozen and some £11.9m of savings / efficiencies and income generation identified.

The tables below summarise the Council's financial performance during the 2010/11 financial year on its revenue and capital budgets.

REVENUE BUDGET

Directorate	**Budget £000**	**Outturn £000**	**Variance £000**
Education, Childrens' & Cultural Services	29,149	29,472	323
Adult and Community Services	65,301	65,437	136
Environment	28,270	26,998	(1,272)
Finance & Corporate Services	23,901	22,292	(1,609)
Central Items & Contingency	5,006	3,415	(1,591)
Total	**151,627**	**147,614**	**(4,013)**

Planned drawing from General Reserve	**(750)**	**0**	**750**
Underspend to allocate to Reserves			**(3,263)**

The following paragraphs set out the major reasons for the variations shown in the table.

Education, Childrens' & Cultural Services

- Looked After Children budgets overspent by £326k as a result of an increase in costs of residential placements and numbers of independent fostering placements.

- The Special Educational Needs budget overspent by £212k, mainly as a result of increasing numbers of children requiring transport (up from 312 in Sept ‘09 to 330 in Sept ’10).

- The 2011/12 budget contains £275k growth relating to Looked After Children (£225k) and SEN transport (£50k). These budgets will be closely monitored throughout the year. In particular there is a national trend of increasing numbers of Looked After Children in the wake of events surrounding Baby Peter.

Adult and Community Services

- Although the Directorate’s provisional outturn shows only a small overall overspend of £136k, this masks significant demand pressures in adult care services. This is reflected in the Commissioning Care Services Division’s outturn position which is an overspend of £2.5m. The overspend is mainly due to the continuing increased demand for care services where the number of people receiving intensive support has increased by 32% in the last 5 years.

- The Directorate’s overall balanced position is due to planned underspends in a number of areas combined with one-off funding carried forward from the previous financial year.

- The 2011/12 budget includes additional funding of £2m to address the overspend on the care service budgets. In addition, the Council has allocated a further £0.5m for demand led growth and is also working with the health service locally to ensure the new NHS funding allocation for adult social care helps to offset expected demand pressures in the coming year. There remain considerable risks in managing the Adult Social Care and Housing budgets due particularly to the demand led nature of services. In Housing, these risks have increased significantly as a result of a number of Government policy changes which could lead to an increase in the cost of providing statutory homelessness services.

Environment

The Environment Directorate comprises an extremely wide range of services and the outturn position is a combination of many over and under spends. Of particular note are:

- Parking showed an overspend of £1.013m which represents reduced levels of income from enforcement and on and off street parking charges.

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- Waste Collection and recycling underspent by £1.308m with the main areas being employee and running costs and additional income from the sale of recycling materials.

- There were significant variances on Transport Planning (£341k underspend), Richmond Works (£370k underspend), Waste Disposal (£279k overspend) and Development Control (£275k overspend).

- Current projections show that, in 2011/12, three major income streams are likely to underachieve their targets:

  - Parking; where enforcement policy and a number of legal challenges may affect the totals. As a result the service is reviewing its staffing levels.

  - Development control; where there continues to be a high level of work with low fee income and the deferment of a plan to allow the local setting of fees.

  - Trade waste and recycling – where there is competition from the private sector.

- Set against this, the methodology for calculating the Waste Disposal Levy has been changed which may result in a significantly reduced charge provided that tonnages do not exceed the expected level.

The Directorate continues to pursue reductions in its cost base through service reviews and close monitoring of staffing budgets where continued reductions in the cost of sickness absence and overtime are being sought.

<u>Finance and Corporate Services (FCS)</u>

The underspend on FCS is accounted for by four main items:

- The London Pension Fund Authority levy was expected to increase in 2010/11 to cover the anticipated costs relating to asbestosis claims. No additional costs arose during the year leading to an underspend of £273k

- Council Tax and Business Rates underspent by £243k. This was mainly due to a reduction in staff numbers (particularly agency staff) and an underspend on software development budgets.

- Corporate Management budgets underspent by £210k. There was lower than budgeted spend on External Audit fees because of a reduction in inspection fees and no requirement to pay for additional audit work on objections to the accounts. In addition, there were no calls on the Corporate Legal fees budget during the year.

- The Land Charges budget was reduced because of legal uncertainty over the basis of the charge. However, income levels stayed high during the year leading to an underspend of £292k. The budget reduction may have been overly prudent but until the legal issues are clarified, there remains the possibility that part of the income may have to be repaid.

- In common with all Council Directorates, Finance and Corporate Services is undergoing a period of significant adjustment to budgets as part of the overall transformation of Council services. Major projects are underway in respect of ICT, Revenues and Benefits and HR / Payroll services. Tight financial control will be essential in ensuring that the proposed reductions in cost are actually achieved.

<u>Central Items and Contingencies</u>

- The £1.6m underspend comprises mainly unused contingency budgets of £0.7m, and savings on treasury management due to lower than budgeted levels of borrowing (£0.8m).

- Although the level of borrowing taken in 10/11 was less than budgeted, the underlying need to borrow to finance the future capital programme remains and the borrowing will need to be taken at some stage in the future.

Despite the overall underspend, the outturn figures identify that the Council will continue to face significant risks to its budget plans over the next 12 months. Demand led services, particularly in the area of social care for adults and children, are subject to fluctuations in client numbers that can have a major impact on the budget position. The small overspend on Adult Services was achieved with the benefit of significant one off funding and masks an underlying overspend of some £2.5m on Commissioning Care Services

Although overall income levels for the Council have held up better than was anticipated at the outset of the recession, some areas such as Land Charges, Parking and Planning & Building

Control remain key concerns. Both the former areas have legal challenges continuing on them and for parking, based on income trends at the end of last year and in the first two months of this year, income is projected to be down by at least £1m.

On the positive side we have already identified in reports to Overview and Scrutiny that changes in waste disposal budget assumptions and underspends in Treasury budgets will have an impact on the assumptions in the Council's Medium Term Financial Strategy.

The short term factors identified above are well known issues to the Council and are, to some extent, accounted for within the existing MTFS. However, the strategy and plans that underpin it will be continually reviewed and revised as required with a view to ensuring the financial stability and low Council Tax aims of the Council are met over the whole period covered by the MTFS.

It should be remembered that all of the above issues are being faced during a time of great upheaval and uncertainty over public expenditure generally and the Council's budget in particular. The Council is currently one year into a four year plan designed to identify budget reductions of up to £33m.

CAPITAL EXPENDITURE

The table below sets out the provisional capital outturn position for each directorate of the Council. Budget figures are shown net of re-phasing and slippage.

Directorate	Budget £000	Outturn £000	Variance £000
Children's Services and Culture	25,713	25,712	(1)
Adult and Community Services	5,375	5,375	0
Environment	11,653	11,550	(103)
Finance & Corporate Services	1,994	1,673	(321)
Total	**44,735**	**44,310**	**(425)**

The outturn figures confirm the continuing emphasis on Education projects which will continue into the future. Key projects finalised during the year included the rebuild of Teddington School and the Richmond Works Office Accommodation programme.

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

The Council had total debt of £53m at 31st March of which £45.8m was long term to support capital investment. The Council has the power to borrow to fund short term cash flow or for long term capital investment (e.g. building works). The Council cannot borrow to invest in the financial markets. The Council has to demonstrate its need to borrow based on planned capital works and has to assess the affordability of the borrowing required for these works before agreeing the capital programme. This is the basis of Prudential Borrowing as set out in the Prudential Code.

The Council calculates its underlying need to borrow (the Capital Financing Requirement referred to in Note 40. The total accumulated cost of all years' capital spend less the resources set aside to finance it including money set aside to repay debt, leaves the unfunded balance being the borrowing (or financing) requirement. This was £89.8m at the end of 2010/11 which was an increase of £9.4m for capital spend in the year financed from borrowing.

The Council has a 5 Year Capital Programme which is reviewed annually along with the Prudential Indicators based on the programme which give more information on the need for and costs of borrowing of the Programme and facilitates informed decision making. This programme includes £50m of new borrowing over the 5 years to financing £162m of capital spend, a large proportion of which is related to the expansion of borough primary schools required due to rising school roles in the borough.

CHANGES IN ACCOUNTING POLICIES

The 2010/11 accounts have been prepared in accordance with International Financial Reporting Standards as required by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2010. This represents a change from previous years' practice and has required the restatement of the 2009/10 figures.

Many of the Council's accounting policies have been rewritten to take account of the new requirements but there has been no significant effect on the financial position of the Council.

The implementation of IFRS standards is intended to improve comparability of accounts across the public and private sectors.

CHANGES IN STATUTORY FUNCTIONS AND POTENTIAL IMPACT ON FUTURE PLANS

There were no changes in statutory functions during 2010/11 and none are envisaged for 2011/12. However, the Council is monitoring developments in a number of areas including the implementation of Universal Credit, localisation of Council Tax Benefit and Business Rate retention which may impact in the future.

PROVISIONS, CONTINGENCIES AND WRITE OFFS

There were no significant changes to provisions during 2010/11 and the level of write-offs remained at a normal level.

UNUSUAL CHARGES OR CREDITS

- In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Council's liabilities of £55.62m

- The Council is currently going through a restructuring process. The impact of the re organisation in 2010/11 has resulted in redundancy costs of £2.69m and compensation payments of £0.5m in relation to the cessation of the Council's car allowances scheme being recognised in the 2010/11 accounts.

MATERIAL ASSETS ACQUIRED OR DISPOSED

The Council received £6.6m of capital receipts during 2010/11. This included the sale of 2 local hotel premises each over £1m. The Council did not purchase any significant assets during the year.

PENSIONS DEFICIT

The accounts show a deficit in the Pension Fund of £110.6m down from £219.9m in 2009/10. This figure is calculated by the Council's actuary and is an estimate of the shortfall in funds available to the Pension Fund to meet all of its liabilities. The calculation is heavily dependent on the assumptions made by the actuary about factors such investment return, longevity and future inflation rates. This is vividly illustrated by the impact of the Government's decision to change the indexation of future pension benefits from Retail Price Index (RPI) to Consumer Prices Index (CPI). This simple change has substantially reduced the estimated deficit. The Council has a 20 year plan in place to recover the deficit. In addition, further changes are expected to be implemented following the Hutton Review of public sector pensions. These changes are expected to reduce the overall cost of pensions to the Council.

MATERIAL POST BALANCE SHEET EVENTS

There are no material post balance sheet events

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 Code).

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

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

The Director of Finance and Corporate Services has also:

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

Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the London Borough of Richmond upon Thames Council as at the 31st March 2011 and its income and expenditure for the year ended 31st March 2011.

Mark Maidment
Director of Finance and Corporate Services
16th September 2011

CERTIFICATE OF APPROVAL

These financial statements were approved by the Statutory Accounts Committee on 16th September 2011.

Councillor True
Chairman
Statutory Accounts Committee
16th September 2011

Date authorised for issue: This statement of accounts is authorised for issue on 27th September 2011, following formal approval of the Pension Fund Accounts (27th September 2011), and any events up to this date are reflected in the note on events after the balance sheet date – see Note 6.

EXPLANATION OF RESTATEMENT OF PRIOR YEAR AUDITED FIGURES

From 2010/11 all Councils are required to change the way they report their financial position and performance in the annual Statement of Accounts. In previous years the Council has produced accounts in line with guidance issued by the Accounting Standards Board (ASB) and the Chartered Institute of Public Financial Accountants (CIPFA). From 2010/11 Councils are required to report in line with International Financial Reporting Standards (IFRS). The move towards this new reporting framework has meant that for the first year (2010/11) the Council has restated the audited 2009/10 balances to provide comparative figures for the current year accounts. CIPFA have issued a Code of Practice which seeks to adapt the IFRSs to a public sector context.

The following changes have been made to prior year audited figures to allow for this changes in accounting treatment:

1. **Capital and Revenue Grants and Contributions**
   Under IFRS, grants and contributions are recognised as income in year if there are no outstanding conditions requiring repayment of the income (i.e. a liability to pay the money back does not exist). This restatement has required the Council to examine all income recognised in previous years and to determine whether a repayment could be required. Where no conditions exist or conditions have been met in year the income has been recognised in the Consolidated Income & Expenditure Account. If the money remains unspent despite there being no requirement to repay the income then the income has been transferred to earmarked reserves at the year end. Where income has been received that could require repayment, the income has been recognised as a liability on the Balance Sheet until the conditions pertaining to the income have been met.

   Previously, capital grants and contributions were moved to the unusable Government Grant Deferred account when they were applied to finance capital spend. These balances were then written down to the Capital Financing Account over the life of the asset they had financed to offset depreciation. The new capital grant accounting requires grants to be transferred to the Capital Financing Account in full in the year they are used to finance capital spend. The balance of the Government Grant Deferred account has therefore been transferred to the Capital Financing Account on the opening balance sheet and all in year transactions restated.

2. **Reclassification of Non Current Assets**
   The new reporting requirements under IFRS have changed the classification of non current assets. The criteria to be met for classification as Assets for Sale and Investment Assets are now clearer, and a new class of Surplus Assets has been created to cover assets not used for operational purposes which no longer fit into the Investment or For Sale asset classifications.

   Assets Held for Sale must have a strong probability of being sold within a year. This means they should have relevant approval to be sold, be ready to be handed over and the sale process should be underway.

   Investment Properties must be held for revenue or capital gain (e.g. to generate rental income or for future sale when the property market is more beneficial). This means there should be evidence that the properties are generating or likely to generate such a gain.

   The new reporting also requires that Assets Held for Sale and Investment Properties are shown separate from other tangible assets due to the significant differences between the use of these assets and other property, plant and equipment assets.

   Assets Held for Sale
   The Council had eight properties Held for Sale at 31st March 2010. Of these, four were sold during 2010/11 with the remaining four having exchanged contracts at 31st March 2011.

3. Lease Accounting

The Code has changed the method for assessing whether a lease is a Financing or Operating lease. A financing lease is now defined as one where the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases. The new definition under the IFRS Code puts more emphasis on the substance of the transaction than the prior definition under SSAP 21 where there was a strict definition on how much of the asset value had to be paid by the lessee for it to be a financing lease. Assets in financing lease arrangements transfer from the lessor to the lessee at the inception of the lease, as the substance of the transaction is deemed to be a sale.

This change in emphasis has require re-assessment of all the Council's lease transactions against the new criteria and some lease agreements have been reclassified. This has required amendments to assets recorded on the Council's Balance Sheet to recognise assets leased in under a finance lease as Council assets and to remove assets now deemed to be leased out under a finance lease. Once as asset is recognised, it is treated as any other asset of that class and may incur deprecation and be included for revaluation and all other relevant capital financing accounting as appropriate for that class. This has therefore impacted depreciation charges to revenue as well as the assets held on the Balance Sheet and the balances held in the Capital Adjustment Account and the Revaluation Reserve.

4. Cash and Cash Equivalents

Previously only cash held at the Council's own bank has been reported as cash in the Balance Sheet. The Code now defines cash as "cash on hand and demand deposits". There is no definition of demand deposits in the Code. The Council's cash investments include instant access accounts and money market fund as well as fixed term deposits where the Council does not have the right to access the cash before maturity. The Council therefore deems that the instant access accounts and money market funds meet the definition of demand deposits. Any fixed term deposit with a duration of more than one working day is not deemed to meet the definition as the Council has no ability to convert it to cash on demand. The Balance Sheet has been adjusted to move the demand deposit valued from Short Term Investments to Cash and Cash Equivalents.

5. Employee Accruals

Under IFRS an organisation should account for employment benefits when employees earn them and the Council is committed to providing them. Included with the definition of employment benefits is annual leave entitlement and therefore, under IFRS, an accrual is required to reflect any differences between actual leave taken and entitlement. The effect on the General Fund of this accrual is reversed out via the MIRS so there is no impact on the Council's overall financial position.

6. Termination Benefits

IFRS has changed the point at which employee termination benefits should be accounted for. Previously any termination benefit was accounted for at the date on which the employee left the Council. Under IFRS the accounting date is the point at which the decision to terminate the employee contract of employment is made and a provision is made at this point.

Full details of adjustments made to the primary statements are outlined in the tables below:

RESTATEMENT OF BALANCE SHEET AT 1ST APRIL 2009

	Original Opening Balance 1 April 2009	Changes to the Opening Balance							Restated Closing Balance 31 March 2009
		Government Grants & Contributions	Leases	Asset Reclass-ifications	Deprecation Asset Changes	Cash and Cash Equivalents	Employee Accruals & Redundancies	Format of the Balance Sheet	
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fixed Assets									
Intangible Fixed Assets	**420**	0	0	0	0	0	0	0	**420**
Land and buildings	**526,138**	0	(4,743)	(389)	(124)	0	0	(520,882)	**0**
Vehicles, plant, furniture and equipment	**6,905**	0	1,385	0	(646)	0	0	(7,644)	**0**
Infrastructure assets	**66,843**	0	0	0	0	0	0	(66,843)	**0**
Community assets	**13,997**	0	0	0	0	0	0	(13,997)	**0**
Land awaiting development	**4,022**	0	0	(3,828)	0	0	0	(194)	**0**
Assets under construction	**4,931**	0	0	0	0	0	0	(4,931)	**0**
Equity Share Properties	**4,814**	0	0	0	0	0	0	(4,814)	**0**
Property, Plant & Equipment	**0**	0	0	7,220	(569)	0	0	619,305	**625,956**
Investment properties	**17,168**	0	(3,509)	(2,936)	(336)	0	0		**10,387**
Other Long Term Assets									
Long Term Investments	**24,150**	0	0	0	0	0	0	0	**24,150**
Long Term Debtors	**484**	0	2,684	0	0	0	0	0	**3,168**
Current Assets									
Stocks and Work in Progress (Inventories)	**278**	0	0	0	0	0	0	0	**278**
Short Term Debtors (net of impairments for bad debts)	**25,689**	0	0	0	0	0	193	0	**25,882**
Short Term Investments	**44,297**	0	0	0	0	(14,297)	0	0	**30,000**
Cash and Bank	**0**	0	0	0	0	9,758	0	0	**9,758**
Current Liabilities									
Temporary Borrowing	**(7,224)**	0	0	0	0	0	0	0	**(7,224)**
Short Term Creditors	**(37,226)**	2,735	0	0	0	0	(3,118)	0	**(37,609)**
Cash and Bank (overdrawn)	**(4,539)**	0	0	0	0	4,539	0	0	**0**
Provisions	**0**	0	0	0	0	(48)	0	(1,793)	**(1,841)**
Long Term Liabilities									
Long Term Creditors	**(1,386)**	553	0	0	0	0	0	0	**(833)**
Provisions	**(2,571)**	0	0	0	0	0	0	1,793	**(778)**
Long Term Borrowing	**(36,848)**	0	0	0	0	0	0	0	**(36,848)**
Deferred Liabilities	**(22,242)**	0	0	0	0	0	0	22,242	**0**
Unused Capital Contributions	**(1,320)**	0	0	0	0	0	0	1,320	**0**
Unused Government Grant	**(3,291)**	3,291	0	0	0	0	0	0	**0**
Other Long Term Liabilities	**0**	0	(7,115)	0	0	0	0	(135,734)	**(142,849)**
Capital Grants Receipts in Advance	**0**	(2,559)	0	0	0	0	0	(1,320)	**(3,879)**
Government Grant Deferred	**(71,742)**	71,742	0	0	0	0	0	0	**0**
Defined Benefit Pension Scheme liability	**(113,491)**	0	0	0	0	0	0	113,491	**0**
	438,256	**75,762**	**(11,298)**	**67**	**(1,675)**	**(48)**	**(2,925)**	**(1)**	**498,138**

Represented By	Original Opening Balance 1 April 2009 £000	Changes to the Opening Balance: Government Grants & Contributions £000	Leases £000	Asset Reclass-ifications £000	Deprecation Asset Changes £000	Cash and Cash Equivalents £000	Employee Accruals & Redundancies £000	Format of the Balance Sheet £000	Restated Closing Balance 31 March 2009 £000
Revaluation Reserve	**(33,384)**	0	1,350	442	574	0	0	31,018	**0**
Capital Adjustment Account	**(463,358)**	(71,742)	8,399	(509)	1,101	0	0	526,109	**0**
Deferred Capital Receipts	**(350)**	0	(1,733)	0	0	0	0	2,083	**0**
Usable Capital Receipts Reserve	**(7,833)**	0	0	0	0	0	0	7,833	**0**
Home Loans Unit Capital Receipts	**(113)**	0	0	0	0	0	0	113	**0**
Usable Reserves	**0**	0	0	0	0	0	0	(58,261)	**(58,261)**
Unusable Reserves	**0**	0	3,282	0	0	2,925		(446,084)	**(439,877)**
Pensions Reserve	**113,491**	0	0	0	0	0	0	(113,491)	**0**
Schools' Reserves	**(5,937)**	0	0	0	0	0	0	5,937	**0**
Earmarked Reserves	**(28,844)**	(4,020)	0	0	0	48		32,816	**0**
Home Loans Unit	**(107)**	0	0	0	0	0	0	107	**0**
Financial Instruments Adjustment Account	**0**	0	0	0	0	0	0	0	**0**
Collection Fund Adjustment Account	**0**	0	0	0	0	0	0	0	**0**
Collection Fund attributable to the Council	**(366)**	0	0	0	0	0	0	366	**0**
General Fund Balance	**(11,455)**	0	0	0	0	0	0	11,455	**0**
	(438,256)	**(75,762)**	**11,298**	**(67)**	**1,675**	**2,973**	**0**	**1**	**(498,138)**

RESTATEMENT OF BALANCE SHEET AT 31ST MARCH 2010

	Original Closing Balance 31 March 2010 £000	Restatement from Opening Balance Sheet £000	Changes to Transactions During 2009/10: Government Grants & Contributions £000	Leases £000	Asset Reclass-ifications £000	Deprecation Asset Changes £000	Cash and Cash Equivalents £000	Employee Accruals & Redundancies £000	Format of the Balance Sheet £000	Restated Closing Balance 31 March 2010 £000
Fixed Assets										
Intangible Fixed Assets	**315**	0	0	0	0	0	0	0	0	**315**
Land and buildings	**544,688**	(526,138)	0	0	0	0	0	0	(18,550)	**0**
Vehicles, plant, furniture and equipment	**5,908**	(6,905)	0	0	0	0	0	0	997	**0**
Infrastructure assets	**73,942**	(66,843)	0	0	0	0	0	0	(7,099)	**0**
Community assets	**16,987**	(13,997)	0	0	0	0	0	0	(2,990)	**0**
Land awaiting development	**3,828**	(4,022)	0	0	0	0	0	0	194	**0**
Assets under construction	**21,977**	(4,931)	0	0	0	0	0	0	(17,046)	**0**
Equity Share Properties	**4,514**	(4,814)	0	0	0	0	0	0	300	**0**
Property, Plant & Equipment	**0**	624,803		(242)	(260)	151			45,517	**669,969**
Investment properties	**17,607**	(6,781)	0	0	0	0	0	0	(1,130)	**9,696**
Assets Held for Sale	**0**	1,153	0	0	0	0	0	0	0	**1,153**

Other Long Term Assets	Original Closing Balance 31 March 2010 £000	estatement from pening Balance Sheet £000	Changes to Transactions During 2009/10: Government Grants & Contributions £000	Leases £000	Asset Reclass-ifications £000	Deprecation Asset Changes £000	Cash and Cash Equivalents £000	Employee Accruals & Redundancies £000	Format of the Balance Sheet £000	Restated Closing Balance 31 March 2010 £000
Long Term Investments	**12,250**	0	0	0	0	0	0	0	0	**12,250**
Long Term Debtors	**908**	2,684	0	(16)	0	0	0	0	2	**3,578**
Current Assets										
Stocks and Work in Progress (Inventories)	**287**	0	0	0	0	0	0	0	0	**287**
Short Term Debtors (net of impairments for bad debts)	**24,400**	193	0	0	0	0	0	(71)	1	**24,523**
Short Term Investments	**70,405**	(14,297)	0	0	0	0	(7,546)	0		**48,562**
Cash and Bank	**0**	9,758	0	0	0	0	7,546	0	(1,136)	**16,168**
Current Liabilities										
Temporary Borrowing	**(7,737)**	0	0	0	0	0	0	0	0	**(7,737)**
Short Term Creditors	**(39,101)**	(383)	(224)	0	0	0	0	(257)	(1)	**(39,966)**
Cash and Bank (overdrawn)	**(5,674)**	4,539	0	0	0	0	0	0	1,135	**0**
Provisions	**0**	(1,841)	0	0	0	0	0	(61)	251	**(1,651)**
Long Term Liabilities										
Long Term Creditors	**(1,378)**	553	(87)	0	0	0	0	0	1	**(911)**
Provisions	**(2,663)**	1,793	0	0	0	0	0	0	(251)	**(1,121)**
Long Term Borrowing	**(40,848)**	0	0	0	0	0	0	0		**(40,848)**
Deferred Liabilities	**(21,711)**	22,242	0	0	0	0	0	0	(531)	**0**
Unused Capital Contributions	**(1,768)**	1,320	0	0	0	0	0	0	448	**0**
Unused Government Grant	**(14,046)**	3,291	0	0	0	0	0	0	10,755	**0**
Other Long Term Liabilities		(142,849)	0	2,459	0	0	0	0	(105,833)	**(246,223)**
Capital Grants Receipts in Advance		(3,879)	(6,646)	0	0	0	0	0	(448)	**(10,973)**
Government Grant Deferred	**(99,413)**	71,742	0	0	0	0	0	0	27,671	**0**
Defined benefit pension scheme liability	**(219,855)**	113,491	0	0	0	0	0	0	106,364	**0**
	343,822	**59,882**	**(6,957)**	**2,201**	**(260)**	**151**	**0**	**(389)**	**38,621**	**437,071**
Represented By										
Revaluation Reserve	**(54,101)**	33,384	0	0	0	0	0	0	20,717	**0**
Capital Adjustment Account	**(456,351)**	463,358	0	0	0	0	0	0	(7,007)	**0**
Deferred Capital Receipts	**(287)**	350	0	0	0	0	0	0	(63)	**0**
Usable Capital Receipts Reserve	**(2,052)**	7,833	0	0	0	0	0	0	(5,781)	**0**
Home Loans Unit Capital Receipts	**(113)**	113	0	0	0	0	0	0	0	**0**
Usable Reserves		(58,261)	(3,799)	0	0	0	0	61	1,081	**(60,918)**
Unusable Reserves		(439,877)	(27,670)	(2,201)	260	(151)	0	328	93,158	**(376,153)**
Pensions Reserve	**219,855**	(113,491)	0	0	0	0	0	0	(106,364)	**0**
Schools' Reserves	**(7,533)**	5,937	0	0	0	0	0	0	1,596	**0**
Earmarked Reserves	**(32,727)**	28,844	0	0	0	0	0	0	3,883	**0**
Home Loans Unit	**(79)**	107	0	0	0	0	0	0	(28)	**0**
Financial Instruments Adjustment Account	**1,443**	0	0	0	0	0	0	0	(1,443)	**0**
Collection Fund Adjustment Account	**(1,172)**	0	0	0	0	0	0	0	1,172	**0**
Collection Fund attributable to the Council		366	0	0	0	0	0	0	(366)	**0**
General Fund Balance	**(10,705)**	11,455	0	0	0	0	0	0	(750)	**0**
	(343,822)	**(59,882)**	**(31,469)**	**(2,201)**	**260**	**(151)**	**0**	**389**	**(195)**	**(437,071)**

RESTATEMENT OF REVENUE ACCOUNTS 2009/10

	Net Cost of Services £000	Other CI & E £000	Net CI&E £000	SMGFB / MIRS £000	Net Revenue Position £000
Original 09/10 Statement	**132,637**	**(123,480)**	**9,157**	**(8,407)**	**750**
Restatements					
Employee Accruals	326	3	329	(329)	0
Termination Benefits	110	0	110	(110)	0
Leases	(43)	(2,405)	(2,448)	2,448	0
Grants / Contributions	298	(36,546)	(36,248)	36,248	0
Depreciation etc.	6,624	(213)	6,411	(6,411)	0
(Gains) / Losses on Revaluation of Fixed Assets and Pension Fund Assets/Liabilities	0	85,278	85,278	(85,278)	0
Other Minor Restatement	(132)	(1,335)	(1,467)	1,467	0
Restated 09/10 Statement	**139,820**	**(78,698)**	**61,122**	**(60,372)**	**750**

THE CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Revaluation Reserve	Pensions Reserve	Capital Adjust. Account	Deferred Capital Receipts	Financial Instruments Adjust. Account	Collection Fund Adjust. Account	Accumulated Absences Account	Deferred Leases Income Account	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009	**(11,456)**	**(37,975)**	**(7,946)**	**(933)**	**(58,310)**	**(439,877)**	**(29,633)**	**113,491**	**(527,492)**	**(2,084)**	**0**	**(366)**	**2,925**	**3,282**	**(498,187)**
Movement in reserves during 2009/10															**0**
Surplus or (deficit) on provision of services	(24,477)	0	0	0	**(24,477)**	**4**	0	0	0	4	0	0	0	0	**(24,473)**
Other Comprehensive Expenditure and Income	85,599	0	0	0	**85,599**	**0**	0	0	0	0	0	0	0	0	**85,599**
Total Comprehensive Expenditure and Income	**61,122**	**0**	**0**	**0**	**61,122**	**4**	**0**	**0**	**0**	**4**	**0**	**0**	**0**	**0**	**61,126**
Adjustments between accounting basis & funding basis under regulations	(65,414)	0	5,781	(4,097)	**(63,730)**	**63,731**	(19,275)	106,364	(24,359)	63	1,443	(805)	328	(28)	**1**
Net Increase/Decrease b/f Trf to Earmarked Reserves	**(4,292)**	**0**	**5,781**	**(4,097)**	**(2,608)**	**63,735**	**(19,517)**	**106,364**	**(24,117)**	**67**	**1,443**	**(805)**	**328**	**(28)**	**61,127**
Trf to/from Earmarked Reserves	5,042	(5,042)	0	0	**0**	**0**	0	0	0	0	0	0	0	0	**0**
Increase/Decrease (movement) in Year	**750**	**(5,042)**	**5,781**	**(4,097)**	**(2,608)**	**63,735**	**(19,517)**	**106,364**	**(24,117)**	**67**	**1,443**	**(805)**	**328**	**(28)**	**61,127**
Balance at 31 March 2010 carried forward	**(10,706)**	**(43,017)**	**(2,165)**	**(5,030)**	**(60,918)**	**(376,142)**	**(48,908)**	**219,855**	**(551,851)**	**(2,017)**	**1,443**	**(1,171)**	**3,253**	**3,254**	**(437,060)**
Movement in reserves during 2010/11															**0**
Surplus/(deficit) on provision of services	(48,173)	0	0	0	**(48,173)**	**24**	0	0	0	24	0	0	0	0	**(48,149)**
Other Comprehensive Expenditure and Income	(57,964)	0	0	0	**(57,964)**	**0**	0	0	0	0	0	0	0	0	**(57,964)**

	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Revaluation Reserve £000	Pensions Reserve £000	Capital Adjust. Account £000	Deferred Capital Receipts £000	Financial Instruments Adjust. Account £000	Collection Fund Adjust. Account £000	Accumulated Absences Account £000	Deferred Leases Income Account £000	Total Council Reserves £000
Total Comprehensive Expenditure and Income	**(106,137)**	**0**	**0**	**0**	**(106,137)**	**24**	**0**	**0**	**0**	**24**	**0**	**0**	**0**	**0**	**(106,113)**
Adjustments between accounting basis & funding basis under regulations	102,320	0	(1,542)	1,038	**101,816**	**(101,816)**	(3,744)	(109,243)	11,269	64	(108)	(70)	44	(28)	**0**
Net Increase/Decrease before Trf. to Earmarked Reserves	**(3,817)**	**0**	**(1,542)**	**1,038**	**(4,321)**	**(101,792)**	**(3,744)**	**(109,243)**	**11,269**	**88**	**(108)**	**(70)**	**44**	**(28)**	**(106,113)**
Trf. to/from Earmarked Reserves	3,817	(3,817)	0	0	**0**	**0**	0	0	0	0	0	0	0	0	**0**
Increase/Decrease (movement) in Year	**0**	**(3,817)**	**(1,542)**	**1,038**	**(4,321)**	**(101,792)**	**(3,744)**	**(109,243)**	**11,269**	**88**	**(108)**	**(70)**	**44**	**(28)**	**(106,113)**
Balance at 31 March 2011 carried forward	**(10,706)**	**(46,834)**	**(3,707)**	**(3,992)**	**(65,239)**	**(477,934)**	**(52,652)**	**110,612**	**(540,582)**	**(1,929)**	**1,335**	**(1,241)**	**3,297**	**3,226**	**(543,173)**

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

		31 March 2011			31 March 2010 (restated)		
	Notes	**Expenditure £000**	**Income £000**	**Net £000**	**Expenditure £000**	**Income £000**	**Net £000**
Central services to the public		15,825	(11,554)	4,272	19,146	(15,252)	3,894
Cultural, environmental, regulatory and planning services		46,656	(13,627)	33,029	46,954	(13,575)	33,379
Education and children's services		200,515	(144,078)	56,437	168,145	(133,536)	34,609
Highways and transport services		26,421	(15,761)	10,660	25,030	(16,843)	8,189
Housing services (General Fund)		80,115	(68,802)	11,313	69,106	(66,265)	2,841
Adult social care		78,243	(26,138)	52,105	77,327	(23,694)	53,633
Corporate and democratic core		3,712	(53)	3,659	3,883	(40)	3,843
Non distributed costs*		(56,414)	(2)	(56,416)	725	(4)	721
Exceptional Item relating to VAT refund		0	0	0	79	(1,365)	(1,286)
Cost Of Services		**395,073**	**(280,015)**	**115,058**	**410,395**	**(270,574)**	**139,820**
Other Operating Expenditure	9	6,077	0	6,077	12,396	0	12,396
Financing and Investment Income and Expenditure	10	17,573	(11,534)	6,039	23,101	(12,484)	10,617
Profit or loss on Discontinued Operations		0	0	0	0	0	0
Taxation and Non-Specific Grant Income	11	0	(175,346)	(175,346)	(0)	(187,310)	(187,310)
(Surplus) or Deficit on Provision of Services		**418,723**	**(466,895)**	**(48,172)**	**445,891**	**(470,368)**	**(24,477)**
Surplus or deficit on revaluation of Property, Plant and Equipment		0	(4,671)	(4,671)	0	(21,508)	(21,508)
Surplus or deficit on revaluation of available for sale financial assets		0	0	0	0	0	0
Actuarial gains / losses on pension assets / liabilities	48	0	**(53,293)**	(53,293)	107,107	0	107,107
Other Comprehensive Income and Expenditure		**0**	**(57,964)**	**(57,964)**	**107,107**	**(21,508)**	**85,599**
Total Comprehensive Income and Expenditure		**418,723**	**(524,858)**	**(106,137)**	**552,998**	**(491,877)**	**61,122**

**a large credit of £56.1 million has been included under Non Distributed Costs as a result of a negative past service cost relating to pensions. This is due to the change in the reference index for pensions increases (RPI to CPI) prescribed by the Government. Further detail on this is disclosed within notes 5 and 48 to the accounts.*

BALANCE SHEET

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

NET ASSETS	*Notes*	**31 March 2011 £000**	**31 March 2010 (restated) £000**	**1 April 2009 (restated) £000**
Property, Plant & Equipment	*12*	675,693	669,969	625,954
Investment Property	*13*	6,698	9,696	10,387
Intangible Assets	*14*	209	315	420
Assets held for sale	*20*	470	1,153	0
Long Term Investments	*15*	15,250	12,250	24,150
Long Term Debtors	*18*	2,938	3,578	3,169
Long Term Assets		**701,258**	**696,961**	**664,080**
Short Term Investments	*15*	52,262	48,562	30,000
Inventories	*16*	98	287	278
Short Term Debtors	*18*	25,780	24,523	25,882
Cash and Cash Equivalents	*19*	17,284	16,168	9,758
Current Assets		**95,424**	**89,540**	**65,918**
Cash and Cash Equivalents		0	0	0
Short Term Borrowing	*15*	(7,157)	(7,737)	(7,224)
Short Term Creditors	*21*	(36,797)	(39,966)	(37,609)
Provisions	*22*	(1,925)	(1,651)	(1,841)
Current Liabilities		**(45,879)**	**(49,354)**	**(46,674)**
Long Term Creditors	*21*	(1,432)	(911)	(832)
Provisions	*22*	(1,007)	(1,121)	(778)
Long Term Borrowing	*15*	(45,848)	(40,848)	(36,848)
Other Long Term Liabilities	*23*	(135,963)	(246,223)	(142,849)
Capital Grants Receipts in Advance	*39*	(23,379)	(10,973)	(3,879)
Long Term Liabilities		**(207,629)**	**(300,076)**	**(185,186)**
Net Assets		**543,174**	**437,071**	**498,138**

	Notes	31 March 2011 £000	31 March 2010 (restated) £000	1 April 2009 (restated) £000
TOTAL RESERVES				
Usable reserves	*24*	(65,240)	(60,918)	(58,261)
Unusable Reserves	*25*	(477,934)	(376,153)	(439,877)
Total Reserves		**(543,174)**	**(437,071)**	**(498,138)**

CASH FLOW STATEMENT

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

	Notes	31 March 2011 £000s	31 March 2010 (restated) £000s
Net (surplus) or deficit on the provision of services		(48,173)	(24,477)
Adjustments to net surplus or deficit on the provision of services for noncash movements		17,771	(29,939)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		6,892	2,705
Net cash flows from Operating Activities		(23,510)	(51,711)
Investing Activities	*27*	27,466	45,511
Financing Activities	*28*	(5,072)	(210)
Net (increase) or decrease in cash and cash equivalents		**(1,116)**	**(6,410)**
Cash and cash equivalents at the beginning of the reporting period		16,168	9,758
Cash and cash equivalents at the end of the reporting period	*19*	**17,284**	**16,168**

NOTES TO THE ACCOUNTS

NOTE 1 ACCOUNTING POLICIES

General principles

Basis of preparation - accounting practices

The Statement of Accounts summarises the Council's transactions for the 2010 financial year and its position at the year end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003. These Regulations also require that the Accounts be prepared in accordance with proper accounting practices. These practices comprise the following:

- Code of Practice on Local Authority Accounting in the United Kingdom 2010/11,
- Best Value Accounting Code of Practice 2010/11
- All relevant approved accounting standards issued by the International Accounting Standards Board (IFRS) and interpretations (IFRIC)
- Statutory guidance issued by government

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Pension Fund Accounts

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

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

Changes in accounting policies and prior year adjustments

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

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

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

Exceptional Items

Exceptional items are those which are separately identified by virtue of their size or incidence to enable a full understanding of the Council's financial performance. The nature and amount of these items is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are.

Accruals of Income and Expenditure

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

Income

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Expenditure

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Debtor and creditor balances

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

There are the following exceptions to this accruals policy that are that are justified on grounds of practicality (i.e. the time and cost of measurement) and the effect of not accruing for these items has no material effect on the Council's accounts, taking one year with another.

<u>Utility payments</u>

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.

<u>Income from Penalty Charge Notices (PCNs)</u>

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

<u>De Minimis levels</u>

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

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

- Qualifying expenditure upon which income from government grant or other third parties is dependent
- Where one supplier separately invoices for substantially the same supply or service that is chargeable to the same cost centre / service area, and normal practice is to aggregate these payments, these invoices are accrued where their total is over £10,000.

Long term non-monetary assets

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

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

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

Intangible assets

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

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

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

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

Investment property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and

Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

Property, plant and equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:
- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

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

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

Assets are then carried in the Balance Sheet using the following measurement bases:
- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

Where impairment losses are identified, they are accounted for as follows:

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

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

Depreciation

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

Deprecation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

Charges to Revenue for Non-Current Assets

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

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

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

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

Cash and cash equivalents

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

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

Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end.

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

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

Discretionary Benefits

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

Events After the Balance Sheet Date

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

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

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

Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

Available-for-Sale Assets

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

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

Instruments Entered Into Before 1 April 2006

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

Foreign Currency Translation

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

Government Grants and Contributions

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

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

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

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

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

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Group relationships

Interests in Companies and Other Entities

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

Jointly Controlled Operations

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

Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO basis of costing. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Leases

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

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds (Minimum Revenue Provision – MRP) towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the

Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

Overheads and Support Costs

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2010/11* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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

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

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

The Council provides for redundancy costs at the point that an employee is formally notified. If a notification of redundancy has been issued before 31st March but the amount has not yet been paid, a liability is recognised in the accounts.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute

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

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

NOTE 2 ACCOUNTING STANDARDS ISSUED, NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets (FRS 30) held by the Council, which will need to be adopted fully by the Council in the 2011/12 financial statements.

The Council is required to disclose information relating to the expected impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Council, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The Council expects to re-categorise Civic Regalia and the Council's fine art collection as heritage assets from 2011/12.

The Civic Regalia is currently accounted for within Community Assets at historic cost and no depreciation is applied. The value of these assets included in these accounts (2010/11) is £802,000. The Fine Art Collection is not currently recognised within the Council's accounts.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The carrying value of heritage assets currently held on the Balance Sheet at 1st April 2010 is £802,000. The Council expects to revalue the Civic Regalia assets for the 2011/12 Statement of Accounts in line with the current insurance valuation to £600,000. The Council holds no reliable estimate of the value of the Fine Art Collection but will arrange for these assets to be valued during 2011/12.

As the Fine Art Collection has not yet been recognised in the Balance Sheet this will require a corresponding increase in the Revaluation Reserve, i.e. a revaluation gain. There will also be a revaluation loss with regard to the difference in the valuation of Civic Regalia at historic cost and the new basis at valuation (£202,000).

There is no depreciation charged on the assets that are currently classified as community assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Council considers that the heritage assets held by the Council will have indeterminate lives hence the Council does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the Council's heritage assets.

NOTE 3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has made certain judgements about transactions, relationships and uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

b) In view of the deteriorating economic position and the uncertainty over future funding levels, the Council started planning for efficiency savings during 2009. Staffing levels have since been reduced significantly and the cost of redundancies has been met from savings and reserves. A provision has been made for the cost of likely redundancies at 31 March 2011 and an earmarked reserve (Invest to Save Reserve - £6.3 million at 31 March 2011) has been established to meet the cost of implementing future efficiency savings, including redundancy costs. The Council does not believe that any additional measures or financial provision needs to be made beyond those so far established.

c) The Council has established a Trust Fund that controls donated assets comprising of an historic building, adjacent properties and an extensive art collection. During the latter part of 2010/11 charitable status was granted for this Trust with the Council the sole trustee. Certain governance arrangements were agreed with the Charity Commissioners to ensure that the operation and control of the charitable Trust would remain independent of the Council and on this basis it has been determined that the Trust is not a subsidiary of the Council.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because estimation is by its nature uncertain and the underlying assumptions may not materialise as expected, the actual results could be materially different.

The item(s) in the Council's balance sheet at 31 March 2011 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Non-current assets – PPE

The Council values its property assets on a rolling five-year basis. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Fair value as applied to relevant assets will depend upon the property market.

Gross book value of PPE at 31st March 11 was £708 million. A change in value of 1% on 20% (approximately 1 year of valuation) of that value is £1 million. The average building asset life is 35 years so a change in useful life of 1 year would change depreciation by approximately £0.5 million.

Pensions Liability

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

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

The Council's actuary provides advice on these estimates.

The effect of changes in individual assumptions can be measured, but the assumptions interact in complex ways. The Council takes advice from its actuary regarding appropriate assumptions and relies on its actuary for the calculations of their effects.

The actuary has provided the following which although based on the valuation report and not IAS 19 basis will give an indication of the possible impact:

	Impact	
Assumption / Change	Funding Level	Deficit
Discount Rate Increases by 0.5%	Rises by 6%	Falls by £43m
Salary Increase Increases by 0.5%	Falls by 2%	Rises by £10m
Pension Increase Increases by 0.5%	Falls by 4%	Rises by £27m
Life Expectancy Increases by 1 Year	Falls by 2%	Rises by £10m
Commutation* Take-Up Increases by 10%	Rises by 1%	Falls by £5m

* Voluntary conversion of pension to tax-free cash lump sum at retirement (at a rate which in aggregate reduces the projected actuarial value of the liability).

Arrears

At 31 March 2011 the Council had a balance of £9.0 million in respect of sundry debtors and had an impairment for doubtful debts of £1.5 million. Although this allowance is regarded as adequate taking into account historic and recent recovery levels and the current economic climate, any future adverse economic or financial events could impact on the collection of debts.

If collection rates were to deteriorate below levels assumed in estimating an impairment allowance, additional amounts may need to be set aside. A decrease in collection rates of 10% would require an additional £150,000 to be set aside as an allowance for impairment.

Interest Rates

The Council has borrowings of £7 million and investments of £20m at 31st March on which interest is not fixed and the amount paid or received will vary if interest rates change. Financial provision has been made in the Council's future financial plans for a modest increase in interest rates over the next few years. The current uncertainty in money markets, especially around sovereign debts, could result in increases in interest rates significantly above the levels planned for.

The impact of a 1% change in interest rates on these current values would be a net increase in interest receivable of £0.1 million.

NOTE 5 MATERIAL ITEMS OF INCOME AND EXPENSE

A material item is an item of expenditure or income that is unusual in scale and non-recurring. In 2010/11 and 2009/10 the following material items were reported as part of the accounts:

- Capital receipts totalling £3 million were generated in 2010/11 relating to the sale of freehold interest in two premises

- During 2009/10 the Council received one-off income of £1.365 million 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.

- In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Council's liabilities by £56.1 million. This reduction is recognised in the Non Distributed Costs in the Comprehensive Income and Expenditure Account.

- The Council is currently going through a restructuring process. The impact of the re organisation in 2010/11 has resulted in redundancy costs of £2.69 million and compensation payments of £0.5 million in relation to the cessation of the Council's car allowances scheme being recognised in the 2010/11 accounts.

NOTE 6 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts is authorised for issue on 27 September 2011. There are no events that occurred after 31 March 2011 that either require adjustment to the accounts nor any non-adjusting events that should be disclosed.

NOTE 7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

Movement in reserves during 2009/10:

	Usable Reserves						
	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total CouncilReserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Depreciation/amortisation	(11,472)	0	0	0	**(11,472)**	**11,472**	**0**
Impairment/revaluation losses (charged to I&E)	20,115	0	0	0	**20,115**	**(20,115)**	**0**
Movement in market value of investment property	343	0	0	0	**343**	**(343)**	**0**
Movement in value of held for sale assets		0	0	0	**0**	**0**	**0**
Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	33,494	0	0	0	**33,494**	**(33,494)**	**0**
Revenue Expenditure Funded from Capital under Statute	(7,656)	0	0	0	**(7,656)**	**7,656**	**0**
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(7,551)	0	0	0	**(7,551)**	**7,551**	**0**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							**0**
Statutory provision for the financing of capital investment charged against the General Fund	4,687	0	0	0	**4,687**	**(4,687)**	**0**
Capital expenditure charged against the General Fund	2,801	0	0	0	**2,801**	**(2,801)**	**0**
Adjustments Primarily involving the CAA							**0**
Capital Grants & Contributions unapplied credited to CI&ES	4,839	0	0	(4,839)	**0**	**0**	**0**
Application of grants to capital financing transferred to the CAA	0	0	0	742	**742**	**(742)**	**0**

	Usable Reserves						
	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Counci Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustments Primarily involving the Capital Receipts Reserve							
Transfer of cash sale proceed from gain/loss on disposal	2,705	0	(2,705)	0	**0**	**0**	**0**
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	8,131	0	**8,131**	**(8,131)**	**0**
Contribution towards costs of non-current asset disposal	(72)	0	72	0	**0**	**0**	**0**
Contribution to finance Government Capital Receipts Pool	(46)	0	46	0	**0**	**0**	**0**
Contribution to finance the Distribution of HLU Capital Receipts	(300)	0	300	0	**0**	**0**	**0**
Transfer from Deferred Capital Receipts on receipt of cash	0	0	(63)	0	**(63)**	**63**	**0**
Adjustments Primarily involving the Deferred Capital Receipts Reserve							**0**
Transfer of Deferred Capital Receipts included in gain/loss on disposal to CI&ES					**0**	**0**	**0**
Adjustments Primarily involving the Financial Instruments Adjustment Account							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(1,443)	0	0	0	**(1,443)**	**1,443**	0
Adjustments Primarily involving the Pensions Reserve							
Reversal of items relating to retirement benefits debited to CI&ES	(122,779)	0	0	0	**(122,779)**	**122,779**	0
Employers pension contributions and payments to pensioners due in the year	16,415	0	0	0	**16,415**	**(16,415)**	0
Adjustments Primarily involving the Collection Fund Adjustment Account							**0**
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	806	0	0	0	**806**	**(805)**	0
Adjustments Primarily involving the Accumulated Absences Account							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(328)	0	0	0	**(328)**	**328**	0
Adjustments Primarily involving the Deferred Lease Income Account							
Transfer of Deferred Lease Receipts included in gain/loss on disposal to CI&ES	28	0	0	0	**28**	**(28)**	
Adjustments between accounting basis & funding basis under regulations	**(65,414)**	**0**	**5,781**	**(4,097)**	**(63,730)**	**63,731**	**0**

Movement in reserves during 2010/11:

	Usable Reserves						
	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total CouncilReserves
	£000	£000	£000	£000	£000	£000	£000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Depreciation/amortisation	(11,761)	0	0	0	**(11,761)**	**11,761**	**0**
Impairment/revaluation losses (charged to I&E)	(11,112)	0	0	0	**(11,112)**	**11,112**	**0**
Movement in market value of investment property	24	0	0	0	**24**	**(24)**	**0**
Movement in value of held for sale assets	0	0		0	**0**	**0**	**0**
Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	20,942	0	0	0	**20,942**	**(20,942)**	**0**
Revenue Expenditure Funded from Capital under Statute	(14,675)	0	0	0	**(14,675)**	**14,675**	**0**
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(4,852)	0	0	0	**(4,852)**	**4,852**	**0**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement							
Statutory Provision for the repayment of debt	2,805	0	0	0	**2,805**	**(2,805)**	**0**
Capital expenditure charged against the General Fund	2,586	0	0	0	**2,586**	**(2,586)**	**0**
Adjustments Primarily involving the CAA							**0**
Capital Grants & Contributions unapplied credited to CI&ES	2,708	0	0	(2,708)	**0**	**0**	**0**
Application of grants to capital financing transferred to the CAA	0	0	0	3,746	**3,746**	**(3,746)**	**0**
Adjustments Primarily involving the Capital Receipts Reserve							**0**
Transfer of cash sale proceed from gain/loss on disposal	6,891	0	(6,891)	0	**(1)**	**0**	**0**
Use of capital receipts reserve to finance capital expenditure	0	0	4,773	0	**4,773**	**(4,773)**	**0**
Contribution towards costs of non-current asset disposal	(317)	0	317	0	**0**	**0**	**0**
Contribution to finance Government Capital Receipts Pool	(44)	0	44	0	**0**	**0**	**0**
Contribution to finance the Distribution of HLU capital Receipts	(280)	0	280	0	**0**	**0**	**0**
Transfer from Deferred Capital Receipts on receipt of cash	0	0	(64)	0	**(64)**	**64**	**0**
Adjustments Primarily involving the Financial Instruments Adjustment Account							**0**

	Usable Reserves						
	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000
Amount by which CI&ES and statutory charges vary	108	0	0	0	**108**	**(108)**	**0**
Adjustments Primarily involving the Pensions Reserve							**0**
Reversal of items relating to retirement benefits debited to CI&ES	92,736	0	0	0	**92,736**	**(92,736)**	**0**
Employers pension contributions and payments to pensioners due in the year	16,507	0	0	0	**16,507**	**(16,507)**	**0**
Adjustments Primarily involving the Collection Fund Adjustment Account							**0**
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	70	0	0	0	**70**	**(70)**	**0**
Adjustments Primarily involving the Accumulated Absences Account							**0**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(44)	0	0	0	**(44)**	**44**	**0**
Adjustments Primarily involving the Deferred Lease Income Account							**0**
Transfer of Deferred Lease Receipts included in gain/loss on disposal to CI&ES	28	0	0	0	**28**	**(28)**	**0**
Adjustments between accounting basis & funding basis under regulations	**102,320**	**0**	**(1,542)**	**1,038**	**101,816**	**(101,816)**	**0**

NOTE 8 TRANSFERS TO/FROM EARMARKED RESERVES

DESCRIPTION / PURPOSE	Balance at 31 March 2009 £000	TRANSFERS OUT £000	TRANSFERS IN £000	Balance at 31 March 2010 £000	TRANSFERS OUT £000	TRANSFERS IN £000	Balance at 31 March 2011 £000
APPLICATION GOVERNED BY STATUTE:							
Home Loans Unit	(107)	61	(33)	(79)	45	0	(34)
	(107)	**61**	**(33)**	**(79)**	**45**	**0**	**(34)**
APPLICATION OUTSIDE THE COUNCIL'S DIRECT CONTROL:							
Schools' Balances	(5,937)	0	(1,596)	(7,533)	0	(2,718)	(10,251)
Thames Landscape Strategy - Funds held for third party	(108)	0	(220)	(328)	129	0	(200)
	(6,046)	**0**	**(1,816)**	**(7,862)**	**129**	**(2,718)**	**(10,451)**
EARMARKED FOR CERTAIN OR PROBABLE EXPENDITURE OUTSIDE THE COUNCIL'S CONTROL:							
General Insurance Reserve	(3,659)	888	(347)	(3,117)	624	(559)	(3,053)
Vehicles Insurance Reserve	(177)	0	(37)	(214)	0	(5)	(219)
Schools Maternity and Supply cover scheme	(457)	0	(13)	(471)	40	(1)	(432)
	(4,293)	**888**	**(396)**	**(3,802)**	**663**	**(565)**	**(3,704)**
EARMARKED FOR POSSIBLE EXPENDITURE / LOSS OF INCOME OUTSIDE THE COUNCIL'S CONTROL:							
VAT Liabilities	(164)	0	(41)	(205)	0	0	(205)
	(164)	**0**	**(41)**	**(205)**	**0**	**0**	**(205)**
EARMARKED FOR FUTURE INVESTMENT IN BUILDING & TECHNOLOGY INFRASTRUCTURE AND MAINTENANCE:							
Infrastructure Reserve	(5,225)	1,913	0	(3,312)	3,272	0	(40)
Schools Infrastructure Reserve	0	0	0	0	0	(2,518)	(2,518)
All in One Uplift Projects	0	0	0	0	0	(484)	(484)
Project Development Reserve	(1,505)	620	0	(885)	179	(735)	(1,442)
Repairs and Renewals Fund	(159)	532	(1,050)	(677)	164	(1,186)	(1,699)
Other Minor Earmarked Reserves	(92)	0	(188)	(280)	231	(16)	(64)
	(6,981)	**3,065**	**(1,238)**	**(5,154)**	**3,846**	**(4,939)**	**(6,247)**

DESCRIPTION / PURPOSE	Balance at 31 March 2009 £000	TRANSFERS OUT £000	TRANSFERS IN £000	Balance at 31 March 2010 £000	TRANSFERS OUT £000	TRANSFERS IN £000	Balance at 31 March 2011 £000
EARMARKED FOR PURCHASE, REPAIR & MAINTENANCE OF VEHICLES, PLANT & EQUIPMENT:							
Social Services Special Equipment and Furniture Fund	(261)	121	0	(140)	21	0	(118)
	(261)	**121**	**0**	**(140)**	**21**	**0**	**(118)**
EARMARKED FOR SPECIFIC PURPOSES WITHIN SPECIFIC SERVICES OR HELD ON BEHALF OF THIRD PARTIES:							
Carry Forwards Reserve	(1,522)	1,522	(997)	(998)	998	(462)	(462)
PFI Reserve (Education and Social Services)	(2,820)	253	(10)	(2,577)	0	(28)	(2,605)
PFI Reserve (Education and Social Services)	(3,859)	517	(13)	(3,355)	149	(10)	(3,216)
Waste and Recycling Reserve	(1,062)	0	(974)	(2,036)	0	(1,128)	(3,164)
Youth Development Fund	(1,000)	154	0	(846)	333	(170)	(683)
Community Development Fund	(212)	59	0	(153)	33	0	(120)
Climate Change Reserve	(831)	275	(5)	(560)	101	(59)	(518)
Invest to Save	(935)	226	(6,098)	(6,807)	3,790	(3,269)	(6,286)
Section 106 Interest Reserve (Affordable Housing Fund)	(728)	0	0	(728)	0	(4)	(732)
Section 106 Interest Reserve	(379)	0	0	(379)	0	(14)	(393)
Section 117 Reserve	(1,022)	538	0	(484)	484	0	0
Recession and Recovery Fund	0	280	(745)	(465)	395	0	(70)
Economic Development Fund	(754)	606	(244)	(393)	79	0	(314)
Salaries and General Oncost Account	(488)	1,027	(1,029)	(489)	700	(841)	(630)
Public Service Agreement Revenue	(1,040)	228	0	(812)	812	0	0
Youth Centres Reserve	(70)	0	(207)	(278)	0	(51)	(329)
Civic Pride Fund	0	0	(79)	(79)	0	(34)	(113)
Orleans House	0	0	(468)	(468)	0	(20)	(488)
Other Minor Earmarked Reserves	(265)	47	(40)	(258)	2	(47)	(301)
	(16,987)	**5,732**	**(10,909)**	**(22,164)**	**7,876**	**(6,136)**	**(20,424)**
REVENUE INCOME FROM GRANTS / CONTRIBUTIONS WHERE NO CONDTIONS ARE OUTSTANDING BUT EXPENDITURE HAS NOT YET BEEN INCURRED							
Dedicated Schools Grant Reserve	0	0	(824)	(824)	12	(61)	(873)
Pre-contact point	(194)	194	(138)	(138)	138	(138)	(138)

DESCRIPTION / PURPOSE	Balance at 31 March 2009 £000	TRANSFERS OUT £000	TRANSFERS IN £000	Balance at 31 March 2010 £000	TRANSFERS OUT £000	TRANSFERS IN £000	Balance at 31 March 2011 £000
S106 Revenue Contributions	(1,927)	56	(547)	(2,418)	339	(854)	(2,933)
Overcrowding Grant	(110)	110	(114)	(114)	114	(122)	(122)
Homelessness Grant	0	0	0	0	0	(200)	(200)
PCT Contributions to Services	(692)	692	0	0	0	(31)	(31)
PCT Section 256 Contributions	0	0	0	0	0	(381)	(381)
PCT Continuing Care	0	0	0	0	0	(459)	(459)
PCT Funding Carers break	0	0	0	0	0	(247)	(247)
Other Minor Earmarked Reserves	(163)	163	(117)	(117)	117	(267)	(267)
	(3,086)	**1,215**	**(1,740)**	**(3,612)**	**720**	**(2,759)**	**(5,651)**
TOTAL EARMARKED RESERVES	**(37,926)**	**11,082**	**(16,172)**	**(43,017)**	**13,300**	**(17,117)**	**(46,834)**

NOTE 9 OTHER OPERATING EXPENDITURE

	2010/11 £000	2009/10 £000
Levies payable		
West London Waste Authority (WLWA)	6,539	6150
Lee Valley Regional Park	271	271
London Pensions Fund Authority	339	358
Environment Agency Flood Defence	177	177
Coroners' Service	141	176
FRC Levy	1	1
Administration costs	8	0
Payments of Housing capital receipts to govt pool	44	46
Gain/loss on disposal of non current assets	(1,723)	4917
HLU Distribution of Capital Receipts	280	300
Total	**6,077**	**12,396**

NOTE 10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2010/11 £000	2009/10 £000
Interest payable and similar charges	3,778	4,841
Pensions interest cost and expected return on pensions assets	4,314	8,444
Interest receivable and similar income	(1,680)	(2,493)
Income and expenditure in relation to investment properties and changes in their fair value	(373)	(175)
Total	**6,039**	**10,617**

Trading accounts are also included under Financing and Investment Income and Expenditure. These accounts net to nil as they are fully charged out to services during the year. The gross figures for income and expenditure are £9.48 million in 2010/11 and £9.6 million in 2009/10.

NOTE 11 TAXATION AND NON-SPECIFIC GRANT INCOME

	2010/11 £000	2009/10 £000
Council Tax Income (including Collection Fund Surplus)	**(115,013)**	**(114,450)**
Non Domestic Rates	**(24,463)**	**(22,437)**
Revenue Support Grant	(3,552)	(5,179)
Area Based Grant	(8,668)	(6,654)
Local Authority Business Growth Incentive Grant	0	(256)
Non-ringfenced government grants	**(12,220)**	**(12,089)**
Capital Grants	(22,280)	(36,547)
S106 Contributions	(140)	(536)
Other Contributions	(1,231)	(1,251)
Capital Grants and Contributions	**(23,650)**	**(38,334)**
Total Taxation and Non-Specific Grant Income	**(175,346)**	**(187,310)**

Full breakdowns of all capital and revenue grants and contribution are available in note 39.

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

Movements on Balances - Movements in 2010/11:

2010/11	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total PP&E	PFI Assets Included in Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1st April 2010	558,254	14,822	84,648	16,987	11,173	21,978	**707,862**	29,708
Additions	10,789	308	7,730	2,175	17	8,628	**29,647**	199
Revaluation Increases/(decreases) to RR	5,826	0	0	0	10	0	**5,836**	283
Revaluation Increases/(decreases) to SDPS	(19,442)	(62)	0	0	0	0	**(19,504)**	0
Derecognition-Disposals	(2,018)	(316)	0	(177)	(206)	0	**(2,717)**	0
Reclassifications	28,894	1,428	0	0	0	(29,956)	**366**	0
At 31 March 2011	**582,303**	**16,180**	**92,378**	**18,985**	**10,994**	**650**	**721,490**	**30,190**
Depreciation and Impairment								
At 1st April 2010	18,431	8,386	10,707	0	368	0	**37,892**	**3,164**
Depreciation Charge	7,386	2,022	2,221	0	26	0	**11,655**	474
Depreciation written out to RR	(1,360)	0	0	0	0	0	**(1,360)**	0
Depreciation written out to SDPS	(890)	0	0	0	0	0	**(890)**	0
Impairment losses/(reversals) to RR	0	0	0	0	0	0	**0**	0
Impairment losses/(reversals) to SDPS	(1,211)	(52)	0	0	0	0	**(1,263)**	0
Derecognition-Disposals	(36)	(201)	0	0	0	0	**(237)**	0
At 31 March 2011	**22,320**	**10,155**	**12,928**	**0**	**394**	**0**	**45,797**	**3,638**
Net Book Value								
At 31 March 2011	**559,983**	**6,025**	**79,450**	**18,985**	**10,600**	**650**	**675,693**	**26,552**
At 31 March 2010	**539,823**	**6,436**	**73,941**	**16,987**	**10,805**	**21,978**	**669,970**	**26,544**

Comparative Movements in 2009/10:

2009/10	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total PP&E	PFI Assets Included in Total PPE
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1st April 2009	535,521	13,819	75,418	13,997	11,669	4,931	655,355	28,632
Additions	12,548	1,003	9,230	2,990	83	17,047	42,901	425
Revaluation Increases/(decreases) to RR	17,260	0	0	0	496	0	17,756	651
Revaluation Increases/(decreases) to SDPS	(856)	0	0	0	(287)	0	(1,143)	0
Derecognition-Disposals	(6,219)	0	0	0	(528)	0	(6,747)	0
Other Reclassifications	0	0	0	0	(260)	0	(260)	0
At 31 March 2010	**558,254**	**14,822**	**84,648**	**16,987**	**11,173**	**21,978**	**707,862**	**29,708**
Depreciation and Impairment								
At 1st April 2009	14,301	6,175	8,575	0	349	0	29,400	2,528
Depreciation Charge	6,995	2,211	2,132	0	29	0	11,367	775
Depreciation written out on revaluation	(2,352)	0	0	0	0	0	(2,352)	(139)
Depreciation written out to SDPS	(340)	0	0	0	(10)	0	(350)	0
Derecognition-Disposals	(173)	0	0	0	0	0	(173)	0
At 31 March 2010	**18,431**	**8,386**	**10,707**	**0**	**368**	**0**	**37,892**	**3,164**

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

Capital Commitments
At 31 March 2011, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2010/11 and future years. The major commitments are:
Schools - St Mary & St Peter's Primary Expansion - £3.2 million
Schools - SEN & 14-19 Projects - £2.8 million
Croft Children's Centre - £1.3 million
Street Lighting Replacement - £2.5 million

Effects of Changes in Estimates
The Council has not made any material changes to its accounting estimates for Property, Plant and Equipment during the year. The most significant change is the introduction of IFRS and componentisation is a change in policy and not estimation.

Revaluations
The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The assumptions applied in estimating the fair values are per the "Red Book" section 1.12 Local Authority Asset valuations, which gives guidance to RICS valuers on the valuation of assets in line with the requirements of IFRS compliance per the CIPFA Code of Practice.

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Surplus Assets £000	Total £000
Carried at historical cost	0	94,376	16,185	0	110,561
Valued at fair values as at:					
31st March 2011	0	82,434	0	0	82,434
31st March 2010	0	69,959	0	11,609	81,568
31st March 2009	0	167,990	0	1,086	169,076
31st March 2008	0	125,945	0	2,433	128,378
31st March 2007	0	101,417	0	5,213	106,630
Total Cost or Valuation	**0**	**642,121**	**16,185**	**20,341**	**678,647**

NOTE 13 INVESTMENT PROPERTIES

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

	2010/11 £000	2009/10 £000
Rental income from investment property	(373)	(374)
Direct operating expenses arising from Investment property	0	199
Net gain / (loss)	**(373)**	**(175)**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2010/11 £000	2009/10 £000
Balance at start of the year	**9,696**	**10,410**
Additions:		
Purchases	0	0
Construction	0	0
Subsequent Expenditure	0	26
Disposals	(1,447)	(976)
Net gains / (losses) from fair value adjustments	24	236
Transfers:		
to / from Inventories	0	0
to/from Property, Plant, Equipment	(366)	0
Other Changes	(1,209)	0
Balance at end of year	**6,698**	**9,696**

NOTE 14 INTANGIBLE ASSETS

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. There are no individually significant assets used by the Council.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £105,500 charged to revenue in 2010/11 was charged to IT Services and Customer Services cost centres and then absorbed as an overhead across all the service headings in the Net Expenditure of

Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2010/11			2009/10		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£000	£000	£000	£000	£000	£000
Balance at start of year:						
Gross carrying amounts	0	1,080	**1,080**	0	1,080	**1,080**
Accumulated amortisation	0	(765)	**(765)**	0	(660)	**(660)**
Net carrying amount at start of year	0	315	**315**	0	420	**420**
Additions:						
Internal development	0	0	**0**	0	0	**0**
Purchases	0	0	**0**	0	0	**0**
Acquired through business combinations	0	0	**0**	0	0	**0**
Assets reclassified as held for sale	0	0	**0**	0	0	**0**
Other disposals	0	0	**0**	0	0	**0**
Revaluations increases or decreases	0	0	**0**	0	0	**0**
Impairment losses recognised or reversed directly in the Revaluation Reserve	0	0	**0**	0	0	**0**
Impairment losses recognised in the Surplus / Deficit on the Provision of Services	0	0	**0**	0	0	**0**
Reversals of past impairment losses written back to the Surplus / Deficit on the Provision of Services	0	0	**0**	0	0	**0**
Amortisation for the period	0	(106)	**(106)**	0	(105)	**(105)**
Other changes	0	0	**0**	0	0	**0**
Net carrying amount at year end	**0**	**209**	**209**	**0**	**315**	**315**
Comprising:						
Gross carrying amounts	0	1,080	**1,080**	0	1,080	**1,080**
Accumulated amortisation	0	(659)	**(659)**	0	(765)	**(765)**

The Council does not revalue its software assets acquired under licences due to the nature of our partnership arrangement with SERCO.

There are no items of capitalised software that are individually material to the financial statements. The largest item is a grouped asset with net book value of £128,000 at 31st March 2011.

NOTE 15 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 2010/11:

- Financial Liabilities (at amortised cost)
- Borrowings
- Trade and other payables

Financial Assets (at amortised cost)

- Investments and Loans receivable
- Trade and other receivables
- Bank deposits.

ANALYSIS OF FINANCIAL INSTRUMENT BALANCES

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

		Long-term		Current	
		31 March 2011 £000	**31 March 2010 £000**	**31 March 2011 £000**	**31 March 2010 £000**
	Financial Assets				
C	Investments	15,250	12,250	52,262	48,562
D	Trade Debtors	**0**	**0**	8,605	7,413
E	Cash and Cash Equivalents	**0**	**0**	17,284	16,168
		15,250	**12,250**	**78,151**	**72,143**
	Financial Liabilities				
A	Borrowings at amortised cost	(45,848)	(40,848)	(7,157)	(7,737)
A	PFI and Finance Lease Liabilities	(25,351)	(26,368)	0	0
B	Trade Creditors	0	0	(8,901)	(9,021)
		(71,199)	**(67,216)**	**(16,058)**	**(16,758)**

INCOME EXPENSE – GAINS AND LOSSES

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

	2010/11			2009/10		
	Financial liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest Expense	3,778	0	3,778	4,841	0	4,841
Total expense in Surplus or Deficit on the Provision of Services	**3,778**	**0**	**3,778**	**4,841**	**0**	**4,841**
Interest Income	0	(1,680)	(1,680)	0	(2,493)	(2,493)
Total income in Surplus or Deficit on the Provision of Services	**0**	**(1,680)**	**(1,680)**	**0**	**(2,493)**	**(2,493)**

FAIR VALUES OF ASSETS AND LIABILITIES

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

- PWLB loans are valued using the PWLB “premature repayment” rates in force on 31 March 2011.
- 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.

<u>Financial Assets</u>: 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 2010/11. This is due to the maturity of investments leaving fewer higher value investments outstanding, with new investments made at closer to current rates.

<u>Financial Liabilities</u>: The fair value is higher than the carrying amount because the Council’s portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans. The difference in value has increased in 2010/11, due to interest rates on existing loans being higher than PWLB interest rates as at 31 March 2011.

Financial liabilities at amortised cost

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

The interest payable on these loans is either fixed at the prevailing market rate at the time of the loan, or varies with market 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 41). 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.

	31 March 2011		31 March 2010	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Borrowings and LT Liabilities	(78,356)	(80,254)	(74,953)	(76,387)
Trade Creditors	(8,901)	(8,901)	(9,021)	(9,021)
	(87,257)	**(89,155)**	**(83,974)**	**(85,408)**

Financial assets at amortised cost

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 overriding service considerations, which would mainly occur for clients contributing to the cost of their care. Where maturity is within 12 months the amortised cost is assumed to be equivalent to fair value.

	31 March 2011		31 March 2010	
	Carrying amount £000	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Investments	67,512	68,511	60,812	62,562
Trade Debtors	8,605	8,605	7,413	7,413
Cash and Cash Equivalents	17,284	17,284	16,168	16,168
	93,401	**94,400**	**84,393**	**86,143**

NOTE 16 INVENTORIES

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

Cost:

	2010/11								
	Balance at 31 March 2009	Purchases	Issues	Written off balances*	Balance at 31 March 2010	Purchases	Issues	Written off balances*	Balance at 31 March 2011
	£000	£000	£000	£000		£000	£000	£000	
Consumable Stores									
Highways Salt	**10**	58	(42)	(12)	**14**	65	(25)		**54**
Print unit	**34**	1	(4)		**31**	11	(19)	(3)	**20**
Transport Fuel	**33**	691	(667)	(32)	**25**	762	(749)	(14)	**24**
Catering	**9**	70	(77)		**2**	0	(2)		**0**
	86	820	(790)	(44)	**72**	838	(795)	(17)	**98**
Stocks for resale									
Customer Services	**1**	79	(79)		**1**	108	(109)		**0**
	1	79	(79)	0	**1**	108	(109)	0	**0**
Work in Progress									
Rechargeable Orders **	**191**	214	(191)	0	**214**		(214)	0	**0**
Total	**278**	**1,113**	**(1,060)**	**(44)**	**287**	**946**	**(1,118)**	**(17)**	**98**

* Written of balances are due to obsolete stock and contamination of fuel
** During 2010/11 rechargeable orders relating to street repairs were re-classified between works in progress and short term debtors

NOTE 17 CONSTRUCTION CONTRACTS

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

NOTE 18 DEBTORS

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

	31 March 2011 £000	31 March 2010 £000
Debtors	30,695	29,892
Payments in Advance	3,490	2,495
Less provision for impairment of Bad Debts	(8,405)	(7,864)
Total Debtors	**25,780**	**24,523**
Central Government Bodies	3,550	3,374
Other Local Authorities	4,248	2,524
NHS bodies and Trusts	36	201
Public Corporations and Trading Funds	217	667
Bodies external to general Government	17,729	17,757
Total short term debtors	**25,780**	**24,523**

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

	31 March 2011 £000	31 March 2010 £000
Central Government Bodies	0	0
Other Local Authorities	0	0
NHS bodies and Trusts	0	0
Public Corporations and Trading Funds	0	0
Bodies external to general Government	2,938	3,578
Total long term debtors	**2,938**	**3,578**

NOTE 19 CASH AND CASH EQUIVALENTS

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

	31 March 2011 £000	31 March 2010 £000
Cash held by the Council	65	49
Bank current accounts	(3,681)	(5,723)
Short Term Readily Convertible Investments	20,900	21,843
Total Cash and Cash Equivalents	**17,284**	**16,168**

NOTE 20 ASSETS HELD FOR SALE

The remaining non-current assets held for sale at 31st March are properties where contracts have been exchanged but sale completion was not achieved by 31st March.

	Current		Non Current	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance outstanding at start of year	**0**	**0**	**1,153**	**0**
Assets newly classified as held for sale:				
Property, Plant and Equipment	0	0	0	0
Intangible Assets	0	0	0	0
Other assets / liabilities in disposal groups	0	0	0	0
Revaluation losses	0	0	0	0
Revaluation gains	0	0	0	1,153
Impairment losses	0	0	0	0
Assets declassified as held for sale:				
Property, Plant and Equipment	0	0	0	0
Intangible Assets	0	0	0	0
Other assets / liabilities in disposal groups	0	0	0	0
Assets sold	0	0	(683)	0
Transfers from non-current to current	0	0	0	0
Other movements	0	0	0	0
Balance outstanding at year end	**0**	**0**	**470**	**1,153**

NOTE 21 CREDITORS

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

	31 March 2011 £000	31 March 2009 £000
Creditors	(32,479)	(34,165)
Receipt in Advance	(4,318)	(5,801)
Total Creditors in Balance Sheet	**(36,797)**	**(39,966)**
Central government bodies	(4,439)	(5,231)
Other local authorities	(3,168)	(2,187)
NHS Bodies and Trusts	(750)	(1,759)
Public Corporations and Trading Funds	(900)	(1,894)
Other Entities and individuals	(27,540)	(28,895)
Total Short Term Creditors	**(36,797)**	**(39,966)**

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

	31 March 2011 £000	31 March 2009 £000
Creditors	(1,432)	(911)
Receipt in Advance	(23,380)	(10,973)
Total Creditors in Balance Sheet	**(24,812)**	**(11,884)**
Central government bodies	(23,177)	(10,760)
Other local authorities	0	0
NHS Bodies and Trusts	0	0
Public Corporations and Trading Funds	0	0
Other Entities and individuals	(1,635)	(1,124)
Total Long Term Creditors	**(24,812)**	**(11,884)**

NOTE 22 PROVISIONS

Insurance Fund

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

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

Welfare Funds

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

	Central Insurance Fund £000	Welfare Funds £000	Other Provisions £000	Total £000
Short Term Provisions				
Balance at 1st April 2010	**(601)**	**(709)**	**(342)**	**(1,651)**
Additional provisions made in 2010/11	(525)	(710)	(425)	(1,660)
Amounts used in 2010/11	396	651	135	1,182
Unused amounts reversed in 2010/11	205	0	0	205
Balance at 31 March 2011	**(525)**	**(768)**	**(632)**	**(1,925)**
Long Term Provisions				
Balance at 1st April 2010	**(901)**	**0**	**(220)**	**(1,121)**
Additional provisions made in 2010/11	(787)	0	0	(787)
Amounts used in 2010/11	595	0	0	595
Unused amounts reversed in 2010/11	306	0	0	306
Balance at 31 March 2011	**(787)**	**0**	**(220)**	**(1,007)**

NOTE 23 LONG TERM LIABILITIES

	Balance at 31 March 2011 £000	Balance at 31 March 2010 £000
Primary schools PFI	9,139	9,275
Residential care homes PFI	10,279	10,599
ICT support services	1,362	1,837
Lease liabilities	4,571	4,657
Pension fund defined benefit	110,612	219,855
Total	**135,963**	**246,223**

NOTE 24 USABLE RESERVES

Details of the Council's usable reserves are summarised below. Further details are available in the Movement in Reserves Statement and in table 8.

	Notes	Balance at 31 March 2011 £000	Balance at 31 March 2010 £000
General Fund Reserve		**(10,706)**	**(10,706)**
General Fund Earmarked Reserves	8	**(46,834)**	**(43,017)**
Capital Grants Unapplied (Capital income from grants/contributions where no conditions are outstanding but expenditure has not yet been incurred):			
Capital Grants		(3,428)	(3,286)
S106 Contributions		(565)	(1,745)
		(3,993)	(5,031)
Capital Receipts Reserves:			
Usable Capital Receipts Reserve		(2,376)	(262)
Large Scale Voluntary Transfer of Housing Stock		0	(410)
Riverside House		(1,380)	(1,380)
Home Loans Unit		50	(113)
		(3,706)	**(2,165)**
TOTAL USABLE RESERVES		**(65,239)**	**(60,919)**

NOTE 25 UNUSABLE RESERVES

	31 March 2011 £000	31 March 2010 £000
Revaluation Reserve	(52,653)	(48,909)
Capital Adjustment Account	(540,582)	(551,851)
Financial Instruments Adjustment Account	1,335	1,443
Deferred Capital Receipts Reserve	(1,928)	(2,017)
Pensions Reserve	110,612	219,855
Collection Fund Adjustment Account	(1,241)	(1,172)
Accumulated Absences Account	3,297	3,253
Deferred Lease Income Account	3,226	3,254
Total Unusable Reserves	**(477,934)**	**(376,144)**

Revaluation Reserve
The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:
- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2010/11 £000	£000	2009/10 £000
Balance at 1 April		**(48,909)**	**(29,633)**
Upward revaluation of assets	(7,196)		(20,698)
Downward revaluation of assets and impairment losses not charged to the surplus / deficit on the Provision of Services	1,567	0	0
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	0	(5,629)	(20,698)
Difference between fair value depreciation and historical cost depreciation	1,004	0	1,177
Accumulated gains on assets sold or scrapped	881	0	246
Amount written off to the Capital Adjustment Account	0	1,885	1,423
Balance at 31 March		**(52,653)**	**(48,909)**

Available for Sale Financial Instruments Reserve
The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:
- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

Richmond does not hold any financial instruments which fit this category hence there is no Reserve.

Capital Adjustment Account
The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.
The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.
Note 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

		2010/11	2009/10
	£000	£000	£000
Balance at 1st April		**(551,851)**	**(527,492)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	24,320		11,641
Revaluation losses on Property, Plant and Equipment	4,054		308
Amortisation of intangible assets	105		106
Revenue expenditure funded from capital under statute	14,675		7,656
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	4,852		7,305
		48,006	
Adjusting amounts written out of the Revaluation Reserve		(1,885)	(1,177)
Net written out amount of the costs of non-current assets consumed in the year		46,121	
Capital financing applied in the year:			
Use of the Capital Receipts Reserve to finance new capital expenditure	(4,773)		(8,131)
Capital Grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(20,943)		(33,494)
Application of grants to capital financing from the Capital Grants Unapplied Account	(3,745)		(742)
Statutory provision for the financing of capital investment charged against the General Fund	(2,805)		(4,687)
Capital expenditure charged against the General Fund	(2,586)		(2,800)
		(34,852)	
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		0	(343)
Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		0	0
Balance at 31 March		**(540,582)**	**(551,851)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.
The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 13 years.

	2010/11		2009/10
	£000	£000	£000
Balance at 1 April		**1,443**	**0**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0		0
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(108)		1,443
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(108)	1,443
Balance at 31 March		**1,335**	**1,443**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2010/11	2009/10
	£000	£000
Balance at 1 April	219,855	113,491
Actuarial gains / losses on pensions assets and liabilities	(53,293)	107,107
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(39,443)	15,672
Employer's pensions contributions and direct payments to pensioners payable in the year	(16,507)	(16,415)
Balance at 31 March	110,612	219,855

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of noncurrent assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2010/11 £000	2009/10 £000
Balance at 1 April	**(2,017)**	**(2,084)**
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	25	4
Transfer to the Capital Receipts Reserve upon receipt of cash	64	63
Balance at 31 March	**(1,928)**	**(2,017)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2010/11 £000	2009/10 £000
Balance at 1 April	**(1,172)**	**(367)**
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(69)	(805)
Balance at 31 March	**(1,241)**	**(1,172)**

Unequal Pay Back Pay Account

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

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

Accumulated Absences Account
The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2010/11 £000	£000	2009/10 £000
Balance at 1 April		**3,253**	**2,925**
Settlement or cancellation of accrual made at the end of preceding year	(3,253)		(2,925)
Amounts accrued at the end of the current year	3,297		3,253
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		44	328
Balance at 31 March		**3,297**	**3,253**

Deferred Lease Payment Account

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

	2010/11 £000	2009/10 £000
Balance at 1 April	**3,254**	**3,282**
Lease signed during the year	0	0
Write down of deferred leases signed in prior years	(28)	(28)
Balance at 31 March	**3,226**	**3,254**

NOTE 26 CASH FLOW STATEMENT – OPERATING ACTIVITIES

	2010/11 £000	2009/10 £000
Interest received	**(2,144)**	**(2,724)**
Interest paid	**3,689**	**3,914**
Dividends received	**0**	**0**

NOTE 27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2010/11 £000	2009/10 £000
Purchase of property, plant and equipment, investment property and intangible assets	27,658	41,554
Purchase of short-term and long-term investments	8,000	6,662
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,892)	(2,705)
Proceeds from short-term and long-term investments	(1,300)	0
Net cash flows from investing activities	**27,466**	**45,511**

NOTE 28 CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2010/11 £000	2009/10 £000
Cash receipts of short and long term borrowing	(5,000)	(14,197)
Other receipts from financing activities	(1,922)	(221)
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,182	3,367
Repayment of short and long term borrowing	668	9,962
Other repayments for financing activities	0	879
Net cash flows from financing activities	**(5,072)**	**(210)**

NOTE 29 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across directorates. These directorate reports are prepared on a management accounts basis and differ from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

A provisional outturn of £147.6 million was reported to Cabinet on 23 June 2011 and at the same meeting, further transfers to earmarked reserves were agreed which took the final outturn position to nil variance. The table below shows the final management position. The have been some changes between directorates since the Cabinet meeting but no significant changes to the overall position.

Service Information for the year ended 31 March 2011:

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

Service Information for the year ended 31 March 2010:

	Education, Children's and Cultural services	Environment	Adult and Community Services	Finance and Corporate Services	Central Items	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(24,295)	(34,765)	(31,306)	(3,152)	(1,365)	**(94,883)**
Interest & Investment Income	0	0	0	0	(2,364)	**(2,364)**
Income from Council Tax	0	0	0	0	(113,645)	**(113,645)**
Government Grants	(113,009)	(223)	(62,788)	(14,072)	(34,526)	**(224,618)**
Total income	**(137,304)**	**(34,988)**	**(94,094)**	**(17,224)**	**(151,900)**	**(435,510)**
Employee expenses	104,908	20,135	24,149	15,482	0	**164,674**
Other service expenses	62,904	35,348	129,916	23,494	5,561	**257,223**
Depreciation, Impairments etc.	0	0	0	0	2,801	**2,801**
Interest payments	0	0	0	0	4,429	**4,429**
Levies	0	6,421	0	712	0	**7,133**
Total expenditure	**167,812**	**61,904**	**154,065**	**39,688**	**12,791**	**436,260**
Net Expenditure	**30,508**	**26,916**	**59,971**	**22,464**	**(139,109)**	**750**

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

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

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	**2010/11**	**2009/10**
	£000	**£000**
Net expenditure in directorate analysis	0	750
Amounts in the Comprehensive Income and Expenditure Statement not included in the analysis	(21,694)	8,487
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	136,752	130,583
Cost of services in Income and Expenditure Statement	**115,058**	**139,820**

Reconciliation to Subjective Analysis

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

2009/10	**Service analysis**	**Amounts not reported to management for decision making**	**Amounts not included in I&E**	**Allocation of recharges**	**Cost of services**	**Corporate amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees & Charges	(94,884)	(40,348)	8,739	45,906	**(80,587)**	(48,325)	**(128,912)**
Interest & Investment Income	(2,364)	0	2,364	0	**0**	(2,493)	**(2,493)**
Income from Council Tax	(113,645)	0	113,645	0	**0**	(114,450)	**(114,450)**
Government Grants	(224,618)	106	34,525	0	**(189,987)**	(34,526)	**(224,513)**
Total Income	**(435,511)**	**(40,242)**	**159,273**	**45,906**	**(270,574)**	**(199,794)**	**(470,368)**
Employees	164,674	(8,581)	(2,859)	(21,743)	**131,491**	11,134	**142,625**
Other Services Expenses	257,224	(2,339)	(11,469)	(14,866)	**228,550**	5,804	**234,354**
Support Services Recharges	0	40,197	0	(7,572)	**32,625**	943	**33,568**
Depreciation Etc.	2,801	19,453	(2,801)	(1,725)	**17,728**	725	**18,453**
Interest Payments	4,429	0	(4,429)	0	**0**	4,841	**4,841**
Precepts & Levies	7,133	0	(7,133)	0	**0**	7,133	**7,133**
Gain or Loss on Disposal of Assets	0	0	0	0	**0**	4,917	**4,917**
Total Expenditure	**436,261**	**48,730**	**(28,691)**	**(45,906)**	**410,394**	**35,497**	**445,891**
Surplus or Deficit	**750**	**8,488**	**130,582**	**0**	**139,820**	**(164,297)**	**(24,477)**

2010/11	Service analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of recharges	Cost of services	Corporate amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees & Charges	(103,103)	(42,912)	8,383	48,642	**(89,269)**	(33,504)	**(122,773)**
Interest & Investment Income	(1,553)	0	1,553	0	**0**	(1,680)	**(1,680)**
Income from Council Tax	(114,944)	0	114,944	0	**0**	(115,013)	**(115,013)**
Government Grants	(227,976)	269	36,683	0	**(190,745)**	(36,683)	**(227,428)**
Total Income	**(447,576)**	**(42,643)**	**161,563**	**48,642**	**(280,014)**	**(186,880)**	**(466,894)**
Employees	162,826	(60,378)	(2,618)	(24,010)	**75,820**	6,949	82,769
Other Services Expenses	272,771	12,402	(10,213)	(13,969)	**260,991**	5,041	266,032
Support Services Recharges	0	42,282	0	(9,135)	**33,147**	979	34,126
Depreciation Etc.	2,445	26,643	(2,445)	(1,528)	**25,115**	879	25,994
Interest Payments	2,067	0	(2,067)	0	**0**	3,778	3,778
Precepts & Levies	7,467	0	(7,467)	0	**0**	7,467	7,467
Gain or Loss on Disposal of Assets	0	0	0	0	**0**	(1,443)	(1,443)
Total Expenditure	**447,576**	**20,949**	**(24,810)**	**(48,642)**	**395,073**	**23,650**	**418,723**
Surplus or Deficit	**0**	**(21,694)**	**136,753**	**0**	**115,059**	**(163,230)**	**(48,171)**

NOTE 30 ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations in 2009/10 or 2010/11.

NOTE 31 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, expenditure 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.

		2010/11			2009/10		
		Turnover	Expenditure	(Surplus) / Deficit	Turnover	Expenditure	(Surplus) / Deficit
	Note	£000	£000	£000	£000	£000	£000
CHARGED WITHIN NET COST OF SERVICES							
Print Unit	A	317	370	53	342	422	80
Building Maintenance	B	743	837	94	926	936	10
Civic Catering	C	81	167	86	151	308	157
Vehicle Workshops / Contract Hire	D	2,924	3,272	348	3,254	3,408	154
Transport Operations	E	4,302	4,834	532	4065	4541	476
Total All Trading Accounts		**8,367**	**9,480**	**1,113**	**8,738**	**9,615**	**877**

A. The Print Unit is responsible for the provision of both general and specialised printing services for all Council services. Directorates have discretion over whether they use the Print Unit or buy in services from external suppliers. A deficit occurred in 2009/10 and action was taken in 2010/11 to reduce cost by renegotiation of print equipment leases, which resulted in the deficit reducing by £27,000 in 2010/10 to £53,000. In the current economic climate the amount of printing undertaken is reducing and therefore we are reviewing the most economic way of procuring a print service in future.

B. Building Maintenance turnover reduced slightly reflecting the continuing loss of work resulting from the reduced Council estate and significant refurbishment programme which has reduced general maintenance**.**

C. The Civic Catering Service was reviewed in 2009/10 with the service closing in an endeavour to reduce the deficit. It was replaced by a smaller Pantry Service providing a trolley service and meeting refreshments only. Since January 2011 the trolley service has been provided externally. The deficit has reduced by £71,000 to £86,000 and a review of staffing levels is expected to reduce this further in 2011/12.

D. Transport rates have previously been set on budgeted expenditure fixed over the life of each vehicle to recover direct, support and capital financing costs. There was an increase in expenditure during 2009/10 mainly associated with the purchase of parts and spares and this has continued into 2010/11. This increase is mainly as a result of additional maintenance requirements as the fleet starts to age and during 2010/11 the need to adapt vehicles to comply with the requirements of the London Emissions zone. A review of the Transport Services is currently underway and the outcome of this together with the financial implications will be known later in the year.

E. Transport Operations provides transport for clients in Adult Social Care and Children's Services. Turnover increased due to an increase in Special Education Needs activity. The increase in the deficit is due mainly to an increase in central and departmental recharges. The anticipated reduction in the overall deficit did not materialise due to the postponement of the tender for the new private taxi contract. This is due to the Council currently undertaking a review the council's entire transport function. The saving target set for 2011-12 is unlikely to be achieved.

NOTE 32 AGENCY SERVICES

The Council provides the following agency services:

Adult Emergency Out of Hours Team
This team provides an emergency out of hours social work service for 3 other local authorities (RB Kingston, LB Sutton & LB Merton). The service covers referrals which arise out of office hours from the four boroughs which cannot be left until the next working day. The service also includes an emergency assessment and placement service on behalf of the housing departments of the four boroughs for homeless adults. In 2010/11 the Council received £292,000 (£333,000 for 2009/10) from the above 3 boroughs while incurring costs of gross costs of £537,000 (£590,000 for 2009/10).

Administration Services to the South West Middlesex Crematorium Board
The South West Middlesex Crematorium Board is a Joint Board established by an Act of Parliament and made up of elected members from five constituent authorities. The London Borough of Richmond upon Thames provides various administrative services to the Board including accountancy, creditors, payroll, legal and internal audit. The Board paid the Council an annual fee of £29,213 in 2009/10 and £29,945 in 2010/11, which covered the costs of the services provided.

Thames Landscape Strategy
The Council is the lead borough for the Thames Landscape Strategy which undertakes work to conserve and enhance the Thames. As lead borough, the Council provides all professional services. In 2010/11 the Council received £107,000 fee income (£379,000 in 2009/10) and incurred costs of £240,000 (£107,000 in 2009/10).

Careline
Careline provides technical and professional services to Royal Borough of Kingston, Richmond Housing Partnership, Hampton Fuel Allotment Charity, and the Richmond Charities in respect of alarm fitting and monitoring services. In 2010/11 the Council received £143,000 fee income (£396,000 in 2009/10) and incurred costs of £395,000 (£153,000 in 2009/10).

	2010/11 £000	2009/10 £000
Emergency Out of Hours Team	245	257
Administration to SWMCB	0	0
Thames Landscape Strategy	133	(220)
Careline	338	242
Net (surplus) / deficit arising on the agency relationship	**716**	**279**

NOTE 33 ROAD CHARGING SCHEMES

Richmond Council does not operate any road charging schemes.

NOTE 34 POOLED BUDGETS

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

The basis of the funding arrangement is that the Council and NHS Richmond contribute jointly to a pooled budget for the provision of a daily living and nursing equipment service comprising of the procurement, storage, delivery, installation, maintenance, collection, cleansing and recycling of equipment. This service includes minor works adaptations and the servicing of hoists and other equipment. The pooled budget is hosted and managed by the Council and the basis on which costs are shared is reviewed periodically to reflect usage of equipment by different client groups.

Funding Basis

	2010/11	2009/10
London Borough of Richmond upon Thames (LBRUT)	50.0%	50.0%
NHS Richmond	50.0%	50.0%

Pooled Budget Memorandum Account

	2010/11		2009/10	
	£000	£000	£000	£000
Funding provided to the pooled budget:				
LBRUT	487		530	
NHS Richmond	486	973	529	1,059
Expenditure met from pooled budget:				
LBRUT	874		902	
NHS Richmond	0	874	0	902
Net surplus arising on the pooled budget during the year		**(99)**		**(157)**
LBRUT share of 50% of the net surplus arising on the pooled budget		**(50)**		**(79)**

NOTE 35 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:

	2010/11 £000	2009/10 £000
Members Allowances	**687**	**742**
Members Expenses	0	1
Employers Pension Contributions	82	77
	769	**820**

NOTE 36 OFFICERS' REMUNERATION

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

		Salary, Fees & Allowances £	Expenses Allowances £	Pension Contribution £	Total £
Chief Executive (Note 1)	2010/11	178,528	216	42,115	**220,859**
Gillian Norton	2009/10	173,507	769	41,381	**215,657**
Director of Finance and Corporate Services	2010/11	127,175	0	29,873	**157,048**
Mark Maidment	2009/10	123,736	255	29,383	**153,374**
Director of Adult & Community Services	2010/11	120,892	458	28,893	**150,243**
Cathy Kerr	2009/10	118,843	125	28,404	**147,372**
Director of Environment (Note 2)	2010/11	120,606	0	28,893	**149,499**
Paul Chadwick	2009/10	106,262	49	25,305	**131,616**
Director of Environment (Note 3)	2010/11	0	0	0	**0**
Trevor Pugh	2009/10	16,657	0	3,949	**20,606**
Director of Childrens' Services and Culture	2010/11	128,723	0	29,873	**158,596**
Nick Whitfield	2009/10	122,941	0	29,383	**152,324**
Head of Human Resources	2010/11	84,010	391	20,078	**104,479**
	2009/10	81,961	400	19,589	**101,950**
Head of Democratic Services	2010/11	57,477	0	13,737	**71,214**
	2009/10	40,905	0	4,807	**45,712**
Seconded to the Association of Directors of Adult Social Services (Costs fully reimbursed to the Council)					
Director of Adult & Community Services	2010/11	127,532	0	30,362	**157,894**
Jeff Jerome	2009/10	121,687	0	28,893	**150,580**

Notes:

Note 1 - The Chief Executive is the Head of the Paid Service
Note 2 - Paul Chadwick was employed as a director from 14 May 2009
Note 3 - Trevor Pugh left the Council's employment on 17 May 2009

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

Remuneration Band	**Number of employees 2010/11**	**Number of employees 2009/10**
£50,000 - £54,999	78	73
£55,000 - £59,999	46	34
£60,000 - £64,999	29	39
£65,000 - £69,999	19	17
£70,000 - £74,999	17	11
£75,000 - £79,999	5	7
£80,000 - £84,999	10	7
£85,000 - £89,999	4	2
£90,000 - £94,999	7	5
£95,000 - £99,999	4	5
£100,000 - £104,999	6	1
£105,000 - £109,999	0	1
£110,000 - £114,999	0	0
£115,000 - £119,999	1	2
£120,000 - £124,999	2	3
£125,000 - £129,999	3	0
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	0	0
£150,000 - £154,999	0	0
£155,000 - £159,999	0	0
£160,000 - £164,999	0	0
£165,000 - £169,999	0	0
£170,000 - £174,999	0	1
£175,000 - £179,999	1	0
Total	232	208

NOTE 37 EXTERNAL AUDIT COSTS

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

	2010/11 £000	2009/10 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year		
Main fee	223	215
Rebates	(30)	0
Fees payable to the Audit Commission in respect of statutory inspections	0	14
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	75	69
Fees payable in respect of other services provided by external auditors during the year	16	12
	284	**310**

Fees for other services in 2010/11 relate to an estimated charge from PKF (UK) LLP for work carried out relating to an objection by a member of the public on the 2009/10 accounts around parking income. The prior year amount relates to fees incurred on audit work undertaken following questions from members of the public regarding Twickenham Riverside.

During the year the Council received direct rebates from the Audit Commission of £30,000 relating to the 2010/11 audit fees.

NOTE 38 DEDICATED SCHOOLS GRANT AND SCHOOL BUDGETS

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 Council-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 2010/11 are as follows:

		Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2010/11				(94,223)
Brought forward from 2009/10				(813)
Carry forward to 2011/12 agreed in advance				0
Agreed budgeted distribution in 2010/11		**(17,094)**	**(77,942)**	**(95,036)**
Actual central expenditure		16,221		
Actual ISB deployed in schools			77,942	
	Sub Total	**(873)**	**0**	**(873)**
Local Authority Contribution for 2010/11:		0	0	0
Carry forward to 2011/12		**(873)**	**0**	**(873)**

	Revenue £000	Capital £000
Schools' balances at 1st April 2010	(7,533)	(1,646)
Revenue Balances Accrued	(2,717)	0
Capital Balances Draw Down	0	312
Schools' balances at 31st March 2011	**(10,250)**	**(1,334)**

	31 March 2011 £000	31 March 2010 £000
Range of size of revenue balances:		
Largest Overdrawn Balance	463	211
Largest Surplus Balance	(999)	(842)
Range of size of capital balances:		
Largest Overdrawn Balance	13	50
Largest Surplus Balance	(111)	(137)

NOTE 39 INCOME FROM GRANTS AND CONTRIBUTIONS

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

	2010/11 £000	2009/10 £000
Council Tax Income (including Collection Fund Surplus)	**(115,013)**	**(114,450)**
National Non Domestic Rates	**(24,463)**	**(22,437)**
Revenue Support Grant	(3,552)	(5,179)
Area Based Grant	(8,668)	(6,654)
Local Authority Business Growth Incentive Grant	0	(256)
Non-ringfenced government grants	**(12,220)**	**(12,089)**
Academies Grant	(607)	(612)
Aiming Higher for disabled Children	(206)	0
Arcadia	0	(118)
ASC Reform Capital Grant	(100)	0
Basic Need Grant	(4,377)	0
Building Schools for the Future	0	(16,572)
Capital Ambition Grant	(100)	0
Co-Location Grant	(234)	0
Devolved Formula	0	(600)
Devolved Schools contributions	(874)	0
NDS Devolved Capital Grant	(1,031)	0
Disabled Facilities Grant	(600)	(200)
Empty Properties	(175)	(105)
Football Foundation	0	(800)
Football Pavilion	(476)	0
Targeted Funding Stream	(247)	0
Harness Technology	(185)	(357)
Heritage Lottery Fund	0	(1,523)
New Deal for Schools Devolved Capital	0	(2,423)
Playbuilders	(369)	(283)
Wave 2 Playbuilders	(241)	0
PSA Reward	0	(328)
Primary Grant	(3,110)	0
RHP	(194)	0
Schools other	(292)	(385)
Social Care	(110)	(110)
Surestart Childrens' Grant	(538)	(901)
Targeted Funding Stream	0	(248)
Target Diversity	(756)	0
Targeted 14 -19 Grant	(2,123)	0
Targeted Kitchens	(286)	0
Transport For London Grant	(5,409)	(11,141)
Universal Coldbusters	(343)	(298)
S106 developer contributions	(140)	(536)
Other smaller grants	(527)	(794)
Capital Grants	**(23,650)**	**(38,334)**
Total Grants, Contributions & Donations	(175,346)	(187,310)

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

Government Grants	2010/11 £000	2009/10 £000
Standards fund	(8,009)	(6,501)
Teacher Training Grant	(253)	(107)
Housing Benefit Grant	(59,198)	(57,584)
Asylum Seeker Grant	(347)	(397)
Ethnic Minority and Traveller Achievement Grant	0	(142)
Youth Grants	0	(235)
Schools PFI	(1,342)	(1,342)
Early Years Surestart Grant	(5,142)	(3,657)
Dedicated Schools Grant	(94,223)	(95,057)
London Pay Addition	(525)	(364)
Targeted Mental Health	(189)	(163)
Think Family	(478)	(255)
Contact Point	(169)	(145)
16-19 Funding (LSC)	(153)	0
Council Tax Benefit	(12,810)	(12,677)
Planning & Development Grant	0	(152)
PFI	(852)	(852)
Learning Disability	(153)	(93)
Discretionary Benefit Grant	(114)	(113)
Transport Asset Grant	(104)	0
Supporting People Grant	0	(2,848)
Homelessness Grant	(653)	(451)
Adult Social Care Reform Grant	(632)	(464)
Benefit Admin Grant	(1,288)	(1,358)
Schools Standards Fund Grant	(3,608)	(4,035)
Government Grants below £100,000	(503)	(993)
Total	**(190,745)**	**(189,985)**
Other Grants		
Crane Park Project	(44)	0
Low Carbon Zone	(187)	0
Other Grants below £100,000	(62)	(71)
Total	**(293)**	**(71)**
Contributions		
Elections	(212)	0
Parental Contributions	(1,100)	(372)
V Talented Russell Commission	0	(115)
Delegated Schools Contributions	(2,452)	(2,581)
Recoupment for statemented children in LBR Schools	(1,556)	(1,313)
Skills Funding Agency	(528)	0
Learning Skills Councils Contributions 16+	(219)	(1,024)
Young Person Learning Agency Contribution	(474)	0
PFI School Contributions	(1,685)	(546)
Youth Justice Board	(241)	(168)
Health Authority Contributions	(13,248)	(10,351)
Care UK RTPCT Contribution towards nursing care	0	(278)
NHS Richmond contributions	(426)	(466)
ADASS Contributions towards a secondment	(170)	(162)
Contributions (under £100,000)	(264)	(483)
Total	**(22,575)**	**(17,859)**
Donations	**(250)**	**(442)**
Total Grants, Contributions & Donations	**(213,353)**	**(208,357)**

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached that have not been met, a detailed breakdown is as follows:

Grants & Contributions - Long term Receipts in Advance	**2010/11 £000**	**2009/10 £000**
New Deal for Schools Devolved Capital	(1,774)	(1,759)
Modernisation	(1,000)	0
Basic Need Safety Valve	(5,517)	(2,566)
Wave 2 Playbuilders	0	(241)
Targeted Cap Fund (14-19)	(5,158)	(1,940)
Targeted Cap Fund (Stnd&diversity)	(1,644)	(675)
Primary Capital Progr	(5,268)	(3,000)
Targeted Capital (Sch kitchens)	(457)	(217)
Co-location grant	0	(234)
Academies (Proj. Supp)	(2,218)	0
S106 Contributions	(203)	(213)
Other smaller grants and contrns	(142)	(128)
Total Long Term Receipts in Advance	**(23,379)**	**(10,973)**
Grants & Contributions -Short Term Receipts in Advance		
Diploma Grants	(299)	(309)
Standards Fund Grant (DFE)	(712)	(685)
Early Years Surestart Grant (DFE)	(100)	(187)
Department for Transport Grant	(299)	0
Small Government grants	(256)	(501)
Health Contributions	(217)	(1,458)
Other grants and contributions	(432)	(593)
Total Short Term Receipt in advance	**(2,315)**	**(3,733)**

NOTE 40 RELATED PARTIES

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

The Government

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant part of its funding in the form of grants and re-distribution of non-domestic rates, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).
Details of grants received from Government departments are set out in Note 39 as well as liabilities outstanding at the year end in relation to those grants. The following table provides a summary of the main amounts arising in the accounts that involve Central Government departments:

Income:	2010/11 £000	2009/10 £000
Credited to Taxation and Non Specific Grant income		
Formula Grant - NNDR	(24,463)	(22,437)
Formula Grant - RSG	(3,552)	(5,179)
Area Based Grant	(8,668)	(6,654)
Local Authority Business Growth Incentive Grant	0	(256)
Capital Grants	(22,280)	(36,547)
Credited to Services		
Housing Benefit subsidy	(59,198)	(57,584)
Council Tax Benefit subsidy	(12,810)	(12,677)
Housing and Council Tax benefit admin subsidy	(1,288)	(1,358)
Service Related Revenue Grants	(117,578)	(118,366)
VAT recovery	(18,619)	(18,087)
Total Income from Government	**(268,456)**	**(279,145)**
Expenditure:		
Contribution to Non-Domestic Rates Pool	76,048	71,539
National Insurance, PAYE & other deductions	32,460	30,262
VAT	1,742	1,420
Total Expenditure to the Government	**110,250**	**103,221**

Members

Members of the council have direct control over the council's financial and operating policies. The total of members allowances paid in 2010/11 is shown in Note 35. A number of councillors are self employed, these councillors would not be involved in any decisions that involve their self employed professional capacity. During the year Members of the Council (or their immediate family) were also members or employees of the following organisations:

Organisation	Nature of Transaction	2010/11 £000	2009/10 £000
London Councils	Subscription Paid	998	1,008
Audit Commission	Fees Paid	267	310
Greater London Authority	Precept & Surplus Paid	29,974	27,350
Local Government Association	Subscription Paid	52	56
London Pensions Fund Authority	Levy Paid	339	358
Petersham Common Conservators	Payment for Maintenance	18	18
Richmond Churches Housing Trust	Supported and Other Housing Services	660	635
Richmond Housing Partnership	Supported and Other Housing Services	1,192	860
Richmond Theatre	Lease guarantee	790	739
Richmond & Twickenham PCT	Joint Commission / Funding	13,843	12,763
West London Waste Authority	Levy Paid	6,539	6,150
Environment Agency	Levy Paid	177	177
Solace Enterprises	Consultancy Services	0	5
South West Middlesex Crematorium Board	Support Services & Investment	574	544

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

Officers

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

Except for the following 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 and 2010/11, 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 Director of Education, Childrens and Cultural Services has declared that he is a board member of The Learning Schools Trust and The Academy Enterprise Trust. Both these organisations are involved in the management of Academy schools in the Borough.

Other Public Bodies

The Council delivers services in close co-operation with other public bodies such as the Greater London Authority, Transport for London, Metropolitan Police Service Health Authorities and other Local Authorities. Where the Council receives significant grant funding from another public body, details are disclosed in note 39. Amounts owed to or by other public bodies are disclosed in notes 18 and 21

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:

	2010/11	2009/10
Expenditure:	**£000**	**£000**
Pension Contributions to the pension fund	15,045	14,887
Pension Contributions from employees	4,185	4,217
Interest	92	15
Total Expenditure	**(19,322)**	**(19,119)**
Income:		

Indirect support costs recovered from the Pension Fund	**(282)**	**(378)**

Amounts Due to and From Related Parties

	2010/11		2009/10	
	Amount owed by the Related party	**Amount owed to the Related party**	**Amount owed by the Related party**	**Amount owed to the Related party**
	£000	**£000**	**£000**	**£000**
Central Government:				
Revenue Grants - Received / Payments in Advance	0	1,728	5	1,363
- Due	921	16	926	1,140
Capital Grants - Receipts in Advance	0	23,176	0	10,761
Amounts due from NNDR Pool	0	465	868	0
National Insurance	0	1,195	0	1,254
Income Tax	50	1,501	0	1,474
VAT	2,644	0	2,442	0
Other	0	0	0	0
Total Central Government	**3,615**	**28,081**	**4,241**	**15,992**
Other:				
Audit Commission	0	72	0	57
South West Middlesex Crematorium	7	0	25	0

NOTE 41 CAPITAL EXPENDITURE CAPITAL FINANCING

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

	2010/11 £000	2009/10 £000
Opening Capital Financing Requirement	**80,365**	**77,218**
Capital Investment		
Property, Plant and Equipment	29,647	42,901
Investment Properties	0	26
Intangible Assets	0	0
Revenue Expenditure Funded from Capital under Statute	14,675	7,656
Sources of finance		
Capital receipts	(4,773)	(8,132)
Government grants and other contributions	(24,687)	(34,236)
Sums set aside from revenue	(1,852)	(2,292)
Direct revenue contributions	(734)	(508)
MRP / loans fund principal	(2,805)	(2,268)
Closing Capital Financing Requirement	**89,836**	**80,365**
Explanations of movements in year		
Increase in underlying need to borrow (supported by government financial assistance)	1,043	1,147
Increase in underlying need to borrow (unsupported by government financial assistance)	11,092	3,895
Assets acquired under finance leases	12	0
Assets acquired under PFI / PPP contracts	129	373
MRP set aside to finance borrowing requirement	(2,805)	(2,268)
Increase / (decrease) in Capital Financing Requirement	**9,471**	**3,147**

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

NOTE 42 LEASES

The Council as Lessee

Finance Leases

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

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

and the finance lease debtor to the Council as lessor) are therefore accounted for separately and not netted off against each other.

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

	31 March 2011 £000	31 March 2010 £000
Other Land and Buildings	5,236	5,341
Vehicles, Plant and Equipment	328	528
	5,564	**5,869**

The Council is committed to making minimum payments under these leases comprising of two elements – payment of the lease liability and interest payable on the outstanding liability each year. All of the finance leases for property, with the exception of the Quadrant car park, included premiums that wrote down the lease liability at the start of the lease with annual rents restricted to a peppercorn. The minimum lease payments are as follows:

	31 March 2011 £000	31 March 2010 £000
Finance lease liabilities (net present value of minimum lease payments)		
Current	129	231
Non-Current	322	451
Finance cost payable in future years	401	424
Minimum lease payments	**852**	**1,106**

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

	Minimum Lease payments		Finance Lease Liabilities	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Not later than one year	145	253	129	231
Later than one year and not later than five years	274	405	233	357
Later than five years	433	448	88	94
	852	**1,106**	**450**	**682**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In both 2010/11 and 2009/10 contingent rents of £337,750 were payable by the Council.

The Council sub-lets the Quadrant car park on identical terms to those on which it leases the property. The total minimum rentals due under this sub-lease as at 31 March 2011 are £465,576 (£473,744 as at 31 March 2010).

Operating Leases

The Council has a number of operating leases in existence after 1 April 2010 that include property, vehicles and a variety of equipment (mainly office and schools - related equipment such as copiers, IT equipment etc.). The future minimum lease payments due under non-cancellable leases are as follows:

	31 March 2011 £000	31 March 2010 £000
Not later than 1 year	1,617	1,816
Later than 1 but not later than 5	2,303	3,472
Later than 5	3,040	3,368
	6,960	**8,656**

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

	31 March 2011 £000	31 March 2010 £000
Operating Leases		
No later than one year	163	163
Later than one year and not later than five years	649	650
Later than five years	135	297
	947	**1,110**

Expenditure incurred on operating leases was charged to the Comprehensive Income and Expenditure Statement during the last two financial years:

	2010/11 £000	2009/10 £000
Central Services to the Public	33	33
Cultural, environmental, regulatory and planning services	60	59
Education and children's services	508	478
Highways and transport services	4	4
Housing services (General Fund)	584	439
Adult social care	392	395
Recharged Across All Services	235	243
	1,816	**1,651**

The Council as Lessor

Finance Leases

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

The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. Where a premium has been received this has been allocated against the long term debtor when received and used to reduce the lease payments over the term. The gross investment is made up of the following amounts:

	2010/11 £000	2009/10 £000
Finance Leases		
Finance lease debtor (NPV of minimum lease payment)	1,726	1,730
Unearned finance income	10,670	10,799
Unguaranteed residual value of property	0	0
Gross investment in the lease	**12,396**	**12,529**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
No later than one year	133	133	4	4
Later than one tear and not later than five years	531	531	20	19
Later than five years	11,733	11,865	1,702	1,707
	12,397	**12,529**	**1,726**	**1,730**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £242,000 contingent rents were receivable by the Council (2009/10 £242,000).

Operating Leases

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

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses
- for use by partner organisations such as health or the police.

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

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

	31 March 2011 £000	31 March 2010 £000
Operating Leases		
No later than one year	772	881
Later than one year and not later than five years	2,713	2,837
Later than five years	19,751	20,398
	23,236	**24,116**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £67,000 contingent rents were receivable by the Council (2009/10 £67,000).

NOTE 43 PFI AND SIMILAR CONTRACTS

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

Primary Schools PFI Scheme
2010/11 was the 8th year of a 30 year PFI contract for the construction and maintenance of 5 primary school buildings. The Council has rights under the contract to use of the schools. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed in the schools. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to voluntarily terminate the contract if it compensates the contractor in full for borrowing costs incurred and redundancy costs of relevant employees.

Residential Care Homes PFI Scheme
2010/11 was the 10th year of a 25 year PFI contract for the construction, maintenance and operation of 3 care homes. The Council has rights under the contract to use 195 of the bed spaces provided, and the option to purchase any of the 19 remaining beds at specified preferential rates. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the homes and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the homes as well as staffing them. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract

ICT Support Similar Contract
The Council has also entered into a long-term ten year contract for the provision of IT support through an IT and e-government ‘partner’. The contract involves annual payments in excess of £5.3 million and is due to expire in February 2013. The Council has rights under the contract to have use ICT equipment, both software and hardware. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to provide and maintain the Council’s ICT equipment and systems in a minimum acceptable condition as well as providing on site and remote technical support. The equipment will be transferred to the Council at the end of the contract for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

Payments
The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.
The ICT contract has further provisions to vary charges based on equipment usage such as the number of laptops required, and also to enable the Council, at its discretion, to procure additional

services and equipment (on an outright purchase basis) the cost of which is additional and separate to the annual charge in the contract. No future obligations arise from these additional and discretionary services.

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

Payments remaining to be made under the PFI contract at 31 March 2011 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Service Charge £'000	Capital £'000	Interest £'000	Total £'000
Payments due :				
Payable in 2011/12	11,596	1,127	1,757	14,480
Payable within two to five years	34,312	3,163	6,202	43,677
Payable within six to ten years	43,209	4,592	6,226	54,027
Payable within eleven to fifteen years	49,676	7,078	3,741	60,495
Payable within sixteen to twenty years	20,403	3,254	1,426	25,083
Payable within twenty one to twenty five years	4,450	1,515	123	6,088
Total	**158,646**	**20,729**	**19,475**	**203,850**

Long Term Liability

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

	2010/11				2009/10			
	ICT Support Services £000	Residential Care Homes £000	Primary Schools £000	Total £000	ICT Support Services £000	Residential Care Homes £000	Primary Schools £000	Total £000
Balance outstanding at start of year	(1,837)	(10,599)	(9,275)	(21,711)	(1,949)	(10,893)	(9,400)	(22,242)
Capital expenditure incurred in the year	(128)	0	0	(128)	(373)	0	0	(373)
Payments during the year	603	320	136	1,059	485	294	125	904
Closing balance 31 March	**(1,362)**	**(10,279)**	**(9,139)**	**(20,780)**	**(1,837)**	**(10,599)**	**(9,275)**	**(21,711)**

Property Plant and Equipment
The assets used at the schools are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 13.

	2010/11				20009/10			
	ICT Support Services £000	Residential Care Homes £000	Primary Schools £000	Total £000	ICT Support Services £000	Residential Care Homes £000	Primary Schools £000	Total £000
Cost or Valuation								
Opening balance 1 April	2,703	14,359	12,646	29,708	2,330	14,359	11,943	28,632
Additions	128	0	71	199	373	0	52	425
Revaluation	0	283	0	283	0	0	651	651
Disposal	0	0	0	0	0	0	0	0
Closing balance 31 March	**2,831**	**14,642**	**12,717**	**30,190**	**2,703**	**14,359**	**12,646**	**29,708**
Depreciation & Impairments								
Opening balance 1 April	1,945	686	533	3,164	1,650	430	448	2,528
Depreciation	274	266	224	764	295	256	224	775
Revaluation	0	(290)	0	(290)	0	0	(139)	(139)
Disposal	0	0	0	0	0	0	0	0
Closing balance 31 March	**2,219**	**662**	**757**	**3,638**	**1,945**	**686**	**533**	**3,164**
Net Book Value 31 March	**612**	**13,980**	**11,960**	**26,552**	**758**	**13,673**	**12,113**	**26,544**

NOTE 44 IMPAIRMENT LOSSES

During 2010/11, the Council has recognised total impairment losses of £12.609m. These relate to the following asset classes:

£12.479 million - Land & Buildings - Secondary Schools. This relates to the demolition of old school buildings on completion of the new building.
£ 0.120 million - Land & Buildings – Primary Schools. This relates to the demolition of an old school buildings no longer in use.
£ 0.010 million - Vehicles – One waste vehicle is no longer fit for use and has been scrapped.

For all these assets, the impairment represented the net book value of the asset. This impairment has been charged to the relevant line in the Provision of Services in line with proper accounting practice, with the charge reversed from the charge to the General Fund within the Movement in Reserves Statement.

NOTE 45 CAPITALISATION OF BORROWING COSTS

The Council has not capitalised any borrowing costs during 2010/11 or 2009/10.

NOTE 46 TERMINATION BENEFITS

The Council terminated the contracts of 131 employees in 2010/11 incurring liabilities of £2,800,406 (£111,742 in 2009/10).

NOTE 47 PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTIONS SCHEMES

Participation in pension schemes

The Council participates in two pension schemes:

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

This scheme is administered by the Council (as the administering authority) and is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. All employees of the Council (excluding those eligible to join the Teachers' Pension Scheme) are entitled to join the LGPS.

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

Teachers employed by the Council are members of the Teachers' Pension Scheme (TPS), administered by the Department for Education. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, the Council paid £8.6 million (£8.9 million in 2009/10) to TPS in respect of teachers' retirement benefits, representing 14.1% of pensionable pay in both years. There was £0.67 million (£0.76 million in 2009/10) owed to the TPS at year end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 48.

NOTE 48 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

- The Local Government Pension Scheme, administered by the Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets

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

Transactions Relating to Post-employment Benefits
The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Comprehensive Income and Expenditure Statement	**2010/11 £000**	**2009/10 £000**
Cost of Services:		
Current service costs	11,859	7,192
Past service costs	(56,100)	16
Settlements and curtailments	483	20
Financing and Investment Income and Expenditure		
Interest cost	27,802	23,481
Expected return on scheme assets	(23,488)	(15,037)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(39,444)**	**15,672**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Actuarial gains and losses	(53,293)	107,107
Total post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(92,737)**	**122,779**
Movement in Reserves Statement		
Reversal of net charges made to the surplus or Deficit for the Provision of Services for post employment benefits in accordance with the code	109,243	(106,365)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to scheme	**15,024**	**14,884**
Retirement benefits payable to pensioners	**1,482**	**1,530**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2011 is a loss of £76.318 million in 2010/11 and £129.512 million in 2009/10

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

Past Service Costs reported include the impact of the change in indexation of pension increases from RPI to CPI as reported as a Post Balance Sheet Event in the 2009/10 Statement of Accounts at Note 56 estimated at a reduction to the liability of £56.2 million.

Assets and Liabilities in Relation to Post-employment Benefits

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

	Liabilities	
	2010/11 £000	2009/10 £000
Opening balance at 1 April	**549,192**	**342,186**
Current service costs	11,782	7,170
Interest cost	27,802	23,481
Contributions by scheme participants	4,028	4,282
Actuarial losses / (gains)	(37,633)	187,447
Benefits paid	(17,136)	(15,410)
Past service costs	(56,100)	16
Curtailments &Settlements	483	20
Closing balance 31 March	**482,418**	**549,192**

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

	Assets	
	2010/11 £000	2009/10 £000
Opening balance at 1 April	**329,417**	**228,695**
Expected rate of return	23,488	15,037
Actuarial gains / (losses)	15,562	80,316
Employer contributions	16,528	16,417
Contributions by scheme participants	4,028	4,282
Benefits paid	(17,136)	(15,330)
Closing balance 31 March	**371,887**	**329,417**

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

The actual return on scheme assets in the year was £27.925 million compared to £95.353 million in 2009/10.

Scheme History

	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000
Present value of liabilities	(482,498)	(549,272)	(342,186)	(349,492)	(394,852)
Fair value of the assets in the local Government Pension Scheme	371,886	329,417	228,695	275,489	286,518

Surplus / (deficit) in the scheme	(110,612)	(219,855)	(113,491)	(74,003)	(108,334)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £549.3 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £110.6 million. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £14.2 million. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £1.5 million.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries. Estimates for the Council Fund being based on the latest full valuation of the scheme as at 1 April 2010. The principal assumptions used by the actuary have been:

	Assumptions	
	2010/11 £000	**2009/10 £000**
Long term expected rate of return on assets in the scheme:		
Equity investments	7.5%	7.8%
Bonds	4.9%	5.0%
Property	5.5%	5.8%
Cash	4.6%	4.8%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	20.1 years	20.8 years
Women	22.9 years	24.1 years
Longevity at 65 for future pensioners:		
Men	22.0 years	22.3 years
Women	24.8 years	25.7 years
Rate of inflation	2.8%	3.8%
Rate of increase in salaries	5.1%	5.3%
Rate of increase in pensions	2.8%	3.8%
Rate of increase in scheme liabilities	5.5%	5.5%
Take up option to convert annual position into retirement lump sum		
- Pre April 2008 Service	25%	25%
- Post April 2008 Service	63%	63%

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

	31 March 2011 £000	31 March 2010 £000
Equity investments	73%	75%
Debt instruments	16%	17%
Property	9%	6%
Cash	2%	2%

History of Experience Gains and Losses
The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2010/11	2009/10	2008/09	2007/08	2006/07
Difference between the expected and actual return on assets	2%	24%	(31%)	(13%)	1%
Experience gains and losses on liabilities	4.3%	0.2%	(0.1%)	(2.7%)	(0.2%)

NOTE 49 CONTINGENT LIABILITIES

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

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 2011 the Council has paid £1.6m under the loan guarantee agreement and £6.9 million under the lease rental guarantee agreement. Future lease rentals, for which the Council may be liable, total £1.8 million of which £0.9 million is due in 2011/12. The present value of the total future contingent liability is £1.9 million. The Council has made planned resources available in its medium term financial plan to accommodate this potential expenditure. This potential liability will be funded from capital resources as it arises and therefore there will be no direct charge to the Income and Expenditure Account arising from any probable future payments.

Land Charges

The government have changed the Local Land Charge Rules with effect from 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. The Council is contributing to a Local Government Association fund for a legal case between over 200 Local Authorities and 5 local search companies, the outcome of this case will determine whether a liability will arise between the Council and local search companies or whether the potential liability is between the Council and the individuals who commissioned the information.

The total charges are estimated to be £215,000 but because of the relative small individual sums involved (£11 prior to January 2010) the potential overall level of refunds is unclear.

Parking Fines

The Council has two potential liabilities with regard to parking fines:

The first relates to potential claims for issues with markings at a particular loading bay. The issues are likely to have first arisen in late 2005. Income from this bay resulted in an objection on the Council's 2009/10 Statement of Accounts. A legal case involving Bolton Council set a number of tests that a Council must satisfy if it to retain income in these types of circumstance. The Council is reasonably confident that it has satisfied these tests but remains in discussion with the 2009/10 External Auditors on the issue. There is still therefore some risk of a liability to repay parking fines received in previous years. Should such a liability arise the potential impact could be up to £200,000.

There is also a potential liability arising for refunds of parking fines due to incorrect licensing of the camera cars adopted by the Council as an enforcement mechanism in 2009. The level of fines involved could be up to £1.2 million. The Council is currently considering legal advice in respect of this. Should a significant liability arise sums up to the full cost will be met from the Council's revenue reserves.

NOTE 50 CONTINGENT ASSETS

Contingent assets relate to possible income arising from a past event that has not been recognised in the Statement of Accounts due to the probability that a transfer of economic benefits will not arise, or cannot be reliably estimated. The right to the potential asset is dependent on something happening in the future. A review is undertaken annually to identify potential contingent assets. There were no contingent assets outstanding as at 31st March 2010 and 31st March 2011.

NOTE 51 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- credit risk – the possibility that other parties might fail to pay amounts due.
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

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

Credit Risk

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

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

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

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

The Council's investment objectives are to achieve security and liquidity of investments and obtain the optimum return commensurate with the prior objectives. Overall levels of investment are governed by cash flow, and cash flow projections are used to determine the duration of investments made to ensure sufficient liquidity. Liquidity is further enhanced by the use of "instant access" deposit accounts, 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 2009/10 or 2010/11.

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://cabnet.richmond.gov.uk/mgConvert2PDF.aspx?ID=24550

The following are a summary of relevant limits approved for 2010/11:

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

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

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

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

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

Local Authorities - up to £5 million

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 2010/11, 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 2011 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2011 %	Estimated maximum exposure to default and uncollectability at 31 March 2011 £000	Estimated maximum exposure at 31 March 2010 £000
	A	**B**	**C**	**(AxC)**	
Money Market Deals	85,400	0.00%	0.00%	0	0
Bonds	2,250	0.00%	0.00%	0	0
Customers	8,605	3.20%	4.80%	413	356
	96,255			**413**	**356**

LIQUIDITY RISK

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 2010/11. The Council has taken advice from their Treasury Advisors who have confirmed there is no adjustment for market conditions at 31 March 2011 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 six 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 six years. On the evidence of collection rates in 2010/11 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 £4.583 million of the £8.605 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2011 £000	31 March 2010 £000

Less than 3 months	1,672	1,373
3 to 6 months	476	458
6 months to 1 year	654	471
More than 1 year	1,781	1,729
	4,583	**4,031**

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

Liabilities	**31 March 2011 £000**	**31 March 2010 £000**
Less than 1 year (including accrued interest)	7,157	7,737
Between 1 and 2 years	0	0
Between 2 and 5 years	10,500	10,500
Between 5 and 10 years	7,000	7,000
Between 10 and 15 years	5,848	5,848
Between 15 and 25 years	17,500	12,500
More than 25 years	5,000	5,000
	53,005	**48,585**

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

Assets	**31 March 2011 £000**	**31 March 2010 £000**
Less than 1 year	52,262	48,562
Between 1 and 2 years	8,000	5,000
Between 2 and 5 years	5,000	5,000
More than 5 years	2,250	2,250
	67,512	**60,812**

MARKET RISK

Interest rate risk

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

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

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

The Council has a number of strategies for managing interest rate risk. Policy 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 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	Amount at 31 March 2011 £000	**Amount at 31 March 2010 £000**
Increase in interest payable on variable rate borrowings	71	75
Increase in interest receivable on variable rate investments	(724)	(692)
Increase in government grant receivable for financing costs		0
Impact on surplus or deficit on the Provision of Services	**(653)**	**(618)**

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 2010/11 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 2011, there were 2 with counterparties that did not meet the formal criteria approved by Council, totalling £2 million. These were 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.

NOTE 52 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:

	2010/11	2009/10
Income	**£000**	**£000**
Interest Receivable		
On advances to mortgagors	(11)	(14)
On temporary investments	(1)	(1)
Other Income		
Insurance commission – buildings	(5)	(6)
Insurance commission – other	(59)	(81)
Rents	(55)	(58)
Miscellaneous (fees and charges)	(7)	(7)
	(138)	**(167)**
Expenditure		
Employees	66	68
Premises	0	0
Supplies and services	14	14
Central support costs	13	13
	93	**95**
Net Operating Surplus	**(45)**	**(72)**
Distribution to London Borough Councils	90	100
Transfer from Earmarked Reserve	(45)	(28)
Net effect on the General Fund Balance	**0**	**0**

BALANCE SHEET

The Council administers all transactions, assets and liabilities relating to the previously made mortgages of the Home Loans Unit (HLU) on behalf of all London Borough Councils. The following table provides details of the HLU's Balance Sheet:

	As at 31 March 2011		As at 31 March 2010	
	£000	£000	£000	£000
Long Term Assets				
Equity shares in property	4,396		4,514	
Current Assets				
Temporary Investments	64		250	
Sundry Debtors	157		194	
Cash and Bank	342	4,959	323	5,281
Current Liabilities				
Sundry Creditors	(325)		(325)	
Bank Overdrawn	(34)	(359)	(30)	(355)
Provisions		(220)		(220)
Total Assets less Liabilities		**4,380**		**4,706**
Represented By:				
Capital Reserve - Equity Shares in Property		(4,396)		(4,514)
Revenue Account Surplus		(34)		(79)
Capital Appropriation Account		50		(113)
		4,380		**(4,706)**

Long Term Assets

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

Capital Receipts

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

CAPITAL DISTRIBUTION

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

	2010/11	2009/10
	£000	£000
Balance brought forward	(113)	(113)
Surplus for the year	(118)	(300)
	(231)	(413)

	2010/11	2009/10
Amounts distributed to London Borough councils	280	300
Balance carried forward	**(49)**	**(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 53 INSURANCE

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

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

Policy	**2010/11** Total Sum Insured	**2010/11** Excess	**2009/10** Total Sum Insured	**2009/10** Excess
	£000	**£000**	**£999**	**£000**
Property	752,890	100	677,638	100
Public Liability	30,000	100	30,000	116
Employer's Liability	30,000	100	30,000	116
Vehicles	n/a	100	n/a	162

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 2010.

Insurance Fund	**31 March 2011**	**31 March 2010**
	£000	**£000**
Recognised as a Reserve	3,053	3,117
Recognised as a Provision	1,312	1,502
Total Fund at 31st March	**4,365**	**4,619**

NOTE 54 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 Comprehensive Income and Expenditure Account or Consolidated Balance Sheet.

Trust Fund	**Balance at 1 April 2010**	**Income**	**Expenditure**	**Balance at 31 March 2011**
	£000	**£000**	**£000**	**£000**
Orleans House	6,714	0	62	6,652
Endres Bequest Trust Fund	63	0	1	62

Richmond Chapel	161	0	0	161
Other minor Trust Funds	29	0	0	29
	6,967	**0**	**63**	**6,904**

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

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.

COLLECTION FUND ACCOUNTS

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

	2010/11		2009/10
Income	£000	£000	£000
Income from Council Tax		(130,478)	(129,899)
Transfers from the General Fund:			
Council Tax Benefits	(13,056)		(12,887)
Transitional Relief	(2)	(13,058)	(4)
Income collectable from business ratepayers		(80,402)	(72,298)
		(223,938)	**(215,088)**
Expenditure			
Precepts:			
Payment to LB Richmond upon Thames	114,443		113,645
Payment to Greater London Authority	27,542	141,985	27,350
Business rate:			
Payment to National Pool	76,048		71,539
Payment to Greater London Authority	2,448		0
Costs of Collection	313	78,809	309
Bad and doubtful debts and appeals:			
Write offs Council Tax	243		448
Write offs NNDR	887		108
Provisions Council Tax	602		348
Provisions NNDR	706	2,438	341
Contributions – distribution of previous year's surplus			
LB Richmond upon Thames	500		0
Greater London Authority	120	620	0
		223,852	**214,088**
Net (Surplus) / Deficit for the Year		**(86)**	**(1,000)**
Movement on Fund Balance			
Net (Surplus)/Deficit for year		(86)	(1,000)
Surplus Brought Forward at 1st April		(1,454)	(454)
Surplus Carried Forward at 31 March		**(1,540)**	**(1,454)**

NOTES TO THE COLLECTION FUND ACCOUNTS

NOTE 55 NNDR RATEABLE VALUE AND MULTIPLIER

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

	2010/11 £000	2009/10 £000
Total NNDR rateable value	214,959	177,456
NNDR rate Multiplier	40.7 pence	48.1 pence

NOTE 56 COUNCIL TAX BASE

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

	2010/11			2009/10
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	415	6/9	276	274
B	1,719	7/9	1,337	1,316
C	10,546	8/9	9,374	9,207
D	17,534	9/9	17,535	17,329
E	17,695	11/9	21,627	21,453
F	10,652	13/9	15,387	15,381
G	11,484	15/9	19,140	19,030
H	2,899	18/9	5,798	5,670
			90,475	**89,661**
Less Adjustment for Collection Rate			(1,629)	(1,434)
Plus Ministry of Defence Properties			49	49
Council Tax Base			**88,895**	**88,276**
Note Band A* attracts disabled relief				

NOTE 57 PRECEPTS ON THE COLLECTION FUND

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

	2010/11	2009/10
	£000	**£000**
London Borough of Richmond upon Thames	114,443	113,645
Greater London Authority	27,542	27,350
	141,985	**140,995**

PENSION FUND ACCOUNTS

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

FUND ACCOUNT

	Note	2010/11 £000	£000	2009/10 £000	2008/09 £000
DEALINGS WITH MEMBERS AND EMPLOYERS					
Contributions receivable					
From employers:	*7*				
Normal		(12,231)		(12,123)	(11,628)
Augmentation		(479)		(111)	(309)
Deficit funding		(6,344)	(19,054)	(6,300)	(6,052)
From members (Normal)	*7*		(5,305)	(5,244)	(4,988)
Transfers In:					
Group transfers from other schemes			0	0	(16)
Individual transfers from other schemes			(3,121)	(5,912)	(1,916)
			(27,480)	(29,690)	(24,909)
Benefits payable	*7*				
Pensions		13,573		13,079	12,286
Commutation of pensions and lump sum retirement benefits		4,086		2,920	2,752
Lump sum death benefits		574	18,233	305	161
Payments to and on account of Leavers	*8*				
Refunds of Contributions		18		20	54
Transfers Out:					
Group transfers to other schemes		0		1,027	0
Individual Transfers (to other Schemes or Funds within the LGPS)		3,306	3,324	2,517	1,173
Administrative and other Expenses borne by the Scheme	*10*		420	504	524
Net Additions from Dealings with Members			**(5,503)**	**(9,318)**	**(7,959)**
Returns on Investments					
Investment income					
Interest from fixed interest securities		0		0	(567)
Dividends from equities		(78)		(22)	(3,512)
Income from index linked securities		0		0	(52)
Income from pooled investments		(6,710)		(5,942)	(7,336)
Interest on cash deposits		(93)		(19)	(329)
Other		(8)	(6,889)	(9)	(4)
Change in market value of investments:					
Realised (gains) / losses		(1,820)		(313)	17,894
Unrealised (gains) / losses		(24,820)	(26,640)	(106,439)	54,420
Investment Management Expenses	*20*		1,119	1,044	731
Net Returns on Investments			**(32,410)**	**(111,700)**	**61,245**
Net decrease / (Increase) during the year			(37,913)	(121,018)	53,286
Opening net assets of the Fund 1 April			(392,946)	(271,928)	(325,214)
Closing Net Assets of the Fund 31 March			**(430,859)**	**(392,946)**	**(271,928)**

NET ASSET STATEMENT

	Note	31 March 2011 £000	31 March 2010 £000	31 March 2009 £000
Investment Assets				
Pooled investment Vehicles :				
Unit trusts:				
Property		36,927	25,409	19,079
Other		116,128	106,520	72,316
Unitised insurance policies:		194,612	179,824	124,559
Open ended investment companies (OEICS) - Other		76,625	74,243	51,645
Cash (Interest Bearing Deposits)		6,454	7,610	3,948
Total assets invested	*12*	**430,746**	**393,606**	**271,547**
Other investment balances				
Investment debtors:				
Investment income accrued		1,144	1,032	1,133
Investment creditors:				
Investment settlements outstanding		(972)	(900)	(1,027)
		430,918	**393,738**	**271,653**
Net Current Assets and Liabilities				
Debtors:				
Monthly Contributions due from employers		447	370	386
Other		127	100	171
Creditors:				
Unpaid benefits (lump sum entitlements)		(105)	(223)	(20)
Investment management expenses		(461)	(522)	(109)
Other		(67)	(517)	(153)
		(59)	**(792)**	**275**
Total Net Assets	*12 & 14*	**430,859**	**392,946**	**271,928**

There were no material differences identified on transition to the IFRS-based Code. Consequently, the Net Assets Statement as at 31 March 2009 is included above unchanged, as an opening IFRS Net Assets Statement at 1 April 2009 (along with the 2008/09 Fund Account).

LIABILITIES TO PAY PENSIONS AND OTHER BENEFITS AFTER THE BALANCE SHEET DATE

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

NOTES TO THE PENSION FUND ACCOUNTS

NOTE P1 DESCRIPTION AND OPERATION OF THE FUND

Description of the Fund

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

www.lgps.org.uk

Responsibilities of the Council to administer the Pension Fund

The Council is an Administering Authority under the Local Government Pension Scheme (Administration) Regulations 2008 (SI 2008/239), and as such is required to operate the LGPS on its own behalf and on behalf of other nominated employers (see Note 3). 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 Fund Committee. The Committee's principal business is:

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

- approving the Pension Fund accounts, and dealing with all aspects relating to the audit of the Pension Fund, including receiving any reports by the Fund's independent auditor.

The Pension Fund Committee meets at least four times each year. The membership of the Committee during 2010/11 was:

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

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

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

Investment management arrangements

The Fund has appointed fund managers to undertake its investment management responsibilities. During 2010/11 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 13 to 16.

The Fund has made the following external appointments:

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

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

NOTE P2 PENSION FUND ACCOUNTING POLICIES

Basis of Preparation

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

- The Code of Practice on Local Authority Accounting in the UK 2010 (the Local Government Code), and
- Financial Reports of Pension Schemes; A Statement of Recommended Practice (Revised May 2007) – (the Pensions SORP).

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

Accounting Policies

<u>General Policies</u>

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

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

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

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

Valuation of Investments

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

The Fund's non-cash investments are currently held exclusively in pooled vehicles, which for this purpose includes unitised insurance policy-based investments. The vehicles themselves would generally be defined as "unquoted" in that they are not, continuously, "listed on or traded on a recognised investment exchange". With the exception of the property units trusts, however, they generally comprise equity and bond securities that would individually be described as "quoted". Liquidity in the non-property investments is broadly equivalent to that of the underlying securities, with the exception of the insurance policy-based investments which are traded weekly. Further information on the valuation of individual managers' holdings is included in Note 17 below.

Foreign Currency Translation

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

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

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

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

Administrative Expenses charged by the Administering Authority

The administrative costs of the Fund are set out in Note 9. Administration and processing costs (such as salaries, accommodation and ICT costs) are initially borne by the Council (as the Administrating Authority) and charged to the Fund on appropriate bases such as time spent on work related to the Fund and floor area of office accommodation occupied by the relevant staff.

NOTE P3 MEMBERSHIP OF THE FUND

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

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

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

(Note admitted bodies marked * *had no contributing members in 2010/11 and paid no contributions to the Fund in that year.)*

		31 March 2011				31 March 2010
FUND MEMBERSHIP		**Contributors**	**Members with Preserved Benefits**	**Pensioners and Dependents**	**Total Members**	**Total Members**
Admitted Bodies:						
Association of District Councils	*	-	2	19	21	22
Hampton School		50	21	19	90	89
Notting Hill Housing Trust		2	8	12	22	22
St. Mary's College		213	88	80	381	341
SW Middlesex Crematorium Board		8	10	16	34	34
Richmond CAB	*	-	-	1	1	1
Housing Organisations Mobility & Exchange Services	*	-	10	3	13	13
Richmond Council for Voluntary Services	*	-	4	4	8	8
Richmond upon Thames Music Trust		7	1	3	11	11
Christ's Community Management Body	*	-	2	-	2	2
IRRV		11	18	6	35	35
Project for Children with Special Needs	*	-	2	2	4	4
St. Catherine's School		3	7	1	11	11
Museum of Richmond	*	-	2	-	2	2
Richmond Housing Partnership		18	34	19	71	71
Twining Enterprises	*	-	9	4	13	14
Mears Building Contractors Ltd		1	6	6	13	13
Scout Solutions	*	-	16	8	24	24
Veolia (formerly Cleanaway)		38	15	10	63	64
Total Admitted Bodies		**351**	**255**	**213**	**819**	**781**
Scheduled Bodies:						
Academies Enterprise Trust		35	2	-	37	-
Learning Schools Trust		73	3	1	77	-
Richmond Magistrates' Court	*	-	14	9	23	26
Richmond upon Thames College		220	198	124	542	528
Richmond Adult & Community College		52	145	42	239	239
Total Scheduled Bodies		**380**	**362**	**176**	**918**	**793**
The Council		**2,600**	**3,127**	**2,636**	**8,363**	**8,302**
TOTAL MEMBERSHIP		**3,331**	**3,744**	**3,025**	**10,100**	**9,876**

NOTE P4 BASIS OF ACTUARIAL VALUATION

The latest actuarial valuation of the Fund was completed as at 31 March 2010. The actuarial method used to determine the contribution rate required to meet liabilities accruing in the future is known as the Projected Unit Method. The principal financial assumptions adopted in the valuation were as follows:

Investment Return	
Composite	6.1%
Increases in Liabilities	
Salary increases	5.3%
Pension increases	3.3%

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

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

NOTE P5 ACTUARIAL VALUATION – RESULTS

The results of the last actuarial valuation undertaken as at 31 March 2010 will be summarised in the Actuarial Statement included in the Fund's 2010/11 Annual Report. Employers' contributions are set taking into account the results of the valuation and the Funding Strategy for the Fund, also included in the Annual Report. The key elements in this process are:

Level of Funding

The results of the 31 March 2010 valuation indicated that the actuarial value of the available assets of £393.0m (see table above) were sufficient to cover 80.1% of the accrued liabilities to that date.

Funding Policy

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

In accordance with the Funding Strategy, employers' contributions to the Fund are being made up over a period of 20 years, to bring the funding level up to a fully solvent position. The additional contribution rate set to achieve this is 7.3% on per capita basis, whilst the Council will meet equivalent fixed sum obligations (based on membership at the valuation date).

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

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

In order to meet this requirement, the Fund's actuary has carried out an additional assessment of the Fund as at 31 March 2011, using a valuation methodology that is consistent with IAS 19. Although all the financial assumptions used in this exercise have been updated to the reporting date, the principal difference of basis between this and the 2010 triennial "funding valuation" is that the discount rate under IAS19 is based on the gross redemption yield on the iBoxx Sterling Corporates AA over 15 years Index (compared to a scheme-specific "risk asset" based rate in the funding valuation). This resulted in a discount rate of 5.5% being used in the IAS19 assessment (compared to 6.1% in the funding valuation).

On this basis, the value of the Fund's promised retirement benefits as at 31 March 2011 (along with a prior-year comparator) was:-

Year Ended	31 March 2011 £m	31 March 2010 £m
Present Value of Promised Retirement Benefits	541	601

NOTE P7 CONTRIBUTIONS AND BENEFITS

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

Contributions

	2010/11			2009/10		
	Employers	Members	Total	Employers	Members	Total
Contributions	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Administering Authority (The Council)	15,045	4,185	19,230	14,887	4,217	19,104
Scheduled Bodies	1,766	517	2,283	1,505	446	1,951
Admitted Bodies	2,243	603	2,846	2,142	581	2,723
Total Contributions	**19,054**	**5,305**	**24,359**	**18,534**	**5,244**	**23,778**

Benefits

Benefits	**2010/11 £000**	**2009/10 £000**
Administering Authority (The Council)	15,888	14,251
Scheduled Bodies	1,061	903
Admitted Bodies	1,284	1,150
Total Benefits	**18,233**	**16,304**

NOTE P8 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

During 2010/11, the Fund did not pay any bulk transfer values in respect of leavers. 50 individual transfer values with an aggregate value of £3.306m were paid.

NOTE P9 ADDITIONAL VOLUNTARY CONTRIBUTIONS

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

	31 March 2011 £000	31 March 2010 £000
Value of Investments		
Clerical Medical	1,518	1,354
Equitable Life	853	953
Total	**2,371**	**2,307**
Number of members participating	**Number**	**Number**
Clerical Medical	158	122
Equitable Life	109	182
Total	**267**	**304**
	2010/11 £000	**2009/10 £000**
Contributions received from members in year	199	148

NOTE P10 ANALYSIS OF ADMINISTRATION COSTS

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

Administration Costs	**2010/11 £000**	**2009/10 £000**
Administration and processing	282	378
Actuarial fees	81	62
Audit Fees	30	30
Communications with Fund Members	27	21
Other	0	13
Total Administration Costs	**420**	**504**

NOTE P11 INVESTMENT PRINCIPLES

Local authority pension schemes are required to publish a Statement of Investment Principles (SIP) and to include disclosure of the extent of compliance with the investment principles issued by the government. The Fund's SIP is included in its Annual Report, published later in 2011, in which these accounts will be included.

NOTE P12 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 2010	Purchases	Sale proceeds	(Profit) / Loss on Disposal	Change in Market Value	Value as at 31 March 2011
	£000	£000	£000	£000	£000	£000
Legal & General	184,527				15,228	199,755
Henderson	188,647	22,376	(16,970)	1,820	8,834	204,707
Schroders	9,613	6,250			585	16,448
LAMIT (property)	3,209				173	3,382
	385,996	**28,626**	**(16,970)**	**1,820**	**24,820**	**424,292**
Cash deposits	7,610					6,454
Total assets invested	**393,606**					**430,746**
Net Current Assets	(660)					113
Total Net Assets	**392,946**					**430,859**

NOTE P13 INVESTMENT TRANSACTION COSTS

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

The Fund is now invested predominantly in pooled vehicles in which there are no direct transaction costs – these being reflected in the bid/offer prices for units. The only exceptions in 2010/11 were purchases of secondary property units through Henderson and Schroders which resulted in direct transaction costs of £47,000.

	2010/11	2009/10
Investment transaction costs	£000	£000
Henderson	4	0
Schroders	43	4
Total	47	4

NOTE P14 INFORMATION ON ASSETS UNDER MANAGEMENT

Summary of investment assets under management

Type of Asset	31 March 2011 L&G £000	Schroders £000	Henderson £000	Total £000	31 March 2010 L&G £000	Schroders £000	Henderson £000	Total £000
UK Investments – Listed	122,889	16,448	128,405	267,742	112,013	9,613	118,629	240,255
Overseas Investments – Listed	76,866	0	76,302	153,168	72,514	0	70,018	142,532
Cash	0	139	(754)	(615)	0	395	(387)	8
Total Under Management	**199,755**	**16,587**	**203,953**	**420,295**	**184,527**	**10,008**	**188,260**	**382,795**
Percentage of Fund under management	48%	4%	48%	100%	48%	3%	49%	100%
Directly held UK investments (LAMIT)				3,382			3,209	
Cash (interest bearing deposits)				7,069			7,602	
Other investment balances - debtors and creditors				172			132	10,943
Total investment assets				**430,918**				**393,738**
Other net current assets				(59)				(792)
Total Net Assets				**430,859**				**392,946**
Analysis of all investments:								
Total UK Investments (includes directly held LAMIT investment)				271,124				243,464
Total Overseas Investment				153,168				142,532
Cash and deposits				(615)				8
Total invested				**423,677**				**386,004**

All investments are in pooled investment vehicles with quoted prices

NOTE P15 ASSETS UNDER MANAGEMENT – TRANSACTIONS

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

	2010/11 Legal and General £000	Schroders £000	Henderson £000	Total £000	2009/10 Legal and General £000	Schroders £000	Henderson £000	Total £000
Purchases	0	6,250	22,376	28,626	4,500	522	16,307	21,329
Sales	0	0	16,970	16,970	0	0	9,648	9,648
Total Transactions	**0**	**6,250**	**39,346**	**45,596**	**4,500**	**522**	**25,955**	**30,977**

NOTE P16 STATUS OF INVESTMENTS UNDER MANAGEMENT

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

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

AUT	Authorised Unit Trust
PUT	Property Unit Trust
UUT	Unauthorised Unit Trust
OEIC	Open Ended Investment Company
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 2011		31 March 2010	
	£000	% of Fund	£000	% of Fund
Pooled Investments				
Henderson Investment Funds Limited				
UK Equity Enhanced Trust 'Z' (AUT)	82,486	20%	75,230	20%
Exempt North American Enhanced Equity 'Z' (UUT)	33,642	8%	31,291	8%
	116,128	**28%**	**106,521**	**28%**
Henderson Strategic Investment Funds				
European Enhanced Equity Fund 'Z' (OEIC)	22,250	5%	18,746	5%
Japan Enhanced Equity 'I' (OEIC)	5,233	1%	5,678	1%
Asia Pacific Ex Japan Enhanced Equity Fund 'I' (OEIC)	5,682	1%	5,305	1%
	33,165	**7%**	**29,729**	**7%**
Henderson Global Funds				
Emerging Markets Fund 'I'	9,495	2%	8,998	2%
	9,495	**2%**	**8,998**	**2%**
Henderson UK & Europe Funds				
Henderson UK Gilt Fund 'I' (OEIC)	11,139	3%	9,391	2%
Henderson All Stock Credit 'I' (OEIC)	22,825	5%	22,499	6%
Henderson Long Dated Credit Fund 'I' (OEIC)	0	0%	3,625	1%
	33,964	**8%**	**35,515**	**9%**
Henderson Property Management (Jersey) Limited				
UK Property Fund Units (PUT)	11,955	3%	7,884	2%
	11,955	**3%**	**7,884**	**2%**
Total invested	**204,707**	**48%**	**188,647**	**48%**
Cash	(754)	0%	(387)	0%
Total all Henderson Funds	**203,953**	**48%**	**188,260**	**48%**

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

	Value of Assets Under Investment			
	31 March 2011		31 March 2010	
Pooled Investments	£000	% of Fund	£000	% of Fund
Legal and General Assurance (Pensions Management) Limited				
Policy Number 35334-2/000 / 01 (Insurance Policy)	99,878	24%	92,264	24%
Policy Number 35336-7/000 / 01 (Insurance Policy)	99,877	24%	92,263	24%
Total invested	**199,755**	**48%**	**184,527**	**48%**

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

	Value of Assets Under Investment			
	31 March 2011		31 March 2010	
	£000	% of Fund	£000	% of Fund
Pooled Investments				
Schroder Property Investment Management Limited				
Schroder Exempt Property Unit Trust (PUT)	16,448	4%	9,613	3%
Total invested	**16,448**	**4%**	**9,613**	**3%**
Cash	139	0%	395	0%
Total all Schroders Funds	**16,587**	**4%**	**10,008**	**3%**

NOTE P17 VALUATION OF FUNDS UNDER MANAGEMENT

The Pension SORP 2007 requires investments to be valued at their Fair Value basis. Where there is an active market for a particular investment, the bid price is usually the appropriate quoted price to represent the fair value of that investment. The following paragraphs describe the valuation basis used:

Henderson (excluding property)

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

L&G (excluding property)

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

Property Investments (including Henderson and L&G)

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

NOTE P18 RESTRICTIONS AFFECTING THE REALISATION OF INVESTMENTS

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

NOTE P19 INFORMATION ON ASSETS DIRECTLY HELD

In addition to funds under the management of fund managers, the Fund directly holds 1,485,701 units in the Local Authorities Property Fund (LAPF). This is a property unit trust to which the trustee is the Local Authorities Mutual Investment Trust (LAMIT), responsible for the appointment of the property manager, CCLA Investment Management Limited.

	31 March 2011		31 March 2010	
	£000	% of Fund	£000	% of Fund
LAMIT Local Authorities Property Fund (PUT)	3,382	1%	3,209	1%

There were no purchases or sales in these units by the Fund during 2010/11 or 2009/10. The fund assets are valued by surveyors appointed by the trustee managers of the trust and the units are carried in the balance sheet at bid price, reflecting their fair value.

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

NOTE P20 ANALYSIS OF INVESTMENT MANAGEMENT COSTS

	2010/11 £000	2009/10 £000
Investment management expenses:		
Investment managers' fees	1,066	1,003
Custodian Fees	6	7
Investment advisor's fees	32	19
Performance Measurement Fees	15	14
	1,119	**1,043**

NOTE P21 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

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

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

The Fund accepts and acknowledges a significant degree of benchmark risk entailed by its 72.5% equity weighting. In determining the Fund's asset allocation, the following considerations were taken into account:-

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

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

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

It is recognised that in adopting a benchmark in which equities are the dominant asset class, the Fund is exposed to significant volatility, both in the short-term and in terms of longer-term potential outcome. This volatility encompasses both the absolute value of the investment fund and its value relative to the liabilities of the Fund. From previous measurements, it is recognised that Fund's benchmark has an expected annual volatility of around 15%. (In this context, volatility represents one standard deviation i.e. the range within which approximately two-thirds of annual outcomes will fall. This is not, therefore, the most likely outcome but rather a relative measure of volatility.) In variance terms, based on the Fund's value at 31 March 2011, a 20% fall in global equity values would result in approximately a 15% fall in the value of the total Fund, representing around £65m in value terms.

Portfolio risk is controlled via the adoption of asset allocation ranges and the explicit monitoring of quarterly performance relative to the benchmark return. In "investment style" terms, the Fund seeks to mitigate the potential for variance to benchmark indices by managing over 80% of its total assets (and all equity investments) on either a fully passive or "enhanced index" basis (the latter targets 75bps index outperformance with an emphasis on low tracking error relative to conventional active management).

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

Other risks: the Fund recognises and accepts exchange rate risk (i.e. additional volatility to base currency) associated with the 34.5% of Fund assets denominated in currencies other than sterling. Due to the essential long-term nature of the Fund's investment objective and its positive cash flow position, other risks such as liquidity risk and credit risk are considered primarily as relevant factors in the evaluation of specific investments rather than principal risks at whole Fund level.

NOTE P22 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:

	2010/11	2009/10
Income:	**£000**	**£000**
Pension Contributions from the Council (employer's contributions)	(15,045)	(14,887)
Pension Contributions from employees (deductions paid over)	(4,185)	(4,217)
Interest	(92)	(15)
Total Income	**(19,322)**	**(19,119)**
Expenditure:		
Indirect support costs provided by the Council	**282**	**378**

NOTE P23 CONTINGENT ASSETS AND LIABILITIES

Apart from future pension and benefit liabilities, the Pension Fund had no contingent assets or liabilities as at 31 March 2011.

NOTE P24 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 30th June 2011. There are no events after 31 March 2011 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 5% lower (based on the valuation at 31 August 2011), equivalent to around £22 million less than reported in the Net Asset Statement.

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

Opinion on the Authority accounting statements

I have audited the accounting statements of London Borough of Richmond upon Thames for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. These 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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

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

As explained more fully in the Statement of the Director of Finance and Corporate Services' Responsibilities, the Director of Finance and Corporate Services is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the accounting statements:
- give a true and fair view of the state of London Borough of Richmond upon Thames's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007.

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2011 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These 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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

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

As explained more fully in the Statement of the Director of Finance and Corporate Services’ Responsibilities, the Director of Finance and Corporate Services is responsible for the preparation of the pension fund’s Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the pension fund's accounting statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

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

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, London Borough of Richmond upon Thames put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Delay in certification of completion of the audit

The audit cannot be formally concluded and an audit certificate issued until the Appointed Auditor for 2009/10 has completed his consideration of matters brought to his attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements or a significant impact on my value for money conclusion.

Lindsey Mallors

District Auditor, Audit Commission

1st floor, Millbank Tower, Millbank

London

SW1P 4HQ

September 2011

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(1) of the Accounts & Audit (England) Regulations 2011 which requires authorities to "conduct a review at least once in a year of the effectiveness of its system of internal control" and to approve an annual governance statement "in accordance with proper practices".

Scope of responsibility

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

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

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

Link to document:

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

This statement explains how the Council has complied with this code and also meets the requirements of regulation 4(1) of the Accounts & Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled 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 Richmond Council's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Richmond Council for the year ended 31 March 2011 and up to the date of the approval of the annual governance statement and statement of accounts.

The governance framework

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

a) focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

The Council has a Community Plan in place which identifies 7 key priorities for the Richmond Borough area for 2007 – 2017. The Richmond Local Strategic Partnership (RLSP) brings together the public, private and voluntary and community sectors to improve the quality of life for all those who live work or visit the borough, and has continued to provide strong leadership of all the partners in the borough. The RLSP has an agreed Terms of Reference and has been responsible for delivery and achievement of the Local Area Agreement which ended on 31st March 2011. The Council is reviewing its existing partnership arrangements in line with emerging national policies and legislative changes.

The Council has a Corporate Plan which sets out its own specific key service priorities and objectives. This has been updated for 2011/12 and was agreed by Cabinet in March 2011.

The Council has undertaken the 'All in One' Survey and this has given the Council a better picture about what local people want for their areas, including what they like about them, what issues matter the most and what needs improving. The next stage of the 'All in One' programme involves holding nine planning events to cover the 14 villages across the borough. The events are a starting point for drawing up action plans for each area that will be put together with local people to form Village Plans. The Community Plan will be refreshed later in 2011 to reflect the outcomes of the All in One survey and Village Plans.

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.

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 – these rules and regulations are both under review so that they are fit for purpose as the Council undergoes significant transformation in the way it operates. A robust governance framework is essential to ensure the organisation's risks and controls are managed effectively.

The Council has a Chief Executive responsible for overall strategic and operational management, a S151 officer responsible for financial control and a Monitoring Officer responsible for ensuring that agreed procedures and regulations are followed, or if not, are reported publicly. Roles and responsibilities of all senior managers are clearly defined in job descriptions.

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

There are regular reports to Cabinet Members and quarterly reports on budget and performance monitoring to Cabinet and Overview & Scrutiny Committees. These reports identify progress on key projects and programmes as well as on key performance indicators. Looking forward to 2011/12, a new local performance management framework will be put in place, which will include measures to be reported to the public to promote accountability and transparency. It is proposed that performance reporting to Cabinet for 2011/12 should be based around key projects and measures designed to deliver the Council's priorities as set out in the new Corporate Plan.

c) promoting high values for the Council 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 remind staff to declare any conflicts of interest and to record any gifts and / or hospitality received, although some inconsistencies in practice have been identified. The Bribery Act 2010 is due to come into force in July 2011 and in preparation, Internal Audit undertook a review of compliance against the requirements of the Act. This identified that the Council is largely compliant however the inconsistencies in practice need to be addressed. Further work will be undertaken in 2011/12 to improve controls.

A staff appraisal system is in place to support the ongoing assessment of staff performance and development.

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

All Committee meeting agendas and minutes are published on the Council's website, including Members' Decisions. A programme of meetings is published when agreed by Council. The Council has a Cabinet (Executive) and has a structure of Scrutiny Committees in place. There is an Annual report on Scrutiny and during the year, there have been a number of Scrutiny Task groups set up to review specific service areas, - current scrutiny task groups are Income Generation and Housing / Homelessness.

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, 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 February 2011. Both documents are available on the Council's public website.

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

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

During 2010/11, there have been regular Extended Executive Board meetings involving senior managers, and also senior manager conferences held internally periodically during the year.

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

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

The Council carries out consultations with the public and other stakeholders on the quality of services provided, on budgets and on new proposals. Since 2010, 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.

The new administration has consulted every household through the 'All in One' Survey which received a large response – over 13,500 people – and the Council is set to continue as a leader in involving local residents in decisions on their local areas though the planned village events.

A number of ways are used to encourage the community to engage / contribute / participate, including providing specialist facilities for individuals where required, such as interpreters and providing crèche facilities for individuals with young children.

Corporate Governance review

A review against the Corporate Governance Code of Practice is carried out annually by the Head of Internal Audit to ensure compliance with the standards is maintained and the results are reported to Cabinet and Standards Committee. This year's review has confirmed substantial compliance continued throughout 2010/11.

Review of effectiveness

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

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

- Audit Committee reports (internal controls and risk management processes)
- Scrutiny Committee reports
- 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, Treasury Management, Accounts Payable, Cash and Bank, ICT issues, Parking, Self Directed Support, Client Contributions and Debt Recovery and Recruitment (Schools). Details are set out in the Joint Heads of Internal Audit Annual Internal Audit report for 2010/11.

Corporate areas identified through the assurance Framework process as needing continuing management focus and improvement, all of which feature in the Corporate Risk register are: the Council Efficiency and Transformation Programme; Capital Programme and projects; Budget Management; Partnership working and Community Engagement.

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.

Signed:

Leader of the Council

Chief Executive

Date:

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.

CASH & CASH EQUIVALENTS

Cash is represented by notes and coins held by the Council and deposits available on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

This is an accountancy body that produces standards and codes of practice for accounting and financial functions in the public sector. It is one of the bodies responsible for the two principal codes of practice that determine how the Council presents its accounts (see the next paragraph).

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.

EMPLOYEE BENEFITS

Salaries, wages, paid annual leave and paid sick leave.

FINANCIAL INSTRUMENTS

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

FINANCE LEASE

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

FIXED ASSETS

These are assets that are likely to be in use by the Council for more than one year, such as land and buildings.

FORMULA GRANT

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

FTE

FTE is an abbreviation for the term Full Time Equivalents. FTE is commonly used to measure the number of staff employed within a service or other operational group. It enables amount of part-time and other flexible working arrangements (e.g. 2 days per week or term-time only) to be consistently measured.

GENERAL FUND

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

IAS19

Recognition by an authority of the attributable share of the assets and liabilities of pension funds with which it is associated showing the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (via reduced contributions) from a surplus in the scheme, even though the fund retains title to the assets and the responsibility to pay pensions.

IMPAIRMENT LOSS

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

INCOME AND EXPENDITURE ACCOUNT

A Core Financial Statement that provides a summary of the resources generated and consumed by the Council in the year.

INFRASTRUCTURE ASSETS

These are fixed assets that are not saleable, for example, roads.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The regulations under which the accounts are published.

INTANGIBLE FIXED ASSETS

Intangible fixed assets that are likely to be in use by the Council for more than one year are recognised where there is no ‘physical’ asset but the Council controls future economic benefits from the asset.

INVENTORIES

Inventories are materials or supplies that will be consumed in producing goods or providing services or will be sold or distributed as part of an authority’s ordinary business

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).

MOVEMENT IN RESERVES STATEMENT (MIRS)

A prime statement that draws together all the movement in both the usable and unusable reserves in one table.

MRICS

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

NATIONAL NON-DOMESTIC RATES

Also referred to as Non-domestic Rates (NNDR), this is explained in the paragraph on Business Rates.

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.

PDF

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

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.

TERMINATION BENEFITS

Amounts payable to employees as a result of a decision by the Council to terminate an officer’ s employment prior to normal retirement age or an officers decision to accept voluntary redundancy.

TABLE OF NOTES

LONDON BOROUGH OF RICHMOND UPON THAMES

PENSION FUND

ALTERNATIVE FORMATS

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

Civic Centre
44 York Street
Twickenham
Middlesex
TW1 3BZ

Nese keni veshtersi per te kuptuar kete botim, ju lutemi ejani ne recepcionin ne adresen e shenuar me poshte ku ne mund te organizojme perkthime nepermjet telefonit.

এই প্রকাশনার অর্থ বুঝতে পারায় যদি আপনার কোন সমস্যা হয়, নিচে দেওয়া ঠিকানায় রিসেপ্শন-এ চলে আসুন যেখানে আমরা আপনাকে টেলিফোনে দোভাষীর সেবা প্রদানের ব্যবস্থা করতে পারবো।

إذا كانت لديك صعوبة في فهم هذا المنشور، فنرجو زيارة الإستقبال في العنوان المعطى أدناه حيث بإمكاننا أن نرتب لخدمة ترجمة شفوية هاتفية.

اگر در فهمیدن این نشریه مشکل دارید، لطفا به میز پذیرش در آدرس قید شده در زیر رجوع فرمایید تا سرویس ترجمه تلفنی برایتان فراهم آورده شود.

જો તમને આ પુસ્તિકાની વિગતો સમજવામાં મુશ્કેલી પડતી હોય તો, કૃપયા નીચે જણાવેલ સ્થળના રિસેપ્શન પર આવો, જ્યાં અમે ટેલિફોન પર ગુજરાતીમાં ઇન્ટરપ્રિટીંગ સેવાની ગોઠવણ કરી આપીશું.

ਜੇਕਰ ਤੁਹਾਨੂੰ ਇਸ ਪਰਚੇ ਨੂੰ ਸਮਝਣ ਵਿਚ ਮੁਸ਼ਕਲ ਪੇਸ਼ ਆਉਂਦੀ ਹੈ ਤਾਂ ਹੇਠਾਂ ਦਿੱਤੇ ਗਏ ਪਤੇ ਉੱਪਰ ਰਿਸੈਪਸ਼ਨ 'ਤੇ ਆਓ ਜਿੱਥੇ ਅਸੀਂ ਟੈਲੀਫ਼ੋਨ ਤੇ ਗੱਲਬਾਤ ਕਰਨ ਲਈ ਇੰਟਰਪ੍ਰਿਟਰ ਦਾ ਪ੍ਰਬੰਧ ਕਰ ਸਕਦੇ ਹਾਂ।

اگر آپ کو اِس اشاعت کو سمجھنے میں کوئی مشکل ہے تو، براہِ کرم نیچے دیئے ہوئے ایڈریس کے استقبالیے پر جا کر ملیئے، جہاں ہم آپ کیلئے ٹیلیفون 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