



SUMMONS

Councillors of the London Borough of
Hammersmith & Fulham
are requested to attend an
Ordinary Meeting of the Council on
Wednesday, 24 September 2003
at Hammersmith Town Hall, W6

The Council will meet at 7.00pm.

16 September 2003
Town Hall
Hammersmith W6

Geoff Alltimes
Managing Director

24 SEPTEMBER 2003

<u>ITEM</u>	<u>CLICK ON ITEMS IN BLUE TO GO STRAIGHT TO REPORT</u>	<u>PAGE</u> (refers to Printed agenda)
1.	MINUTES – 2 JULY 2003	
	To approve and sign as an accurate record the Minutes of the Ordinary Council Meeting held on 2 July 2003.	(as attached)
2.	APOLOGIES FOR ABSENCE	
3.	MAYOR'S & MANAGING DIRECTOR'S ANNOUNCEMENTS (IF ANY)	(GREEN SHEET) circulated separately
4.	DECLARATIONS OF INTEREST	
4.1	If a Councillor has any personal or prejudicial interest in a particular report they should declare an interest.	
4.2	A Councillor should not take part in the discussion or vote on a matter in which they have a prejudicial interest. They should withdraw from the meeting whilst the matter is under consideration unless the disability to participate has been removed by the Standards Committee, or unless a relevant exemption applies under the Council's Code of Conduct.	
5.	PUBLIC QUESTIONS (20 MINUTES)	
	The Leader/relevant Deputy to reply to questions submitted by members of the public:	
	1. Mr. Jon Burden, 82a Minford Gardens, W14	66
6.	ITEMS FOR DECISION/COMMITTEE REPORTS (IF ANY)	
6.1	Treasury Management Outturn Report	67 – 72
6.2	Final Accounts 2001/02 & 2002/03	73 – 80
	[Note: The comments of the Leadership Scrutiny Panel meeting on 23 September will be tabled at the Council meeting.]	
	Statement of Accounts 2001/02	
	Statement of Accounts 2002/03	

6.3	<u>Councillors' Scheme of Allowances</u>	81 – 86
6.4	<u>Local Protocol/Guidance for Members on Outside Organisations</u>	87 – 116
	<u>The Guidance for Members</u>	
7.	SPECIAL MOTIONS	
	To consider and determine any Special Motions:	
	<u>Special Motion No.1 – Council Procedure Rule 14 Amendment</u>	117 – 118
	<u>Special Motion No.2 – Council Accounts</u>	119
	<u>Special Motion No.3 – Crime Reduction in the Borough</u>	120
8.	INFORMATION REPORTS – TO NOTE (IF ANY)	

jpc/16/09/03



COUNCIL

— MINUTES —

(ORDINARY COUNCIL MEETING)

WEDNESDAY 2 JULY 2003



PRESENT:

The Mayor (Councillor Charlie Treloggan)
The Deputy Mayor (Councillor Mercy Umeh)

Councillors:

Mike Adam
Emile Al-Uzaizi
Mrs Adronie Alford
Chris Allen
Will Bethell
Brendan Bird
Min Birdsey
Nick Botterill
Charlie Boyle
Stephen Burke
Michael Cartwright
Dominic Church
Siobhan Coughlan
Steve Cowan

Huw Davies
Sian Dawson
Caroline Donald
Gavin Donovan
Fiona Evans
Ivan Gibbons
Chris Graham
Stephen Greenhalgh
Greg Hands
Wesley Harcourt
Andrew Jones
Ghassan Karian
Alex Karmel
Jafar Khaled

Antony Lillis
Mark Loveday
Reg McLaughlin
Charlie Napier
Jolyon Neubert
Colin Pavelin
Andrew Slaughter
Frances Stainton
Tim Stanley
Josie Wicks
David Williams

10. MINUTES – 28 MAY 2003

7.01pm - The minutes of the Annual Council Meeting held on 28 May 2003 were confirmed and signed as an accurate record.

11. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Aherne, Lloyd-Harris, Powell and Vaughan.

12. MAYOR & MANAGING DIRECTOR'S ANNOUNCEMENTS (IF ANY)

The Mayor's Announcements were circulated to all Councillors and in the Chamber and were duly noted. (Copy attached as **APPENDIX 1** to these Minutes).

13. DECLARATIONS OF INTERESTS

There were no declarations of interests made by Councillors at this meeting of the Council.

14. PUBLIC QUESTION TIME

The Mayor called forward those Public Questioners who had submitted questions to this meeting of the Council (as published in the Council Agenda):

1. Mr.Iain Macdonald, 41 Langthorne Street, Fulham, SW6 6JT – question to the Deputy Leader

The reply to the question was given by the Leader of the Council, Councillor Andrew Slaughter. (The question and the reply given are attached at **APPENDIX 2** to these minutes).

15. ITEMS FOR DECISION / COMMITTEE REPORTS (IF ANY)

7.06 pm - **Best Value Performance Plan 2003 / 2004**

The report and recommendation was moved for adoption by the Leader, Councillor Andrew Slaughter, seconded by Councillor Graham.

Speeches on the report were made by Councillor Graham, Councillor Greenhalgh (for the Opposition), with Councillor Slaughter responding (for the Administration).

The report and recommendation was put to the vote:

FOR	- 26
AGAINST	- 16
ABSTENTIONS	- 0

The report and recommendation was declared **CARRIED.**

7.21pm – **RESOLVED** –

1. That the Best Value Performance Plan 2003/2004 be approved.

16. MOTION THAT AN ITEM OF BUSINESS BE GIVEN PRECEDENCE

Councillor Evans moved, seconded by Councillor Church, that under Council Procedure Rule 15 (e) (iii), Special Motion No.4 be given precedence.

The procedural motion was put to the vote:

FOR	- 26
AGAINST	- 16
ABSTENTIONS	- 0

The procedural motion was declared **CARRIED**.

7.22pm - **RESOLVED** – Accordingly.

17. SPECIAL MOTION NO.4

7.23pm – **Special Motion No.4 – Proposed Closure of Richmond Way Post Office**

Councillor Smallman moved, seconded by Councillor Coughlan, the special motion standing in their names:

"This Council joins Iain Coleman MP, and Postwatch, the consumer watchdog for the postal service, in deploring the failure of Post Office Ltd to consult adequately with local people on the closure of the Post Office in Richmond Way, W14, and calls on Post Office Ltd to listen to and respond to the voice of local residents who need this valuable community resource to remain"

Speeches on the motion were made by Councillors Smallman and Coughlan.

Councillor Hands moved, seconded by Councillor Boyle, an amendment to the motion to delete all words after "This Council.." and insert:

..."pledges to have a cross-party campaign, working with Postwatch, to re-instate Post Office facilities in the Richmond Way, W14 area as a matter of urgent priority".

Speeches on the amendment were made by Councillors Hands, Boyle, Karian and Slaughter.

The amendment to the motion was then put to the vote:

FOR	- 15
AGAINST	- 26
ABSTENTIONS	- 0

The amendment to the motion was declared **LOST**.

Councillor Smallman made a closing speech on the debate before the substantive motion was put to the vote:

FOR	- Unanimous
AGAINST	- 0
ABSTENTIONS	- 0

The motion was declared **CARRIED**

7.50pm - **RESOLVED –**

That this Council joins Iain Coleman MP, and Postwatch, the consumer watchdog for the postal service, in deploring the failure of Post Office Ltd to consult adequately with local people on the closure of the Post Office in Richmond Way, W14, and calls on Post Office Ltd to listen to and respond to the voice of local residents who need this valuable community resource to remain"

18. MOTION THAT AN ITEM OF BUSINESS BE GIVEN PRECEDENCE

Councillor Stainton moved, seconded by Councillor Adam, that under Council procedure Rule 15 (e) (iii), Special Motion No.2 be given precedence.

The procedural motion was put to the vote:

FOR	- Unanimous
AGAINST	- 0
ABSTENTIONS	- 0

The procedural motion was declared **CARRIED**

7.51pm – **RESOLVED –** Accordingly.

19. SPECIAL MOTION NO.2

7.52pm - **Special Motion No.2 – Proposed Tramway on Uxbridge Road**

Councillor Botterill moved, seconded by Councillor Donald (in lieu of Councillor Hands), the special motion standing in their names:

" This council resolves to make strong representation to Transport for London to oppose the construction of the proposed tramway on Uxbridge Road".

Speeches on the motion were made by Councillors Botterill, Donald, Cartwright, Karian, Hands, Greenhalgh and Davies.

Councillor Botterill made a closing speech on the debate before the motion was put to the vote:

FOR - 15
AGAINST - 26
ABSTENTIONS - 0

The motion was declared **LOST**

On a request for names to be recorded, a roll-call vote was also taken:

FOR - 15
(Councillors Adam, Al-Uzaizi, Alford, Botterill, Boyle, Dawson, Donald, Donovan, Greenhalgh, Hands, Karmel, Lillis, Loveday, Neubert, Stainton)

AGAINST - 26
(Councillors Allen, Bird, Birdsey, Burke, Cartwright, Church, Coughlan, Cowan, Davies, Evans, Gibbons, Graham, Harcourt, Jones, Karian, Khaled, McLaughlin, Napier, Pavelin, Slaughter, Smallman, Stanley, Treloggan, Umeh, Wicks, Williams)

ABSTENTIONS - 0

The motion was declared **LOST**

20. SPECIAL MOTION NO.1

8.33pm – Special Motion No.1 – Public Transport Infrastructure in Sands End

Councillor Stainton moved (in lieu of Councillor Botterill), seconded by Councillor Adam (in lieu of Councillor Greenhalgh), the special motion standing in their names, with an amendment to the original wording printed in the agenda as follows:

"This council notes the lack of public transport infrastructure and the over-development in Sands End, and resolves that future development takes these factors into consideration."

A speech on the motion was made by Councillor Stainton.

Councillor Stanley moved, seconded by Councillor Jones, that under Council Procedure Rule 15 (g), the meeting proceed to the next item of business.

The ruling of the Mayor on the procedural motion was that, under the provisions of Council Procedure Rule 15 (g), in his opinion, the matter before the meeting had been insufficiently discussed, and therefore the debate on the motion would continue.

A speech on the motion was made by Councillor Adam.

Councillor Stanley moved, seconded by Councillor Karian, that under Council Procedure Rule 15 (g), the meeting proceed to the next item of business.

The ruling of the Mayor on the procedural motion was that, under the provisions of Council Procedure Rule 15 (g), in his opinion, the matter before the meeting had been insufficiently discussed, and therefore the debate on the motion would continue.

Councillor Cartwright moved, seconded by Councillor Pavelin, an amendment to the motion to delete all words after “This Council” and insert:

“...welcomes the initiatives taken in improving the infrastructure in Sands End to suit the residential development and welcomes the decision to fight robustly the St.George appeal for further development.”

Speeches on the amendment to the motion were made by Councillors Cartwright, Pavelin, Lillis, Cowan, Hands and Slaughter before the amendment to the motion was put to the vote:

FOR	- 26
AGAINST	- 15
ABSTENTIONS	- 0

The amendment to the motion was declared **CARRIED**

Councillor Hands sought to move a further amendment to the motion, but Councillor Stanley, seconded by Councillor Karian, moved a procedural motion under Council Procedure Rule 15 (g) that the meeting proceed to the next item of business. The Mayor ruled that the procedural motion must be disposed of first, before the debate could proceed further.

Accordingly, the ruling of the Mayor on the procedural motion was that, as in his opinion the matter before the meeting had now been sufficiently discussed, under the provision of Council Procedure Rule 15(g), Councillor Stainton as the mover of the original motion had a right of reply before the motion to proceed to next business was put to the vote.

Councillor Stainton accordingly made a closing speech on the debate.

Councillor Stanley, by leave of the Council, then withdrew his motion in favour of a procedural motion under Council Procedure Rule 15 (h) moved by Councillor Karian, seconded by Councillor Jones, that the question be now put.

The procedural motion was put to the vote:

FOR - Unanimous
AGAINST - 0
ABSTENTIONS - 0

The procedural motion was declared **CARRIED**

The substantive motion (as amended) was then put to the vote:

FOR - 26
AGAINST - 15
ABSTENTIONS - 0

The substantive motion as amended was declared **CARRIED**

9.52pm – **RESOLVED-**

That this Council welcomes the initiatives taken in improving the infrastructure in Sands End to suit the residential development and welcomes the decision to fight robustly the St. George appeal for further development.

21. SPECIAL MOTION NO.3

9.53pm - **Special Motion No.3 – Sports & Leisure Facilities in the Borough**

By leave of the Council, this motion was withdrawn and not debated as the mover was not present.

22. INFORMATION REPORTS

The summary of Councillors' activity for 2002 / 2003 was duly noted.

* * * * * CONCLUSION OF BUSINESS * * * * *

Meeting ended: 9.54 p.m. - Wednesday, 2 July 2003

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MAYOR

PUBLIC QUESTION TIME

LONDON BOROUGH OF HAMMERSMITH & FULHAM

COUNCIL MEETING – 24 SEPTEMBER 2003

Question by: Mr.Jon Burden, 82a Minford Gardens, London W14 0AP

to the: Leader of the Council

QUESTION

Does the Council have any specific policy or guidance on where telephone masts can, and cannot, be erected and what, if any, weight is given to residents' fears about possible health effects from the low level radiation emitted by the masts?

jpc/11/09/03

LEADER'S COMMITTEE REPORT TO COUNCIL

6.1

24 SEPTEMBER 2003

LEADER
*Councillor Andrew
Slaughter*

**TREASURY MANAGEMENT OUTTURN
REPORT**

ALL WARDS

Summary

This report provides information on the Council's debt, borrowing, and investments activity for the financial year ending 31 March 2003.

CONTRIBUTORS

FDD

RECOMMENDATION:

That the Treasury Management Outturn report for the financial year ending 31 March 2003 be noted and approved.

1. INTRODUCTION AND BACKGROUND

- 1.1 Treasury management in local government is regulated by the 2001 revision of the CIPFA Code of Practice on Treasury Management in the Public Services (the Code). This Council has adopted the Code and fully complies with its requirements. Council approved this in January 2002.

A statutory requirement of the Council's Treasury Policy Statement is reporting to committee by 30 September, in any given year, the results of the Council's Treasury Management activities in the preceding financial year. This report deals with 2002/03. Treasury management in this context is defined as:

"The management of the local authority's cash flows, its banking and money market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

- 1.2 This annual report covers:

- The Council's current treasury position;
- Economic outturn for 2002/03;
- Performance Measurement – Debt and Investments;
- Debt rescheduling;
- Provision for Credit Liability;
- Compliance with treasury limits.

2. CURRENT PORTFOLIO POSITION

- 2.1 The Council's debt position at the beginning and end of the year was as follows:

	31 March 2002		31 March 2003	
	Principal	Ave. Rate	Principal	Ave. Rate
	£000's		£000's	
Fixed Rate – PWLB	£317,020		£301,020	
Variable Rate – PWLB	£ 0		£ 15,000	
	£317,020		£316,020	
Market & Temporary Loans	£ 45		£ 0,000	
Total Debt	£317,065	8.39%	£316,020	8.38%
Total Investments	£ 25,000	3.93%	£ 20,200	3.82%

3. THE ECONOMIC OUTLOOK AND OUTTURN FOR 2002/03

- 3.1 Shorter-term interest rates** – The Monetary Policy Committee did not change base rate from 4.0% in 2002 until it was cut to 3.75% in February 2003. Early hopes that the 2001 world downturn would be followed by the usual recovery, wilted during quarter 3 of 2002 and forecasters switched from predicting when rates would start to rise, to whether they would be cut. UK consumer confidence, expenditure, borrowing and house price inflation (reached 30% in November) all continued robustly in quarter 4. The latter militated against the Monetary Policy Committee cutting base rate despite increasing concerns about the weakness of the international economic outlook. This weakness provoked the US Federal Reserve to cut its rate in November from 1.75% to 1.25%, a 41-year low. The European Central Bank also cut rates by 0.50% to 2.75% in December. Increasingly ominous anti-Saddam comments from the US weighed down business, investor and consumer confidence, and this became severe in the UK and abroad during the first quarter of 2003. In February, the Monetary Policy Committee switched from concerns over high house price inflation and consumer borrowing, to focus on weak global economic conditions. Consequently, base rate was cut 0.25% to 3.75% to keep inflation up to the target of 2.5% two years ahead, and to stimulate growth in the economy.
- 3.2 Longer-term interest rates** – Until June 2002, the 20-25 year lower quota Public Works Loan Board rate was stable at normal levels between 5.25% to 5.375% (higher quota HQ quota 5.50% – 5.625%). US corporate accounting woes spectacularly climaxed on 26 June 2002 when news broke of yet more accounting irregularities, this time at WorldCom. This dealt a devastating blow to equity markets and caused a worldwide flight into the relative safety of government bonds. Prices of bonds therefore rose and their yields fell. Long-term interest rates consequently started a slide towards abnormally low levels. The US Stock Exchange Commission's deadline of August 14 for corporate managers to certify their accounts was successfully passed without major incidence and so underpinned equity values temporarily. However, in quarter 4 of 2002 worries of impending military action over Iraq started to grow and became severe in quarter 1 of 2003. UK Equity values therefore plunged in mid-March to under half of their January 2000 peak of 6931. Public Works Loan Board lower quota 20-25 year hit a floor of 4.5% at this time (HQ 4.60%). By the end of March, the coalition forces had made major progress in the war and investor worries had been largely dissipated. Equity values consequently staged their strongest 7-day rally since 1940 and so the 20-25 year lower quota Public Works Loan Board rate ended the year back up at 4.80% (HQ 4.85%) after touching 4.9% (HQ 5.0%).

4. PERFORMANCE MEASUREMENT

- 4.1 Debt Performance** – As highlighted in section 1 above the average debt portfolio rate has moved over the course of the year from 8.39% to 8.38%.

- 4.2 An analysis of the Council's borrowings by maturity (i.e. date of repayment) is as follows:

	31 March 2002 £000s	31 March 2003 £000s
Up to two years	10,000	37,000
Between two and five years	33,500	35,500
Between five and ten years	73,000	71,174
More than ten years	<u>200,520</u>	<u>172,346</u>
TOTAL	<u>317,020</u>	<u>316,020</u>

- 4.3 An analysis of movements on loans and investments during the period is shown below:

	Balance at 31.03.02 £000s	Loans/Invs Raised £000s	Loans/Invs Repaid £000s	Balance 31.03.03 £000s
PWLB	317,020	15,000	16,000	316,020
Money Market loans	0	0	0	0
Temporary loans	<u>45</u>	<u>0</u>	<u>45</u>	<u>0</u>
Total Debt	<u>317,065</u>	<u>15,000</u>	<u>16,045</u>	<u>316,020</u>
Investments	<u>25,000</u>	<u>1,110,214.</u>	<u>1,115,014.</u>	<u>20,200</u>

From 1 April 2002 to 31 March 2003 the Council took 1 new Public Works Loan Board loan of £15,000,000 but repaid 2 complete loans totalling £16,000,000.

- 4.4 No Money Market loans were taken during the year.
- 4.5 **Investment Performance** – The authority manages its investments in-house and invests within the institutions listed in the authority's approved lending list.

	Weighted Average Investment	Average Interest Rate	Benchmark Return *
Internally Managed	£24,437,369	3.88%	3.70%

The benchmark for internally managed funds is the weighted average 7-day LIBID rate sourced from the Financial Times.

Investments as at 31 March 2003 stood at £20.2 million, whilst the average for the year was £24,437,369. The Council exceeded the benchmark by 0.18%.

- 4.6 There were no changes to the Council's approved money brokers since the report to the Council's Ratification Committee in July 2001.
- 4.7 There was £25.0 million of short-term investments at 31 March 2002 and £20.2 million at 31 March 2003. For the majority of the year £10 million was kept in 2 Abbey National Call Accounts. These accounts track base rate, and were on average higher than over night and other short dated rates, whilst still allowing instant access to the funds.
- 4.8 Other surplus balances were invested for a range of periods depending on the fluctuations in the authority's cash flow and the interest rates on offer.

5. DEBT RESCHEDULING

- 5.1 Rescheduling during the year utilised the benefit of lower than expected long-term fixed interest rates and against an expectation that this situation may continue for some time and longer fixed interest rates would be static, 15m of loan debt running at 4.75% was converted to variable rates in June 2002 the rate at that time was 4 1/16%.
- 5.2 The average rate of interest incurred in 2002/03 on the conversion of fixed loan of £15,000,000 at 4.75% to variable was 4%.
- 5.3 Underlying fixed interest rates in the market were 5.5% at this time, which resulted in a breakage payment to the Council of £1.45m. As a result 40% will accrue to the General Fund, this debt will operate at a cheaper rate and the maturity profile of the loan debt will become more flexible. Since this represents only 5% of the entire loan book there is little associated risk with a rise in short term rates.

6. PROVISION FOR CREDIT LIABILITY

- 6.1 The PCL Memorandum Account as at 31 March was £24.3 million. This Account is a note to the balance sheet and contains details of all set-aside capital receipts and Minimum Revenue Payments. The Authority can choose to write this balance down by the amount of loan repayments that have incurred since 1 April 1990, should it wish. The main advantage of this approach is that the borrowing that it can take from the PWLB would be potentially at the lower quota rates, rather than the higher quota rates which would be charged if a balance is maintained on the PCL Account. The main difference in borrowing costs is in the order of ¼% per annum for the full life of the loan.
- 6.2 However, from 2003/4 onwards the Authority may now consider taking the General Fund share of the premia incurred on premature loan repayments to the PCL Account. The advantage of this approach is that the General Fund share of the premia would be written into the accounts over a very long period of time based on 4% reducing balance write-down each year. The amount of premia that can be taken to the PCL Account each year is limited to the balance in the Account at the time. Accordingly the Authority needs to ensure

that the PCL Strategy is consistent with its premature debt redemption accounting policy.

- 6.3 In view of the natural annual movements through the PCL Account from Set-Aside Capital Receipts and MRPs, the authority has decided to write down the 2002/03 balance in line with dept redemptions during the year.

7. COMPLIANCE WITH TREASURY LIMITS

- 7.1 During the financial year the Council operated within the treasury limits set out in the Council's Treasury Policy Statement and Treasury Strategy Statement.

8. COMMENTS OF THE LEADERSHIP SCRUTINY PANEL

- 8.1 This report was considered by Leadership Scrutiny Panel at its meeting on 9 July 2003. The Panel did not have any comments to make on the report.

9. COMMENTS OF THE DIRECTOR OF FINANCE

- 9.1 The comments from the Director of Finance are contained within the body of this report.

10. COMMENTS FROM THE HEAD OF LEGAL SERVICES

- 10.1 The Head of Legal Services has no comments to make on this report

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Loans and Investments Ledger	Rosie Watson Ext. 2563	Finance, 2 nd floor Town Hall Extension
2.	Treasury Management documents	Rosie Watson Ext. 2563	Finance, 2 nd floor Town Hall Extension

24 SEPTEMBER 2003

LEADER

Cllr Andrew Slaughter

FINAL ACCOUNTS 2001/02 & 2002/03

ALL WARDS

Summary

This report seeks approval for the Council's Statement of Accounts for the 2001-02 and 2002-03 financial years.

[NOTE: The comments of the Leadership Scrutiny Panel meeting on 23 September will be tabled at the Council meeting.]

CONTRIBUTORS

All Departments

RECOMMENDATIONS:

That Council:

- 1. Re-approves the Statement of Accounts for 2001-02 and approves the Statement of Accounts for 2002-03, subject to any changes that may emerge from the audit of the accounts.**
- 2. Notes that the formal publication of the Council's Accounts for 2001-02 and 2002-03 will take place before 31 December 2003.**
- 3. That a Special Committee for consideration of the Auditor's Comments on the Annual Accounts be established with the membership and terms of reference set out in Appendix B.**

1 INTRODUCTION

- 1.1 The Council's statement of accounts is an essential feature of public accountability, reporting on the use of funds raised from the public and from business ratepayers.
- 1.2 Under the Accounts and Audit Regulations 1996 the responsible financial officer is to sign the Statement of Accounts and full Council is required to approve the accounts by 30 September.
- 1.3 As soon as reasonably possible after the conclusion of the audit, but no later than 31 December, the Council is required to publish the Statement of Accounts.

2 2001-02 ACCOUNTS

- 2.1 As part of an on-going review of its balance sheet, the Council identified an error in its accounts relating to a change in accounting practice in 1992. This change related to an adjustment introduced to compensate Councils for losses they were incurring due to a change in the financial arrangements for Renovation Grants and Urban Aid Grants.
- 2.2 The adjustment should be made each year but has not.. As the adjustment is mandatory there is no choice but to amend the accounts to include the cumulative effect of the adjustment.
- 2.3 The accounts for 2001-02 were approved, subject to any changes that may emerge from the audit of accounts, in September 2002. An unqualified audit opinion was issued on 23 December 2002. However, an audit certificate, confirming the completion of the audit has yet to be issued.
- 2.4 The effect is that for some ten years the Council has set aside too much in relation to its reserve for debt redemption. The amount is currently held in the Capital Financing Reserve, although this is not backed by actual cash in the bank.
- 2.5 One effect of the adjustment is to increase the general reserves by £9m, which is deemed to be of such a significant value that the accounts should be amended and represented to the Council. The result of this is that the accounts show a general reserve of £12.5m.
- 2.6 From 2007/08 the effect of the adjustment is an annual cost to the Council's accounts. A reserve of £9m has therefore been set aside to meet these costs

funded by a transfer from the overstated capital financing reserve. The adjustment also potentially affects past Housing Subsidy claims. A reserve of £2m has been set up to meet this potential cost from the same source.

2.7 Other new reserves that have been created funded from this source include:

Reserve	Amount
Debtors & Creditors Review	£2.5m
Trading Services Contingency Reserve	£3.0m
General Contingency Reserve	£3.0m
* Planning Inquiries Reserve	£0.3m
* Invest to Save Fund	£2.0m

* These have been created in the accounts for 2002/03

2.8 As the accounts for 2001-02 have not been issued with an audit certificate, they will now be resubmitted for audit.

2.9 A full set of 2001-02 accounts **has been circulated separately.**

3 CHANGES TO 2001-02 ACCOUNTS

3.1 The changes to the accounts previously approved by this Council are summarised in **Appendix A.**

4 2002-03 ACCOUNTS

4.1 These accounts have been produced in accordance with the 2002 Code of Practice on Local Authority Accounting. A full set of 2002-03 accounts **has been circulated separately.**

4.2 The main features of the accounts are summarised below:

General Fund	£M
Budgeted net expenditure	203.859
Actual net expenditure	203.819
Surplus for the year	0.040
Balance as at 31 March 2003	12.589
Capital Expenditure	
Budget	56.665
Actual	57.254
Overspend (including unfinanced accruals)	0.589

Housing Revenue Account	
Balance as at 1 April 2002	3.176
Surplus in Year	0.837
Balance as at 31 March 2003	4.016
Collection Fund	
Balance as at 1 April 2002	0.653
Deficit in Year	0.519
Balance as at 31 March 2003	0.134
Pension Fund	
Value of net assets	260.256
Funding level (%)	98

GENERAL FUND

5.1 The general fund balance of £12.589m, is in line with the CPA action plan requirements.

5.2 An analysis of the general fund net expenditure by Departments is detailed below:

	Original Budget £000	Revised Budget £000	Actual £000
Education Department	86,236	88,653	88,402
Environment Department	12,622	13,497	13,520
Housing Department	16,277	21,413	21,411
Social Services Department	66,305	68,666	68,615
Direct Services Department	14,391	15,081	18,474
Central Departments & Other Items	13,651	2,212	2,499
Net Departmental Expenditure	209,482	209,522	212,921
Levies	3,254	3,213	3,213
Use of Reserves	(8,877)	(8,876)	(12,315)
Total	203,859	203,859	203,819

5.3 During the year there were significant changes to the original budget, mainly resulting from the reallocation of the budgets for capital charges in line with Best Value Accounting principles.

6 HOUSING REVENUE ACCOUNT

6.1 The surplus on the Housing Revenue Account was due mainly to

	£M
DSD Deficit transferred to the HRA	3.543
Local scheme housing benefit disregard transferred to the HRA	0.753
Additional leaseholders major works income and service charges	(3.367)
Additional net housing benefit subsidy	(0.546)
Additional rent income due to improved collection performance	(0.499)
Underspend on Supervision and Management costs	(0.331)
Interest on working balances	(0.329)
Other	(0.061)
Total	(0.837)

7 BALANCE SHEET

7.1 The main changes in the balance sheet between years are detailed below:

Fixed Assets	This reflects the net current value of fixed assets held by the authority in accordance with the requirements of the 2002 Code of Practice. The increase in investment by the Council in its fixed assets is more than offset by depreciation and the value of disposals. Further details are given in note 1 of the Consolidated Balance Sheet.
Borrowing	The overall level of borrowing has remained constant, however, there has been a movement of £23m from long term to short term borrowing.
Cash and investments	In overall terms cash and investments have only marginally reduced.
Government Grants Deferred	The increase is represented by additional grants received to fund capital schemes.

8 PUBLICATION AND AUDIT OF ACCOUNTS

8.1 The detailed audit of both sets of accounts will begin shortly.

8.2 The statutory 3-week period for the public inspection of the accounts has yet to be agreed with the auditors.

8.3 The Audit Commission has been reviewing the arrangements for reporting local authority accounts. Changes include reducing the length of time given to local authorities to adopt their accounts. The deadline will be 31 August 2004 for 2003/04's accounts, then 31 July 2005 for 2004/05 and 30 June 2006 for 2005/06. The audit deadlines will also become earlier.

8.4 New guidance to external auditors under the Statement of Auditing Standard 610 requires them to report the findings of their audits to 'those charged with governance' prior to formally signing the accounts. For Hammersmith and Fulham, the external auditors are the Audit Commission (the new name for the District Auditor) and 'those charged with governance' refers to the whole Council. However,

the Council can delegate this responsibility to another Member body. It is a statutory duty that the Council's accounts are signed by 31 December each year.

8.5 It is recommended that the Council delegates the responsibility for receiving any report necessary from the Audit Commission to a Committee established specifically for this purpose. It is recommended that a Special Committee for Consideration of the Auditors' Comments on the Annual Accounts be established with the membership and terms of reference set out in Appendix B.

9 COMMENTS OF HEAD OF LEGAL SERVICES

9.1 The Accounts and Audit Regulations 1996 require the Council to prepare a statement of accounts which must be approved by a resolution of the Council. Prior to the approval the Director of Finance must sign and date the Statement of Accounts and certify that it presents fairly the Council's financial position for the relevant period.

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS**

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Revenue Budget Monitoring Reports and Annual Accounts	Keith Nevitt Ext 2501	Finance 2 nd Floor, HTHX
2.	Final Education Department Accounts	Deepa Martin Ext 3623	Education Cambridge House
3.	Final Environment Department Accounts	Dave McNamara Ext 3404	Environment 5 th Floor, HTHX
4.	Final Social Services Department Accounts	John Stansfield Ext 5033	Social Services 145 King Street
5.	Final Direct Services Department Accounts	Ian Ward Ext 4824	DSD Riverview House
6.	Final Housing Department Accounts	Peter Willett Ext 1749	Housing Riverview House
7.	Final Central Departments Accounts	Pat Gough Ext 2542	Finance 2 nd Floor, HTHX

APPENDIX A

CHANGES TO 2001-02 ACCOUNTS

Page	Item	Changes
1	Significant Features in the Accounts	A paragraph has been inserted to explain the reason for the changes The tables for Revenue Expenditure have been amended showing a variance of £8.075m
5	Statement of Responsibilities for the Statement of accounts	This has been signed by the Director of Finance.
13	Consolidated Revenue Account	The previous entries after Net Operating Expenditure have been amended to take account of the accounting adjustment and to incorporate best practice in presentation. The resulting changes show a closing revenue balance of £12.5m
16	Asset Management Revenue Account	This has been changed to reflect best practice in presentation.
16	Minimum Revenue Provision	This has been changed to take account of the accounting adjustment and to reflect best practice in presentation.
17	Capital Financing Adjustment	This has been incorporated to reflect best practice in presentation.
17	Prior Year Adjustment	This has been incorporated to explain the entry in the Consolidated Revenue Account.
17	Transfer to/ (from)Other Reserves and Balances	This has been incorporated to explain the entry in the Consolidated Revenue Account.
30	Consolidated Balance Sheet	This has been changed to reflect the movement from the Capital Financing Reserve to Revenue Balances.
38	Capital Financing Reserve	This has been change to reflect both the changes in the Consolidated Balance Sheet and best practice in presentation.
40	Earmarked Reserves	This has been change to reflect both the changes in the Consolidated Balance Sheet.
42	Revenue Reserves and Balances	This has been changed top show the increase in the General Fund to £12.5m.
43	Statement in Total Movement in Reserves	This has been changed to reflect the changes in the Consolidated Balance Sheet

MEMBERSHIP AND TERMS OF REFERENCE

SPECIAL COMMITTEE TO CONSIDER THE AUDITORS' COMMENTS ON THE ANNUAL ACCOUNTS

Membership

- 1 Leader and Deputy Leader of the Council and Leader of the Opposition

Terms of reference

- 2 To consider any report necessary from the external auditors under Statement of Auditing Standard 610.
- 3 To re-approve the Council's Statement of Accounts following any amendments emerging from the external audit.

LONDON BOROUGH OF
HAMMERSMITH AND FULHAM

STATEMENT OF ACCOUNTS

2001/02

LONDON BOROUGH OF HAMMERSMITH AND FULHAM

EXPLANATORY FOREWORD BY CHIEF FINANCE OFFICER

INTRODUCTION

The Council's accounts for the year ended 31 March 2002 are set out in the following pages. The individual statements include comparative figures relating to the previous year.

FINANCIAL STATEMENTS

The financial statements largely follow the practice advocated by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the 2000 Code of Practice on Local Authority Accounting in Great Britain, and summarise the overall financial position of the Council. For the purpose of clarity a number of figures relating to the previous year have been restated. These accounts include the following statements:

Consolidated Revenue Account Summary (Pages 12-20)

This is the Council's main revenue account, which brings together expenditure and income relating to the provision of the main Council services, including the Housing Revenue Account. This account also shows how expenditure on services is funded.

Collection Fund Account (Pages 21-23)

The Collection Fund Account includes income and expenditure relating to the collection of the Council Tax and National Non-Domestic Rates (NNDR).

Housing Revenue Account (Pages 24-29)

This statutory account includes the income and expenditure relating to the provision of housing and ancillary services to Council Tenants and leaseholders.

Consolidated Balance Sheet (Pages 30-46)

The balance sheet sets out all the assets and liabilities of the Council. It excludes the Pension Fund.

Cash Flow Statement (Pages 47-50)

The Cash Flow Statement shows cash transactions for revenue, capital and capital financing for the year and their effect on the year end balance.

Pension Fund Accounts (Pages 51-63)

The Pension Fund Accounts summarise the net assets of the Fund. The full accounts are available from the Chief Revenue Accountant at the address shown below.

Glossary of Terms (Pages 64-66)

FURTHER INFORMATION

Further information about the Accounts is available from the Chief Revenue Accountant by telephoning (020) 8753 1589 or by writing to:

Chief Revenue Accountant
London Borough of Hammersmith and Fulham
Town Hall
King Street
Hammersmith
London
W6 9JU

SIGNIFICANT FEATURES IN THE ACCOUNTS

1. COMMUTATION OF IMPROVEMENT GRANTS

This revised Statement of Accounts replaces that published on the 23rd December 2002. The changes in this version relate solely to amendments made following the implementation of the Minimum Revenue Provision (MRP) adjustment, which was introduced by central government following the commutation of debt charges previously funded by government grant which resulted in a reduction in future revenue grant from 1992. The adjustment is to compensate authorities for increased net costs by reducing the amount of money set aside each year for debt redemption (MRP). The required adjustment of the MRP was not implemented by the Council. These accounts now correct the position as if the adjustment had been implemented correctly from 1992/93.

2. REVENUE EXPENDITURE

The actual outturn for 2001/2002 was £192,484m, a surplus of £8.075m against the Revised Estimate.

	Revised Estimate £000	2001/2002 Actual £000	Variance £000
Education Department	89,333	89,214	(119)
Environment Department	14,437	12,941	(1,496)
Housing Department	17,688	18,967	1,279
Social Services Department	66,550	66,174	(376)
Central Departments & Other Items	19,431	17,178	(2,253)
Net Departmental Expenditure	207,439	204,474	(2,965)
Net prior year adjustment	0	(4,499)	4,499
Levies	3,294	3,294	0
Use of Reserves	(10,174)	(10,785)	(611)
	200,559	192,484	(8,075)

Income from Grant and Local Taxpayers was in accordance with the Revised Budget. The main variances attributable to spending on individual services within the General Fund were as shown below.

Underspends /Savings	£m	£m
Refuse Client	(0.1)	
Education Administration	(0.2)	
Capital Funding	(0.8)	
Pensions, Payments & Administration	(0.2)	
Capitalisation	(1.7)	
Finance Department	(0.1)	(3.1)

Overspends/Shortfalls in Income		
Asset Management Account	2.3	
Audit Fees	0.2	
Homelessness	0.2	
Housing Benefit Subsidy	0.7	
Parks Constabulary	0.4	
Leisure Management	0.4	4.2
		1.1
Commutation		
Net prior year adjustment	(4.4)	
In year adjustment	(4.7)	
		(9.1)
Net Variance		(8.0)

3. CAPITAL SPENDING

Capital spending in 2001/2002 totalled £41.672m compared with £37.445m in the previous year. A summary of expenditure for both years is shown as follows.

	2000/2001 £000s	2001/02 £000s
Education	3,597	4,612
Environment	6,724	8,280
Social Services	3,970	1,834
Housing	17,645	16,717
Improvement/Other Housing Grants	3,116	3,216
Other Services	2,393	7,013
	37,445	41,672

Capital commitments on major schemes at 31 March 2002 totalled £6.4m, comprising Flora Gardens Ph2 (£1.1m), White City Estate Phase 21 (£1.2m), Douglas Johnson House (£1.0m), Wormholt Ph1, William Morris House, Broxholme House, Mortimer House, Edward Woods Estate and SGB Ph1 (£3.1m).

4. CURRENT BORROWING AND CAPITAL RESOURCES

All of the borrowings disclosed in notes 9 and 10 to the balance sheet on page 36 relate to the financing of capital spending in 2001/2002 and earlier years. Some £317.0m (99.9% of total borrowings) was borrowed from the Public Works Loans Board.

In addition to permitted borrowing from the Public Works Loan Board, future capital expenditure will be financed from revenue contributions, sales of fixed assets, capital grants and contributions and relevant Funds within Earmarked Reserves.

LONDON BOROUGH OF HAMMERSMITH AND FULHAM

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For this Council, that officer is the Director of Finance;
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- to approve the statement of accounts.

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice").

In preparing this statement of accounts, the Director of Finance has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Director of Finance has also:

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

CERTIFICATE OF THE DIRECTOR OF FINANCE

I certify that the Statement of Accounts set out on pages 6 to 63 present fairly the financial position of the London Borough of Hammersmith and Fulham for the year ended 31 March 2002.

DIRECTOR OF FINANCE
12th September 2003

STATEMENT OF ACCOUNTING PRACTICES AND POLICIES FOR 2001/02

1. STATEMENT OF ACCOUNTING PRACTICE

The 2001/2002 Accounts provide financial information based on the activities of the Council throughout the financial year and reflect the position at the year-end. The Council's accounts have been generally prepared in accordance with the 2000 Code of Practice on Local Authority Accounting and the guidance notes on these statements of standard accounting practice (SSAPs) relevant to local authorities. Where exceptions occur these are noted at the appropriate place in the statement of accounts.

2. BASIS ON WHICH DEBTORS AND CREDITORS ARE INCLUDED IN THE ACCOUNTS

Revenue transactions are generally included as income and expenditure in the year of account. During the year a modified receipts and payments system is used for certain accounts which are then converted at the year-end by the inclusion of debtors and creditors. Where the exact amount of a debtor or creditor was not known at the time of closing the accounts then an estimated amount has been used. The main exceptions are listed below.

- (i) Commercial rents are based on the quarter dates and no adjustment has been made to rents receivable and payable. Rents receivable of £1.057m were accounted for 2001/02 rather than 2002/03. Rents payable of £1.112m were accounted for in 2001/02 rather than 2002/03.
- (ii) Bonus payments to some manual workers are paid in arrears (value £101,000).
- (iii) Payments made under operational leases, primarily for computer equipment, are charged on a cash basis and pre-payments of £0.638m were made in 2001/02.

The above exceptions to the accruals concept are applied consistently each year and are not considered to have a material effect on the accounts.

3. NATURE OF SUBSTANTIAL RESERVES AND FUNDS

The Council is required to set aside money to cover future known or anticipated liabilities and each reserve or provision should be clearly identifiable as to its purpose and usage.

Amounts set aside for purposes outside the definition of provisions are considered as reserves. Transfers to and from reserves are distinguished from service expenditure disclosed in the statement of accounts. Reserves include earmarked reserves set aside for specific policy purposes and balances that represent resources set aside for purposes such as general contingencies and cash flow management.

The Council maintains several revenue reserves (see note 19 to the Balance Sheet, page 42). The General Fund reserves are used to meet revenue expenditure that does not relate to the Housing Revenue Account or other trading accounts. The HRA reserve may only be applied to fund expenditure relating to that account.

Following the changes brought about by the 1993 Code of Practice, the Fixed Asset Restatement and Capital Financing Reserves were set up to account for changes in the value of fixed assets and the financing of fixed assets. Further details relating to these funds and other reserves are shown in notes 14,15, 16, 17, 18 and 19 to the Balance Sheet on pages 37 to 42.

4. PROVISIONS AND CONTINGENT LIABILITIES

Provisions are required for existing obligations arising from past events which are likely to result in future expenditure which can be reliably estimated.

Contingent liabilities have been disclosed in note 22 to the Balance Sheet on pages 44 and 45 when the sums are likely to be material, and it has not been possible to include a specific provision in the accounts.

5. STOCKS

The value of stocks included in the Balance Sheet is based on SSAP 9, which requires valuation to be the lower of cost or net realisable value.

6. FIXED ASSET VALUATIONS

- (a) Fixed Assets have been valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Any reduction in asset values resulting from impairment would be reflected in accordance with FRS 11, but no impact has been identified to date.

Until 2001/02 a five year revaluation methodology was used for both the HRA and General Fund property assets. From 2001/02 however, HRA stock has been valued by extrapolating the Borough Valuers annual revaluation of 20% of the housing stock. This has increased asset valuation by some £111m (12%). A new category, 'HRA stock & others' has been set out in the accounts to show the movements in asset values during the year.

Asset Valuations under the following classifications have been undertaken:

- Buildings other than schools used for operational purposes have valuations

- which take into account market values and the present use of these assets.
 - Schools are valued on the basis of depreciated replacement cost as it has not been possible to establish a comparable market value for this type of property.
 - Buildings held for investment or non-operational purposes have been valued at open market value.
 - Roads and other infrastructure have been valued at historic cost.
 - Buildings on community asset sites and objets d'art have been valued at open market value.
 - Vehicles, moveable plant and equipment have also been valued at replacement cost.
- (b) Assets acquired under finance leases after 1 April 1994 and those acquired under deferred purchase agreements are included in the overall valuations.
- (c) Any capital expenditure in acquiring new property or enhancements to existing property would normally be included in the valuations.
- (d) The value of HRA stock disposals (RTB/others) is shown in the notes to the balance sheet in the movement in assets from 1st April 2001 to 31st March 2002 under the heading disposals and/or transfers. It is recorded at the actual discounted sales value. This is consistent with the value of capital receipts generated from the disposals as illustrated in the annual statement of accounts. In future years (2002/03 onwards) the value of these disposals will be recorded at the Existing Use – Social Housing Value, more in keeping with the HRA resource accounting principles. This would reduce the value of the disposals in the balance sheet by approximately £1.7m. A compensatory reduction would be made in the value of revaluations, thus there is nil impact on the gross book value.

7. DEPRECIATION

Depreciation, when a charge is made, is provided for on the basis of a finite life of the asset which is determined at the time of acquisition or when the asset has been re-valued. Other than where stated below, assets are normally depreciated over 40 years, with no charge in the year of disposal. The following treatment has been adopted for the following categories of assets:

- Assets (including Council Dwellings) are depreciated in accordance with the 2000 Accounting Code of Practice. Depreciation is charged on the value of all HRA assets, excluding land.
- Vehicles and Moveable Plant are depreciated over periods ranging from 4-8 years.
- Infrastructure is depreciated over a period of 40 years.
- The straight-line basis is used to determine the amount of depreciation in any year.
- For 2001/02 depreciation for General Fund was charged on the closing value, while HRA was charged on the opening value. From 2002/03 depreciation for both will be based on the opening value of the fixed assets in the balance sheet. No charge will be made for in year acquisitions or disposals.

8. CAPITAL RECEIPTS

Capital receipts arise from the sale of assets and are accounted for on a cash basis. The proceeds arising from new sales are split between reserved and useable receipts pending their use, either to be set aside to repay debt or to finance further capital expenditure. Further details are provided in note 16(i) to the Balance Sheet on pages 39.

9. BASIS OF PROVISION FOR DEBT REDEMPTION

Gains and losses on the repurchase of early settlement of borrowing are recognised in the Consolidated Revenue Account in the periods during which the repurchase or early settlement is made. Where however the repurchase of the borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains and losses are recognised over the life of the replacement borrowing.

Under the Local Government and Housing Act 1989, the Council must ensure that there is a Minimum Revenue Provision charged to revenue being 2% of the credit ceiling for the Housing Revenue Account and 4% of the credit ceiling for General Fund Services.

10. VALUATION OF INVESTMENTS

All investments included in the Consolidated Balance Sheet are shown at the lower of cost or market value at the year-end.

11. COST OF SUPPORT SERVICES

Charges or apportionment covering all support service costs are made to all their users, including services to the public, divisions of services, trading undertakings, DSOs, HRA, capital accounts, services provided for other bodies and other support services. The costs of service management are in the same way to be apportioned to the accounts representing the activities managed. The basis of apportionment adopted is generally consistent for all the heads to which apportionments should be made.

The cost of service strategy and regulation of any service to the public is allocated to a separate objective expenditure head in the accounts of that service. The costs of the corporate and democratic core and of unapportionable central overheads is allocated to a separate objective expenditure head in both General Fund and the Housing Revenue Account and not apportioned to other expenditure heads.

12. LEASING

The Council holds various capital assets (primarily computer equipment) under operational leases, which do not appear in the Council's balance sheet. Rental charges are made to revenue on a straight line basis, over the term of the lease, even if the payments are not made on such a basis.

The Council has acquired various assets under finance leases. Rental payments are

apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease (see note 10 to the Consolidated Revenue Account on page 18).

13. GOVERNMENT GRANTS

Whatever their basis of payment, revenue grants are matched with the expenditure to which they relate. Grants made to finance the general activities of the Council or to compensate for a loss of income are credited to the revenue account in the period to which they are payable.

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of grant or contribution is credited to the Government Grants Deferred Account and written off to the Asset Management Reserve Account over the useful life of the asset.

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

14. DEFERRED CHARGES

Deferred charges represent expenditure which may properly be capitalised, but which does not represent tangible fixed assets. Balances of deferred charges that give no long-term benefit to the Council have been written off to the Capital Financing Reserve. Other deferred charges are amortised to revenue over an appropriate period.

£335k has been treated as a deferred charge. This related to a change in payment to certain staff from weekly to monthly pay, with the cost being charged to revenue over five years in line with savings arising. This is the second year of this treatment but will be reviewed in 2002/03.

15. PENSION COSTS

The costs of providing pensions for employees are charged to the accounts in accordance with the relevant statutory requirement. Note 14 to the Consolidated Revenue Account on page 19 shows employer contributions to the LBHF scheme, the Teachers scheme, and the London Pension Fund Authority.

16. FRS17: RETIREMENT BENEFITS

Local Authorities have a commitment to fund the cost of pensions. The true cost of pensions to the Council is the cost of benefits earned, and this has to be shown as a liability in the accounts in order to comply with FRS17. Full compliance with FRS17 is being phased in over a period of three years. In 2001/2002 a note to the Pension Fund accounts has been included showing the attributable assets and liabilities and net deficit.

17. CAPITAL CHARGES

Services are charged with a capital charge for all fixed assets used in the provision of the service. These include an annual provision for depreciation where appropriate, plus a capital financing charge determined by applying specified notional rate of interest (6% in 2001/02 and 6% in 2000/01) to the net amount that is included in the balance sheet. The HRA charges use the opening value approach. For 2001/02 and previous years, for General Fund assets, the closing asset value were used. This opening value approach will be reflected in the 2002/03 accounts. The effect is some £0.8m but has no effect on the overall revenue accounts.

CONSOLIDATED REVENUE ACCOUNT

The Consolidated Revenue Account (CRA) includes details of expenditure and income for General Fund Services and Housing Revenue Account (HRA). Details of other costs such as levies and surplus/deficit transfers are also included. The way in which the net expenditure is financed is also shown in this statement.

	NOTE	2000/2001	2001/2002		NET EXPENDITURE £000s
		NET EXPENDITURE £000s	GROSS EXPENDITURE £000s	INCOME £000s	
Central Services:					
Council Tax Collection		1,063	3,032	1,634	1,398
Other Central Services		15,783	26,229	10,136	16,093
Cultural, Environmental & Planning Services:					
Leisure Services		7,300	8,609	2,296	6,313
Cemeteries & Crematoria		316	1,499	1,115	384
Environmental Health		1,513	3,310	1,417	1,893
Waste Collection & Disposal		5,487	7,944	2,231	5,713
Planning & Development		3,626	6,064	2,870	3,194
Other CE&P Services		8,675	7,628	3,265	4,363
Education		78,738	112,918	29,692	83,226
Highways & Transport		(970)	22,113	20,521	1,592
Housing Services:					
Housing General Fund		15,215	83,518	67,082	16,436
Housing Revenue Account		(135)	103,495	104,239	(744)
Social Services		64,235	109,832	43,885	65,947
NET COST OF SERVICES	(1)	200,846	496,191	290,383	205,808
Cost of Levies	(3)	2,557	3,294	-	3,294
(Surplus)/Deficit on Trading Services	(4)	(1,702)	6,467	5,276	1,191
Transfer from AMRA	(5)	(7,329)	33,742	40,133	(6,391)
Interest Receipts		(1,506)	636	1,944	(1,308)
NET OPERATING EXPENDITURE		192,866	540,330	337,736	202,594

CONSOLIDATED REVENUE ACCOUNT (Continued)

	NOTES	2000/2001 £000s	2001/2002 £000s
NET OPERATING EXPENDITURE		192,866	202,594
Add:			
Transfer to/(from) HRA Balance		135	744
Minimum Revenue Provision Adjustment.	(6)	2,726	(7,767)
Capital Financing adjustment	(7)	(2,958)	(3,728)
Prior Year adjustment	(8)	0	(23,999)
Transfers to/(from) Reserves	(9)	(1,366)	20,111
Deferred Charges	(10)	2,958	4,529
Capital Expenditure Financed From Revenue		1,218	-
AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAX PAYERS		195,579	192,484
Less:			
Collection Fund Precept		53,605	56,556
Collection Fund Transfer of (Deficit)	(9)	(500)	(500)
Revenue Support Grant		96,728	100,412
Contribution from NNDR Pool		43,709	44,091
		193,542	200,559
(SURPLUS)/DEFICIT FOR YEAR		2,037	(8,075)
General Fund Balance			
Balance at Beginning of Year		6,509	4,472
Surplus/ (Deficit) for Year		(2,037)	8,075
BALANCE AT END OF YEAR		4,472	12,547

NOTES TO THE 2001/2002 CONSOLIDATED REVENUE ACCOUNT

1. EXPENDITURE ON SERVICES

The figures included in the account reflect expenditure/income on services including the Housing Revenue Account, rather than Committee expenditure/income.

2. PAYROLL COSTS/STAFF REMUNERATION

Direct employee costs excluding pension payments amounted to £189.1m in 2001/2002 (£170.8m in 2000/2001). The numbers of staff receiving remuneration of £40,000 and above are disclosed in the following table.

	2000/2001	2001/2002
£40,000 - £49,999	71	113
£50,000 - £59,999	24	40
£60,000 - £69,999	13	13
£70,000 - £79,999	3	4
£80,000 - £89,999	5	4
£90,000 - £99,999	2	2
£100,000 - £109,999	-	1
£110,000 - £119,999	-	-
£120,000 - £129,999	1	1
	119	178

3. COST OF LEVIES

Levies paid by the Council are listed below. The London Pensions Fund Authority raises a levy to meet expenditure on pension payments to former GLC and ILEA employees. In addition, a levy of £3.103m to Western Riverside Waste Authority is included in the Waste Collection and Disposal figure shown in the Consolidated Revenue Account.

	2000/2001 £000s	2001/2002 £000s
Environment Agency	1,012	1,084
Lee Valley Regional Park	184	190
London Pensions Fund Authority	1,361	1,420
Greater London Magistrates Court Authority	-	600
	2,557	3,294

Prior to 2001/02 the charge paid to the Greater London Magistrates Court Authority was included within the precepts paid by the authority.

4. TRADING SERVICES

The following Trading Services operated during the year.

	2000/2001 £000s	2001/2002 £000s
Building Division		
<i>Deficit</i>		981
<i>Charge made to HRA under BVACoP</i>		(785)
<i>Adjusted deficit</i>	165	196
Highways Division	(4)	(32)
Construction & Property Related Services	(360)	(91)
Street Cleansing	(4)	2
Refuse Collection	(48)	(9)
Grounds Maintenance	(43)	107
Leisure Management	251	462
Building Cleaning	77	96
Catering	95	167
Parking Control	(89)	(80)
Security Services	(20)	1
Legal Services	(6)	22
Industrial Estates and Misc Properties	(1,716)	350
	(1,702)	1,191
<i>Note: (surplus)/ deficit</i>		

5. ASSET MANAGEMENT REVENUE ACCOUNT

The Asset Management Revenue Account (AMRA) is a vehicle through which the real cost of borrowing money to fund capital expenditure is recorded and split between the General Fund (GF) and Housing Revenue Account (HRA). It is also a mechanism to ensure that the notional cost of owning capital assets (notional interest) and using capital assets (depreciation) that are included in the GF's service accounts are reversed - out and balanced off. It makes certain that council tax payers are not charged more than the GF's minimum revenue provision for these notional transactions.

The implementation of resource accounting in the HRA from 1 April 2001 requires the inclusion of notional charges for the cost of capital (notional interest), depreciation and impairment. These changes are reflected in AMRA but have no overall impact on the General Fund. The difference between the HRA's cost of capital transaction and its capital adjustment calculation shows the amount of interest payments owed by the HRA out of the total paid by the Council.

The calculation of asset rentals was reviewed during the course of 2001/02 when it became apparent that the basis used in the 2001/02 budget was incorrect. The changed calculations were not available until late in the closure of the 2001/02 Accounts. Because of the complexity of making the change, it was decided not to pass the revised amounts on to service accounts but to retain the cost within the Asset Management Revenue Account –

the balance of which has been charged to net cost of services in the Consolidated Revenue Account. The effect of this is to understate service spending by £1.7m.

	2000/2001		2001/2002	
	£000s	£000s	£000s	£000s
INCOME				
Capital Charges – General Fund	21,109		24,400	
- HRA	27,298		66,218	
HRA Debt management expenses	116		128	
HRA Premiums contribution	7		7	
Deferred Charges written down	0	48,530	800	91,553
EXPENDITURE				
Net External Interest	27,832		28,389	
Interest on finance leases	3,741		711	
Debt Management expenses	99		87	
HRA Interest Adjustment Transfer	-		36,967	
Depreciation - General Fund	4,962		6,813	
- HRA	4,312		11,732	
Interest on HRA Balances	255	41,201	463	85,162
Surplus		7,329		6,391

6. MINIMUM REVENUE PROVISION

The Council has a statutory duty to set aside resources from its revenue accounts to fund the repayment of debt incurred in the financing of capital expenditure. This amount is termed the Minimum Revenue Provision (MRP). For the HRA 2% of the credit ceiling for capital liabilities must be set aside each year whereas with the latter 4% of the ceiling applies. The General Fund and the HRA contain notional transactions that specify the economic benefits derived from capital expenditure. To limit the amount charged to council tax payers, the notional transactions are reversed out of these accounts through the MRP adjustment.

	2000/2001		2001/2002	
	£000s	£000s	£000s	£000s
General Fund (4%)	3,376		3,699	
Commutation Adjustment	0		(5608)	
HRA (2%)	4,312		4,234	
Minimum Revenue Provision		7,688		3,280
Less Depreciation -General Fund	4,962		6,813	
- HRA	0	4,962	4,234	11,047
		2,726		(7,767)

7. CAPITAL FINANCING ADJUSTMENT

This represents the capital finance associated with the deferred charges written off to revenue in the year, together with deferred grants released in the year to meet depreciation of the associated assets.

	2000/2001	2001/2002
--	-----------	-----------

	£000s	£000s	£000s	£000s
Deferred Charges written down	(2,958)		(4,528)	
Capital Grants deferred	0		800	
		(2,958)		(3,728)

8. PRIOR YEAR ADJUSTMENT

In 1992 the government ceased paying revenue grants towards loan charges relating to capital expenditure on certain types of work, mainly improvement grants. To compensate authorities, long term loans from the Public Works Loans Board were commuted (repaid) on their behalf by central government. However, this resulted in a net loss of grant income to authorities, and, to compensate, a change was made to the calculation of the amount of MRP required each year. That is amount that is required each year to be set aside for debt repayment from the revenue account. This change which is called the commutation adjustment was not implemented by the Council, and this resulted in too much being set aside each year from Revenue, and too much being transferred to the Capital Financing Reserve. The prior year adjustment corrects the situation for the period 1992 to 2001, and transfers the funds from the Capital Financing Reserve to General Fund revenue balances. From 2007/2008 the commutation adjustment becomes a negative sum which will be a cost to the General Fund. A reserve has been set up to cover this future cost. (See Note 9).

9. TRANSFER TO/(FROM) OTHER RESERVES AND BALANCES

The following table provides details of transfers to/(from) revenue reserves, provisions and other balances that impact on the Consolidated Revenue Account.

	2000/2001 £000s	2001/2002 £000s
Controlled Parking Fund	339	849
IT and Computer Funds	530	561
NNDR Reserve	(1250)	(951)
Asylum Seekers Provision	(250)	(225)
Education Reserves	(286)	(286)
Education Establishments	(958)	75
Budget Strategy	-	700
Backdated Rentals	-	289
Teachers Pensions	-	(223)
Miscellaneous Provisions/Funds	509	(178)
Commutation Reserve	-	9,000
Debtors & Creditors Review	-	2,500
Subsidy Clawback Reserve	-	2,000
Trading Services Contingency Reserve	-	3,000
General Contingency Reserve	-	3,000
	(1,366)	20,111

10. DEFERRED CHARGES

Deferred charges arise when Capital Expenditure is incurred which does not result in, or remain matched to, a tangible asset and for loans repaid early where redemption premiums have been paid. These costs are required to be written off to revenue.

11. COLLECTION FUND TRANSFERS

The £500,000 represents the Council's contribution to the deficit for 2001/2002 (£500,000 in 2000/2001) of the Collection Fund at 31 March 2002 and estimated at the time that the 2001/2002 Council Tax was set.

12. LEASING CHARGES

The Council incurs leasing costs under its operating and finance arrangements and the costs to revenue are shown below.

	2000/2001 £000s	2001/2002 £000s
Operating Leases	2,589	2,682
Finance Leases	347	69
	2,936	2,751

Undischarged obligations under finance leases, including interest, were estimated as £0.39m at 31 March 2002. Undischarged obligations under operating leases were £6.47m at 31 March 2002.

13. MEMORANDUM PUBLICITY ACCOUNT.

Under Section 5 of the Local Government Act 1986, the Council is required to keep a separate memorandum account of expenditure on publicity, which is summarised as follows.

	2000/2001 £000s	2001/2002 £000s
Recruitment Advertising	738	1,034
Other Advertising	153	145
Other Publicity	241	315
	1,132	1,494

14. LOCAL AUTHORITIES (GOODS & SERVICES) ACT 1970

The services provided to other local authorities under the Local Authorities (Goods and Services) Act 1970 are shown below.

	2000/2001 NET EXPENDITURE £000s	GROSS EXPENDITURE £000s	2001/2002 LESS INCOME £000s	NET EXPENDITURE £000s
Public Mortuary	176	300	(184)	116
Western District Coroner's	78	650	(611)	39
Payroll Services to HWLC	-	21	(21)	0
Computer Services	(117)	0	(16)	(16)
	137	971	(832)	139

15. RELATED PARTIES TRANSACTIONS

This disclosure note has been prepared from the specific declaration of related party transactions sent to all councillors and chief officers, the Council's Register of Councillors' Declarations of Interest and the Council's Register of Pecuniary and Non-Pecuniary Interests of Councillors made at Committee and other meetings.

A number of councillors have made declarations of non-pecuniary interests in voluntary organisations, which in most cases relate to official Council appointments.

Related parties transaction forms were not received from the following: Joan Caruana; Adam Gray; Sonya Hilton; Hefin Rees; Greg Wilkinson. Although none are currently councillors, they were during 2001/02.

Further details are available from the Chief Finance Officer.

16. PENSION COSTS

London Borough of Hammersmith & Fulham Scheme

- a) In 2001/02 the Council paid an employer's contribution of £9.019m into the Pension Fund, representing 10.3% of pensionable pay, increasing to 10.9% of pensionable pay in 2002/03.

Teachers Scheme

- b) In 2001/02 the Council paid £1.978m (7.4% of teachers' pensionable pay) to the Teacher's Pensions Agency. The Council's contribution rate was increased to 8.35% of pensionable pay in 2002/03.

London Pensions Fund Authority

- c) In 2001/02 the Council paid £0.434m (14.9% of pensionable pay) to the London Pensions Fund Authority in respect of former ILEA staff. The Council's contribution rate was increased to 18.4% of pensionable pay in 2002/03, as a result of the triennial valuation of their fund.

In addition the Council is responsible for the costs relating to added years awarded. The capital cost agreed in the year was £0.493m and for those agreed in earlier years for which payments were still being made was £39.536m. These costs are however funded through an increase in the employer's contribution.

17. MEMBERS' ALLOWANCES

The total allowances paid to members in 2001/02, including travel and subsistence allowances, amounted to £733,457 (£753,000 in 2000/01).

18. SECTION 137 EXPENDITURE

The Local Government Act 1972 empowers the Council to make donations to charities not specifically authorised by other powers. Authority to make these payments is included under Section 137(3) of the Act, as amended by Section 36 of the Local Government and Housing Act 1989. In 2001/02 there was no expenditure under this section.

19. BUILDING CONTROL STATEMENT

The Local Authority Building Regulations require the disclosure of information regarding the setting of charges for the building control function. However, certain activities performed cannot be charged for, such as providing general advice and liaising with other statutory authorities. The total cost, analysed between chargeable and non-chargeable activities is shown below.

	2000/01 Total	Charge able	Non- Charge able	2001/02 Total
	£000	£000	£000	£000
EXPENDITURE				
Employee Costs	844	638	274	912
Transport	24	20	8	28
Supplies & Services	22	13	5	18
Support Costs	438	484	208	692
Total Expenditure	1,328	1,155	495	1,650
INCOME				
Building Regulation Charged	(990)	(1,182)	(1)	(1,183)
Misc Income	(29)	(22)	(10)	(32)
Total Income	(1,019)	(1,204)	(11)	(1,215)

(Surplus)/Deficit	309	(49)	484	435
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COLLECTION FUND ACCOUNT

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with other accounts of the billing authority.

INCOME AND EXPENDITURE FOR 2001/02

	NOTE	2000/01 £000s	2001/02 £000s
INCOME			
Income from Council Tax	(1)	54,340	57,191
Transfers from General Fund:			
- Council Tax Benefits		11,607	12,109
Non-Domestic Rate Income	(2)	65,852	80,989
Contributions towards Previous Year's Collection Fund deficit:			
- Council Tax		585	584
TOTAL INCOME		132,384	150,873
EXPENDITURE			
Precepts and Demands	(3)	63,753	67,603
Non-Domestic Rates			
- Payment to National Pool		65,370	80,511
- Costs of Collection		482	478
Bad and doubtful debts/appeals			
- Write offs		1,193	1,290
- Provisions		337	(450)
TOTAL EXPENDITURE		131,135	149,432
Change in Fund Balance in Year		1,249	1,441
Surplus/(Deficit) as at 1 April		(2,037)	(788)
Surplus/(Deficit) as at 31 March		(788)	653

NOTES TO THE COLLECTION FUND ACCOUNTS

1. INCOME FROM COUNCIL TAX

Council Tax Income is the amount payable by Council Taxpayers, inclusive of changes arising during the year for successful appeals against valuation banding, new properties, disabled relief and exempt properties. The Council's tax base is based on the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings. For 2001/02 it was calculated as follows.

Band	Estimated Number of Taxable Properties after Discounts and Exemptions	Ratio to Band D	Band D Equivalent Dwellings
A	2,154	6/9	1,436
B	4,223	7/9	3,284
C	10,450	8/9	9,289
D	18,054	1	18,054
E	11,812	11/9	14,437
F	7,601	13/9	10,980
G	9,101	15/9	15,168
H	<u>1,641</u>	18/9	<u>3,282</u>
	<u>65,036</u>		<u>75,930</u>

2. NATIONAL NON-DOMESTIC RATES

Under the arrangements for uniform business rates, the Council collects National Non-Domestic Rates (NNDR) for its area. The NNDR is based on local rateable values of £270.0m for 2001/02, which are then multiplied by a uniform rate of 43.0p in 2001/02 to provide the total amount due. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population. The amount received from the pool is paid into the Council's Consolidated Revenue Account.

The amounts collected on behalf of the Government and payable to the pool are analysed for 2001/02 on the following page.

	£000s	£000s
NNDR Bills Issued		102,584
Less:		
Discretionary Relief and Remissions	20,173	
Interest on Overpaid NNDR	983	
Debts written off or provided for	300	
	21,456	
Net NNDR Income		81,128
General Fund Contribution to Charity Relief		339
Cost of Collection Allowance to General Fund		(478)
Amount Payable to NNDR Pool		80,989

3. PRECEPTS AND DEMANDS

The Greater London Authority (GLA) levies a precept upon the Council's Collection Fund based upon the Council's tax base for the year. In addition, the Council's own requirement is charged to the Collection Fund and credited to the General Fund. The GLA precept includes elements for the Metropolitan Police Authority, The London Fire and Emergency Planning Authority, Transport For London, the London Development Agency and the core GLA functions.

	2000/01 £000s	2001/02 £000s
London Borough of Hammersmith & Fulham	53,605	56,556
Greater London Authority	10,148	11,047
	63,753	67,603

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) deals with the provision, management and maintenance of Council-owned dwellings as defined in schedule 4 of the Local Government and Housing Act 1989. It also includes Housing Benefit payments and some of the transactions relating to Private Sector Leasing initiatives for the homeless.

Details of income and expenditure are shown below.

	2000/2001 £000s	2001/2002 £000s
EXPENDITURE		
Repairs and Maintenance	10,160	11,525
Supervision and Management	19,695	21,642
Special Services	8,349	7,821
Rent, Rates & Taxes and other charges	2,146	1,922
Rent Rebates	25,911	23,532
Increased Provision for Doubtful Debts	533	2,490
Cost of Capital Charge	18,385	53,556
Depreciation and Impairment of Fixed Assets	0	11,732
Amortisation of deferred charges	69	14
Debt Management Costs	116	128
Capitalised Expenditure	<u>(1,637)</u>	<u>(544)</u>
TOTAL EXPENDITURE	<u>83,727</u>	<u>133,818</u>
INCOME		
Dwellings Rents	(43,388)	(43,824)
Non-dwelling Rents	(2,265)	(2,341)
Charges for Services & Facilities	(3,789)	(5,086)
Contributions towards expenditure	(25)	(26)
HRA Subsidy Receivable	(9,478)	(21,445)
Housing Benefit Transfers	<u>(25,278)</u>	<u>(25,743)</u>
TOTAL INCOME	<u>(84,223)</u>	<u>(98,465)</u>
Net Cost of Services	(496)	35,353

HOUSING REVENUE ACCOUNT (Continued)

	2000/2001 £000s	2001/2002 £000s
Net Cost of Services	(496)	35,353
Net HRA income on the Asset Management Revenue Account	-	(36,506)
Transfers from General Fund as directed by the Secretary of State	(3,447)	(3,160)
Amortised Premiums and Discounts	6	7
HRA investment income	(510)	(672)
Net Operating Expenditure	(4,447)	(4,978)
HRA contribution to Minimum Revenue Provision	4,312	4,234
(Surplus) / Deficit for year	(135)	(744)
HOUSING REVENUE ACCOUNT BALANCE		
Balance at beginning of year	(2,300)	(2,435)
(Surplus) / Deficit for year	(135)	(744)
BALANCE AT END OF YEAR	(2,435)	(3,179)

The New Financial Framework for the HRA (Resource Accounting) introduced on April 1 2001 encouraged the more efficient use of housing assets and increased the transparency of the HRA, making the presentation consistent with the Consolidated Revenue Account.

The major effects on the Housing Revenue Account for 2001/02 include:

- Introduction of capital charges for the use of housing assets
- Introduction of depreciation of fixed assets excluding land.

These capital charges to the HRA have been compensated by a credit through the Asset Management Revenue Account.

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

The Council was responsible for managing an average of 14,310 dwellings during 2001/02. The stock movement during the year was as follows.

	Mainstock	Hostels	Equity Share	TOTAL
Number at 1 April 2001	14,221	178	22	14,421
Right to Buy Sales	(213)	-	-	(213)
Other Sales	(9)	-	-	(9)
Other Changes	-	1	(1)	-
Number at 31 March 2002	13,999	179	21	14,199

The total balance sheet value of the following items within the HRA were as follows:

	1 April 2001	31 March 2002	Movement
	£000	£000	£000
Land	330	330	0
Houses	889,277	991,219	101,942
Other Property	18,832	21,862	3,030
TOTAL	908,439	1,013,411	104,972

The value of operational and non-operational assets were as follows:

	1 April 2001	31 March 2002	Movement
	£000	£000	£000
Operational Assets	908,439	1,013,411	104,972
Non-Operational Assets	0	0	0
TOTAL	908,439	1,013,411	104,972

The open market value of dwellings within the HRA as at 1 April 2001 was £1,871m. The social housing value of dwellings as at 1 April 2001 was £879m. The social housing value of dwellings is calculated as 47% of open market value.

The valuations have been carried out in accordance with the Guidance Notes issued by DETR and Guidance Note 11 (Valuation of Local authority Assets for Financial Statements {including balance sheets}) contained in the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. Properties have not been inspected specifically for this exercise. Information about the assets has been taken from the records held by the Head of Valuation and Property Services as supplemented by the Housing Department.

The social housing stock has been valued on the basis of Existing Use Value for Social Housing using the Vacant Possession Adjustment Factor and the Beacon Approach detailed in the DETR Guidance Notes.

The other assets have been individually assessed and the appropriate basis of valuation has been applied in each case. The basis is either the Open Market Value (OMV), Existing Use Value (EUV) or Depreciated Replacement Cost (DRC).

2. MAJOR REPAIRS RESERVE

The movement on the Major Repairs Reserve for 2001/02 is shown below:

	£000	£000
Balance as at 1 April 2001		0
Amounts Transferred in from HRA / HRA Subsidy		11,261
Amounts Transferred out to HRA	0	
Debits to the reserve in respect of capital expenditure:		
Land	0	
Houses:		
Supply programme	(77)	
Internal component programme	(651)	
Major refurbishment programme	(326)	
Minor works programme	(2,160)	
Planned Maintenance	(181)	
Other property	0	(3,395)
Balance on Reserve as at 31 March 2002		7,866

3. CAPITAL EXPENDITURE

A summary of total capital expenditure within the authority's HRA and the total capital receipts from disposals of items within the HRA during 2001/02 follows:

	Capital Expenditure £000	Capital Receipts £000
Land	885	-
Houses	12,308	14,216
Other Property	1,860	1,351
	15,053	15,567

Capital expenditure was funded as follows:

Borrowing	£10.124m
Useable Capital Receipts	£0.324m
Major Repairs Reserve	£3.395m
Single Regeneration Budget	£1.210m
TOTAL	£15.053m

The cost of capital charges, calculated in accordance with the Item 8 credit and debit determination for 2001/02, is:

Interest	£17,520,234
Principal	£4,234,369
Debt Management	£127,600
Amortization	£6,570
Total Item 8 Charges	£21,888,773
Leasing Charges	£13,837
Depreciation Charge	£11,261,129
Total Capital Financing Costs	£33,163,739

The capital asset charges accounting adjustment is as follows:

Estimated Value of Housing Assets at 1.4.2001	£908,108,439
Asset Rental @ 6% of Market Value	£54,486,566
Deduct: External Interest	(£17,520,234)
Transfer from Asset Management Revenue Account	(£36,966,332)
Net Effect	£0

In accordance with the accounting code of practice the HRA cost of capital charge represents the charge for the use of the asset based upon its replacement value rather than the cost of financing debt raised to fund the acquisition of works to the asset.

4. DEPRECIATION

The total charge for depreciation within the authority's HRA is shown below:

	£000
Houses	11,261
Other Housing Assets	471
TOTAL	11,732

5. HRA SUBSIDY

A breakdown of the amount of HRA subsidy payable to the authority for 2001/02 follows:

	£000
Allowance for Management	10,219
Allowance for Maintenance	18,187
Allowance for Major Repairs	11,261
Charges for Capital	24,395
Other items	1,034
Allowance for tenant participation compacts	30
Allowance for Resource Accounting	84
Rent	(43,505)
Interest on Receipts	(237)
	21,468
Less: Overpayment re 2000/01	23
	21,445

6. RENT ARREARS AND BAD DEBT PROVISIONS

Gross rent arrears were as follows:

	31 March 2001	31 March 2002	Change
	£000	£000	£000
Main Council Stock	4,325	4,212	(113)
Hostels	506	495	(11)
TOTAL	4,831	4,707	(124)

Bad debt provisions at 31 March 2002 were:

	Pre-Ringfence(HGF)	Ringfenced(HRA)	TOTAL
	£000	£000	£000
Main Council Stock	330	2,727	3,057
Hostels	99	248	347
TOTAL	429	2,975	3,404

CONSOLIDATED BALANCE SHEET

	NOTES	31 MARCH 2001		31 MARCH 2002	
		£000s	£000s	£000s	£000s
LONG TERM ASSETS					
Fixed Assets	1		1,037,954		1,324,971
Deferred Charges	2		1,666		3,142
Long-term Debtors	3		3,698		2,678
			<u>1,043,318</u>		<u>1,330,791</u>
CURRENT ASSETS					
Stock and Work in Progress	4	2,067		589	
Debtors	5	51,419		48,893	
Short-term Investments	6	18,200		25,000	
Cash In Hand	7	5,599		5,803	
			<u>77,285</u>		<u>80,285</u>
			<u>1,120,603</u>		<u>1,411,076</u>
CURRENT LIABILITIES					
Creditors	8	(42,899)		(47,398)	
Short term Borrowing	9	(17,233)		(1,045)	
Cash Balances Overdrawn		<u>(7,517)</u>		<u>(11,661)</u>	
			<u>(67,649)</u>		<u>(60,104)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,052,954		1,350,972
LONG TERM LIABILITIES					
Long-term Borrowing	10	(317,020)		(316,020)	
Deferred Liabilities	11	(3,232)		(122)	
Deferred Credits	12	(2,532)		(2,092)	
Government Grants Deferred	13	(7,605)		(15,284)	
			<u>(330,389)</u>		<u>(333,518)</u>
TOTAL ASSETS LESS LIABILITIES			722,565		1,017,454
EQUITY					
Fixed Asset Restatement Reserve	14		(547,250)		(816,918)
Capital Financing Reserve	15		(137,099)		(122,954)
Major Repairs Reserve	16		0		(7,866)
Other Capital Reserves	16		(11,472)		(9,103)
Earmarked Reserves	18		(16,344)		(40,067)
Revenue Balances	19		(10,400)		(20,546)
TOTAL EQUITY			(722,565)		(1,017,454)

I certify that these accounts present fairly the financial position of the London Borough of Hammersmith and Fulham as at 31st March 2002.

Jane West
Director of Finance

Dated 12th September 2003

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. FIXED ASSETS

(i) Fixed Asset Movements

	HRA stock & other assets	Other Land & Buildings	Infrastruct ure Assets	Non- Operational assets	Donated Assets	Plant, Machinery & Eqt	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Net Book Value At 31/3/2001	751,604	205,457	49,979	29,414		1,499	1,037,953
Reclassification	19,161	(9,029)	-	(10,132)	-	-	0
Additions	7,165	3,894	10,828	-	-	1,690	23,577
Disposals/Transfers	(13,297)	(2,223)	-	-	-	-	(15,520)
Revaluations	248,778	25,915	-	20,213	2,600		297,506
Depreciation for year	(11,733)	(4,228)	(1,572)	(12)	-	(1,000)	(18,545)
Net Book Value At 31/3/2002	1,001,678	219,786	59,235	39,483	2,600	2,189	1,324,971

(ii) Valuation

The basis of valuing the individual classes of assets owned by the Council are disclosed in note 6 for fixed assets on page 7.

The reclassification, shown above, summarises the movement of fixed assets from the previous classification to give a new total for HRA stock and other assets. It includes a reclassification to increase the opening value to the social housing value of dwellings.

Freehold and leasehold property owned by the Council have been valued using the Capital Accounting Guidelines issued by the Chartered Institute of Public Finance and Accountancy. Revaluation of assets are carried out over a five year rolling programme. During 2001/02, properties of the Direct Services Department, Policy and Administration Department and managing Director's Department were revalued by the Council's Head of Property Services. The value of the dwelling stock have been adjusted using the average value of discounted sales to tenants.

(iii) Capital commitments on major schemes totalled £6.4m at the year end. Further details are provided on page 4.

(iv) **Fixed Assets Held**

Fixed assets owned or leased by the Council are shown below.

	31 MARCH 2001 (Numbers)	31 MARCH 2002 (Numbers)
Operational Assets		
Council Dwellings	14,221	14,199
Town Halls	2	2
Offices	10	10
Cemeteries	4	4
Swimming Pools and Sports Centres	4	4
Libraries	6	6
Play Facilities	12	12
Social Service Establishments	47	47
Depots	2	2
Secondary Schools	7	7
Primary and Nursery Schools	41	41
Special Schools	6	6
Other Education Premises	31	31
Other Land and Buildings	19	23
Infrastructure Assets		
Bridges	1	1
Community Assets		
Parks and Open Spaces (hectares)	161.5	161.5
Non-operational Assets		
Shops	130	124
Industrial Units	126	125

(v) Capital Expenditure and Funding

	2000/01 £000s	2001/02 £000s
Expenditure		
HRA Dwellings	17,214	16,232
Other Land and Buildings	9,516	7,146
Vehicles Plant and Equipment	226	1,689
Infrastructure	5,987	10,828
Deferred Charges	4,502	5,777
	37,445	41,672
Funding		
Loans	26,282	16,599
Useable Capital Receipts	4,850	10,727
Government Grants	2,560	10,493
Planning Agreement Funds	810	1,114
Other Capital Contributions	907	2,098
Revenue Contributions	1,218	-
Building Works Provision	151	-
Capital Resources Fund	667	-
Movement in Current Liabilities	-	641
	37,445	41,672

A more detailed breakdown of capital spending has been provided on page 4.

2. **DEFERRED CHARGES**

	DEBT REDEMPTION PREMIUM £000s	IMPROVEMENT GRANTS £000s	OTHER £000s	TOTAL £000s
Balance 1/4/2001	323	-	1,343	1,666
Expenditure in Year	-	3,216	2,896	6,112
	323	3,216	4,239	7,778
Less: Written off in Year	107	3,216	1,313	4,636
Balance 31/3/2002	216	-	2,926	3,142

The amounts charged to revenue in any year take into account the benefit derived from expenditure incurred over a number of years. Improvement grants are charged to revenue in the year that expenditure is incurred whereas any debt redemption premiums, redundancy payments or other deferred charges such as support to Housing Associations are written off over a number of years.

3. LONG-TERM DEBTORS

	31 MARCH 2001 £000s	31 MARCH 2002 £000s
House Purchase/Renovation Advances	441	421
Sale of Council Dwellings	2,526	2,106
Car Loans	155	113
Other Debtors	576	38
	3,698	2,678

4. STOCKS AND WORK IN PROGRESS

	31 MARCH 2001 £000s		31 MARCH 2002 £000s	
<u>Stocks</u>				
Trading Undertakings	405		459	
Other	72		69	
		477		528
<u>Work in Progress</u>				
Trading Undertakings		1590		61
		2,067		589

Work in progress at the year-end relates wholly to the valuation placed on uncompleted jobs undertaken by the Building and Borough Highways Divisions of the Direct Services Department for external clients.

5. DEBTORS

	31 MARCH 2001 £000s	31 MARCH 2002 £000s
Government Departments	16,264	11,081
Other Public Bodies	3,354	2,573
Pension Fund	2,402	-
Housing Rents	4,358	4,179
Business Rates	7,408	8,509
Council Tax	7,458	6,722
Sundry Debtors	28,393	34,857
Car and Other Employee Loans	176	160
Prepayments	1,521	4,354
	71,334	72,435
Less:		
Provision for Doubtful Debts	(19,915)	(23,542)
	51,419	48,893

6. SHORT-TERM INVESTMENTS

	31 MARCH 2001 £000s	31 MARCH 2002 £000s
Short Term Investments	18,200	25,000
	18,200	25,000

7. CASH IN HAND

	31 MARCH 2001 £000s	31 MARCH 2002 £000s
Bank/Petty Cash Imprest Balances	195	198
School Bank Accounts	5,404	5,605
	5,599	5,803

8. CREDITORS

	31 MARCH 2001 £000s	31 MARCH 2002 £000s
Government Departments	13,620	13,699
Other Public Bodies	1,992	2,709
Housing Rents	1,477	1,468
Community Charge	14	15
Business Rates	7,233	2,521
Council Tax	1,872	1,866
Pension Fund	-	126
Sundry Creditors	16,691	24,994
	42,899	47,398

9. OTHER LOANS REPAYABLE (LESS THAN ONE YEAR)

	31 MARCH 2001 £000s	31 MARCH 2002 £000s
PWLB	17,174	1,000
Other	59	45
	17,233	1,045

10. LONG-TERM BORROWING

An analysis of loans outstanding according to type is shown below.

	31 MARCH 2001 £000s	31 MARCH 2002 £000s
PWLB	317,020	316,020
Other	0	0
	317,020	316,020

The maturities for these are shown below.

	31 MARCH 2001 £000s	31 MARCH 2002 £000s
One to two years	10,000	24,000
Between two and five years	33,500	33,500
Between five and ten years	73,000	73,000
More than ten years	200,520	185,520
	317,020	316,020

11. DEFERRED LIABILITIES

	31 MARCH 2001	31 MARCH 2002
	£000s	£000s
Deferred Purchase Agreement	2,512	0
Finance Leasing liability	592	0
Finance Frozen Holiday Pay	128	122
	<u>3,232</u>	<u>122</u>

(i) *Deferred Purchase Agreement and Finance Leasing Liability*

As these two liabilities are due for settlement within twelve months of March 31 2002, the balances at 31st March 2002 are reported within creditors.

(ii) *Frozen Holiday Pay*

This liability resulted from changes in the conditions of manual workers some years ago and in most instances payment takes place when individuals leave the Council's service.

12. DEFERRED CREDITS

Deferred credits are capital receipts arising from the sale of Council dwellings, which are received as instalments over a period of time.

13. GOVERNMENT GRANTS DEFERRED

When the acquisition of a fixed asset is financed, either wholly or in part by a government grant, the amount of the grant is credited to a Government Grants Deferred account and written off to the Asset Management Revenue Account over the usual life of the asset, to match depreciation charges on the asset. Included in this account are Transport Supplementary Grant (TSG), New Deal for Schools and Education Standards Fund monies. The life period of the assets financed by TSG will be reviewed in 2002/03.

The Council is obliged to keep a record of the amounts of grant involved and the assets to which they relate. Grants for infrastructure works are written down over 40 years. In 2000/01 the Government Grants Deferred account was written down by £129,991 and in 2001/02 by £799,933.

14. FIXED ASSET RESTATEMENT RESERVE

This reserve accounts for adjustments in the values of Fixed Assets resulting from acquisitions, disposals and revaluation. Capital Expenditure for 2001/02, with an adjustment for the previous year has been charged to this reserve.

	31 MARCH 2001 £000s	31 MARCH 2002 £000s
Balance 1 April	61,901	547,250
Acquisitions	708	0
Assets Disposed of	(24,081)	(15,520)
Capital Expenditure written off	(18,613)	(12,356)
Revaluations	527,335	297,544
	547,250	816,918

15. CAPITAL FINANCING RESERVE

This reserve accounts for funds used to finance capital expenditure, including funds used directly and those set aside from revenue and capital receipts to repay debt.

	2000/01		2001/02	
	£000s	£000s	£000s	£000s
Balance as at 1 April		112,823		137,099
<i>Set aside for debt redemption</i>				
Capital receipts	18,014		11,956	
Commutation prior year adjustment	-		(23,999)	
GF MRP (net of depreciation)	(232)		(7,768)	
HRA MRP (net of depreciation)	-		(7,498)	
Finance Leases			274	
Deferred Purchase repayments	1,256		1,256	
		19,038		(25,799)
<i>Capital Expenditure Financing</i>				
Capital Receipts Applied	5,517		10,728	
Section 106 Applied	810			
Direct revenue funding	2,293		30	
Capital Grants Applied	2,100		4,604	
		10,720		15,362
<i>Written out</i>				
Reserved receipts	(1,957)			
Deferred Charges	(3,525)		(4,528)	
Capital grants deferred	-		800	
		(5,428)		(3,728)
		137,099		122,954

16. OTHER CAPITAL RESERVES

The following may be used to finance Capital Expenditure.

(i) Useable Capital Receipts

Useable Capital Receipts represent the proportion of receipts which can be used to fund current and future capital expenditure, the remaining portion being set aside as reserved capital receipts to repay debt at a future date. The Council sets aside 75% of receipts for Council Dwellings and 50% of other receipts as reserved capital receipts.

	31 MARCH 2001	31 MARCH 2002
	£000s	£000s
Balance 1 April – 2000/01 Receipts	-	6,621
- Previous Years		2,158
LRB Transfer	264	20
Sale of Fixed Assets	26,365	21,892
Other Receipts	1,995	100
Repayment of Grants and Advances	862	78
	29,486	30,869
Less Reserved Capital Receipts	(18,014)	(11,956)
	11,472	18,913
Less Financing of Capital Expenditure	(4,851)	(10,727)
	6,621	8,186

(ii) Capital Resources Fund

Contributions have been made from various sources to enable Capital Expenditure to be financed in later years. The Fund has been disaggregated and the brought forward balance split between Useable Capital Receipts of £8,779k and Other Capital Contributions of £2,692k. This was effected to make the cash resources underpinning capital expenditure more transparent.

(iii) Other Capital Contributions

	General Capital Contributions £000s	Government Grants £000s	Major Repairs Reserve £000s	Total £000s
Balance 1 April	2,692	-	-	2,692
In-Year Receipts	144	5,944	11,261	17,349
Adj re Other HRA	-	-	247	247
Total	2,836	5,944	11,508	20,288
Applied	(1,981)	(5,882)	(3,642)	(11,505)
Balance 31 March	855	62	7,866	8,783

17. PROVISION FOR CREDIT LIABILITIES

Under the Housing and Local Government Act 1989, the Council is required to reserve proportions of capital receipts received and to set aside minimum sums for the repayment of debt. It can also voluntarily set aside further sums if it wishes to do so. As the balances attributable to these receipts now form part of the Capital Financing Reserve it is a requirement to disclose details relating to the movements during the year by way of the memorandum account shown below.

	31 MARCH 2001 £000s	31 MARCH 2002 £000s
Brought forward 1 st April	-	-
Reserved Capital Receipts in Year	18,014	11,956
Minimum Revenue Provision	7,688	3,280
	25,702	15,236
Less PCL Applied	(25,702)	(15,236)
	-	-

18. EARMARKED RESERVES

The Council maintains a number of fund accounts for specific purposes under the Local Government & Housing Act 1989.

	BALANCE 01/04/01 £000s	NET MOVEMENT IN YEAR £000s	BALANCE 31/03/02 £000s
Insurance Fund	4,193	(146)	4,047
Planning Agreement Funds	4,592	7009	11,601
Controlled Parking Fund	733	(510)	223
Property Investment Account	487	(487)	-
Computer Replacement Funds	1,827	(640)	1,187
NNDR Revaluation	951	(951)	-
Teachers' Pensions	571	(223)	348
Best Value and Other Services	1,428	873	2,301
Debtors & Creditors Review	0	2,500	2,500
Commutation Reserve	0	9,000	9,000
Subsidy Claw Back Reserve	0	2,000	2,000
Trading Services Contingency Reserve	0	3,000	3,000
General Contingency Reserve	0	3,000	3,000
Other Funds	1,562	(702)	860
	16,344	23,723	40,067

Notes on each of the Funds are provided below.

- i. **Insurance Fund** - this was established to underwrite a proportion of the Council's insurable risks. The net movement in 2001/02 reflects transactions made in the internal insurance trading account for payments to brokers, settling insurance claims and the recovery of premiums from the client departments.
- ii. **Planning Agreement Funds** - contributions from companies that have sought planning approval for the development of their property, have led to the creation of these funds. The funds received are specifically earmarked for expenditure in the vicinity of the development relating to either Capital or Revenue Schemes.
- iii. **Controlled Parking Fund** - the surplus from the running of the Controlled Parking operations within the Borough is accumulated in this Fund. The fund may only be used to meet expenditure on transport and highways-related activities.
- iv. **Computer Replacement Funds** - these funds have been set up largely to provide for the replacement of equipment and to fund future computer development work.
- v. **Teachers' Pension Provision** - changes to the Teachers' Superannuation Scheme mean that employers are now expected to bear the additional pension cost of allowing a teacher to retire early. This reserve has been established to meet such costs.
- vi. **Best Value and Other Services** – established to meet the costs of continuing improvements to the Council's services, mainly for use in 2002-03.
- vii. **Debtors and Creditors Review** – these funds are set aside to meet the cost of a review of all balance sheet debit and credit balances held by the Council and to meet any costs of adjusting those balances.
- viii. **Commutation Reserve** - these funds are provided from the prior year adjustment for commutation, for use in future years when the MRP adjustment calculation becomes a cost to the General Fund.
- ix. **Subsidy Claw Back Reserve** - the commutation adjustment affects the amount of Housing Subsidy payable on capital charges, although the final cost will fall on the General Fund. This reserve is established to meet these possible losses.
- x. **Trading Services Contingency Reserve** – this reserve earmarks funds to meet future potential costs emerging from the review of the Trading Services.
- xi. **General Contingency Reserve** – money is set aside to meet a number of specific contingent liabilities.
- xii. **Other Funds** – these comprised a number of minor funds.

19. REVENUE RESERVES AND BALANCES

The Council has a number of revenue reserves and balances as follows.

	2000/01	2001/02
	£000s	£000s
General Fund	4,472	12,547
Housing Revenue Account	2,435	3,179
Collection Fund	(788)	653
Education Establishments Account	4,281	4,167
	10,400	20,546

i) ***General Fund***

This fund includes any surplus after meeting net expenditure on Council services including DLO/DSO deficits.

ii) ***Housing Revenue Account***

This reserve provides a working balance for the Housing Revenue Account, for which transactions are ring-fenced under the provisions of the Local Government and Housing Act 1989.

iii) ***Collection Fund***

The Collection Fund balance includes amounts attributable to both Community Charge payers and Council Taxpayers. The proportion of the Fund relating to the former will have a direct effect on local Council Taxpayers whereas the proportion relating to the latter must be shared between the precepting authorities.

v) ***Education Establishments Account***

This balance is comprised of unspent revenue balances for schools and other educational establishments at the year-end, which may be applied in the following year. The balances can only be used by the schools or establishments and are not available to the Council for general use.

20. STATEMENT OF TOTAL MOVEMENTS IN RESERVES

This statement brings together all gains and losses attributable to both Capital and Revenue reserves.

	CAPITAL RESERVES			REVENUE RESERVES				TOTAL £000s
	FIXED ASSET RESTATEMENT RESERVE £000s	CAPITAL FINANCING RESERVE £000s	OTHER CAPITAL RESERVES £000s	GENERAL FUND £000s	HRA £000s	OTHER REVENUE RESERVES £000s	EARMARKED RESERVES £000s	
BALANCE 1/4/2001	547,250	137,099	11,472	4,472	2,435	3,493	16,344	722,565
Net surplus/(deficit for year	-	-	-	8,075	744	1,327	4,223	14,369
Transfers between Reserves	-	-	-	-	-	-	-	-
Revaluation of fixed assets	297,544	-	-	-	-	-	-	297,544
Acquisitions	-	-	-	-	-	-	-	-
<u>Disposal of Fixed Assets</u>								
Value of Assets Disposed of	(27,876)	-	-	-	-	-	-	(27,876)
Proceeds of Disposals	-	11,956	9,937	-	-	-	-	21,893
Financing of Fixed Assets	-	21,925	-	-	-	-	-	21,925
Other	-	(48,026)	(4,440)	-	-	-	19,500	(32,966)
BALANCE 31/3/2002	816,918	122,954	16,969	12,547	3,179	4,820	40,067	1,017,454

21. INTEREST IN COMPANIES

The Council has an involvement in one company, Hunchbuy Limited, at the year-end. The Council has no shares or financial interest in this company, which was established in 1987. The purpose of establishing the company was to acquire the freehold ownership of 145 King Street, Hammersmith, which is leased to the Council as office accommodation for nineteen and a half years from May 1987. The Council has guaranteed a loan amounting to £6.1m and interest thereon to the Company that is secured on the property. The Council has an option to purchase the Company's property that may be exercised at any time during the period of tenancy of the property. The Company does not have significant net assets or profits/losses. The Council received no dividends from the company during 2001/02.

22. CONTINGENT LIABILITIES

The Council may have a potentially material liability for the issues set out on the following page. However, uncertainty exists as to the likelihood, amount and timing of any expenditure in each instance and it is not therefore possible to include any provision in the financial statements.

Section 117 Mental Health Act 1983

A judgement in the high court in respect of four local authorities concluded that it was unlawful for local authorities to charge for accommodation provided as part of a Section 117 Aftercare Plan. The relevant authorities appealed against the first instance decision to the Court of Appeal. The Court of Appeal gave its decision in July 2000 and upheld the findings in the High Court.

The House of Lords has now ruled in August 2002 that local authorities have no power to charge for care provided under Section 117. Further legal clarification is awaited on the financial implications of this judgement. The Council has charged for this income for some ten years, and stopped in March 2002. The Council's creditors includes a specific amount of £0.725m which relates to income from April 2000 to March 2002. The maximum effect may be significantly higher, but is dependent on the legal clarification. To date very few claims have been received for repayment of amounts collected.

Employment of Agency Staff in Housing and Council Tax Benefit Administration

The Housing and Council Tax Benefit regulations require that all determinations relating to the award of Housing and Council Tax Benefits should be made by a direct employee of the Council. The determination of awards is a task for which managers in the Council's Benefits Section are responsible. Since 1999/2000, due to the difficulty in recruiting permanent staff, agency staff has performed some management responsibility. Counsel's advice was sought, and this action was supported. The council has discussed the issue with the Department for Work and Pensions, and expects to receive direction in the near future.

Contractual Arbitration

This relates to the refurbishment of a former school, where the scope of works had to be extended. The costs claimed by the contractor have been disputed and this has gone to arbitration. These costs would have to be met from the Council's capital programme and / or revenue budget.

Equal Pay Claim

In May 2000, 135 staff in the Social Services Department made an equal pay claim against the Council to the Industrial Tribunal. The Council disputes this claim. Two issues are being considered: first, whether this work is of equal value, and second, whether there are any material justifications for the difference in treatment that are not related to sex (the “material factor” defence).

The tribunal has decided to deal with the latter as a preliminary issue in December 2002. If the Council’s position is upheld then the case will be closed. If unsuccessful then the former issue will be dealt with at a later date, most probably in 2003/04.

23. WORMWOOD SCRUBS CHARITABLE TRUST

The Mayor and Burgesses of the Council are the trustees of the Wormwood Scrubs Charitable Trust. The trusts objective is to hold Wormwood Scrubs Open Space “upon trust for the perpetual use thereof the inhabitants of the Metropolis for exercise and recreation” as defined by the Wormwood Scrubs Act of 1979.

	31 MARCH 2001	31 MARCH 2002
	£000s	£000s
Balance at 1 April	224	24
Income	362	528
	<hr/>	<hr/>
	586	552
Less:		
Expenditure and Transfers	(562)	(545)
	<hr/>	<hr/>
Balance at 31 March	24	7

These accounts are not consolidated with the Council’s.

24. COSTS ASSOCIATED WITH THE EURO

Costs incurred in 2001/02 in preparing for possible adoption of the Euro were minimal and were absorbed within existing budgetary provision. Euro compliance is considered in the acquisition of new computer systems and in the entering of contracts with suppliers. At the date of preparation of the accounts the Council had no commitments regarding, nor identified any additional cost of preparing for, the possible introduction of the Single European Currency.

25. ANALYSIS OF NET ASSETS EMPLOYED

The net assets (revenue and capital) employed at the year end were:

	2000/01	2001/02
	£000	£000
General Fund	218,558	284,457
Housing Revenue Account	504,795	732,344
Collection Fund	(788)	653
	722,565	1,017,454

26. LEASING

At the year end there was £0.9m of equipment which will be leased in 2002/03, but which has been treated as capital expenditure.

CASH FLOW STATEMENT

	NOTES	2000/01		2001/02	
		£000s	£000s	£000s	£000s
REVENUE ACTIVITIES					
INCOME					
Net Rents (Housing)		20,288		20,313	
Council Tax Income	(1)	52,146		58,575	
NNDR Receipts from Pool		43,709		44,091	
Non-Domestic Rate Income		69,295		75,863	
Revenue Support Grant		96,728		100,412	
DSS Benefit Grant		58,104		57,890	
Other Government Grants	(2)	58,698		89,176	
Cash Received for Goods and Services		63,891		59,062	
Other Revenue Income/ Cash Payments		<u>58,556</u>	<u>521,415</u>	<u>18,165</u>	<u>523,547</u>
EXPENDITURE					
Cash Paid to Employees		(170,823)		(189,149)	
Other Operating Expenses		(179,067)		(118,416)	
NNDR Payments to Pool		(65,370)		(81,197)	
Levies and Charges		(2,557)		(3,293)	
Precepts Paid		(10,063)		(10,964)	
Housing Benefit Paid Out		(62,051)	(489,931)	(67,019)	(470,038)
			<u>31,484</u>		<u>53,509</u>
LESS:					
SERVICING OF FINANCE INCOME					
Interest Received		1,761		1,934	
EXPENDITURE					
Interest Paid		(25,849)		(28,627)	
Interest Paid for Finance Leases		(24)	(24,112)	(69)	(26,762)
NET CASH FLOW FROM REVENUE ACTIVITIES	(3)		7,372		26,747

CASH FLOW STATEMENT (Continued)

	NOTES	2000/01		2001/02	
		£000s	£000s	£000s	£000s
NET CASH FLOW FROM REVENUE ACTIVITIES			7,372		26,747
CAPITAL ACTIVITIES					
INCOME					
Sale of Assets		27,232		22,424	
Capital Grants Received		3,730		10,740	
Other Capital Income	(4)	<u>3,890</u>	34,852	<u>2,296</u>	35,460
EXPENDITURE					
Expenditure on Fixed Assets		(32,943)		(35,895)	
Other Capital Payments		<u>(4,502)</u>	(37,445)	<u>(5,504)</u>	(41,399)
NET CASH INFLOW/OUTFLOW BEFORE FINANCING			4,779		20,808
FINANCING					
INCOME					
Long term loans raised		31,064		0	
Short term loans raised		495,959		2,662	
Realisation of temporary investments		<u>152,625</u>	679,648	<u>449,700</u>	452,362
EXPENDITURE					
Repayment of long term loans		(1,728)		(17,183)	
Repayment of temporary loans		(511,545)		(2,667)	
Temporary Investments made		(170,825)		(456,500)	
Capital Element of Finance Lease Rental Payments		<u>(219)</u>	(684,317)	<u>(273)</u>	(476,623)
OTHER ACTIVITIES					
Property Fund Net Transactions			<u>(1,473)</u>		<u>(487)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(5)		(1,363)		(3,940)

NOTES TO CASH FLOW STATEMENT

1. COUNCIL TAX INCOME

The Council Tax income represents the Council's drawing on the Collection Fund after adjustments for bad debts provision and movement in debtor and creditor balances.

2. OTHER GOVERNMENT GRANTS

The Grants shown below are the amounts receivable and included in Revenue Accounts whereas the Cash Flow Statement shows amounts actually received in the year. The difference comprises changes in debtor and creditor balances.

	2000/01 £000s	2001/02 £000s
Aids and HIV	735	671
Education Standards Fund	5,548	7,621
Quality Protects	1,167	1,577
Single Regeneration Budget, NOF, NRF	1,268	2,032
Mental Illness Grant	1,138	1,056
Community Care Grant	1,454	3,573
Mandatory Student Awards	1,250	678
Housing Subsidy	34,756	47,188
Rent Officer Grant	71	37
Mandatory Rent Allowances & Rent Rebates Outside HRA Subsidy	43,130	46,102
Council Tax Benefit Grant	10,925	11,429
Housing Benefit Administration	996	903
Weekly Benefit Savings	31	81
Asylum Seekers	15,867	15,543
Sure Start	99	556
Education Maintenance Allowances	-	522
Youth Offending Team	199	423
NDR Collection Allowance	482	478
Other Grants	989	1,334
TOTAL GRANTS	120,105	141,804

3. REVENUE MOVEMENTS

The Revenue movements include transactions involving the Consolidated Revenue Account and the HRA. The analysis showing the net cash flow derived from revenue activities is shown as follows.

RECONCILIATION OF SURPLUS TO NET CASHFLOW	2000/01		2001/02	
	£000s	£000s	£000s	£000s
SURPLUS / (DEFICIT) FOR YEAR		(2,037)		8,075
NON-CASH TRANSACTIONS				
Principal Repayments etc.	7,236		26,646	
Increase/(Decrease) in Provisions	(86)		203	
Net Contributions to/(from) Reserves	1,028		(3,401)	
HRA (Deficit)	135	8,313	744	24,192
ITEMS ON AN ACCRUALS BASIS				
(Increase)/Decrease in Stocks/Work in Progress	(613)		1,478	
Increase/(Decrease) in Debtors	7,783		(2,597)	
(Increase)/Decrease in Creditors	(6,074)	1,096	(3,971)	(5,090)
NET CASH FLOW FROM REVENUE ACTIVITIES		7,372		27,177

4. OTHER CAPITAL PAYMENTS/INCOME

Other income includes capital financing transactions and deferred capital receipts movements.

5. MOVEMENTS IN CASH AND CASH EQUIVALENTS

The actual 2001/02 movements in cash and cash equivalent balances are shown in the following table.

	BALANCE 1 APRIL 2001 £000s	BALANCE 31 MARCH 2002 £000s	NET MOVEMENT IN THE YEAR £000s
Petty Cash Imprests	195	198	3
Cash Overdrawn	(7,517)	(11,661)	(4,144)
Education Establishments	5,404	5,605	201
	(1,918)	(5,858)	(3,940)

PENSION FUND ACCOUNTS

	NOTES	2000/2001 £000s	2001/2002 £000s
<u>INCOME</u>			
<u>From Members</u>			
Employees' Contributions	(2)	5,059	5,189
Employer's Contributions	(2)	8,745	9,180
Other Pension Receipts		57	22
Transfer Values Received		3,236	2,558
Combined Benefits		0	37
Contribution Equivalent Premiums		14	0
Sub Total		17,111	16,986
<u>Income from Investments</u>			
UK Dividends	}	11,396	4,098
Overseas Dividends	}		512
UK Interest Receivable	}		2,868
Overseas Interest Receivable	}		205
Sub Total		11,396	7,683
Total Income		<u>28,507</u>	<u>24,669</u>
<u>EXPENDITURE</u>			
<u>Relating to Members</u>			
Pensions		8,690	9,068
Pension Increases		3,505	3,757
Retiring Allowances and Death Gratuities		2,065	1,964
Transfer Values Paid		3,332	3,389
Refunds of Employees' Contributions		72	0
Contribution Equivalent Premiums		38	50
Sub Total		17,702	18,228
<u>Miscellaneous</u>			
Investment Expenses		1,011	915
Interest Paid to General Fund		0	396
Administration Expenses		414	462
Sub Total		1,425	1,773
Total Expenditure		<u>19,127</u>	<u>20,001</u>
Net Income		<u>9,380</u>	<u>4,668</u>

NET ASSETS STATEMENT AS AT 31 MARCH 2002

	NOTES	31 MARCH 2001 £000s	31 MARCH 2002 £000s
ACCUMULATED FUND		<u>353,825</u>	<u>338,665</u>
REPRESENTING:			
Investments at Market Value (excl cash)	(6)	352,217	334,835
Cash Held by Fund Managers		2,769	1,939
Cash Held by LBHF		(2,402)	127
Total Investments at Market Value		352,584	336,901
Debtors	(8)	2,329	2,217
		354,913	339,118
Creditors	(9)	(1,088)	(453)
		<u>353,825</u>	<u>338,665</u>

RECONCILIATION OF THE MOVEMENT IN NET ASSETS OF THE FUND

	31 MARCH 2001 £000s	31 MARCH 2002 £000s
Net Assets at Beginning of Year	389,882	353,825
Net Income as per Revenue Account	9,380	4,668
Change in Market Value of Investments During Year:		
Realised	(2,336)	(22,466)
Unrealised	<u>(43,101)</u>	<u>2,638</u>
Net Assets at End of Year	<u>353,825</u>	<u>338,665</u>

NOTES TO THE PENSION FUND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2002

1. ACCOUNTING POLICIES

(a) General Principles

The accounts have been prepared on an accruals basis, apart from Transfer Values which have been accounted for on a cash basis, and in accordance with the CIPFA Code of Practice on Local Authority Accounting.

(b) Investments

Listed investments are included at market value at the balance sheet date. Where appropriate, market values listed in overseas currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Unlisted investments are valued at an approximation of their current market value having regard to latest dealings, professional valuations and other appropriate financial information. Unit Trust investments are valued at the mid point of the latest prices quoted by their managers at the balance sheet date.

Investment management expenses are recorded at cost when fund managers invoice the council quarterly for their services. All expenses are accrued to ensure expenses for the full accounting period are accounted for each fund manager.

(c) Cash Deposits

Deposits in overseas currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

(d) Pensions and Benefits

The accounts summarise the transactions and net assets of the scheme. They do not take account of liabilities to pay future pensions and other benefits to current and prospective beneficiaries.

(e) SSAP 24

The pension costs recorded in the accounts have been determined in accordance with relevant government regulations and as stated above.

As a result, the Council does not comply with the accounting requirements of SSAP 24 *Accounting for Pension Costs* and the liabilities included in the Balance Sheet are understated in respect of pension costs.

For 2001/2002 the rate of contribution made by the Council was 10.3% of pensionable pay (10.3% for 2000/2001) costing the Council £9.180m in 2001/2002 (£8.745m in 2000/2001). The contribution rate was determined by the Fund's actuary based on triennial valuations, the review took place as at 31st March 1998 and showed a past service deficit of £12.1m. A new review took place at 31st March 2001. The results of this valuation are detailed in paragraph 3 below. In order to achieve a fully funded scheme in accordance with SSAP 24 "Accounting for Pension Costs" contributions of £9.625m (10.8%) would have been required in 2001/2002 (£9.170m (10.8%) in 2000/2001).

(f) Acquisition Costs

The only acquisition costs incurred by the pension fund relate to stock market investments. Where appropriate they are shown at book value.

2. CONTRIBUTIONS TO THE FUND

Employees who were members of the Fund prior to 31 March 1998 are required to make fixed contributions by deductions from earnings at the rate of 6% for salaried staff and 5% for manual workers. As from 1 April 1998, all entrants to the Fund are required to pay 6% of earnings. The Council is required to make balancing contributions (see paragraph 3.1) determined by the Fund's actuary (Bacon & Woodrow) to maintain the solvency of the Fund.

Bodies other than the Council are admitted to the Fund subject to admission agreements. The actuarial valuation at 31 March 1998 required the level of contributions to be paid to the Fund by admitted bodies with effect from 1 April 1999 to be 10% of pensionable pay.

Scheduled Bodies	No of Members	No of Members	Employer's Contributions	Employer's Contributions	Employees Contributions	Employees Contributions
	2000/01	2001/02	2000/01 £000s	2001/02 £000s	2000/01 £000s	2001/02 £000s
LB Hammersmith and Fulham	4,147	4,282	8,583	9,021	4,960	5,077
Mortlake Crematorium Board	11	12	15	15	8	8
London Oratory School	10	17	10	25	5	15
Admitted Bodies						
Peter Pan Trust	5	5	11	11	7	6
Urban Partnership Group	9	6	22	24	13	15
H&F Community Law Centre	11	10	30	24	22	17
ROOM, The National Housing & Town Planning Council	8	4	17	18	0	11
Family Housing Association	13	11	41	33	25	33
H&F Police Consultative Group	0	0	2	0	1	0
Blythe Neighbourhood Council	6	5	14	9	8	7
GRAND TOTALS	4,220	4,352	8,745	9,180	5,059	5,189

3. ACTUARIAL VALUATION

An actuarial valuation of the Fund was carried out as at 31 March 2001 using the market-led approach. This valuation showed there is a past service deficit of £9.6m and that the required long term rate of employer contributions by the Council for all employers combined, disregarding the Fund deficit, is 11.2% of pensionable pay. The contribution required to restore the funding level of the Fund to 100% over a period of about 25 Years is 11.8% of pensionable pay. As a result of the valuation, the contribution rate is being increased from 10.3% to 12.1% in three annual stages of 0.6% with effect from 1 April 2002.

The valuation showed that the level of contribution required by bodies admitted to the Fund by admission agreements is 11.5% of pensionable pay with effect from 1 April 2002. This contribution rate is calculated to be sufficient to cover 100% of the Fund's liabilities in respect of members employed by admitted bodies.

The market value of the Fund's assets at the latest valuation date was £354.1m (£318.6m at 31 March 1998). The funding level of the Fund was 98% at 31 March 2001 compared to 95% at 31 March 1998.

The contribution rates have been calculated using the projected unit actuarial method the main actuarial assumptions were as follows:

Rate of return on investments	:	6.55% per annum long term.
Rate of general pay increases	:	3.8% per annum plus an allowance for promotional increases.
Rate of pensions increase	:	2.5% per annum on pensions in excess of GMPs
Valuation of assets	:	Smoothed Market Value.

The next actuarial valuation of the Fund will be carried out as at 31 March 2004 and the results of the valuation will come into effect from 1 April 2005.

4. PENSION PAYMENTS

The value of annual pension and other payments made from the Fund is shown on page 5 of the accounts. In addition, the Council itself, made payments in respect of the following:

	31 MARCH 2001 £000s	31 MARCH 2002 £000s
Added Year Benefits	1,405	1,388
Pension Increase Payments	<u>625</u>	<u>671</u>
	<u>2,030</u>	<u>2,059</u>

5. MEMBERSHIP

The membership of the Fund at the balance sheet date was as follows:

	31 MARCH 2001	31 MARCH 2002
Contributing Employees	4,220	4,352
Pensioners	3,363	3,444
Deferred Pensioners	2,228	2,618

6. INVESTMENTS - TOTAL MOVEMENT IN YEAR

The totals below and in the following notes reflect the total market value of investments held at 31 March 2002.

	2000/2001 £000s	2001/2002 £000s
Market Value B/Fwd	389,594	352,217
PYA	(6,533)	0
Market Value After PYA	383,061	352,217
Purchase of Investments	125,894	101,477
Sale of Investments	(111,301)	(99,031)
Realised Profit on Sales	(2,336)	(22,466)
Unrealised Increase (Decrease) in Market Value	(43,101)	2,638
Market Value At 31 st March	<u>352,217</u>	<u>334,835</u>

7. ANALYSIS OF INVESTMENTS

7(a) Types of Investment:

Two Fund Managers manage the Fund's investments and the main types of investment are listed below and shown in detail on the following page:

	31 MARCH 2001			31 MARCH 2002		
	BOOK COST £000s	MARKET VALUE £000s	% OF MARKET VALUE	BOOK COST £000s	MARKET VALUE £000s	% OF MARKET VALUE
UNITED KINGDOM						
Fixed Interest	48,710	48,177	13.7	51,308	48,748	14.5
Index Linked	0	0	0.0	0	0	0.0
Equities	194,633	169,973	48.2	177,431	158,394	47.3
Managed Funds (Unit Trusts)	37,553	55,599	15.8	37,780	53,888	16.1
Property Unit Trust	0	0	0.0	0	0	0.0
Internally Managed Funds	<u>224</u>	<u>224</u>	<u>0.1</u>	<u>237</u>	<u>237</u>	<u>0.1</u>
	<u>281,120</u>	<u>273,973</u>	<u>77.8</u>	<u>266,756</u>	<u>261,267</u>	<u>78.0</u>
OVERSEAS						
Fixed Interest	7,201	7,521	2.1	5,434	5,282	1.6
Index Linked	0	0	0.0	0	0	0.0
Equities	51,654	44,462	12.6	47,544	43,293	12.9
Managed Funds (Unit Trusts)	<u>17,806</u>	<u>26,261</u>	<u>7.5</u>	<u>18,627</u>	<u>24,993</u>	<u>7.5</u>
	<u>76,661</u>	<u>78,244</u>	<u>22.2</u>	<u>71,605</u>	<u>73,568</u>	<u>22.0</u>
GRAND TOTAL	<u>357,781</u>	<u>352,217</u>	<u>100.0</u>	<u>338,361</u>	<u>334,835</u>	<u>100.0</u>

7(b) Fund Managers:

The market value and proportion of the investments managed by each Fund Manager at the year-end is disclosed as follows:

	2000/2001		2001/2002	
	MARKET VALUE £000s	TOTAL %	MARKET VALUE £000s	TOTAL %
Legal and General Investment Management Ltd.				
	150,703	42.8	144,531	43.2
Goldman Sachs Asset Mngmt.	145,592	41.3	136,037	40.6
Goldman Sachs Fixed Income	55,698	15.8	54,030	16.1
Internal Venture Capital	<u>224</u>	<u>0.1</u>	<u>237</u>	<u>0.1</u>
	<u>352,217</u>	<u>100.0</u>	<u>334,835</u>	<u>100.0</u>

7 (c) Detail of the Investments:

The table below shows a detailed breakdown of the market value of the Fund's investments and geographical spread.

		31 MARCH 2001		31 MARCH 2002	
		£000s		£000s	
<u>UK</u>					
Fixed Interest					
	Public Sector	40,859		40,942	
	Other	7,318		7,806	
			48,177		48,748
Index Linked			0		0
Equities			169,973		158,394
Managed Funds (Unit Trusts)					
	Listed	55,599		53,888	
	Unlisted	0		0	
			55,599		53,888
Property Unit Trusts					
	Listed	0		0	
	Unlisted	0		0	
			0		0
Internally Managed Funds			224		237
<u>OVERSEAS</u>					
Fixed Interest					
	<u>Public Sector</u>				
	Europe	3,802		3,896	
	North America	0		320	
	<u>Other</u>				
	Europe	0		198	
	Cayman Islands	548		868	
	North America	3,171	7,521	0	5,282
<u>Index Linked</u>					
	North America		0		0
Equities					
	North America	19,526		19,931	
	Europe	11,456		9,901	
	Asia	21		630	
	Japan	9,514		7,379	
	Pacific Region	3,945	44,462	5,452	43,293
Managed Funds (Unit Trusts)					
	North America	1,923		2,229	
	Europe	8,172		11,551	
	Japan	11,749		6,484	
	Pacific Region	4,417	26,261	4,729	24,993

TOTAL VALUE OF INVESTMENTS**352,217****334,835****7(d) 20 Largest Individual Holdings**

Details of the 20 largest individual holdings (Except Unit Trusts) of the Fund at 31 March 2002 are shown below

Investment	Market Value at 31st March 2002 (£000s)	% of Total Investment Portfolio
BP Ord USD 0.25	13,701	4.09%
Treasury 8% STK 2013 GBP	11,452	3.41%
Glaxosmithkline Ord GBP 0.25	11,210	3.34%
Treasury 8% STK 2021 GBP	10,265	3.06%
Treasury 4 ¼% Stock 07/06/2032	10,052	2.99%
Vodafone Group Plc Ord USD 0.10	8,887	2.65%
HSBC Holdings Ord USD 0.50 (UK Reg)	7,564	2.25%
Royal Bank of Scotland Ord GBP 0.25	5,919	1.76%
Astrazeneca USD Par 0.25	5,798	1.73%
Shell Transport & Trading Ord GBP 0.25 (regd)	5,489	1.64%
Treasury 8 ¾% Stock 2017 GBP	5,052	1.51%
Barclays Plc Ord GBP 1	4,251	1.27%
Lloyds TSB Group Ord GBP 0.25	4,170	1.24%
Treasury 6% Stock 2028	3,817	1.14%
Diageo Ord GBX 28.935185	3,265	0.97%
3OS Ord GBP 0.25	2,885	0.86%
BT Group Ord GBP 0.25	2,571	0.76%
Unilever Plc Ord 0.014	2,545	0.75%
Tesco Ord GBP 0.05	2,302	0.69%
Anglo American Ord USD 0.50	2,143	0.64%

This compares with the 20 largest holdings as investments at 31 March 2001:

Investment	Market Value at 31 st March 2001 (£000s)	% of Total Investment Portfolio
Legal & General UK Equity Index	53,212	14.92%
Treasury 8% STK 2013 GBP	17,093	4.79%
Vodafone Group Plc Ord USD 0.10	13,838	3.88%
BP Ord USD 0.25	13,572	3.81%
Glaxosmithkline Ord GBP 0.25	13,186	3.70%
Legal & General Europe (ex-UK) Equity Index	11,749	3.29%
HSBC Ord USD 0.50 (UK Reg)	8,749	2.45%
Treasury 4 ¼% Stock 07/06/2032	8,458	2.37%
Legal & General Japan Equity index	8,172	2.29%
Shell Transport & trading Ord GBP 0.25 (regd)	6,329	1.77%
Treasury 6% Stock 2028	6,158	1.73%
Astrazeneca USD Par 0.25	6,059	1.70%
Treasury 6% Stock 2028	5,657	1.59%
Legal & General unity trust UK Equity Index Fund units	4,982	1.40%
Royal Bank of Scotland Ord GBP 0.25	4,517	1.27%
rclays Plc ord GBP 1	4,249	1.19%
British Telecom Ord 0.25	4,238	1.19%
Lloyds TSB Group Ord GBP 0.25	4,187	1.17%
Treasury 8 ¾% Stock 2017 GBP 25/8/17	3,466	0.97%
Diageo Ord GBX 28.935185	3,223	0.90%

8. DEBTORS

	31 MARCH 2001 £000s	31 MARCH 2002 £000s
Amounts Outstanding on Sales of Investments	161	115
Investment Income due	2,118	2,071
Amounts due from Admitted Bodies	20	0
Combined Benefits	<u>30</u>	<u>31</u>
	<u>2,329</u>	<u>2,217</u>

9. CREDITORS

	31 MARCH 2001 £000s	31 MARCH 2002 £000s
--	------------------------	------------------------

Amounts Outstanding on Purchase of Investments	692	104
Fund Manager's fees	396	349
	<u>1,088</u>	<u>453</u>

10. OUTLINE OF THE SCHEME

The Local Government Pension Scheme is a funded, defined benefit scheme, the pensions payable being based on the final year's wages/salary and the number of years of eligible service.

Pensions are increased in line with the Retail Price Index. The costs of such increases were, until April 1990, not charged to the Fund but to the Council itself. The scheme also provides for early payment of benefits on medical grounds and for payment of death benefits where death occurs either in service or in retirement.

11. RELATED PARTIES

No material transactions with related parties of the Pension Fund during 2001/2002 were identified.

12. STOCK LENDING AGREEMENTS

No stock was released to third parties under stock lending agreements.

13. CONTINGENT LIABILITY

Part Timers Pension Rights

As a result of rulings by the European Court of Justice, part time employees may be able to lodge claims for retroactive membership of the pension scheme dating back to 1976. This has the potential to be a significant liability although the effect will be reduced because:

The LGPS is now available to all part-time staff.

Staff working at least 15 hours per week have already been given the option to pay back contributions in respect of service since 1974.

Claims will be time barred if lodged more than 6 months after cessation of employment.

Applicants may only gain membership provided the relevant contributions are paid.

Equal Pay Claim

In May 2000, 135 staff in the Social Services Department made an equal pay claim against the Council to the Industrial Tribunal. The Council disputes this claim. There are two issues being considered: firstly whether this work is of equal value and secondly whether there are any material justifications for the difference in treatment that are not related to sex (the "material factor" defence).

The Tribunal has decided to deal with the latter as a preliminary issue in December. If the Council's position is upheld then the case will be closed. If unsuccessful then the former issue will be dealt with at a later date, most probably in 2003-04.

14. FINANCIAL REPORTING STANDARD No.17

Pension Assets and Liabilities

In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS 17) London Borough of Hammersmith and Fulham (LBHF) is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

LBHF participates in the Local Government Pension Scheme and acts as an Administering Authority. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary.

The most recent valuation was carried out as at 31 March 2001, and has been updated by independent actuaries to the London Borough of Hammersmith and Fulham Pension Fund to take account of the requirements of FRS 17 in order to assess the liabilities of the Fund as at 31 March 2002. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value.

The main assumptions used for the purposes of FRS 17 are as follows:

Discount Rate	6.3% pa
Rate of increase in salaries	4.3% pa
Rate of increase in pensions in payment	2.8% pa
Rate of increase in deferred pensions	2.8% pa
Rate of Inflation	2.8% pa
Rate of return on Equities	8.2% pa
Rate of return on Bonds	5.2% pa
Rate of return on Property	7.2% pa
Rate of return on Other Assets	3.7% pa

Assets are valued at fair value, principally market value for investments, and comprise:

Equities	£277.61m
Bonds	£53.43m
Property	£0.00m
Other	£3.92m
Total	£334.96m

The proportions of total assets held in each asset type, shown above, reflect the proportions held by the Fund as a whole at 31 March 2002.

The following amounts were measured in accordance with the requirements of FRS 17:

Share of assets in LBHF Pension Fund	£334.96m
Estimated liabilities in LBHF Pension Fund	£400.17m
LBHF's deficit in the scheme	£-65.21m

The deficit shown above does not have any direct impact on the Council's overall reserves as the Council is permitted to balance the Pension Fund over a long period of time through the employer's contribution rate. The next actuarial valuation is due on 31 March 2004 and any funding deficit at that time will be reflected in an increase in the employer's contribution rate.

(It should be noted that, for employers which do not admit new employees to the Fund, use of the projected unit method to value the liabilities will mean that the current service cost increases as the members approach retirement.)

Unfunded Liabilities

The value of the liabilities, calculated in a way which is consistent with the Code of Practice provided by CIPFA and updated by Bulletin 2, are as follows:

	£000s
Unfunded Pensions	1,259
CAY Pensions	21,337
Total	22,596

The calculation of these figures is based on the data provided for the valuation at 31 March 2001 updated for the latest pension increase. A summary of the data used is as follows:

	Males	Females	Dependants	Totals
Number	719	677	224	1,620
Average Age	69 2/12	69 4/12	76 11/12	70 4/12
Total unfunded pension at 31 March 2001 (£000s)	68	38	11	118
Total CAY pension at 31 March 2001 (£000s)	899	569	52	1,636

Note: In addition there were three children in receipt of CAY pensions, for whom suitable allowance has been made.

The demographic assumptions used are the same as used for the Fund valuation at 31 March 2001. The financial assumptions are as follows:

Discount Rate	6.3% pa
Rate of increase in pensions in payment	2.8% pa
Rate of inflation	2.8% pa

- The assumed rate of inflation has been derived from the yields available on long dated fixed interest and index linked gilts at the accounting date
- The discount rate is 6.3% pa (i.e. 3.5% ahead of inflation) in accordance with the Code of Practice issued by CIPFA.

The other assumptions are set in a consistent manner.

15. Post Balance Sheet Events

The value of the Pension Fund has fallen to £264m as at 30th September 2002 due to the continued decline in share prices. This is likely to increase the deficit of the Pension Fund. The next actuarial valuation is on 31st March 2004 and any funding deficit will be reflected in an increase in the employer's contribution rate.

GLOSSARY OF TERMS

CAPITAL EXPENDITURE

Capital expenditure is defined as expenditure on new fixed assets such as land and buildings or on the enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

CAPITAL FINANCING

This term describes the method of financing funds for capital expenditure, the principal methods now being loan financing, leasing, capital receipts and Capital Resource Funds.

CAPITAL RECEIPTS

This term describes monies received from the sale of the Council's capital assets such as land and buildings.

COLLECTION FUND

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to non-domestic services and the Council Tax, and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

CONTINGENT LIABILITIES

Potential losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a provision in the accounts.

DEFERRED CREDITS

This is the term applied to deferred capital receipts. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years. The balance is reduced by the amount repayable in any financial year.

DEFERRED CHARGES

Deferred Charges are represented by items for which expenditure is charged to capital and met from borrowing, but where there is no tangible asset, e.g. improvement grants, etc.

DEFERRED LIABILITIES

These are creditor balances repayable after one year.

EARMARKED RESERVES

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

FINANCE & OPERATING LEASES

A finance lease is one that transfers a substantial proportion of the risks and rewards of a fixed asset to the lessee. With a finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset.

For an operating lease a rental payment is payable to the lessor for the use of the asset and the ownership reverts to the owner when the lease is terminated.

FIXED ASSETS

These are tangible assets that yield benefit to the Council and the services it provides for a period of more than a year.

GROSS EXPENDITURE, GROSS INCOME AND NET EXPENDITURE

Gross Expenditure and Gross Income arise from the provision of services as shown in the General Fund and exclude the Direct Services/Labour Organisation accounts. Net Expenditure is the cost of service provision after the income is taken into account.

HOUSING SUBSIDY

This represents a Government grant payable towards the cost of providing Local Authority housing and the management and maintenance of that housing.

NATIONAL NON-DOMESTIC RATE (NNDR)

Under the revised arrangements for uniform business rates, which came into effect on 1 April 1990, the Council collects Non-Domestic Rates for its area which are based on local rateable values, multiplied by a uniform rate. The total amount, less certain reliefs and deductions, is paid to a central pool managed by the Government, which, in turn, pays back to Authorities their share of the pool based on a standard amount per head of the local adult population.

PRECEPT

A precept is a charge raised by another Authority to meet its net expenditure. The precepting Authorities for this Council are the Metropolitan Police and the London Fire and Civil Defence Authority.

PROVISIONS

A provision is an amount set aside in the accounts for liabilities anticipated in the future which cannot always be accurately quantified.

PUBLIC WORKS LOAN BOARD (PWLB)

A Government body, the PWLB, meets the bulk of the Council's loan finance for Capital Finance.

REVENUE SUPPORT GRANT

This funding is the Government Grant provided by the Department of Transport, Environment and the Regions (DTER), which is based on the Government's perception as to what should be spent on local services via Standard Spending Assessments. The amount provided by the DTER is fixed at the beginning of a financial year.

REVENUE BALANCES

These reserves represent surplus balances, which can be used in the future. Some reserves are set up to meet expenditure included in a particular account, such as the Housing Revenue Account.

LONDON BOROUGH OF
HAMMERSMITH AND FULHAM

STATEMENT OF ACCOUNTS

2002/03

**LONDON BOROUGH OF HAMMERSMITH AND
FULHAM**

STATEMENT OF ACCOUNTS 2002/03

CONTENTS

The Council's Statement of Accounts for the year ended 31 March 2003 is set out in the following pages.

FOREWORD BY THE DIRECTOR OF FINANCE (Page 3)

An explanatory introduction to the financial statements and a guide to the most significant items reported in the accounts.

STATEMENT OF RESPONSIBILITIES (Page 8)

A statement setting out the financial responsibilities of the Council and of the Director of Finance in relation to the Statement of Accounts.

STATEMENT ON SYSTEM OF INTERNAL FINANCIAL CONTROL (Page 9)

A statement by the Director of Finance on the arrangements and systems for the control of the Council's finances.

STATEMENT OF ACCOUNTING PRACTICES AND POLICIES (Page 12)

An explanation of the basis on which the accounts have been prepared and their compliance with the guidance of the relevant regulatory bodies.

FINANCIAL STATEMENTS (Pages 18-57)

These statements summarise the overall financial performance of the Council in the financial year 2002/03 and its financial position at 31 March 2003. For comparison purposes figures relating to 2001/02 have been included. (The financial statements have been produced to conform with the requirements of the 'Code of Practice on Local Authority Accounting in the United Kingdom 2002 – A Statement of Recommended Practice', often referred to as the 'SORP', and the Best Value Accounting Code of Practice', both published by the Chartered Institute of Public Finance and Accountancy).

CONSOLIDATED REVENUE ACCOUNT (Page 18)

This account shows the cost of services provided by the Council and the income which those services generate, and shows how the difference is met by local taxpayers and general government grant. A note is included which summarises the financial results of the Council's trading operations in 2002/03.

COLLECTION FUND ACCOUNT (Page 28)

This account summarises income and expenditure relating to the collection of Council Tax and National Non-Domestic Rates, including the precept collected on behalf of the Greater London Authority. Thus it sets out the contribution of Hammersmith and Fulham council tax payers to the costs of local services and its distribution to the spending authorities involved.

HOUSING REVENUE ACCOUNT (Page 31)

This account summarises the income and expenditure relating to the provision of housing and associated services to Council tenants and leaseholders. This reflects the statutory obligation of the Council to account separately for the costs of its activities as a landlord in the provision of Council housing.

CONSOLIDATED BALANCE SHEET (Page 36)

The balance sheet sets out all the balances held by the Council at the end of the year, indicating how much is owed to it and how much it owes others, excluding the Pension Fund. It sets out the overall financial position of the Council. A note is included which summarises all movements to and from reserves.

CASH FLOW STATEMENT (Page 54)

This statement shows the totality of cash inflows and outflows in respect of revenue, capital and capital financing for the year and their effect on balances at the end of the year.

PENSION FUND ACCOUNTS (Page 58)

The Pension Fund accounts set out a summary of the transactions during the year and the overall financial position of the Fund. The full accounts are available from the Director of Finance at the address shown below.

GLOSSARY OF TERMS (Page 72)

An explanation of the local government and financial terms used in this statement.

FURTHER INFORMATION

Further information about the Accounts is available from the Chief Revenue Accountant by telephoning (020) 8753 1589, or by writing to the address below;

Chief Revenue Accountant
Finance Department
2nd Floor
Hammersmith Town Hall Extension
King Street

London
W6 9JU

STATEMENT OF ACCOUNTS 2002/03

FOREWORD

The accounting arrangements of any large organisation are complex. The purpose of this Statement of Accounts is to summarise the financial performance and overall financial position of the Council in a manner which is reasonably comprehensible, whilst acknowledging that over-simplification can also be misleading. Accounting and local government finance have a language of their own so, inevitably, some technical wording remains. However, a Glossary is included at the end of the Statement to assist understanding of the information in this document.

The framework within which the Council's Accounts are prepared and published is regulated, as set out in the Statement of Accounting Policies. The Contents page gives a brief explanation of each statement as a helpful reference. This Foreword aims to give a general guide to the significant features of the information reported in the Statements, and provides a summary of the Council's overall financial position.

1. REVENUE EXPENDITURE 2002/03

General Fund Services

The out-turn for 2002/2003 was £203.819m, an underspend of £0.040m compared with the revised budget, and with the original budget.

	Original Budget £000s	Revised Budget £000s	Actual £000s
Education Department	86,234	88,653	88,402
Environment Department	12,622	13,497	13,520
Housing Department	16,277	21,413	21,411
Social Services Department	66,305	68,666	68,615
Direct Services Department	14,423	15,081	18,474
Central Departments & Other Items	13,618	2,212	2,499
Net Departmental Expenditure	209,479	209,522	212,921
Levies	3,257	3,213	3,213
Use of Reserves	(8,877)	(8,876)	(12,315)
Total	203,859	203,859	203,819

Income from grant and local taxpayers was in accordance with the revised budget. The main variances attributable to spending on individual services within the General Fund are as follows:

	£000s	£000s
Underspendings/Savings		
Education	(251)	
Minimum Revenue Provision Adjustment	(4,703)	
Housing (General Fund)	(2)	
Social Services	(50)	
Total		(5,006)
Overspendings/Shortfalls in Income		
Central Services	133	
Direct Services	3,394	
Environment	22	
Net use of Reserves	14	
Other Items	1,403	
		4,966
Net Underspend		(40)

The overspend on Direct Services is primarily attributable to the losses on DSO1. The losses were due to the use of incorrect accounting policies, poor internal controls and outdated charging mechanisms. Considerable effort has been invested into transforming this position, but it is nevertheless expected that some further losses will result in 2003/04 and financial provision has been made to fund these.

The Minimum Revenue Provision Adjustment, resulting from commutation of improvement grants, was applied in the revised Statement of Accounts for 2001/02. The subsequent beneficial impact in 2002/03 was not reflected in the budget provision. 'Other Items' reflects the transfer to reserves facilitated by the Adjustment offset by a more favourable out-turn on the Asset Management Revenue Account, as well as several other minor factors.

2. HOUSING REVENUE ACCOUNT (HRA)

The council continues to be a major provider of social housing, working closely with housing associations and other social landlords to provide affordable housing for all tenants in the Borough. The HRA only accounts for the costs of housing people in Council-owned accommodation. The Local Government and Housing Act 1989 requires that this expenditure is ring-fenced and cannot be subsidised by the General Fund.

The Account achieved a surplus of £0.837m in 2002/03, resulting in a healthy balance carried forward into 2003/04 of just over £4m. This was achieved in spite of the Account being required to bear its share of the DSO1 loss of £3.543m. Favourable variances including underspends on Supervision and Management, increased income through improved rent collection performance, higher interest on the working balance, additional housing benefit subsidy together with increased charges to leaseholders for services and works.

3. TRADING SERVICES

The arrangements for the Compulsory Competitive Tendering of certain activities under the Local Government Acts 1980 and 1988 have now ceased, and all Council services are now subject to Best Value requirements. The Council continues to operate Direct Service Organisations under the new regime and, also, to operate other trading activities outside the General Fund even though there is no statutory obligation to do so. The financial performance of the Trading Services is summarised in a note to the Consolidated Revenue Account.

The note shows the effect of the DSO1 losses mentioned in paragraph 1 above, together with a generally mixed performance compared with 2001/02. The position is being monitored carefully and provision has been made for future losses in 2003/04, as the factors giving rise to the losses will take several months to transform.

4. CAPITAL SPENDING IN 2002/03

Capital spending is defined as expenditure on purchase, improvement or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure was incurred. The Council's capital spending in the 2002/2003 was £57.3m, which represented an increase of £15.6m over the previous year.

Capital expenditure by department for 2002/2003, compared with the previous year, may be summarised as follows:

	2001/02	2002/03
	£000s	£000s
Education Department	4,612	7,932
Environment Department	8,280	11,859
Housing Department	16,717	27,693
Social Services Department	1,834	3,770
Improvements / Other Housing Grants	3,216	3,049
Other	7,013	2,951
Total	41,672	57,254

The major schemes on which expenditure was incurred in 2002/2003 were mainly for works on the Council's housing stock. These include Townmead Estate (£2.4m), Maystar Estate Phase 2 (£2.5m), Alice Gilliat (£2.0m), Worm Holt Estate (£1.4m) and Lancaster Court (£1.3m). Significantly increased levels of capital investment were also achieved on schools and roads. Capital commitments on major schemes at 31 March 2003 totalled £19.7m, comprising almost £14.6m on major housing schemes, £4.3m on education projects and £0.8m on a Social Services Surestart scheme. These are not included within these accounts.

The financing of the capital expenditure incurred in 2002/2003 was as follows:

	2001/02	2002/03
	£000s	£000s
Loan	16,599	10,110
Direct Revenue Funding	0	405
Grants and Contributions	13,705	29,211
Capital Receipts	10,727	17,136
Movement in Capital Creditors	641	392
Total	41,672	57,254

The Council plans to maintain a wide-ranging capital programme, including housing improvements, works associated with the New Deal for schools, new building and refurbishment of family centres, investment in the Borough's infrastructure and environmental improvement works. This is a key element in its strategy to continue to enhance the quality of services provided to the residents of Hammersmith and Fulham.

5. CURRENT BORROWING AND CAPITAL RESOURCES

All of the borrowings disclosed in notes 1 and 10 to the Balance Sheet relate to the financing of capital expenditure incurred in 2002/2003 and earlier years. All of the Council's borrowing (£316.02m) was borrowed from the Public Works Loans Board.

Future capital expenditure will be financed from borrowing from the Public Works Loans Board, revenue contributions, sales of fixed assets, capital grants and contributions and relevant funds within earmarked reserves.

6. OUTLOOK

The Local Government Finance Settlement for 2003/4 contained the outcome of a three-year review of revenue grant distribution undertaken by the Office of the Deputy Prime Minister.

The final settlement for this Council for 2003/4 contained an increase in grant of 3.5%. This was the minimum guaranteed increase provided by the "Floors and Ceilings" mechanism, which was applied to "dampen" the effects of changes introduced by the new funding formula.

At the time of announcing the 2003/4 Settlement, the Office of the Deputy Prime Minister announced a three year methodology freeze on the formula. Consequently, it is likely that the Council will continue to receive only the minimum increase in government revenue grant over the next two years in support of its Revenue Budget.

The Local Government Bill, now before Parliament, provides for a new system of local government capital finance. This new system will replace the present complex regulations governing capital expenditure and will be based largely on self-regulation by local authorities themselves. The basic principle of the new system is that the Council will be free to incur capital expenditure provided that such expenditure is affordable, prudent and sustainable. The Chartered Institute of Public Finance and Accountancy is developing a Prudential Code that will set out the indicators that must be taken into account to demonstrate that the Council has taken the affordable, prudent and sustainable factors into account.

In December 2002 the Council was awarded “Excellent “ status following the Comprehensive Performance Assessment undertaken by the Audit Commission. The Council is justifiably proud of this recognition. It does, however, reinforce expectations that people who live or work in Hammersmith and Fulham will continue to receive high quality and cost effective services.

The Council is committed to build upon this achievement by focusing on the key local priorities contained in the Community Strategy and Local Public Service Agreement and delivering the national shared priorities agreed with the government.

Without doubt, in order to respond to this challenge, in the light of the anticipated level of government grant funding and the introduction of the new Capital finance system, the Council will require robust processes to maintain an effective Budget Strategy. One of the principal requirements will be to develop an integrated system of business planning that combines financial and performance management.

In order to take a longer term view and to plan for service needs against estimated resources, the Council is developing a Medium Term Financial Strategy. Consequently, business planning and financial planning (both revenue and capital) are more closely aligned than previously and the Budget Strategy covers a four year planning period rather than the traditional one year period.

Jane West
Director of Finance
September 2003.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs; for this Council, that officer is the Director of Finance,
- to manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets, and
- to approve the Statement of Accounts.

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice").

In preparing this Statement of Accounts, the Director of Finance has

- selected suitable accounting policies and applied them consistently,
- made judgements and estimates that were reasonable and prudent, and
- complied with the Code of Practice.

The Director of Finance has also

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

CERTIFICATE OF THE DIRECTOR OF FINANCE

I certify that the Statement of Accounts set out on pages 12 to 71 present fairly the financial position of the London Borough of Hammersmith and Fulham for the year ended 31 March 2003.

Jane West
Director of Finance
12th SEPTEMBER 2003

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROL

This statement is given in respect of the statement of accounts for the London Borough of Hammersmith and Fulham in respect of the 2002/03 financial year. I acknowledge my responsibility for ensuring that an effective system of internal control is maintained and operated in connection with the resources concerned.

The Council's responsibilities are defined by Statute, policies and published professional standards, primarily:

- (i) S 151 of the 1972 Local Government Act
- (ii) S114 of the 1988 Local Government Finance Act
- (iii) Accounts and Audit Regulations 1983 (revised 2003)
- (iv) CIPFA Code of Practice for Internal Audit in Local Government in the UK

2. INTERNAL FINANCIAL CONTROL

The Authority is required to maintain an effective system of internal control and recognises that such a system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions properly authorised and that material errors or irregularities are either prevented or would be detected within a timely period.

Controls are designed to provide reasonable assurance with regard to:

- (i) The reliability of financial information
- (ii) The maintenance of proper accounting records
- (iii) The safeguarding of assets against unauthorised use or disposal
- (iv) Compliance with statutory requirements, policies and directives

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. In particular, the system includes:

- (i) The Committee structure and scrutiny panels
- (ii) Comprehensive budgeting systems
- (iii) Regular reviews of periodic and annual financial reports
- (iv) Target setting to measure financial performance and other appropriate indicators
- (v) The preparation of regular financial reports which indicate actual expenditure against the forecasts
- (vi) Clearly-defined capital expenditure guidelines
- (vii) Treasury controls via the key recommendations in CIPFA's Treasury Management Code of Practice
- (viii) Internal audit

3. INTERNAL AUDIT

Internal Audit at Hammersmith and Fulham follows the Code of Practice issued by CIPFA and adopts recommended practices promoted by the Institute of Internal Auditors and other relevant bodies. Internal Audit has achieved ISO 9002 in the operation of its quality management system.

During 2002/03 the Division operated with the equivalent of 12 full time staff including the (Acting) Chief Internal Auditor. The Division completed the agreed audit plan and monitored performance against planned targets and management satisfaction surveys. Six monthly reports were submitted to (and examined by) the Leadership Scrutiny Panel. Conclusions included in internal audit reports are based on findings arising from analysis and testing. They provide an independent view on the adequacy and effectiveness of the systems and operational areas reviewed.

During 2002/03 the Acting Chief Auditor reported to the Assistant Director of Finance (Audit & Technical).

Internal Audit work falls into the following key categories:

- (i) Systems Audits
- (ii) Probity Audits
- (iii) Fraud and irregularity
- (iv) Best value

These categories include specialist areas such as contracts and computers. Additionally Internal Audit operates a pro-active anti-fraud strategy, utilising and comparing data supplied by Government agencies.

Hammersmith and Fulham participate in the IPF Audit Benchmarking Club, which enables the authority to compare its resources and coverage with 13 other London Boroughs.

4. ASSESSMENT OF THE BOROUGH'S INTERNAL CONTROL SYSTEM

My review of the effectiveness of the system of internal financial control is facilitated by:

- (i) The work of managers within the Council
- (ii) The Council's scrutiny process
- (iii) The work of the internal auditors
- (iv) The external auditors in their annual audit letter and other reports

My opinion is that overall the authority has a sound system of internal financial control but during 2002/03 the incorrect application of accounting policies in the Direct Services Department resulted in a cumulative and unbudgeted deficit arising. Subsequently, a number of changes have been implemented to address this issue.

5. PROPOSED ACTION TO CORRECT SIGNIFICANT WEAKNESSES IN THE SYSTEM OF FINANCIAL CONTROL

Following the control weaknesses identified in the trading accounts relating to the Direct Services Department the following action has been effected:

- (i) The finance function has been transferred to the Finance Department
- (ii) An interim manager has been appointed
- (iii) Independent investigation has been carried out to identify the underlying problems and additional issues that may need addressing
- (iv) Appropriate adjustments have been made to the accounts

Jane West
Director of Finance
12th September 2003

STATEMENT OF ACCOUNTING PRACTICES AND POLICIES

1. STATEMENT OF ACCOUNTING PRACTICE

The 2002/2003 Statement of Accounts provides financial information based on the activities of the Council throughout the financial year and reflects the position at the year-end. The Council's accounts have been prepared in accordance with the 2002 Code of Practice on Local Authority Accounting, Statements of Standard Accounting Practice (SSAPs), and Financial Reporting Standards (FRS), relevant to local authorities. If exceptions occur these are noted at the appropriate place in the statement of accounts.

2. BASIS ON WHICH DEBTORS AND CREDITORS ARE INCLUDED IN THE ACCOUNTS

Revenue transactions are included as income and expenditure in the year of account. Accounts are kept on a receipts and payments basis and, at the year end, are adjusted in respect of amounts receivable or payable, where the actual transactions had not been completed at the year end, by the inclusion of debtors and creditors. Where the exact amount of a debtor or creditor was not known at the time of closing the accounts then an estimated amount has been used. The main exceptions are listed below:

- (i) Commercial rents are based on the quarter dates and no adjustment has been made to rents receivable and payable. Rents receivable of £784,000 were accounted for in 2002/03 rather than 2003/04. Rents payable of £396,000 were accounted for in 2002/03 rather than 2003/04.
- (ii) Electricity, gas and metered water supplies.

The above exceptions to the accruals concept are applied consistently each year and are not considered to have a material effect on the accounts.

3. RESERVES

The Council is required to set aside money to cover future known or anticipated liabilities and each reserve or provision is clearly identifiable as to its purpose and usage.

Amounts set aside for purposes outside the definition of provisions, defined in paragraph 4 below, are classified as reserves. Transfers to and from reserves are distinguished from service expenditure disclosed in the statement of accounts. Reserves include earmarked reserves set aside for specific policy purposes and balances that represent resources set aside for purposes such as general contingencies and cash flow management.

The Council maintains several revenue reserves (see Note 14 to the Balance Sheet on page 45). The General Fund reserves are used to meet revenue expenditure that does not relate to the Housing Revenue Account (HRA). The HRA reserve may only be applied to fund expenditure relating to that account.

The Fixed Asset Restatement and Capital Financing Reserves account for changes in the value of fixed assets and the financing of fixed assets respectively. Further details relating to these funds and other reserves are shown in Note 12 to the Balance Sheet on page 42.

The HRA is required to maintain a Major Repairs Reserve, which represents the balance of the HRA Major Repairs Allowance not used to fund major repairs to housing stock.

4. PROVISIONS AND CONTINGENT LIABILITIES

Provisions are required to be set aside for known, certain or likely obligations arising from past events which are expected to result in future expenditure which can be reliably estimated.

Contingent liabilities have been disclosed in Note 17 to the Balance Sheet on page 48 as the sums involved are likely to be material. Where the risk of the contingent liability materialising is high, or where the financial consequences could be very significant, a specific sum may be set aside in the accounts.

5. STOCKS

The value of stocks included in the Balance Sheet is based on SSAP 9, which requires valuation to be the lower of cost or net realisable value.

6. FIXED ASSET VALUATIONS

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. In this context, enhancement means the carrying out of works to a fixed asset which are intended to increase substantially the life, value or use of the asset. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.

(i) Fixed Assets have been valued on the basis recommended by the Chartered Institute of Public Finance and Accountancy and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors. Any reduction in asset values resulting from impairment would be reflected in accordance with FRS11.

(ii) The HRA stock has been valued by extrapolating the Borough Valuer's annual revaluation of 20% of the housing stock. The housing stock has been valued on the basis of existing use value for social housing using the vacant possession adjustment factor and the Beacon approach.

Asset Valuations under the following classifications have been undertaken as follows:

- a) Buildings (other than schools used for operational purposes) have valuations which take into account market values and the present use of these assets,
- b) Schools are valued on the basis of depreciated replacement cost as it has not been possible to establish a comparable market value for this type of property,
- c) Buildings held for investment or non-operational purposes have been valued at open market value,
- d) Roads and other infrastructure have been valued at historic cost.
- e) Buildings on community asset sites and objets d'art have been valued at open market value.
- f) Vehicles, moveable plant and equipment have been valued at historic cost.
- g) Community and donated assets are valued at cost where appropriate, otherwise

they are included at a nominal value.

- (iii) Assets acquired under finance leases after 1 April 1994 and those acquired under deferred purchase agreements are included in the overall valuations.
- (iv) The value of HRA stock disposals is shown in the Note 1 to the Balance Sheet which shows the movement in assets between 1st April 2002 and 31st March 2003 under the heading “disposals”. They are recorded at the existing use – social housing value.

7. DEPRECIATION

Depreciation is based upon asset values at the start of the year and is provided for on the basis of a finite life of the asset which is determined at the time of acquisition or when the asset has been re-valued. Other than where stated below, assets are normally depreciated over 40 years, with no charge in the year of disposal. The following treatment has been adopted for the following categories of assets:

- (i) Assets (including Council dwellings) are depreciated in accordance with the 2002 Code of Practice on Local Authority Accounting. Depreciation is charged on the value of all HRA assets, excluding land, with the Major Repairs Allowance being used as a proxy for depreciation for council dwellings.
- (ii) Vehicles and moveable plant are depreciated over periods ranging from 4-8 years.
- (iii) Infrastructure is depreciated over a period of 40 years.
- (v) The straight-line basis is used to determine the amount of depreciation in any year.
- (vi) Additions to Fixed Assets are not depreciated in the year they are acquired .

8. CAPITAL RECEIPTS

Capital receipts arise from the sale of assets and are accounted for on a cash basis. The proceeds arising from new sales are split between reserved and useable receipts pending their use, either to be set aside to repay debt or to finance further capital expenditure. Further details are provided in Note 12 to the Balance Sheet on pages 42.

9. DEFERRED CHARGES

Deferred charges represent expenditure which may properly be capitalised, but which does not represent tangible fixed assets. Balances of deferred charges that give no long-term benefit to the Council have been written off to the Capital Financing Reserve. Other deferred charges are amortised to revenue over an appropriate period.

10. CAPITAL CHARGES

Services are charged with a capital charge for all fixed assets used in the provision of the service. These include an annual provision for depreciation where appropriate, plus a capital financing charge determined by applying a specified notional rate of interest (which varies by asset type) to the written down value that is included in the Balance Sheet. All capital charges are based upon the opening net values for both HRA and General Fund assets.

11. BASIS OF PROVISION FOR DEBT REDEMPTION

Gains and losses on the repurchase or early settlement of borrowing are accounted for in the Consolidated Revenue Account in the accounting year during which the repurchase or early settlement is made. Where however the repurchase of the borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains and losses are accounted for over the life of the replacement borrowing.

12. REPAYMENT OF DEBT

Under the Local Government and Housing Act 1989, the Council must ensure that there is a Minimum Revenue Provision charged to its Revenue Accounts. In 2002/03 this amounts to 2% of the credit ceiling for the HRA and 4% of the credit ceiling for General Fund Services.

13. VALUATION OF INVESTMENTS

All investments included in the Consolidated Balance Sheet are shown at the lower of cost or market value at the year-end.

14. COST OF SUPPORT SERVICES

Charges or apportionments covering all support service costs are made to all their users, including services to the public, divisions of services, trading undertakings, DSOs, HRA, capital accounts, services provided for other bodies and other support services. The costs of service management are in the same way apportioned to the accounts representing the activities managed. The basis of apportionment adopted is consistent for all the cost centres to which apportionments have been made.

The cost of service strategy and regulation of any service to the public is allocated to a separate objective expenditure head in the accounts of that service. The costs of the corporate and democratic core and of unapportionable central overheads is allocated to a separate objective expenditure head in both General Fund and the Housing Revenue Account and not apportioned to other expenditure heads.

15. LEASING

The Council uses various capital assets (primarily computer equipment) under operating leases, which do not appear in the Council's Balance Sheet because the Council does not own assets acquired under such leases. Rental charges are made to revenue on a straight line basis, over the term of the lease, even if the payments are not made on such a basis. Note 10 to the Consolidated Revenue Account sets out the total leasing charges included in the 2002/03 accounts.

16. GOVERNMENT GRANTS

Whatever their basis of payment, revenue grants are matched with the expenditure to which they relate. Grants received to finance the general activities of the Council or to compensate for a loss of income are credited to the revenue account in the period in which they are payable. Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of grant or contribution is credited to the Government Grants Deferred Account and written off to the Asset Management Revenue Account over the useful life of the asset.

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

17. PENSION COSTS

The Council has made provision for pensions under three different schemes, for Local Government employees, for Teachers, and for former Inner London Education Authority staff. These pension schemes are governed by statutory regulation and are made available by the council to both full and part-time staff.

The introduction of FRS 17 resulted in an increase in the disclosure requirements within the Statement of Accounts. The purpose of these disclosure notes is to provide clear information on the Council's obligation to fund the retirement benefits of its staff in the context of the financial position and performance of the respective Pension Funds.

The disclosures appear as notes to the Consolidated Revenue Account, Consolidated Balance Sheet and the Pension Fund Accounts.

18. RETIREMENT BENEFITS

Local authorities have a commitment to fund the cost of pensions provided to their employees. The full cost of pensions to the Council is the cost of present and future benefits payable, and this has to be shown as a liability in the accounts in order to comply with Financial Reporting Standard FRS17. Full compliance with FRS17 is being phased in over a period of three years. In 2002/2003 the note to the accounts has been expanded in accordance with the requirements of the 2002 Statement of Recommended Practice.

19. PRIOR YEAR ADJUSTMENTS

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors will be accounted for by restating the comparative figures for the preceding period in the Statement of Accounts and notes and adjusting the opening balance of reserves for the cumulative effect. This cumulative effect will also be stated at the foot of the statement of total movements and reserves. There are no prior period adjustments shown in the accounts for 2002/03.

20. PROVISION FOR BAD OR DOUBTFUL DEBTS

Amounts for debtors are adjusted for doubtful debts and known uncollectable debts are

written off.

21. VALUE ADDED TAX

VAT is only included in the income and expenditure, where it is irrecoverable.

22. SUBSIDIARY AND ASSOCIATED COMPANIES

The Council has financial relationships with a number of companies and details are contained within Note 16 to the Balance Sheet on page 47 . There are a number of criteria by which the Council must determine whether the value to the company and the Council's interest is significant enough for group accounts to be produced. After consideration of these criteria, the Council has determined that none of these subsidiary companies either individually or in aggregate are material and therefore they have not been consolidated into the Council's Accounts.

STATEMENT OF ACCOUNTS 2002/03

CONSOLIDATED REVENUE ACCOUNT

The Consolidated Revenue Account (CRA) sets out details of expenditure and income for General Fund Services and the Housing Revenue Account (HRA). Details of other transactions such as levies and transfers of surpluses and deficits are also included. The way in which the net expenditure is financed is also shown in this statement.

	NOTE	2001/2002	2002/2003		
		NET EXPENDITURE £000s	GROSS EXPENDITURE £000s	INCOME £000s	NET EXPENDITURE £000s
Central Services:					
Council Tax Collection		1,398	2,929	1,331	1,598
Other Central Services		16,093	49,851	25,782	24,069
Cultural, Environmental & Planning (CE&P) Services:					
Leisure Services		6,313	5,616	366	5,250
Cemeteries & Crematoria		384	1,444	1,096	348
Environmental Health		1,893	3,371	1,434	1,937
Waste Collection & Disposal		5,713	8,174	2,467	5,707
Planning & Development		3,194	4,689	2,259	2,430
Other CE&P Services		4,363	5,832	2,471	3,361
Education		83,226	118,581	34,764	83,817
Highways & Transport		1,592	23,932	21,540	2,392
Housing Services:					
Housing General Fund		16,436	80,887	59,476	21,411
Housing Revenue Account		(744)	130,806	131,643	(837)
Social Services		65,947	109,566	40,951	68,615
NET COST OF SERVICES	(1)	205,808	545,678	325,580	220,098
Cost of Levies	(3)	3,294	3,213	0	3,213
(Surplus)/Deficit on Trading Services	(4)	1,191	67,094	62,981	4,113
Asset Management Revenue Account	(5)	(6,391)	87,651	96,735	(9,084)
Interest Receipts		(1,308)	0	952	(952)
NET OPERATING EXPENDITURE		202,594	703,636	486,248	217,388

CONSOLIDATED REVENUE ACCOUNT (Continued)

	NOTES	2001/2002 £000s	2002/2003 £000s
NET OPERATING EXPENDITURE		202,594	217,388
Add:			
Transfer to/(from) HRA Balance		744	837
Minimum Revenue Provision Adjustment	(6)	(7,767)	(7,300)
Capital Financing Adjustment		(3,728)	(8,102)
Prior Year Adjustment		(23,999)	0
Transfers to/(from) Reserves	(8)	20,111	845
Deferred Charges	(9)	4,529	69
Capital Expenditure Financed From Revenue		0	82
AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAX PAYERS		192,484	203,819
Less:			
Collection Fund Precept		56,556	57,369
Collection Fund Transfer of Deficit		(500)	0
Revenue Support Grant		100,412	97,264
Contribution from NNDR Pool		44,091	49,226
		200,559	203,859
SURPLUS (DEFICIT) FOR YEAR		8,075	40
General Fund Balance			
Balance at Beginning of Year		4,472	12,547
Add Surplus for Year		8,075	40
BALANCE AT END OF YEAR		12,547	12,587

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. EXPENDITURE ON SERVICES

The figures included in the account reflect expenditure and income on services including the Housing Revenue Account, rather than departmental expenditure and income. This is in accordance with the Best Value Accounting Code of Practice.

2. PAYROLL COSTS/STAFF REMUNERATION

The numbers of staff receiving remuneration, excluding pension contributions, of £50,000 and above were as follows:

	2001/2002	2002/2003
£50,000 - £59,999	40	44
£60,000 - £69,999	13	15
£70,000 - £79,999	4	2
£80,000 - £89,999	4	6
£90,000 - £99,999	2	4
£100,000 - £109,999	1	0
£110,000 - £119,999	0	1
£120,000 - £129,999	1	0
	65	72

3. COST OF LEVIES

Levies paid by the Council are listed below. The London Pensions Fund Authority raises a levy to meet expenditure on pension payments to former GLC and ILEA employees. In addition, a levy of £3.441m to Western Riverside Waste Authority is included in the Waste Collection and Disposal figure shown in the Consolidated Revenue Account.

	2001/2002 £000s	2002/2003 £000s
Environment Agency	1,084	1,110
Lee Valley Regional Park	190	195
London Pensions Fund Authority	1,420	1,337
Greater London Magistrates Court Authority	600	571
	3,294	3,213

4. TRADING SERVICES

The following Trading Services operated during the year.

	2001/2002 £000s	2002/2003 £000s
Building Division		
<i>Deficit</i>	981	3,989
<i>Charge made to HRA under BVACoP</i>	(785)	(3,543)
<i>Adjusted deficit</i>	196	446
Highways Division	(32)	2,189
Construction & Property Related Services	(91)	(417)
Street Cleansing	2	427
Refuse Collection	(9)	77
Grounds Maintenance	107	(57)
Leisure Management	462	541
Building Cleaning	96	179
Catering	167	83
Parking Control	(80)	(191)
Security Services	1	(46)
Home to School Transport	-	540
Legal Services	22	21
Industrial Estates and Misc Properties	350	298
Other	0	23
Total (surplus)/ deficit	1,191	4,113

5. ASSET MANAGEMENT REVENUE ACCOUNT

The Asset Management Revenue Account (AMRA) shows the difference between the charges made to services for the use of assets and the cost of borrowing to fund capital expenditure. It shows also the provision for depreciation which reflects, where appropriate, the reduction in the value of fixed assets.

The charges to services are based on the value of each asset, and consist of depreciation, where appropriate, together with a notional interest charge.

The purpose of the account is to reduce the cost of the interest included in the asset charges to the Council Tax payers resulting from the capital accounting entries. There is also an adjustment made for the element of the difference that relates to the Housing Revenue Account.

	2001/2002		2002/2003	
	£000s	£000s	£000s	£000s
INCOME				
Capital Charges – General Fund	24,400		26,191	
- HRA	66,218		69,977	
HRA Debt Management Costs	128		119	
HRA Premiums on Loans	7		7	
Deferred Grants Released	800		441	
		91,553		96,735
EXPENDITURE				
Net Cost of Borrowing	28,389		26,577	
Debt Management Expenses	87		96	
Finance Lease	711		711	
Depreciation Provision - General Fund	6,813		6,321	
- HRA	11,732		9,187	
HRA Interest Adjustment	36,967		44,257	
HRA Interest on Balances	463		404	
HRA Discounts on Loans	0		100	
		85,162		87,651
SURPLUS INCOME		6,391		9,084

6. MINIMUM REVENUE PROVISION ADJUSTMENT

The Minimum Revenue Provision (MRP) is the sum the Council is required to set aside each year to repay debt incurred in financing capital expenditure. The amount required to be set aside is 2% of Housing Revenue Account debt and 4% of General Fund debt, adjusted (reduced) by the Commutation adjustment. This sum replaces the amount charged to services in the form of depreciation, which is transferred from the Capital Financing Reserve. The purpose of this adjustment is to reduce the charge to Council Tax payers to the statutory minimum requirement.

	2001/2002		2002/2003	
	£000s	£000s	£000s	£000s
MRP:				
General Fund (4%)	4,654		4,868	
Commutation adjustment	(5,608)		(5,847)	
HRA (2%)	4,234		4,113	
		3,280		3,134
Less:				
General Fund Depreciation Charge	6,813		6,321	
HRA Net Depreciation	4,234		4,113	
		11,047		10,434
		(7,767)		(7,300)

7. CAPITAL FINANCING ADJUSTMENT

This represents the capital financing associated with deferred charges written off to revenue during the year, together with deferred government grants released to offset the depreciation on the associated assets.

	2001/2002		2002/2003	
	£000s	£000s	£000s	£000s
Deferred Grants Written Down	(4,528)		(8,544)	
Capital Grants Deferred	800		442	
		(3,728)		(8,102)

8. TRANSFER TO/(FROM) OTHER RESERVES AND BALANCES

The following table provides details of transfers to/(from) revenue reserves, provisions and other balances that impact on the Consolidated Revenue Account.

	2001/2002 £000s	2002/2003 £000s
Controlled Parking Fund	849	(80)
IT and Computer Funds	561	194
NNDR Reserve	(951)	0
Asylum Seekers Provision	(225)	0
Education Reserves	(286)	0
Education Establishments	75	0
Budget Strategy	700	(1,050)
Backdated Rentals	289	0
Teachers Pensions	(223)	0
Debtors and Creditors Review	0	(479)
Miscellaneous Provisions/Funds	(178)	(1,040)
Commutation Reserve	9,000	0
Debtors & Creditors Review	2,500	0
Subsidy Clawback Reserve	2,000	0
Trading Services Contingency Reserve	3,000	0
General Contingency Reserve	3,000	0
Planning Inquiries Reserve	0	300
Insurance Fund	0	1,000
Invest to Save Fund	0	2,000
	20,111	845

9. DEFERRED CHARGES

Deferred charges arise when capital expenditure is incurred which does not result in, or remain matched to, a tangible asset and for loans repaid early where redemption premiums have been paid. These costs are required to be written off to revenue.

10. AGENCY INCOME AND EXPENDITURE

The Council acts as agent under agreements with various bodies and receives financial reimbursement for the costs of such services from the bodies concerned. A summary of the expenditure is as follows. The expenditure and income relating to the water collection agency is included in the Housing Revenue Account cost of services.

Body	Description	Net Cost £000s
Transport for London	Asset Inventory Study	251
Transport for London	Roads 2000	478
Thames Water	Collection from Tenants	454
		1,183

11. LEASING CHARGES

The Council incurs leasing charges under various operating lease arrangements and the costs to revenue are summarised below.

	2001/2002 £000s	2002/2003 £000s
Operating Leases	2,682	2,825
Finance Leases	69	45
	2,751	2,870

Outstanding obligations under operating leases are calculated to be £6.229m at 31 March 2003. There are no outstanding finance leases obligations.

12. PUBLICITY ACCOUNT

Under Section 5 of the Local Government Act 1986, the Council is required to keep a separate memorandum account of expenditure on publicity, which is summarised as follows.

	2001/2002 £000s	2002/2003 £000s
Recruitment Advertising	1,034	1,081
Other Advertising	145	306
Other Publicity	315	358
	1,494	1,745

13. LOCAL AUTHORITIES (GOODS & SERVICES) ACT 1970

The services provided to other local authorities under the Local Authorities (Goods and Services) Act 1970 are shown below.

	2001/2002	2002/2003		
	NET EXPENDITURE	GROSS EXPENDITURE	LESS INCOME	NET EXPENDITURE
	£000s	£000s	£000s	£000s
Public Mortuary	116	280	190	90
Western District Coroner	39	649	596	53
Payroll Services to HWLC	0	0	0	0
Computer Services	(16)	0	0	0
	139	929	786	143

14. MATERIAL TRANSACTIONS WITH RELATED PARTIES

In 2002/2003 the Council engaged in the following material transactions with related parties:-

- a) Government grants were received as scheduled in Note 2 to the Cash Flow Statement.
- b) Transactions with associated companies and other entities took place as summarised in Note 16 to the Balance Sheet.

Transactions with the pension fund are also required to be disclosed. Since the Council operates its own pension fund, this requirement is met by the publication of a detailed summary of the Pension Fund Accounts within this Statement of Accounts.

In addition information has been collated by requiring all members and chief officers to declare any related party transactions. A review was also carried out of the Council's Register of Declarations of Interests and of the Register of Pecuniary and Non-pecuniary Interests of Councillors drawn up from declarations made at Committee and other meetings. During the year, the following material transactions (ie over £50,000 for this purpose) not identified elsewhere in the accounts took place:-

Organisation	Amount
Broadway (previously Riverpoint Single Homeless Ltd)	117,226
CITAS	91,943
Fulham Legal Advice Centre	55,105
Groundwork West London	472,564
Hammersmith and Fulham Age Concern	168,923
Hammersmith and Fulham Law Centre	53,425
Hammersmith and Fulham Primary Care Trust	146,281
Hammersmith and Fulham Volunteer Development Agency	185,660
Hammersmith United Charities	300,139
Marshcroft Early Years Centre	952,372
Park Royal Partnership Ltd	317,440
Shepherd's Bush Families Project	50,519
Urban Partnership Group	725,407
Western Riverside Waste Authority	642,280

15. PENSION COSTS

Payments into the relevant Pensions Funds were as follows:

Local Government Pension scheme

- (i) In 2002/03 the council paid an employer's contribution of £10.981m into the fund, representing 10.9% of pensionable pay (this will increase to 11.5% in 2003/04).
- (ii) Discretionary payments made in 2002/03 for added years and related increases amounted to £2.342m being 2.43% of pensionable pay.
- (iii) The Council, not the Pension Fund, is responsible for the cost relating to added years awarded. The notional capital cost of such awards agreed in the year was £0.651m and for those agreed in earlier years for which payments were still being made is £40.113m. These costs are charged directly to the Council's revenue and trading accounts.
- (iv) The Council's contribution rate is determined by the Fund's Actuary based on a triennial valuation, the last review being carried out as at 31st March 2001.
- (v) The amount required to cover the past service deficit is £9.6m equating to 10.35% of pensionable pay. This reflects the fact that at the last valuation of the Pension Fund, it was estimated that the fund only covered 98% of its long term liabilities.

Teachers Scheme

In 2002/03 the council paid £3.04m (8.35% of teachers' pensionable pay) to the Teachers Pensions Agency.

London Pensions Fund Authority

In 2002/03 the Council paid £1.15m (18.4% of pensionable pay) to the London Pensions Fund Authority in respect of former ILEA staff.

16. MEMBERS' ALLOWANCES

The total allowances paid to members in 2002/03, including travel and subsistence allowances, amounted to £692,785 (£733,457 in 2001/02).

17. SECTION 137 EXPENDITURE

Almost all the provisions of this section of the Local Government Act 1972 have been repealed through the granting of general enabling powers to local authorities in the Local Government Act 2000. In 2002/03 there was no expenditure incurred under any residual Section 137 powers.

18. BUILDING CONTROL STATEMENT

The Local Authority Building Regulations require the disclosure of information regarding the setting of charges for the building control function. However, certain activities performed cannot be charged for, such as providing general advice and liaising with other statutory authorities. The total cost, analysed between chargeable and non-chargeable activities is shown below.

	2001/02 Total £000s	Chargeable £000s	Non- Chargeable £000s	2002/03 Total £000s
EXPENDITURE				
Employee Costs	912	632	371	1,003
Transport	28	17	9	26
Supplies & Services	18	28	17	45
Support Costs	692	303	177	480
Total Expenditure	1,650	980	574	1,554
INCOME				
Building Regulation Charged	(1,183)	(980)	0	(980)
Other Income	(32)	(19)	(11)	(30)
Total Income	(1,215)	(999)	(11)	(1,010)
(Surplus)/Deficit	435	(19)	563	544

STATEMENT OF ACCOUNTS 2002/03

COLLECTION FUND ACCOUNT

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to precepting authorities and the General Fund. The Collection Fund is consolidated with the accounts of the billing authority.

INCOME AND EXPENDITURE FOR 2002/2003

	NOTE	2001/2002 £000s	2002/2003 £000s
INCOME			
Income from Council Tax	(1)	57,191	58,494
Transfers from General Fund:			
- Council Tax Benefits		12,109	12,418
Non-Domestic Rate Income		80,989	91,820
Contributions towards Previous Year's Collection Fund deficit:			
- Council Tax		584	0
TOTAL INCOME		150,873	162,732
EXPENDITURE			
Precepts and Demands	(3)	67,603	70,284
Non-Domestic Rates			
- Payment to National Pool	(2)	80,511	91,340
- Costs of Collection		478	480
Bad and doubtful debts/appeals			
- Write offs		1,290	1,147
- Provisions		(450)	0
TOTAL EXPENDITURE		149,432	163,251
Change in Fund Balance in Year		1,441	(519)
Surplus/(Deficit) as at 1 April		(788)	653
Surplus/(Deficit) as at 31 March		653	134

NOTES TO THE COLLECTION FUND ACCOUNT

1. INCOME FROM COUNCIL TAX

Council Tax Income is the amount payable by council tax payers, inclusive of changes arising during the year for successful appeals against valuation banding, new properties, disabled relief and exempt properties. The Council's tax base is based on the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings. For 2002/03 it was calculated as follows.

Band	Estimated Number of Taxable Properties after Discounts and Exemptions	Ratio to Band D	Band D Equivalent Dwellings
A	2,114	6/9	1,409
B	4,225	7/9	3,286
C	10,523	8/9	9,354
D	18,065	1	18,065
E	11,903	11/9	14,548
F	7,597	13/9	10,974
G	9,146	15/9	15,243
H	1,649	18/9	3,298
	65,222		76,177

2. NATIONAL NON-DOMESTIC RATES

Under the arrangements for uniform business rates, the Council collects National Non-Domestic Rates (NNDR) for its area. The NNDR is based on local rateable values of £274.4m for 2002/03, which are then multiplied by a uniform rate of 43.7p in 2002/03 to provide the total amount due. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of resident population. The amount received from the pool is paid into the Council's Consolidated Revenue Account.

The amounts collected on behalf of the Government and payable to the pool are analysed for 2002/03 the following page.

	£000s	£000s
NNDR Bills Issued		100,341
Less:		
Discretionary Relief and Remissions	6,856	
Interest on Overpaid NNDR	264	
Debts written off or provided for	1,736	
		8,856
Net NNDR Income		91,485
General Fund Contribution to Charity Relief		335
Cost of Collection Allowance to General Fund		(480)
Amount Payable to NNDR Pool		91,340

3. PRECEPTS AND DEMANDS

The Greater London Authority (GLA) levies a precept upon the Council's Collection Fund based upon the Council's tax base for the year. In addition, the Council's own requirement is charged to the Collection Fund and credited to the General Fund. The GLA precept includes elements for the Metropolitan Police Authority, the London Fire and Emergency Planning Authority, Transport For London, the London Development Agency and the core GLA functions.

	2001/2002	2002/2003
	£000s	£000s
London Borough of Hammersmith & Fulham	56,556	57,369
Greater London Authority	11,047	12,915
	67,603	70,284

STATEMENT OF ACCOUNTS 2002/03

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for housing provision. It shows the major elements of housing expenditure – management, maintenance, rent rebates, and capital financing costs and how these are met from rents, subsidy and other income. The account is required to be self financing, and cannot be subsidised by the General Fund.

Details of income and expenditure are shown below.

	NOTES	2001/2002 £000s	2002/2003 £000s
INCOME			
Dwellings Rents		(43,824)	(44,081)
Non-dwelling Rents		(2,341)	(2,574)
Charges for Services & Facilities		(5,086)	(7,955)
HRA Subsidy Receivable	8	(47,188)	(47,910)
General Fund Contributions to Shared Amenities		(3,160)	(3,492)
General Fund Contributions to Housing Benefits		(26)	0
TOTAL INCOME		(101,625)	(106,012)
EXENDITURE			
Repairs, Maintenance and Management			
Repairs and Maintenance		10,981	13,545
General Management		21,642	21,970
Special Services		7,821	8,583
Rent, Rates, Taxes and Other Charges		1,922	1,870
Rent Rebates		23,532	27,501
Provision for Doubtful Debts		2,490	332
Cost of Capital	6	53,556	60,790
Depreciation of Fixed Assets	7	11,732	9,187
Amortisation of Deferred Charges		14	0
Debt Management Costs		128	120
TOTAL EXPENDITURE		133,818	143,898
NET COST OF SERVICES		32,193	37,886

HOUSING REVENUE ACCOUNT (Continued)

	NOTES	2001/2002 £000s	2002/2003 £000s
NET COST OF SERVICES		32,193	37,886
Adjusting Transfer from the Asset Management Revenue Account for Capital Charges		(36,506)	(44,257)
Amortised Premiums and Discounts		7	(93)
HRA Investment Income		(672)	(465)
Net Operating Expenditure		(4,978)	(6,929)
Appropriations			
Transfer to the Major Repairs Reserve	3	0	1,979
Minimum Revenue Provision set aside		4,234	4,113
(Surplus) for the year		(744)	(837)
Balance at Beginning of Year		(2,435)	(3,179)
BALANCE AT END OF YEAR		(3,179)	(4,016)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. HOUSING STOCK

The Council was responsible for managing an average of 14,097 dwellings during 2002/2003. The stock movement during the year was as follows.

	Dwellings	Hostels	Equity Share	TOTAL
Number at 1 April 2002	13,999	179	21	14,199
Right to Buy Sales	(191)	0	0	(191)
Other Sales	(10)	0	(2)	(12)
Other Changes	0	(1)	0	(1)
Number at 31 March 2003	13,798	178	19	13,995

2. STOCK VALUATION

The net Balance Sheet value of the land, houses and other property items within the HRA is as follows:

	1 April 2002 £000s	31 March 2003 £000s
Housing Stock	979,731	957,345
Other Land and Building	8,760	8,638
Non Operational	13,187	13,187
TOTAL	1,001,678	979,170

The open market, vacant possession value of dwellings within the HRA as at 1 April 2002 was £2,087m. This compares to the balance sheet value of £957m for the dwellings as at 31 March 2003. The difference is an indication of the economic and social cost of providing Council housing at less than full market rent.

3. MAJOR REPAIRS RESERVE

This reserve is credited with the depreciation charged to the HRA each year with an adjustment to ensure the net credit in the year equals the Major Repairs Allowance which forms part of the overall Housing Subsidy arrangements.

The reserve is only available for financing major repairs carried out to the housing stock. Any sums unspent are carried forward for use in future years.

	2001/02 £000s	2002/03 £000s
Balance as at 1 April 2002	0	(7,866)
Depreciation Charges to HRA	(11,261)	(9,187)
Adjusting Transfer from HRA	0	(1,979)
Funding of Expenditure	3,395	16,992

Balance as at 31 March 2003	(7,866)	(2,040)
------------------------------------	----------------	----------------

4. CAPITAL EXPENDITURE FINANCING

Capital expenditure, mainly on dwellings, amounted to £26.7m (£15.1m in 2001/02) in the year the following summary shows how this was funded.

	2001/02 £000s	2002/03 £000s
Borrowing	10,124	6,785
Useable Capital Receipts	324	540
Major Repairs Reserve	3,395	16,992
Single Regeneration Grant	1,210	574
Other Grants and Contributions	0	1,559
Capital Accrual	0	238
TOTAL	15,053	26,688

5. CAPITAL RECEIPTS

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

	2001/02 £000s	2002/03 £000s
Land	0	1,096
Dwellings	14,216	17,172
Other Property	1,351	2,232
TOTAL	15,567	20,500

6. CAPITAL CHARGES

Under the requirements of resource accounting the net cost of services show the cost of assets used. This is charged from the Asset Management Revenue Account. This charge of £60.8m (£53.5m in 2001/02) is based on a 6% rate of return on the balance sheet value of £1,013m (£908m in 2001/02). However, to ensure that the impact on the tenants is neutral, a transfer is made to reduce this charge to the real cost of money borrowed to fund capital expenditure.

	2002/03 £000s
Estimated Value of Housing Assets at 1 April 2002	1,013,411
Asset Rental @ 6% of Market Value	60,790

7. DEPRECIATION

The total charge for depreciation within the authority's HRA is shown below:

	2001/02 £000s	2002/03 £000s
Dwellings	11,261	9,065

Other Housing Assets	471	122
TOTAL	11,732	9,187

8. HRA SUBSIDY

The calculation of HRA subsidy for the year, in line with the subsidy determination is set out below:

	2001/02	2002/03
	£000s	£000s
Allowance for Management	10,219	11,480
Allowance for Maintenance	18,187	18,430
Allowance for Major Repairs	11,261	11,166
Charges for Capital	24,395	22,680
Other Items	1,034	1,061
Allowance for Tenant Participation Compacts	30	-
Allowance for Resource Accounting	84	-
Rent	(43,505)	(44,336)
Interest on Receipts	(237)	(190)
Housing Element	21,468	20,291
Adjustment for Previous Year	(23)	0
	21,445	20,291
Rent Rebate Element	25,743	27,619
TOTAL	47,188	47,910

9. RENT ARREARS AND BAD DEBT PROVISIONS

Gross rent arrears were as follows:

	31 March 2002	31 March 2003	Change
	£000s	£000s	£000s
Main Council Stock	4,212	4,482	270
Hostels	495	537	42
TOTAL	4,707	5,019	312

Bad debt provisions at 31 March 2003 were:

	Pre-Ringfence(HGF)	Ringfenced(HRA)	TOTAL
	£000s	£000s	£000s
Main Council Stock	247	2,727	2,974
Hostels	99	267	366
TOTAL	346	2,994	3,340

STATEMENT OF ACCOUNTS 2002/03

CONSOLIDATED BALANCE SHEET

	NOTES	31 MARCH 2002		31 MARCH 2003	
		£000s	£000s	£000s	£000s
LONG TERM ASSETS					
Fixed Assets	1		1,324,971		1,313,579
Deferred Charges	2		3,142		2,441
Long-term Debtors	3		2,678		2,249
			1,330,791		1,318,269
CURRENT ASSETS					
Stock and Work in Progress	4	589		490	
Debtors	5	48,893		57,357	
Short-term Investments		25,000		20,200	
Cash In Hand	6	5,803		4,286	
			80,285		82,333
			1,411,076		1,400,602
CURRENT LIABILITIES					
Creditors	7	(47,398)		(53,183)	
Short term Borrowing	8	(1,045)		(24,000)	
Cash Balances Overdrawn		(11,661)		(5,819)	
			(60,104)		(83,002)
TOTAL ASSETS LESS CURRENT LIABILITIES			1,350,972		1,317,600
LONG TERM LIABILITIES					
Long-term Borrowing	9	(316,020)		(292,020)	
Deferred Liabilities	10	(122)		(120)	
Deferred Credits	11	(2,092)		(2,615)	
Government Grants Deferred		(15,284)		(19,145)	
			(333,518)		(313,900)
TOTAL ASSETS LESS LIABILITIES			1,017,454		1,003,700
EQUITY					
Fixed Asset Restatement Reserve			(816,918)		(773,529)
Capital Financing Reserve			(122,954)		(162,669)
Useable Capital Receipts			(8,186)		(95)
Other Capital Reserves			(8,783)		(3,838)
Earmarked Reserves	14		(40,067)		(42,324)
Revenue Balances	15		(20,546)		(21,245)
TOTAL EQUITY			(1,017,454)		(1,003,700)

I certify that these accounts present fairly the financial position of the London Borough of Hammersmith and Fulham as at 31 March 2003 .

Jane West
Director of Finance

12th September 2003

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. FIXED ASSETS

(i) Fixed Asset Movements

	HRA stock & other assets	Other Land & Buildings	Infrastruct ure Assets	Non- Operational assets	Community and Donated Assets	Plant, Machinery & Eqt	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Net Book Value At 01/4/2002	1,001,678	219,786	59,235	39,483	2,600	2,189	1,324,971
Additions	0	5,178	9,225	0	598	1,704	16,705
Adjustments and Reclassifications	(7,917)	(19,380)	(657)	4,573	(2,164)	478	(25,067)
Revaluations	7,672	14,902	0	5,665	0	0	28,239
Disposals	(13,076)	(1,821)	0	(865)			(15,762)
Depreciation for year	(9,187)	(3,599)	(2,326)	0	(23)	(372)	(15,507)
Net Book Value At 31/3/2003	979,170	215,066	65,477	48,856	1,011	3,999	1,313,579

(ii) Valuation

The basis of valuing the individual classes of fixed assets owned by the Council is explained in Note 6 of the Statement of Accounting Procedures and Policies on page 13.

The table above, summarises the movement of fixed assets in respect of the HRA stock and other assets.

Freehold and leasehold property owned by the Council has been valued in accordance with the Statement of Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors as recommended by the Chartered Institute of Public Finance and Accountancy. The revaluation of assets is carried out over a five year rolling programme.

(iii) Capital Commitments

Capital commitments on major schemes totalled £19.7m at the year end. Further details are provided in the Foreword on page 5

(iv) Fixed Assets Held

Fixed assets owned or leased by the Council are shown below.

	31 MARCH 2002 (Numbers)	31 MARCH 2003 (Numbers)
Operational Assets		
Council Dwellings	14,199	13,995
Town Halls	2	2
Offices	10	10
Cemeteries	4	4
Swimming Pools and Sports Centres	4	4
Libraries	6	6
Play Facilities	13	13
Social Service Establishments	59	59
Depots	2	2
Secondary Schools	9	9
Primary and Nursery Schools	41	41
Special Schools	6	5
Other Education Premises	25	25
Other Land and Buildings	23	23
Infrastructure Assets		
Bridges	1	1
Community Assets		
Parks and Open Spaces (hectares)	191	191
Non-operational Assets		
Shops	120	120
Industrial Units	125	125

(v) Capital Expenditure and Funding

	2001/2002 £000s	2002/2003 £000s
Expenditure		
Additional Fixed Assets	23,577	16,705
Non Enhancing Expenditure	12,318	32,280
Deferred Charges	5,777	8,269
	41,672	57,254
Funding		
Borrowing	16,599	10,110
Useable Capital Receipts	10,727	17,137
Government Grants	7,098	11,977
Major Repairs Reserve	3,395	9,382
Planning Agreement Funds	1,114	2,085
Other Capital Contributions	2,098	751
Revenue Contributions	0	405
Movement in Capital Creditors	641	392
TOTAL	41,672	57,254

2. DEFERRED CHARGES

	DEBT REDEMPTION PREMIUM £000s	IMPROVEMENT GRANTS £000s	OTHER £000s	TOTAL £000s
Balance 1/4/2002	216	0	2,926	3,142
Expenditure in Year	20	3,049	5,220	8,289
Less: Written off in Year	(114)	(3,049)	(5,827)	(8,990)
Balance 31/3/2003	122	0	2,319	2,441

Deferred Charges refer to capital expenditure which does not create a tangible asset for the authority; most deferred charges comprise of capital grants expended by the Council. This expenditure is charged to revenue over an appropriate number of years, taking account of the benefit derived by the authority from that expenditure. Improvement grants are charged to revenue in the year that expenditure is incurred since the authority is not a direct beneficiary of the expenditure, whereas, for example any debt redemption premiums and redundancy payments are written off over an appropriate number of years.

3. LONG-TERM DEBTORS

	31 MARCH 2002 £000s	31 MARCH 2003 £000s
House Purchase/Renovation Advances	421	361
Sale of Council Dwellings	2,106	1,793
Car Loans	113	76
Other Long Term Debtors	38	19

TOTAL	2,678	2,249
--------------	--------------	--------------

4. STOCKS AND WORK IN PROGRESS

	31 MARCH 2002		31 MARCH 2003	
	£000s	£000s	£000s	£000s
<u>Stocks</u>				
Trading Undertakings	459		373	
Other	69		71	
		528		444
<u>Work in Progress</u>				
Trading Undertakings		61		46
		589		490

Work in progress at the year end relates wholly to the valuation placed on uncompleted jobs undertaken by the Building and Highways divisions of the Direct Services department for external clients.

5. DEBTORS

	31 MARCH 2002	31 MARCH 2003
	£000s	£000s
Government Departments	11,081	20,697
Other Public Bodies	2,573	43
Housing Rents	4,179	5,019
Business Rates	8,509	6,793
Council Tax	6,722	5,685
Sundry Debtors	34,857	45,867
Car and Other Employee Loans	160	160
Payments in Advance	4,354	2,955
	72,435	87,219
Less:		
Provision for Doubtful Debts	(23,542)	(29,862)
TOTAL	48,893	57,357

6. CASH IN HAND

	31 MARCH 2002	31 MARCH 2003
	£000s	£000s
Bank/Petty Cash Imprest Balances	198	188
School Bank Accounts	5,605	4,098
TOTAL	5,803	4,286

7. CREDITORS

	31 MARCH 2002	31 MARCH 2003
	£000s	£000s
Government Departments	13,699	11,427
Other Public Bodies	2,709	794
Housing Rents	1,468	1,169
Business Rates	2,521	2,589
Council Tax	1,866	2,125
Pension Fund	126	0
Sundry Creditors	25,009	35,079
TOTAL	47,398	53,183

8. OTHER LOANS REPAYABLE (LESS THAN ONE YEAR)

	31 MARCH 2002	31 MARCH 2003
	£000s	£000s
PWLB	1,000	24,000
Other	45	0
TOTAL	1,045	24,000

9. LONG-TERM BORROWING

An analysis of loans outstanding according to type is shown below.

	31 MARCH 2002	31 MARCH 2003
	£000s	£000s
PWLB	316,020	292,020

The maturity profile for these loans is shown below.

	31 MARCH 2002	31 MARCH 2003
	£000s	£000s
One to two years	24,000	13,000
Between two and seven years	58,500	58,500
Between seven and fifteen years	131,456	131,456
More than fifteen years	102,064	89,064
TOTAL	316,020	292,020

10. DEFERRED LIABILITIES

This liability resulted from changes in the conditions of manual workers some years ago, and relates to frozen holiday pay due to employees. In most instances payment takes place when individuals leave the Council's service.

11. DEFERRED CREDITS

Deferred credits are amounts derived from the sale of assets that will be repaid to the Council by instalments over an agreed number of years. They have arisen from mortgages provided by the Council for the sale of Council dwellings..

12. STATEMENT OF TOTAL MOVEMENT OF RESERVES

	31 MARCH 2002 £000s	31 MARCH 2003 £000s
Revenue Surplus / (Deficit) for the Year		
General Fund	8,075	40
Housing Revenue Account	744	837
Collection Fund	1,441	(519)
Education Establishments Account	(114)	341
Net Revenue Movement on Earmarked Reserves	20,111	845
Net Other Movements on Earmarked Reserves	3,612	1,412
Total Increase/(Decrease) in Revenue Resources	33,869	2,956
Increase / (Decrease) in Useable Capital Receipts	1,565	(8,091)
Increase / (Decrease) in Unapplied Capital Grants & Contributions	3,932	(4,945)
Total Increase/(Decrease) in Realised Capital Resources (Note i)	5,497	(13,036)
Gains / (Losses) on Revaluation of Fixed Assets	297,544	28,239
Gains / (Losses) on Adjustments to Fixed Asset Values.	0	(23,585)
Total increase/(decrease) in Unrealised Value of Fixed Assets (Note ii)	297,544	4,654
Value of Expenditure Written off for Capital Expenditure not Enhancing Asset Values (Note iii)	(27,876)	(48,043)
Capital Receipts Set Aside	22,684	33,816
Revenue Resources Set Aside	(37,961)	(11,726)
Movement on Capital Grants Deferred	7,679	3,861
Grants and Contributions Set Aside	4,860	27,008
Amounts Written off	(3,728)	(9,383)
Total Increase/(Decrease) in Amounts Set Aside to Finance Capital Investment (Note iv)	(6,466)	43,576
TOTAL RECOGNISED GAINS AND LOSSES	302,568	(9,893)

Notes to the Statement of Total Movement of Reserves:

(i) **Movement in Realised Capital Resources**

	Useable Capital Receipts	Unapplied Capital Grants & Contributions
	£000s	£000s
Amounts Received in 2002/03	9,045	22,576
Amounts Applied to Finance New Capital Expenditure in 2002/03	(17,136)	(27,521)
Total Increase/(Decrease) in Realised Capital Resources in 2002/03	(8,091)	(4,945)
Balance Brought Forward 1 April 2002	8,186	8,783
Balance Carried Forward at 31st March 2003	95	3,838

Useable Capital Receipts represent the proportion of the income from the sale of fixed assets that can be used to fund capital expenditure. The Council is required to set aside a percentage of certain receipts as a provision to repay debt. This mainly relates to the sale of council dwellings (75% set aside).

Unapplied Capital Grants and Contributions relates to sums received to fund the capital expenditure. The major item being the Major Repairs Reserve, details of which can be found in the notes to the Housing Revenue Account on page 33.

(ii) **Movement in Unrealised Value of fixed Assets**

	Fixed Asset Restatement Reserve
	£000s
Gains / (Losses) on Revaluation of Fixed Assets in 2002/03	28,239
Impairment Losses due to General Changes in Prices in 2002/03	0
Adjustments to Fixed Asset Values	(23,585)
Total Increase / (Decrease) in unrealised capital resources in 2002/03	4,654

(iii) **Movement in Amounts Set Aside to Finance Capital Investments**

	Fixed Asset Restatement Reserve (cont'd) £000s
Amounts Written off Fixed Asset Balances for Capital Expenditure which does not Enhance Asset Values in 2002/03	(32,281)
Amounts Written off for Disposals of Assets	(15,762)
Total Value of Assets Sold and Written Off	(48,043)
Total Movement in the Reserve in 2002/03	(43,389)
Balance Brought Forward at 1 April 2002	816,918
Balance Carried Forward at 31 March 2003	773,529

The Fixed Assets Restatement Reserve represents the difference between the initial revaluation of assets and their historic values, together with the effects of subsequent revaluations. It also includes the write down for asset disposals and capital expenditure written off.

(iv) **Movement in Amounts Set Aside to Finance Capital Investment**

	Capital Finance Reserve £000s	Capital Grants Deferred £000s
Capital Receipts Set Aside in 2002/03:		
Useable Capital Receipts Applied	17,137	0
Reserved Capital Receipts Set Aside	16,679	0
Total Capital Receipts Set Aside	33,816	0
Revenue Resources Set Aside in 2002/03:		
Revenue Funding of Capital Expenditure	405	0
Reserves used to Fund Capital expenditure	242	0
Reconciliation Amount for Provision for Loan Repayments (MRP less Depreciation)	(12,373)	0
Total Revenue Resources Set Aside in 2002/03	(11,726)	0
Grants and Contributions Applied in 2002/03		
Grants and Contributions Applied	8,441	11,821
Major Repairs Reserve Applied	16,992	0
Deferred Purchases/Liabilities	1,575	0
Amounts Credited to AMRA in 2002/03	0	(7,960)
Total Movement on Grants and Contributions	27,008	3,861
Amounts Written Out in the Year	(9,383)	0

Total Increase / (Decrease) in Amounts Set Aside to Finance Capital Investment	39,715	3,861
Balance Brought Forward at 1 April 2002	122,954	15,284
Balance Carried Forward at 31 March 2003	162,669	19,145

The Capital Financing Reserve contains the amounts which are required by statute to be set aside from capital receipts and revenue for the repayment of external loans, together with the amounts of revenue, useable capital receipts and contributions which have been used to fund capital expenditure.

The Capital Grants Deferred account represents amounts received to fund capital expenditure, which will be released to offset depreciation in respect of the fixed assets to which they relate.

13. PROVISION FOR CREDIT LIABILITIES

Under the Housing and Local Government Act 1989, the Council is required to reserve proportions of capital receipts received and to set aside minimum sums for the repayment of debt. It can also voluntarily set aside further sums if it wishes to do so. As the balances attributable to these receipts now form part of the Capital Financing Reserve it is a requirement to disclose details relating to the movements during the year by way of the memorandum account shown below.

	31 MARCH 2002 £000s	31 MARCH 2003 £000s
Balance Brought forward	-	-
Reserved Capital Receipts in Year	11,956	16,679
Minimum Revenue Provision	3,280	3,134
	15,236	19,813
Less PCL Applied	15,236	(16,000)
Balance Carried Forward	0	3,813

14. EARMARKED RESERVES

The Council maintains a number of reserves for specific purposes under the Local Government and Housing Act 1989.

	BALANCE 01/04/2002 £000s	NET MOVEMENT IN YEAR £000s	BALANCE 31/03/02 £000s
Insurance Funds	4,047	1,048	5,095
Planning Agreement Funds	11,601	913	12,514
Controlled Parking Fund	223	(125)	98
Computer and IT Funds	1,187	(680)	507
Teachers' Pensions	348		348
Invest to Save and Best Value	2,301	(143)	2,158
Debtors & Creditors Review	2,500	(479)	2,021
Commutation Reserve	9,000		9,000

Subsidy Clawback Reserve	2,000		2,000
Trading Services Contingency	3,000		3,000
General Contingency Reserve	3,000	1,183	4,183
Planning Inquiries Reserve	0	300	300
Other Funds	860	240	1,100
TOTAL	40,067	2,257	42,324

The main purpose of each of the reserves is explained below.

- (i) **Insurance Fund** - this was established to underwrite a proportion of the Council's insurable risks. The net movement in 2002/03 mainly reflects an additional transfer of £1m to the fund.
- (ii) **Planning Agreement Funds** - contributions from companies that have sought planning approval for the development of their property, have led to the creation of these funds. The funds received are specifically earmarked for expenditure in the vicinity of the development relating to either Capital or Revenue Schemes.
- (iii) **Controlled Parking Fund** - the surplus from the running of the Controlled Parking operations within the Borough is accumulated in this Fund. The fund may only be used to meet expenditure on transport and highways related activities.
- (iv) **Computer Replacement Funds** - these funds have been set up largely to provide for the replacement of equipment and to fund future computer development work.
- (v) **Teachers' Pension Provision** - changes to the Teachers' Superannuation Scheme mean that employers are now expected to bear the additional pension cost of allowing a teacher to retire early. This reserve has been established to meet such costs.
- (vi) **Invest to Save and Best Value Funds** – these funds were used to meet the costs of continuing improvements to the Council's services in 2002-03. However, an additional fund was established to fund capital investment that will provide future revenue savings (£2m).
- (vii) **Debtors and Creditors Review** – these funds are set aside to meet the cost of a review of all balance sheet debit and credit balances held by the Council and to meet any costs of adjusting those balances.
- (viii) **Commutation Reserve** – these funds are provided for use in future years when the MRP adjustment calculation becomes a cost to the General Fund.
- (ix) **Subsidy Clawback Reserve** – the commutation adjustment affects the amount of Housing Subsidy payable on capital charges, although the final cost will fall on the General Fund. This reserve is to meet those possible costs.
- (x) **Trading Services Contingency Reserve** – this reserve earmarks funds to

meet future potential costs emerging from the review of Trading Services.

- (xi) **General Contingency Reserve** – this money is set aside to meet a number of specific contingent liabilities.
- (xii) **Planning Inquiries Fund**- this fund is established to fund possible future costs of planning inquiries that may become chargeable to the General Fund
- (xiii) **Other Funds** – these comprised a number of minor funds.

15. REVENUE RESERVES AND BALANCES

The Council has a number of revenue reserves and balances as follows.

	2001/2002 £000s	2002/2003 £000s
General Fund	12,547	12,587
Housing Revenue Account	3,179	4,016
Collection Fund	653	134
Education Establishments Account	4,167	4,508
TOTAL	20,546	21,245

- i) **General Fund**
This fund includes any surplus after meeting net expenditure on Council services including DLO/DSO deficits.
- ii) **Housing Revenue Account**
This reserve provides a working balance for the Housing Revenue Account, for which transactions are ring-fenced under the provisions of the Local Government and Housing Act 1989.
- iii) **Collection Fund**
The Collection Fund balance includes amounts attributable to both Community Charge payers and Council Taxpayers. The proportion of the Fund relating to the former will have a direct effect on local Council Taxpayers whereas the proportion relating to the latter must be shared between the Council and precepting authorities.
- iv) **Education Establishments Account**
This balance is comprised of unspent revenue balances of schools and other educational establishments at the year-end, which may be applied in the following year. The balances can only be used by the schools or establishments and are not available to the Council for general use.

16. INTERESTS IN COMPANIES

The Council has an involvement with a number of associated companies which are set out below. The assets and liabilities of these companies are not included in the Council's accounts as the materiality of the relationship does not justify such consolidation. Information is provided as to the general purpose of the company, its financial position, and any other

material financial issues affecting the Council.

(i) Lyric Theatre Hammersmith Limited

This is a company limited by guarantee and a registered charity. Its main business is the promotion and encouragement of the lively arts and theatre management. The Council supplies funding to enable the company to carry out its charitable objectives (£313,558 in 2002/03 and £306,910 in 2001/02). The latest audited accounts available, those relating to 2001/02, show net assets of £1,326,175 (£903,256 in 2000/01) and a surplus on its activities in the year of £422,919 (£206,942 in 2000/01). Copies of the accounts may be obtained from the Executive Director, Lyric Theatre, King Street, London W6 0QL.

(ii) Hammersmith and Fulham Business Resources Limited

This was a company limited by guarantee and a registered charity. Its main business was the promotion and provision of vocational training and services for business. Most of the company's income was paid by learning and Skills Councils. The latest audited accounts, those relating to 2001/02, showed net assets of £5,739 (£2,767 in 2000/01) and a surplus on its activities in the year of £2,972 (£1,738 in 2000/01). The company went into voluntary liquidation in July 2003. Copies of the accounts may be obtained from the Chief Revenue Accountant.

(iii) Hammersmith and Fulham Urban Studies Centre Limited

This is a company limited by guarantee and a registered charity. Its main business is the promotion and provision of education, particularly in the Borough Schools, on urban environmental issues. The latest audited accounts, those relating to 2001/02, show net assets of £46,263 (£46,050 in 2000/01) and a surplus on its activities in the year of £213 (a deficit of £1,196 in 2000/01). Copies of the accounts may be obtained from the Company Secretary, Hammersmith and Fulham Urban Studies Centre Limited, The Lilla Huset, 191 Talgarth Road, London W6 8BJ.

(iv) The Riverside Trust

This is a company limited by guarantee and a registered charity. Its principal activity is to enhance social welfare through the management and operation of Riverside Studios, a multi-disciplined arts and community centre in the borough. The Council made no grants to the company in either 2002/03 or 2001/02. The latest audited accounts, those relating to 2001/02, show net assets of £187,495 (£227,952 in 2000/01) and a deficit in its activities in the year of £40,457 (£29,782 in 2000/01). Copies of the accounts can be obtained from the Company Secretary, The Riverside Studios, Crisp Road, Hammersmith, London W6 9RL.

(v) Hunchbuy Limited

This is a company with a share capital of £2 which is a wholly owned subsidiary of UBS UK Ltd. The company was established as a special purpose vehicle to acquire the freehold ownership of 145 King Street, Hammersmith, which it has leased to the Council as office accommodation for some 19 years, from 1987. The Council has guaranteed a loan amounting to £6.1m and interest thereon to the Company that is secured on the property. The Council has an option to purchase the Company's property that may be exercised at any time during the period of tenancy of the property. The latest audited accounts, those relating to the year ended 31 December 2001, show net assets of £6,155,627 (£6,154,588 in 2000) and a profit of £507 (£782 in 2000). Rent is paid by the Council to the company of £711,000 per annum. Copies of the accounts may be obtained from the Company Secretary, Hunchbuy Limited, 1

Finsbury Avenue, London EC2M 2PP.

17. CONTINGENT LIABILITIES

The Council may have a potentially material liability for the issues set out below. However, uncertainty exists as to the likelihood, amount and timing of any expenditure in each instance and it is not therefore possible to include any provision in the financial statements.

(i) Section 117 Mental Health Act 1983

A judgement in the High Court in respect of four local authorities concluded that it was unlawful for local authorities to charge for accommodation provided as part of a Section 117 Aftercare Plan. The relevant authorities appealed against the first instance decision to the Court of Appeal. The Court of Appeal gave its decision in July 2000 and upheld the findings in the High Court.

The House of Lords ruled in August 2002 that local authorities have no power to charge for care provided under Section 117. Further legal clarification is awaited on the financial implications of this judgement. The Council has charged for this service for some ten years, and stopped doing so in March 2002. The Council's earmarked reserves include a specific amount which relates to income from April 2000 to March 2003, plus a further limited provision. The maximum effect may be significantly higher, but is dependent on the legal clarification. To date, very few claims have been received for repayment of amounts collected.

(ii) Contractual Arbitration

This relates to the refurbishment of a former school, where the scope of works had to be extended. The costs claimed by the contractor have been disputed and this has gone to arbitration. Initial arbitration hearings have taken place, but the matter is yet to be concluded. These costs would have to be met from the Council's capital programme and / or revenue budget.

(iii) Service Charges Arrears

A test case is due to be heard in November 2003 in respect of claims for outstanding service charge arrears on the Clem Attlee Estate. Only amounts deemed collectable have been incorporated within the Council's accounts.

18. WORMWOOD SCRUBS CHARITABLE TRUST

The Mayor and Burgesses of the Council are the trustees of the Wormwood Scrubs Charitable Trust. The trust's objective is to hold Wormwood Scrubs Open Space "upon trust for the perpetual use thereof the inhabitants of the Metropolis for exercise and recreation" as defined by the Wormwood Scrubs Act of 1979.

	31 MARCH 2002 £000s	31 MARCH 2003 £000s
Balance at 1 April 2002	24	7

Income	528	651
	552	658
Less:		
Expenditure and Transfers	(545)	(341)
Balance at 31 March 2003	7	317

These accounts are not consolidated with the Council's accounts.

19. PENSIONS LIABILITIES

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until an employee retires, the Council has a commitment to make payments into the Fund that will provide for employees' future entitlements.

The Council participates in two schemes under provisions of the Local Government Pension Scheme (LGPS) and acts as an Administering Authority. The LGPS is a defined benefits scheme based on final pensionable salary. This is a funded scheme, meaning that the Council and employees pay contributions into the Fund, calculated at a level intended to balance pension liabilities with investment assets. The two schemes being the London Borough of Hammersmith and Fulham Pension Fund, for which the authority acts as the Administering Authority, and the London Pensions Fund Authority Pension Fund, which is administered by the London Pensions Fund Authority.

In 2002/03, pensions costs have been charged to the Consolidated Revenue Account on the basis of contributions paid in the year (based on a formal actuarial valuation as at 31st March 2001), and on the basis of enhanced pensions payable in the year to retired officers. The following sets out the overall assets and liabilities for each Scheme. These are not included in the Balance Sheet.

(i) The London Borough of Hammersmith and Fulham Pension Fund

	31 MARCH 2002	31 MARCH 2003
	£m	£m
Estimated Liability	(400.17)	(430.49)
Estimated Assets	334.96	257.36
Net Liability	(65.21)	(173.13)

Liabilities have been assessed on an actuarial basis using the projected unit method; an estimate of pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The liability has been assessed by Hewitt Bacon & Woodrow, an independent firm of actuaries. The main assumptions used in their calculation are summarised in the following table.

Assumptions	31 MARCH 2002	31 MARCH 2003
	%	%
Rate of Inflation	2.8	2.6
Rate of Increase in Salaries	4.3	4.1
Rate of Increase in Pensions	2.8	2.6
Rate of Discounting Scheme	6.3	6.1
(Based on a real rate of 3.5%)		

The assets of the scheme are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

Assets Held	31 MARCH 2002	31 MARCH 2003	Long Term Return
	%	%	%
Equity	82.9	80.7	7.6
Bonds	16.0	25.3	4.6
Property	0.0	0.0	6.6
Cash	1.1	(6.0)	3.1

The movement in the net pension liability for the year to 31st March 2003 is as follows:

Net Movement in Pensions Liability for Year	£m
Net Pensions Deficit as at 1 st April 2002	(65.21)
Movements in Year	
Current Service Costs	(13.18)
Employers Contribution Payable to Scheme	10.15
Past Service Costs	(0.06)
Interest Costs	(25.31)
Expected Return on Assets	25.84
Actuarial Gains	(105.36)
Net Pensions Deficit at 31st March 2003	(173.13)

The actuarial gains can be analysed into the following categories, measured in absolute amounts and as percentages of assets at 31st March 2003.

Actuarial Gains	£m	% Assets/ Liabilities
Difference between Expected and Actual Returns on Assets	(102.03)	39.6
Difference between Actuarial Assumptions about Liability and Actual Experience	(0.51)	0.1
Experienced gains and Losses on Pension Liabilities	(2.82)	0.7
	(105.36)	

(ii) The London Pensions Fund Authority Pensions Fund

	31 MARCH 2002	31 MARCH 2003
	£000s	£000s
Estimated Liability	(29,143)	(30,017)
Estimated Assets	31,201	31,846
Net Assets	2,058	1,829

Liabilities have been assessed on an actuarial basis using the projected unit method; an estimate of pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. The liability has been assessed by Hymans Robertsons, an independent firm of actuaries. The main assumptions used in their calculation are summarised in the following table.

Assumptions	31 MARCH 2002	31 MARCH 2003
	%	%
Rate of Inflation	2.8	2.5
Rate of Increase in Salaries	4.3	4.0
Rate of Increase in Pensions	2.8	2.5
Rate of Discounting Scheme (Based on a real rate of 3.5%)	6.4	6.1

The assets of the scheme are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

Assets Held	31 MARCH 2002	31 MARCH 2003	Long Term Return
	%	%	%
Equity	11.2	9.1	8.0
Bonds	82.1	84.9	4.8
Property	0	0.0	6.0
Cash	6.7	6.0	4.0

The movement in the net pension liability for the year to 31st March 2003 is as follows:

Net Movement in Pensions Liability for Year	£000s
Net Pensions Surplus as at 1st April 2002	2,058
Movements in Year	
Current Service Costs	(449)
Employers Contribution Payable to Scheme	491
Expected Return on Assets	135
Actuarial Gains	(406)
	(229)
Net Pensions Surplus at 31st March 2003	1,829

The actuarial gains can be analysed into the following categories, measured in absolute amounts and as percentages of assets at 31st March 2003.

Actuarial Gains	£000s	%
Difference between Expected and Actual Returns on Assets	(312)	(1.0)
Difference between Actuarial Assumptions about Liability and Actual Experience	(94)	(0.3)

	(406)	
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19. COSTS ASSOCIATED WITH THE EURO

Costs incurred in 2002/03 in preparing for possible adoption of the Euro were minimal and were absorbed within existing budgetary provision. Euro compliance is considered in the acquisition of new computer systems and in the entering of contracts with suppliers. At the date of preparation of the accounts the Council had no commitments regarding, nor had identified any additional cost of preparing for, the possible introduction of the Single European Currency.

20. ANALYSIS OF NET ASSETS EMPLOYED

The net assets (revenue and capital) employed at the year end were:

	2001/2002 £000s	2002/2003 £000s
General Fund	284,457	288,671
Housing Revenue Account	732,344	714,925
Collection Fund	653	134
	1,017,454	1,003,730

STATEMENT OF ACCOUNTS 2002/03

CASH FLOW STATEMENT

	NOTES	2001/2002		2002/2003	
		£000s	£000s	£000s	£000s
REVENUE ACTIVITIES					
Cash Inflows					
Net Rents (Housing)		(20,313)		(18,842)	
Council Tax Income	(1)	(58,575)		(60,828)	
NNDR Receipts from Pool		(44,091)		(49,226)	
Non-Domestic Rate Income		(75,863)		(94,878)	
Revenue Support Grant		(100,412)		(97,264)	
DSS Benefit Grant		(57,890)		(56,001)	
Other Government Grants	(2)	(89,176)		(104,286)	
Cash Received for Goods and Services		(59,062)		(65,059)	
Other Revenue Income/ Cash Payments		<u>(18,165)</u>	(523,547)	<u>(23,913)</u>	(570,297)
Cash Outflows					
Cash Paid to Employees		189,149		203,543	
Other Operating Expenses		118,416		148,554	
NNDR Payments to Pool		81,197		94,878	
Levies and Charges		3,293		3,213	
Precepts Paid		10,964		12,915	
Housing Benefit Paid Out		<u>67,019</u>	470,038	<u>61,634</u>	524,737
			(53,509)		(45,540)
LESS:					
SERVICING OF FINANCE					
Cash Inflow					
Interest Received		(1,934)		(952)	
Cash Outflow					
Interest Paid		28,627		26,532	
Interest Paid for Finance Leases		69	26,762	45	25,625
NET CASH INFLOW FROM REVENUE ACTIVITIES	(3)		(26,747)		(19,915)



CASH FLOW STATEMENT (Continued)

	NOTES	2001/2002		2002/2003	
		£000s	£000s	£000s	£000s
NET CASH INFLOW FROM REVENUE ACTIVITIES			(26,747)		(19,915)
CAPITAL ACTIVITIES					
Cash inflow					
Sale of Assets		(22,424)		(25,725)	
Capital Grants Received		(10,740)		(11,409)	
Other Capital Receipts	(4)	<u>(2,296)</u>		<u>(373)</u>	
			(35,460)		(37,507)
Cash outflow					
Expenditure on Fixed Assets		35,895		48,593	
Other Capital Payments		<u>5,504</u>		<u>8,269</u>	
			41,399		56,852
NET CASH(INFLOW)/ OUTFLOW BEFORE FINANCING			(20,808)		(570)
FINANCING					
Cash inflow					
Short term loans raised		(2,6620)		(15,000)	
Investments recalled		<u>(449,700)</u>		<u>(642,261)</u>	
			(452,362)		(657,261)
Cash Outflow					
Repayment of short term loans		17,183		16,000	
Repayment of temporary loans		2,667		45	
Investments made		456,500		637,461	
Capital Element of Finance Lease					
Rental Payments		<u>273</u>			
			476,623		653,506
OTHER ACTIVITIES					
Property Fund Net Transactions			<u>487</u>		<u>0</u>
NET (INCREASE) IN CASH	(5)		3940		(4,325)

NOTES TO CASH FLOW STATEMENT

1. COUNCIL TAX INCOME

The Council Tax income represents the Council's drawing on the Collection Fund after adjustments for bad debts provision and movement in debtor and creditor balances.

2. OTHER GOVERNMENT GRANTS

The Grants shown below are the amounts receivable and included in Revenue Accounts whereas the Cash Flow Statement shows amounts actually received in the year. The difference comprises changes in debtor and creditor balances.

	2001/2002 £000s	2002/2003 £000s
Aids and HIV	671	500
Education Standards Fund	7,621	15,700
Quality Protects	1,577	1,576
Single Regeneration Budget, NOF, NRF	2,032	1,986
Mental Illness Grant	1,056	980
Community Care Grant	3,573	4,659
Mandatory Student Awards	678	1,029
Housing Subsidy	47,188	47,910
Mandatory Rent Allowances & Rent Rebates Outside HRA Subsidy	46,102	55,388
Council Tax Benefit Grant	11,429	11,807
Housing Benefit Administration	903	1,218
Asylum Seekers	15,543	12,928
Sure Start	556	800
Education Maintenance Allowances	522	260
Youth Offending Team	423	784
NDR Collection Allowance	478	480
Transport Grants	0	478
Asset Management	0	231
Housing Grants	0	1,721
Minority Ethnic Pupils	0	1,050
Funding for Sixth Forms	0	3,859
Other Education Grants	0	3,875
CCTV	0	170
Civil Defence	0	77
Other Social Services Grants	0	2,213
Community Initiatives	0	579
PSL	0	328
Other Grants	1,334	2,659
TOTAL GRANTS	141,804	175,245

3. REVENUE MOVEMENTS

The Revenue movements include transactions involving the Consolidated Revenue Account and the HRA. The analysis showing the net cash flow derived from revenue activities is shown as follows.

RECONCILIATION OF SURPLUS TO NET CASHFLOW	2001/2002		2002/2003	
	£000s	£000s	£000s	£000s
(SURPLUS) DEFICIT FOR YEAR				
General fund	(8,075)		(40)	
Housing Revenue Account	(744)		(837)	
Collection fund	(1,441)		519	
Education Funds	114		(341)	
(INCREASE) in Reserves	(23,723)		(2,257)	
		(33,869)		(2,956)
NON-CASH TRANSACTIONS				
Depreciation charge	(18,545)		(15,507)	
MRR transfer	(11,261)		(11,166)	
MRP Adjustment	31,766		7,300	
Other transactions	72		176	
		2,032		(19,539)
ITEMS ON AN ACCRUALS BASIS				
(Increase)/Decrease in Stocks/Work in Progress	(1,478)		(99)	
Increase/(Decrease) in Debtors	2,597		8,464	
(Increase)/Decrease in Creditors	3,971	5,090	(5,785)	2,580
NET CASH FLOW FROM REVENUE ACTIVITIES		(26,747)		(19,915)

4. OTHER CAPITAL PAYMENTS/INCOME

Other income includes capital financing transactions and deferred capital receipts movements.

5. MOVEMENTS IN CASH AND CASH EQUIVALENTS

The actual 2002/2003 movements in cash and cash equivalent balances are shown in the following table.

	BALANCE 1 APRIL 2002 £000s	BALANCE 31 MARCH 2003 £000s	NET MOVEMENT IN THE YEAR £000s
Petty Cash Imprests	198	188	(10)
Cash Overdrawn	(11,661)	(5,819)	5,842
Education Establishments	5,605	4,098	(1,507)
	(5,858)	(1,533)	4,325



STATEMENT OF ACCOUNTS 2002/03

PENSION FUND ACCOUNTS

1. INTRODUCTION

The Council's Pension Fund Accounts for 2002/2003 are set out on the following pages and include:

- (i) Revenue Account
- (ii) Net Assets Statement
- (iii) Notes to the Accounts

The Accounts are published to inform ratepayers, employees and beneficiaries of the financial performance and position of the Fund.

2. ORGANISATION

The Fund is operated under the provisions of the Local Government Pension Acts and Regulations for the purpose of providing pension benefits to employees of the Council.

The Fund provides retirement pensions and also lump sum retirement grants, death grants, widow's and widower's pensions. The Fund is financed by contributions from the Council and its employees, by interest, dividends and gains from investments. It does not form part of the Council's consolidated accounts. Administrative costs and investment expenses are fully recharged to the Fund.

3. FUND PERFORMANCE

An independent organisation (The WM Company) is employed to monitor the investment performance of local authority pension funds, of the Council's Fund, and of the individual Fund Managers. Performance is measured on a calendar year basis and the performance for each of the last three calendar years compared to an average fund is as follows:

(i) PERFORMANCE COMPARISON: ALL UK PENSION FUNDS

	2000	2001	2002	LATEST 3 YEAR	AVERAGE 10 YEAR
	%	%	%	%	%
LB Hammersmith & Fulham	-4.4	-12.1	-16.5	-11.1	5.7
Average Fund	-1.6	-9.7	-16.6	-9.7	6.8

This is the average return of the majority of the 2,500 funds in the UK Pension Fund Industry, which have an individual value of less than £1 billion. The payment of benefits to employees/beneficiaries is, however, guaranteed by statutory regulations irrespective of the Fund's investment performance.

(ii) PERFORMANCE COMPARISON: UK LOCAL AUTHORITIES

Performance is also measured on a financial year basis (to 31st March) with other UK local authority pension funds. The performance comparisons for each of the last three financial years are as follows.

	2001	2002	2003	LATEST 3 YEAR	AVERAGE 10 YEAR
	%	%	%	%	%
LB Hammersmith & Fulham	-9.1	-3.3	-21.5	-11.6	4.7
Average Fund	-7.0	-1.0	-22.0	-10.8	5.8

4. FUND SIZE

These Accounts show the assets of the Fund have decreased in value from £338.665 million at 31st March 2002 to £260.256 million at 31st March 2003. A breakdown of the investments held by the Fund between the different investment categories is shown on page 65 of the Accounts.

5. MANAGEMENT OF THE FUND

The investments of the Fund are managed externally by two Fund Managers who report to the Director of Finance on their activities each quarter. Goldman Sachs Asset Management manages two portfolios (Global Equity Fund and Global Fixed Income Fund) and Legal and General Investment Management manages its portfolio on a global indexed basis.

An asset liability study was carried out during 2002. As a result the Pension Fund Investment Panel decided to restructure the Fund on a phased basis from 31st March 2003 to 31st December 2003.

The new structure reduces equity holdings from 75% as at 31st March 2003 to 70% by 31st December 2003 and increases fixed income to 30%. The new structure also redistributes assets between the two Fund Managers so that they are held in equal proportion.

6. STATEMENT OF INVESTMENT PRINCIPLES

The Pensions Fund Investment Panel approved the Statement of Investment Principles on 6 May 2003 and this is available on the Council's Internet site.

REVENUE ACCOUNT

	NOTES		2001/2002 £000s		2002/2003 £000s
<u>INCOME</u>					
<u>From Members</u>					
Employees' Contributions	(2)	5,189		5,600	
Employer's Contributions	(2)	9,180		10,320	
Other Pension Receipts		22		0	
Transfer Values Received		2,558		5,119	
Combined Benefits		37		62	
Refund of Tax		0		22	
			16,986		21,123
<u>Income from Investments</u>					
UK Dividends		4,098		3,853	
Overseas Dividends		512		504	
UK Interest Receivable		2,868		2,728	
Overseas Interest Receivable		205		46	
			7,683		7,131
Total Income			24,669		28,254
<u>EXPENDITURE</u>					
<u>Relating to Members</u>					
Pensions		9,068		9,586	
Pension Increases		3,757		3,863	
Retiring Allowances and Death Gratuities		1,964		2,687	
Transfer Values Paid		3,389		6,327	
Refunds of Employees' Contributions		0		0	
Contribution Equivalent Premiums		50		85	
			18,228		22,548
<u>Miscellaneous</u>					
Investment Expenses		915		883	
Interest Paid to General Fund		396		4	
Administration Expenses		462		447	
			1,773		1,334
Total Expenditure			20,001		23,882
Net Income			4,668		4,372

NET ASSETS STATEMENT

	NOTES	31 MARCH 2002 £000s	31 MARCH 2003 £000s
ACCUMULATED FUND		338,665	260,256
REPRESENTING:			
Investments at Market Value (excl cash)	(6)	334,835	276,000
Cash Held by Fund Managers		1,939	2,397
Cash Held by LBHF		127	(30)
Total Investments at Market Value		336,901	278,367
Debtors	(8)	2,217	44,952
Creditors	(9)	(453)	(63,063)
		338,665	260,256

RECONCILIATION OF THE MOVEMENT IN NET ASSETS OF THE FUND

	31 MARCH 2002 £000s	31 MARCH 2003 £000s
Net Assets at Beginning of Year	353,825	338,665
Net Income as per Revenue Account	4,668	4,372
Change in Market Value of Investments During Year:		
Realised	(22,466)	(28,751)
Unrealised	2,638	(54,030)
Net Assets at End of Year	338,665	260,256

NOTES TO THE PENSION FUND ACCOUNTS

1. ACCOUNTING POLICIES

(a) General Principles

The accounts have been prepared on an accruals basis, apart from Transfer Values which have been accounted for on a cash basis, and in accordance with the CIPFA Code of Practice on Local Authority Accounting.

(b) Investments

Listed investments are included at market value at the balance sheet date. Where appropriate, market values listed in overseas currencies are converted into sterling at the rates of exchange ruling at the balance sheet date. Unlisted investments are valued at an approximation of their current market value having regard to latest dealings, professional valuations and other appropriate financial information. Unit Trust investments are valued at the mid point of the latest prices quoted by their managers at the balance sheet date.

Investment management expenses are recorded at cost when Fund Managers invoice the Council quarterly for their services. All expenses are accrued to ensure expenses for the full accounting period are accounted for each Fund Manager.

(c) Cash Deposits

Deposits in overseas currencies are converted into sterling at the rates of exchange ruling at the balance sheet date.

(d) Pensions and Benefits

The accounts summarise the transactions and net assets of the scheme. They do not take account of liabilities to pay future pensions and other benefits to current and prospective beneficiaries.

(e) SSAP 24

The pension costs recorded in the accounts have been determined in accordance with relevant government regulations and as stated above.

As a result, the Council does not comply with the accounting requirements of SSAP 24 Accounting for Pension Costs and the liabilities included in the Balance Sheet are understated in respect of pension costs.

For 2002/2003 the rate of contribution made by the Council was 10.9% of pensionable pay (10.3% for 2001/2002) costing the Council £10.321m in 2002/2003 (£9.18m in 2001/2002). The contribution rate was determined by the Fund's actuary based on triennial valuations, the review took place as at 31st March 2001 and showed a past service deficit of £9.6m.

(f) Acquisition Costs

The only acquisition costs incurred by the Pension Fund relate to stock market investments. Where appropriate they are shown at book value.

2. CONTRIBUTIONS TO THE FUND

Employees who were members of the Fund prior to 31 March 1998 are required to make fixed contributions by deductions from earnings at the rate of 6% for salaried staff and 5% for manual workers. As from 1 April 1998, all entrants to the Fund are required to pay 6% of earnings. The Council is required to make balancing contributions determined by the Fund's actuary (HewittBacon & Woodrow) to maintain the solvency of the Fund.

The valuation showed that the level of contribution required by bodies admitted to the Fund by admission agreements is 11.5% of pensionable pay with effect from 1 April 2002. This contribution rate is calculated to be sufficient to cover 100% of the Fund's liabilities in respect of members employed by admitted bodies

Scheduled Bodies	Number of Members 2001/02	Number of Members 2002/03	Employer's Contributions 2001/02 £000s	Employer's Contributions 2002/03 £000s	Employees Contributions 2001/02 £000s	Employees Contributions 2002/3 £000s
LB Hammersmith and Fulham	4,282	4,412	9,021	10,094	5,077	5,473
Mortlake Crematorium Board	12	18	15	14	8	7
London Oratory School	17	13	25	32	15	18
Admitted Bodies						
Peter Pan Trust	5	5	11	12	6	6
Urban Partnership Group	6	6	24	27	15	14
H&F Community Law Centre	10	11	24	41	17	28
ROOM, The National Housing & Town Planning Council	4	0	18	7	11	4
Family Housing Association	11	10	33	55	33	29
H&F Police Consultative Group	0	0	0	0	0	0
Disabilities Trust	-	13	-	16	-	9
Blythe Neighbourhood Council	5	7	9	22	7	11
GRAND TOTALS	4,352	4,495	9,180	10,320	5,189	5,599

3. ACTUARIAL VALUATION

An actuarial valuation of the Fund was carried out as at 31 March 2002 using the market-led approach. This valuation showed there is a past service deficit of £9.6m and that the required long term rate of employer contributions by all employers combined, disregarding the Fund deficit, is 11.2% of pensionable pay. The contribution required from the Council to restore the funding level of the Fund to 100% over a period of about 25 Years is 11.8% of pensionable pay. As a result of the valuation, the Council's contribution rate is being increased from 10.3% to 12.1% in three annual stages of 0.6% with effect from 1 April 2002.

The market value of the Fund's assets at the latest valuation date was £354.1m (£318.6m at 31 March 1998). The funding level of the Fund was 98% at 31 March 2001 compared to 95% at 31 March 1998.

The contribution rates have been calculated using the projected unit actuarial method. The main actuarial assumptions were as follows:

Rate of Return on Investments	6.55% per annum long term
Rate of General Pay Increases	3.8% per annum plus an allowance for promotional increases
Rate of Pensions Increase	2.5% per annum on pensions in excess of GMPs
Valuation of Assets	Smoothed Market Value

The next actuarial valuation of the Fund will be carried out as at 31 March 2004 and the results of the valuation will come into effect from 1 April 2005.

4. PENSION PAYMENTS

The value of annual pension and other payments made from the Fund is shown on page 60 of the accounts. In addition, the Council made payments in respect of the following:

	31 MARCH 2002 £000s	31 MARCH 2003 £000s
Added Year Benefits	1,388	1,395
Pension Increase Payments	671	701
	2,059	2,096

5. MEMBERSHIP

The membership of the Fund at the balance sheet date was as follows:

	31 MARCH 2002	31 MARCH 2003
Contributing Employees	4,352	4,495
Pensioners	3,444	3,504
Deferred Pensioners	2,618	2,735

6. INVESTMENTS - TOTAL MOVEMENT IN YEAR

The totals below and in the following notes reflect the total market value of investments held at 31 March 2003.

	2001/2002 £000s	2002/2003 £000s
Market Value B/Fwd	352,217	334,835
Purchase of Investments	101,477	154,144
Sale of Investments	(99,031)	(130,197)
Realised Profit on Sales	(22,466)	(28,751)
Unrealised Increase (Decrease) in Market Value	2,638	(54,031)
Market Value At 31st March	334,835	276,000

7. ANALYSIS OF INVESTMENTS

(a) Types of Investment:

Two Fund Managers manage the Fund's investments and the main types of investment are listed below and shown in detail on the following page:

	31 MARCH 2002			31 MARCH 2003		
	BOOK COST £000s	MARKET VALUE £000s	% OF MARKET VALUE	BOOK COST £000s	MARKET VALUE £000s	% OF MARKET VALUE
UNITED KINGDOM						
Fixed Interest	51,308	48,748	14.5	62,955	63,898	23.1
Index Linked	0	0	0.0	0	0	0.0
Equities	177,431	158,394	47.3	149,306	99,772	36.2
Managed Funds (Unit Trusts)	37,780	53,888	16.1	38,107	38,028	13.8
Property Unit Trust	0	0	0.0	0	0	0.0
Internally Managed Funds	237	237	0.1	302	302	0.1
	266,756	261,267	78.0	250,670	202,000	73.2
OVERSEAS						
Fixed Interest	5,434	5,282	1.6	1,727	1,977	0.7
Index Linked	0	0	0.0	0	0	0.0
Equities	47,544	43,293	12.9	61,903	53,441	19.4
Managed Funds (Unit Trusts)	18,627	24,993	7.5	19,256	18,582	6.7
	71,605	73,568	22.0	82,886	74,000	26.8
GRAND TOTAL	338,361	334,835	100.0	333,556	276,000	100.0

(b) Fund Managers:

The market value and proportion of the investments managed by each Fund Manager at the year-end is disclosed as follows:

	2001/2002		2002/2003	
	MARKET VALUE £000s	TOTAL %	MARKET VALUE £000s	TOTAL %
Legal and General Investment Management Ltd.				
Goldman Sachs Asset Mngmt.	144,531	43.2	119,710	43.4
Goldman Sachs Fixed Income	54,030	16.1	60,357	21.9
Internal Venture Capital	237	0.1	302	0.1
	334,835	100.0	276,000	100.0

(c) Detail of the Investments:

The table below shows a detailed breakdown of the market value of the Fund's investments and geographical spread.

	31 MARCH 2002 £000s	31 MARCH 2003 £000s
<u>UK</u>		
Fixed Interest		
Public Sector	40,942	39,486
Other	7,806	24,412
	48,748	63,898
Index Linked	0	0
Equities	158,394	99,772
Managed Funds (Unit Trusts)		
Listed	53,888	38,028
Unlisted	0	0
	53,888	38,028
Property Unit Trusts		
Listed	0	0
Unlisted	0	0
	0	0
Internally Managed Funds	237	302
<u>OVERSEAS</u>		
Fixed Interest		
Public Sector		
Europe	3,896	1,977
North America	320	0
Other		
Europe	198	0
Cayman Islands	868	0
North America	0	0
	5,282	1,977
Index Linked		
North America	0	0
Equities		
North America	19,931	39,938
Europe	9,901	8,429
Asia	630	0
Japan	7,379	3,642
Pacific Region	5,452	1,432
	43,293	53,441
Managed Funds (Unit Trusts)		
North America	2,229	2,877
Europe	11,551	8,056
Japan	6,484	4,429
Pacific Region	4,729	3,220
	24,993	18,582
<u>TOTAL VALUE OF INVESTMENTS</u>	334,835	276,000

(d) **20 Largest Individual Holdings**

Details of the 20 largest individual holdings (Except Unit Trusts) of the Fund at 31 March 2003 are shown below

Investment	Market Value at 31 March 2003	Total Investment Portfolio
	£000s	%
Treasury 8 ¾% STK 2017 GBP	12,361	13.85
Treasury 4 ¼% STK 07/06/2032	8,224	9.22
Vodafone Group ORD USDO10	7,761	8.69
BP ORD USDO.25	7,673	8.60
Glaxosmithkline ORD GBPO.25	6,883	7.72
HSBC Holdings Ord USD 0.50 (UK Reg)	6,044	6.77
Royal Bank of Scotland Ord GBP 0.25	5,058	5.66
Treasury 8 % STK 2011 GBP	4,893	5.49
Astrazeneca USD Par 0.25	3,320	3.71
Treasury 8 % Stock 2013 GBP	3,041	3.41
Euro Invest BK 5.375% 07 June 2021	2,940	3.30
Barclays Plc Ord GBP .25	2,853	3.20
Shell Trnspt & Trdg ORD GBPO.25	2,766	3.10
Diageo Ord GBX 28.935185	2,606	2.92
HBOS Ord GBP 0.25	2,489	2.79
Kreditanst Fue Wie 5.55% MTN 07/06/21 GBP (EXCH)	2,354	2.63
Treasury 5% TSY STK 2012	2,226	2.50
Pfizer Inc Com USDO.25	2,183	2.48
Unilever Plc ORD GBPo.014	1,763	1.98
Microsoft Corp Com USDO.0000125	1,757	1.98

This compares with the 20 largest holdings as investments at 31 March 2002:

Investment	Market Value at 31 March 2002	Total Investment Portfolio
	£000s	%
BP Ord USD 0.25	13,701	4.09
Treasury 8% STK 2013 GBP	11,452	3.41
Glaxosmithkline Ord GBP 0.25	11,210	3.34
Treasury 8¾% STK 2021 GBP	10,265	3.06
Treasury 4¼% Stock 07/06/2032	10,052	2.99
Vodafone Group Plc Ord USD 0.10	8,887	2.65
HSBC Holdings Ord USD 0.50 (UK Reg)	7,564	2.25
Royal Bank of Scotland Ord GBP 0.25	5,919	1.76
Astrazeneca USD Par 0.25	5,798	1.73
Shell Transport & Trading Ord GBP 0.25 (regd)	5,489	1.64
Treasury 8¾% Stock 2017 GBP	5,052	1.51
Barclays Plc Ord GBP 1	4,251	1.27
Lloyds TSB Group Ord GBP 0.25	4,170	1.24
Treasury 6% Stock 2028	3,817	1.14
Diageo Ord GBX 28.935185	3,265	0.97
HBOS Ord GBP 0.25	2,885	0.86
BT Group Ord GBP 0.25	2,571	0.76
Unilever Plc Ord 0.014	2,545	0.75
Tesco Ord GBP 0.05	2,302	0.69
Anglo American Ord USD 0.50	2,143	0.64

8. DEBTORS

	31 MARCH 2002 £000s	31 MARCH 2003 £000s
Amounts Outstanding on Sales of Investments	115	42,964
Investment Income due	2,071	1,939
Amounts due from Admitted Bodies	0	17
Combined Benefits	31	32
	2,217	44,952

9. CREDITORS

	31 MARCH 2002 £000s	31 MARCH 2003 £000s
Amounts Outstanding on Purchase of Investments	104	62,660
Fund Manager's fees	349	403
	453	63,063

The increase in debtors and creditors at 31st March 2003 is due to the partial restructure of the fund on that date. Purchases and Sales deals were placed at the end of the year but the settlement dates were in the new financial year.

10. OUTLINE OF THE SCHEME

The Local Government Pension Scheme is a funded, defined benefit scheme, the pensions payable being based on the final year’s pay and the number of years of eligible service.

Pensions are increased in line with the Retail Price Index. The costs of such increases were, until April 1990, not charged to the Fund but to the Council itself. The scheme also provides for early payment of benefits on medical grounds and for payment of death benefits where death occurs either in service or in retirement.

11. RELATED PARTIES

No material transactions with related parties of the Pension Fund during 2002/2003 were identified.

12. STOCK LENDING AGREEMENTS

No stock was released to third parties under stock lending agreements.

13. CONTINGENT LIABILITY

Part Timers Pension Rights

As a result of rulings by the European Court of Justice, part time employees may be able to lodge claims for retrospective membership of the pension scheme dating back to 1976. This has the potential to be a significant liability although the effect will be reduced because:

The LGPS is now available to all part-time staff.

Staff working at least 15 hours per week have already been given the option to pay back contributions in respect of service since 1974.

Claims will be time barred if lodged more than 6 months after cessation of employment.

Applicants may only gain membership provided the relevant contributions are paid.

14. UNFUNDED LIABILITIES

The demographic assumptions used are the same as used for the Fund valuation at 31 March 2001. The financial assumptions are as follows:

	31 MARCH 2002	31 MARCH 2003
Discount Rate	6.3%	6.1%
Rate of Increase in Pensions in Payment	2.8%	2.6%
Rate of Inflation	2.8%	2.6%

The value of the liabilities, based on the above assumptions, are as follows:

	31 MARCH 2002	31 MARCH 2003
	£000s	£000s
Enhanced Pension Liability	22,596	31,635

The movement in liabilities for year to 31 March 2003 is as follows:

	£000s	£000s
Liabilities at Beginning of Year		(22,596)
Movement in Year:		
Operating Charge		0
Contributions (i.e. Pensions Paid in Year)		2,269
Finance Income:		
Interest on Pension Liabilities		(1,945)
Actuarial Gain/Loss:		
Experience Gains and Losses on Pension Liabilities	(9,383)	
Changes in Assumptions Underlying the Present Value of Pension Liabilities	20	
Total Actuarial Gain/Loss		(9,363)
Liabilities at the End of Year		(31,635)

A summary of the data used is provided below.

	Males	Females	Totals
Number	646	694	1,340
Average Age	67 8/12	67 7/12	67 8/12
Total Added Years Pension (£000s)	1,390	918	2,308

GLOSSARY OF TERMS

CAPITAL EXPENDITURE

Capital expenditure is defined as expenditure on new fixed assets such as land and buildings or on the enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

CAPITAL FINANCING

This term describes the method of financing capital expenditure, the principal methods now being loan financing, leasing, capital receipts and Capital Resource Funds.

CAPITAL RECEIPTS

This term describes monies received from the sale of the Council's capital assets such as land and buildings.

COLLECTION FUND

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to non-domestic services and the Council Tax, and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

CONTINGENT LIABILITIES

Potential losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a provision in the accounts.

DEFERRED CREDITS

This is the term applied to deferred capital receipts. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years. The balance is reduced by the amount repayable in any financial year.

DEFERRED CHARGES

Deferred Charges are represented by items for which expenditure is charged to capital and met from borrowing, but where there is no tangible asset, for example improvement grants.

DEFERRED LIABILITIES

These are creditor balances repayable after one year.

EARMARKED RESERVES

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

FINANCE & OPERATING LEASES

A finance lease is one that transfers a substantial proportion of the risks and rewards of a fixed asset to the lessee. With a finance lease the present value of the lease payments equates to substantially all of the value placed on the leased asset.

For an operating lease a rental payment is payable to the lessor for the use of the asset and the ownership reverts to the owner when the lease is terminated.

FIXED ASSETS

These are tangible assets that yield benefit to the Council and the services it provides for a period of more than a year.

GROSS EXPENDITURE, GROSS INCOME AND NET EXPENDITURE

Gross Expenditure and Gross Income arise from the provision of services as shown in the General Fund and exclude the Direct Services/Labour Organisation accounts. Net Expenditure is the cost of service provision after the income is taken into account.

HOUSING SUBSIDY

This represents a Government grant payable towards the cost of providing Local Authority housing and the management and maintenance of that housing.

NATIONAL NON-DOMESTIC RATE (NNDR)

Under the revised arrangements for uniform business rates, which came into effect on 1 April 1990, the Council collects Non-Domestic Rates for its area which are based on local rateable values, multiplied by a uniform rate. The total amount, less certain reliefs and deductions, is paid to a central pool managed by the Government, which, in turn, pays back to Authorities their share of the pool based on a standard amount per head of the local adult population.

PRECEPT

A precept is a charge raised by another Authority to meet its net expenditure. The precepting Authorities for this Council are the Metropolitan Police and the London Fire and Civil Defence Authority.

PROVISIONS

A provision is an amount set aside in the accounts for liabilities anticipated in the future which cannot always be accurately quantified.

PUBLIC WORKS LOAN BOARD (PWLB)

A Government body, the PWLB meets the bulk of the Council's loan finance for Capital Finance.

REVENUE SUPPORT GRANT

This funding is the Government Grant provided by the Office of the Deputy Prime Minister (ODPM), which is based on the Government's perception as to what should be spent on local services via the Formula Spending Share. The amount provided by the ODPM is fixed at the beginning of a financial year.

REVENUE BALANCES

These reserves represent surplus balances, which can be used in the future. Some reserves are set up to meet expenditure included in a particular account, such as the Housing Revenue Account.

24 SEPTEMBER 2003

**COUNCILLORS' SCHEME OF ALLOWANCES
2003**

ALL WARDS

Summary

This report seeks approval for a new Scheme of Allowances for members, in line with current legislation (*The Local Authorities (Members' Allowances) (England) Regulations 2003*).

CONTRIBUTORS

PAD (CSD/LSD), FD

RECOMMENDATION:

That the Scheme of Allowances, as set out in the Appendix to this report, be adopted and backdated to May 2003.

SCHEME OF ALLOWANCES

1 The Government published new regulations in April 2003 amending the rules applying to Councillors' Allowances with effect from May 2003. The Council is required to introduce a new scheme by 31 December 2003 (originally the Government required this to be 30 September 2003) which can be backdated to May 2003.

2 Attached is a new scheme as proposed by the Administration. In accordance with the regulations it has been prepared having regard to the report of the independent panel on remuneration of Councillors in London (summer 2003 report) – a copy of which is available on request from the Head of Councillors' Services.

3 The main changes in the scheme of allowances are as follows:

- amending rates of travel and subsistence to become in line with those payable to officers
- the extension of the time limit for claims to six months
- the introduction of a clause to allow for the withholding of allowances in the event of suspension of Councillors
- the introduction of a provision to enable any Councillor under the age of 70 to elect to join the Council's pension scheme
- the introduction of allowances for co-opted members and members of the Standards Committee

4 In the event of the Council approving this scheme, Councillors will receive details of the pension scheme and those interested in joining the scheme will receive a briefing from the Director of Finance.

5 The costs of this scheme arising from the up-rating are built into the base budget. The increased costs of the payment of allowances amount to a maximum of £42,000 in a full year.

6 The implications for the pension fund will depend upon the Councillors who join the scheme and will be reported through the Pensions Fund Investment Panel. The Council will be contributing 11.5% (12.3% at April 2004) of the level of any pensionable allowances. The 12.3% will be further adjusted in line with the triennial valuation of the pension fund due to be effected from April 2005. At current rates the maximum effect on the budget if all Councillors elect to join the fund would amount to £74,000 pa.

7 There is currently no provision in the Revenue Budget to meet the potential costs of this new scheme. In a full year the maximum costs would be £116,000 assuming full take up of pension rights. However, for 2003/4 the maximum costs would be £106,000 given that the scheme would be backdated to May 2003.

8 For the purposes of 2003/4, costs will be met from a transfer from the Contingency Budget. With effect from 2004/5 onwards, budgetary provision will be built into the Medium Term Financial Strategy.

Comments of Head of Legal Services

9 The rules in relation to members' allowances are now governed by the Local Authorities (Member's Allowances) (England) Regulations 2003 which require the Council to make an allowance scheme in accordance with the regulations before the beginning of each financial year. Transitional arrangements are in place and the Council must adopt a new scheme before 31st December 2003. The Council may only pay allowances in accordance with the scheme and there are record keeping and publicity requirements. This scheme complies with the regulations and may be lawfully adopted by the Council

LOCAL GOVERNMENT ACT 2000 **LIST OF BACKGROUND PAPERS**

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Local Authorities (members' allowances) (England) Regulations 2003 no 1021	Peter Savage ext 2017	PAD, room 230 Hammersmith Town Hall
2.	The remuneration of councillors in London: 2003 review	Peter Savage ext 2017	PAD, room 230 Hammersmith Town Hall
3.	New Council Constitutions: guidance on consolidated regulations for local authority allowances (ODPM and Inland Revenue)	Peter Savage ext 2017	PAD, room 230 Hammersmith Town Hall

Members' Allowances Scheme

(September 2003, backdated to May 2003)

This scheme is made in accordance with the Local Authorities (Members' Allowances) (England) Regulations 2003 ("the Regulations") for the year 2003 – 2004 and subsequent years. The scheme has been prepared having regard to the content of the reports of the Independent Panel on the Remuneration of Councillors in London chaired by Professor Malcolm Grant (which reported in August 2001 and July 2003).

1 Basic Allowance

The following basic allowance shall be paid to each member of the authority:

- £7,995 per annum to be paid in 12 monthly instalments on the 15th of each month.

Where a Councillor's term of office begins or ends otherwise than at the beginning or the end of the municipal year the entitlement shall be to payment of such part of the basic allowance as bears to the whole the same proportion as the number of days during which the term of office as member subsists bears to the number of days in that municipal year.

2 Special Responsibility Allowances

The following special responsibility allowances shall be paid to Councillors holding the specified offices.

The Leader	£31,983
Deputy Leader	£26,652
Other cabinet members (Deputies (5))	£21,321
Chief Whip	£21,321
Deputy Chief Whip	£5,332
Chairs of scrutiny panels (5)	£5,332
Leader of the Opposition	£15,990
Deputy Leader of the Opposition	£5,332
Opposition Whip	£5,332
Chairs of quasi judicial/regulatory bodies (3)	£5,332
Mayor	£10,662
Deputy Mayor	£5,332

Where a Councillor does not hold throughout the municipal year any such office the entitlement shall be to payment of such part of the special responsibility allowance as bears to the whole the same proportion as the number of days during which the term of office subsists bears to the number of days in that municipal year.

3 Other Allowances

3.1 Dependent carer allowance

Dependant carer allowance is payable in respect of expenses incurred for the care of a member's children or dependants in attending meetings of the authority, its executive, committees and sub-committees and in discharging the duties set out in paragraph 7 of the Regulations.

- £3.65 per half hour before 10 p.m.; £4.65 per half hour after 10 p.m. (not payable in respect of a member of the councillor's household)

3.2 Subsistence and Travel

Allowances only payable (at same rates as employees) for duties undertaken away from the Town Halls when discharging duties under paragraph 8 of the Regulations.

2003-04 rates are as set out below:

- **public transport**
actual costs reimbursed.
- **Car mileage**

Cc	first 8500 miles (pence per mile)	above 8500 miles (pence per mile)
Below 1000	36.4	10.6
1000-1199	40.2	11.3
above 1200	49.9	12.8

- **Cycle allowance**
£34.76 per month – where this is claimed no other travel claims are permissible.
- **Subsistence**
Allowances payable at same rates and conditions as employees. Payment is only made for expenses incurred outside the borough, subject to a maximum of £5.00 per claim.

4 Annual Increase

The allowances in this scheme apply to the financial year 2003-2004 and shall be increased by the same percentage rate of increase as in the national local government pay award in each subsequent year until 2007-08. Up-rating shall be applied to these allowances at the same time as the employees' pay award.

5 Election to forego allowances

A Councillor may by notice in writing to the Director of Policy and Administration elect to forego any part of his or her entitlement to an allowance under this scheme.

6 Time limit for claims

The majority of allowances are payable monthly, but where allowances are the subject of claims, these claims should be made in the agreed form with the appropriate declaration within six months of the duty to which they relate.

7 Withholding of allowances

In the event of Councillors being suspended the Standards Committee shall have the power to withhold the allowances payable to that Councillor either in whole or in part for the duration of that suspension.

8 Pensions

All Councillors under the age of 70 years shall be entitled to join the London Borough of Hammersmith and Fulham Pension Scheme and have their basic allowance and special responsibility allowance treated as pensionable. Councillors can only join the scheme if they are under 70 and can only pay contributions, and accrue benefits, until their 70th birthday. If they carry on in office beyond age 70 they will not pay any contributions or accrue any further membership. Instead, the benefits that were accrued at age 70 will be paid at an actuarially increased rate when they either reach 75 or cease holding office, whichever comes first.

9 Membership of more than one authority

A member may not receive allowances from more than one authority (within the meaning of the regulations) in respect of the same duties.

ALLOWANCES FOR COOPTED MEMBERS AND INDEPENDENT MEMBERS OF STANDARDS COMMITTEE

The rate of allowance for co-opted members shall be £1000 pa payable in equal monthly instalments. The rate of allowance for independent members of the Standards Committee shall be £400 pa payable in equal monthly instalments.

These allowances shall be backdated to May 2003 and shall be up-rated at the rate of the national local government pay award and at the same time as the employees' pay award is implemented.

Co-opted members shall be entitled to the same travel allowances as Councillors, but shall not be entitled to subsistence payments.

24 SEPTEMBER 2003

LEADER

Cllr Andrew Slaughter

**GUIDANCE FOR COUNCILLORS AND
OFFICERS INVOLVED IN OUTSIDE
ORGANISATIONS**

ALL WARDS

Summary

The Council has for several years operated with a set of local guidelines for councillors who are involved with non-council or 'outside' bodies. These include local voluntary organisations or charities, and various trusts and companies. Such involvement may be as a Council representative or nominee, or in a personal capacity.

The Guidance is intended to explain the responsibilities, and liabilities, that can flow from such involvement. It covers issues such as declarations of interests, legal responsibilities, and accountabilities. The current version is set out at pages 341-356 of the Council Constitution.

This Guidance has recently been fully revised and updated to take into account the Local Government Act 2000, the new model Code of Conduct, and changes in charity law. It has been extended to cover staff as well as councillors, replacing an earlier separate set of guidance applying to the former. The new version is attached to this report

CONTRIBUTORS

Head of Legal
Services, DPA, Head
of Community Liaison

RECOMMENDATION:

That the Council adopts the new revised version of Guidance for Councillors and Officers involved in Outside Organisations, replacing that at pages 341-356 of the Council Constitution.

GUIDANCE FOR
COUNCILLORS AND
OFFICERS INVOLVED IN
OUTSIDE ORGANISATIONS

Contents

1. Introduction
2. General Advice
3. Companies
4. Charities
5. Management Committees
6. Registration and Disclosure of Interests for Members
7. Registration and Disclosure of Interests for Officers
8. Gifts and Hospitality

Appendix 1 – Responsibilities of Management Committees etc

Appendix 2 – Liabilities of Organisations & Members

1. Introduction

- 1.1 Councillors are often appointed or nominated by the authority to represent it on the management committees of outside bodies, or will be involved in such bodies in their own personal capacity either as ordinary members or as members of the management committee board of trustees, executive committee etc.
- 1.2 The authority generally encourages councillors and officers to be active citizens and to participate in the wider community in this manner. Not only does it enable the authority to participate in partner organisations, but it also means that Councillors and officers bring back to the authority additional knowledge and experience which are of value to the authority. However, if Councillors or officers are to take on such additional roles, it is important that they appreciate the responsibilities which they are taking on, understand how these responsibilities interact with their existing responsibilities to the authority, and recognise and deal with any conflicts of interest which may arise.

If you are appointed or nominated by the Council it is vital that you read this guide and bear it in mind when carrying out your duties.

General responsibilities and liabilities of members of managing bodies

- 1.3 Any member of a managing body has a responsibility to take the task seriously, attend meetings and carry out work for the organisation. Some organisations have rules about attendance (e.g. missing a number of consecutive meetings may lead to loss of the place on the committee). In view of the very considerable demands on councillors' time and energy, it is prudent to check out what is expected before accepting a place and to be clear what commitment can be made right from the start so that the organisation does not have unrealistic expectations.
- 1.4 In participating in outside bodies, Councillors and officers act both as individuals and, in some instances, as representatives of the authority. What does that entail?

(a) Positively

- It entails acting according to the rules, constitution and framework set by the outside body.
- It entails making independent and personal judgments in line with the duty of care to the outside body.
- It may entail reporting back to the authority, where they have

been appointed by the authority.

- It entails behaving ethically and following as far as applicable the authority's local Code of Conduct for Members or the National Code of Conduct for Officers.
- It entails taking an active and informed role in the management of the outside body's affairs.

(b) **Negatively**

- Unless appointed specifically to represent the authority, it does not entail following instructions from the authority.
- It does not entail following instructions from a political party to which the Councillor may owe their political loyalty.
- It does not entail avoiding taking part in the outside body's discussions and decisions.
- It does not entail looking at things simply from the Council's perspective.
- It does not entail being there in name only and merely turning up to meetings.

1.5 The role of councillors or officers on outside bodies may give rise to occasional conflicts of interest. The authority's Code of Conduct for Members addresses some of the issues in respect of conflicts and interest. In essence, if any matter relating to the outside body comes up in the course of the councillor's work as a councillor, or in the officer's work for the authority, it is likely that the councillor or officer will have an interest which they will have to disclose. Where the conflict is such that it might be considered likely to affect the way that the councillor would vote or act as a councillor, he/she may have not only to disclose the outside interest but to take no part in the consideration of the matter. The National Code of Conduct for Officers is likely to include similar provisions, requiring an officer to refer the matter to another officer to deal with.

1.6 In a very few and extreme cases, if there is a major dispute between the Council and the outside body, the councillor or officer could be placed in an untenable situation. It is possible that the councillor or officer may find he/she is unable adequately to carry out their responsibilities properly, both as a councillor or officer and as a member or director of the outside body. But such circumstances would be rare and should not deflect councillors or officers generally from being prepared to participate in the management and running of outside organisations.

1.7 Because there is always a potential for conflict between the interests of

the authority and the outside body, councillors and officers who are thinking of taking on such an outside interest should consider how that interest will affect their ability to continue to act as a councillor or as an officer. Councillors and officers are asked to read the guide and if there are issues arising from their particular situation at any time, to contact the Head of Legal Services for advice.

- 1.8 This advice is for councillors and officers who represent the Council on organisations outside the Council, for example as a company director, the trustee of a charity or a member on a management committee. It sets out some of the most important responsibilities. It is not meant to be a comprehensive guide. If councillors or officers have specific queries, the Head of Legal Services would be happy to advise you.

2. **GENERAL ADVICE**

- 2.1 Local authorities are often asked to nominate councillors and officers to take part in outside bodies. The range of such external activities is very wide.
- 2.2 If you are asked to allow the authority to put your name forward, you should ask the authority for a clear statement of what will be expected of you. Any organisation which asks the authority for such a nomination should be able to provide this information. If it is unable to provide such information, you should ask whether you want to be a member of such an organisation.
- 2.3 You will probably be agreeing to be a member of that outside body because it is active in an area which is of particular interest to you. But you should be aware that the rules on such outside interests may limit your ability to continue to take an active part in this topic within the authority. You will have to disclose membership of the outside body in your dealings with the authority. Where any conflict of interest arises between the outside body and the authority, it is likely that you will have to withdraw from any consideration by the authority of any matter affecting the outside body, unless the outside body is another public authority, or you are appointed strictly as the representative of the authority. This aspect is dealt with in more detail below.
- 2.4 As a member of an outside body, you will be expected to participate fully in that organisation. If your other commitments mean that you will regularly have to miss meetings of the organisation, or that you have to withdraw from meetings because of conflicts of interest, you will be doing that organisation no favours, and this may reflect badly on the authority which put your name forward. If you neglect your responsibilities to that outside body it is even possible that you will incur a personal liability. Therefore do not allow your name to be put forward unless you are satisfied that you can participate fully in that organisation.

2.5 In almost all circumstances you will owe a duty to act in the best interests of that body. You will have to exercise your own best judgement and you cannot just take instructions from the authority. It is permissible to take account of the authority's wishes, but in any conflict, you must act in the best interests of the outside body. The Council recognises this in appointing or nominating you.

2.6 Your responsibilities as a member of an outside body depend on the legal form of that body. The principal forms are:

(a) Statutory corporations

These are bodies which are set up under by statute. There is a wide range of such statutory corporations, including school governing bodies, universities, combined Police and Fire Authorities, and many "quangoes". The members of the statutory corporation, such as the governors of a school, and how they are appointed is set out in the statute, as are the powers of the statutory corporation. That statute will also set out the responsibilities and liabilities of members of the corporation.

(b) Companies

Companies are separate legal entities which are set up by their members, who may be either shareholders or guarantors. In a company limited by shares, each member's personal liability is limited to the face value of their shares. In a company limited by guarantee, their personal liability is limited to the value of their guarantee, which may be as little as £1. The structure of the company, and its powers, in terms of the activities which it may undertake and its powers to buy and sell land, employ staff or enter contracts are defined in its Memorandum and Articles. Directors of companies can incur personal liability, particularly if the company becomes insolvent. Industrial and Provident Societies (IPSs), are similar to companies, but the member's liability is limited to their annual subscription to the association. This legal structure is popular for housing associations.

(c) Unincorporated Associations

Unincorporated associations are more or less informal organisations, in which the members regulate their relationship by a contract, such as a membership agreement or the rules of the club or association. Because the association has no legal existence separate from its members, there can be no limited liability. Each member incurs full personal liability for his/her own actions, and relies on the membership contract to be able to recover his/her costs from the other members.

(d) Charities

Some companies and unincorporated associations are also charities. To be a charity, the body or organisation must satisfy the Charity Commissioners that it is directed to charitable objectives. As a charity, it gains relief from corporation tax, VAT and business rates, but is subject to stricter regulation by the Charity Commissioners, to ensure that it is properly managed and that it is spending its money properly on the charitable objects.

It is vital that you understand the nature of the body, your duties to it and potential liabilities.

3. COMPANIES

- 3.1 On incorporation a company becomes a separate legal entity which can hold property in its own right, enter into contracts, employ staff and sue and be sued in its own name. The company is distinct from its members, who may be either shareholders or guarantors.
- 3.2 Companies limited by shares are those which have a share capital (e.g. 1000 shares of £1 each). Each Member holds shares and receives a share in the profits made by the company according to the value of the shares held. Shares can be sold, although there may be restrictions requiring the shares to be offered to existing shareholders. In the case of a limited liability company, the liability of members of the company is limited to the amount they paid or agreed to pay when they joined the company, or the amount of their guarantee. This can be as little as £1.
- 3.3 Companies limited by guarantee are those where there is no shareholding. Instead each Member agrees that in the event of the company being wound up they will agree to pay a certain amount. This may also be as little as £1.
- 3.4 Where a company is a trust, it is not permitted to distribute any profit to its shareholders, but must ensure that any such profit is ploughed back into the business. Trust companies are normally limited by guarantee, and this form of company is the most usual form in the public and voluntary sector, particularly where charitable status is sought.
- 3.5 The management of a company is generally the responsibility of a board of directors, elected by the members of the company. The powers of the directors are usually set out in the company's Articles of Association (the rules each company has to govern its internal management). Sometimes even though company has been incorporated the directors may be referred to as members of the committee of management, governors or even trustees. However this does not change their status as directors. Conversely, sometimes officials are called directors but they are not members of the board. Again their status will not be affected. Directors

are those who are appointed by the company to act in the capacity.

3.6 Directors' Duties

A director is an agent of the company. His/her prime duties are as follows:-

- (1) A fiduciary duty to the company (not to individual shareholders) to act honestly and in good faith and in the best interests of the company as a whole. Directors are therefore in the position of "quasi trustees" who must take proper care of the assets of the company. The fiduciary duty of the director towards the company is very similar to the fiduciary duty of councillors to the Council Tax payers of the London Borough of Hammersmith and Fulham.
- (2) A general duty of care and skill to the company. So long as the Company remains solvent, a director requires no greater skill than might reasonably be expected of someone of that individual's particular knowledge and experience. A director is not deemed to be an expert, but is expected to use due diligence and to obtain expert advice if necessary. However if the Company becomes insolvent, the Court may expect that the director brings an appropriate level of skill, competence and experience to the job.
- (3) Like a councillor in respect of Council decisions, the director is under a duty to exercise independent judgement, though it is permissible for him/her to take account of the interests of a third party which he/she represents. In such a case the director must disclose that position and tread a fine line between the interests of the company and the party represented (in this case the authority). The director cannot vote simply in accordance with the authority's instructions. To do so would be a breach of duty.
- (4) No conflict. There may be actual or potential conflicts between the interests of the company and those of the authority. The councillor or officer cannot waive their statutory responsibilities as a director. So they may have to cease to act as a councillor or officer in relation to the particular matter.
- (5) Directors are not allowed to make a private profit from their position. They must therefore disclose any interests they or their family may have in relation to the company's contracts. Whether they are then allowed to vote will depend on the Articles of Association. Equally, officers are not allowed under cover of their office to take any more than their proper remuneration. They must obtain the consent of their employing authority if they are to receive any remuneration from a company to which they have been appointed by their employing authority.

- (6) Directors must ensure compliance with the Companies Acts in relation to the keeping of accounts, and that the relevant returns are made to the Registrar of Companies. Directors of charities have similar responsibilities to ensure compliance with charities law. Failure to do so may incur fines and persistent default can lead to disqualification as a director.

3.7 Directors' Liabilities

- (1) The company's identity must clearly be shown on its stationery. The company number, place of registration, registered office address and if any of the directors' names are shown then they must all appear. Non-compliance is an offence and the directors and company officers can be fined.
- (2) A company can only act within the scope set out in its Memorandum of Association (the document which sets out the objects of the company). A director who knowingly causes the company to act beyond the activities set out in the Memorandum can be liable personally. In very limited circumstances it is possible for the actions of the directors to be ratified by the Members of the company after the event.
- (3) A director may also be liable for breach of trust, if he/she misapplies the money or property of the company. Directors may also be liable if they fail to take action to prevent the breach of a co-director of which they are aware.
- (4) In the event of failure to act in accordance with the best interests of the company, or if a director uses his/her powers improperly or makes personal profit from his/her position as director, then the director may be personally liable for loss to the company and may be required to give the company the personal profit made.
- (5) If the level of skill and care shown by a director falls below that which could be reasonably expected and the company suffers loss, the director will be liable for the loss incurred. However if it believes the director acted honestly and reasonably, a Court may excuse the director liability.
- (6) If a company continues to trade despite the fact that the directors know or ought to know that there is no reasonable prospect of the company meeting its liabilities, this is "wrongful trading". Where a director participates in wrongful trading, a Court may require that director to meet any creditor's additional losses resulting from the failure of the company to cease trading as soon as it knew that it could not remain solvent. No such order will be made if the Court is satisfied that the director took all reasonable steps to minimise the loss to the creditors. **If a director has concerns about the**

company's financial position he/she could be well advised to inform the other directors and seek advice from the company auditors.

- (7) A director will also be liable if to his/her knowledge the company carries on business with intent to defraud creditors or any other person, or for any other fraudulent purpose. Fraudulent trading can also lead to disqualification from acting as a director.
- (8) All cheques and similar documents which purport to be signed on behalf of the company must bear the company name. Where they do not, the director signing on behalf of the company may be liable to a fine and may also be liable to the payee if the company fails to honour the cheque. It is therefore wise for directors to make sure that all documents they sign on behalf of the company state very clearly that they act as agent for the company, (e.g. Director, for and on behalf of.....)
- (9) A third party who enters into a contract on the assumption that a director has power to bind the company, may be liable to claim damages against the director if it subsequently transpires that the director had no such power. Directors would be well advised to ensure that contracts are approved by the board and that the authority to enter into any contract has been properly delegated before signing it.
- (10) Though company liability ceases on dissolution the liability of the directors (if any) may still be enforced after dissolution.

3.8 **Indemnities**

- (1) Councillors who are directors cannot be indemnified by the company against liability arising out of negligence, default, or breach of duty or trust. However the company's Articles of Association may allow for directors to be indemnified by the company in respect of the cost of defending such proceedings if the director is granted relief by the Court or acquitted. **It is lawful for companies to purchase insurance to protect its directors against claims of negligence, breach of duty, trust, default etc. Directors would be well advised to ensure that such a policy of insurance is maintained at all times.**

3.9 **Local Authorities (Companies) Order 1995**

- (1) This Order, made under the Secretary of State's powers contained in Part Five of the Local Government and Housing Act 1989, sets out rules concerning local authorities' involvement in "regulated companies" which are subject to extensive controls, and their involvement in other companies where a number of rules apply.

- (2) "Regulated companies" are so defined if they are controlled or influenced by the local authority. "Influenced companies", under the effective control of the local authority, will be subject to the capital finance regime and special property controls. In broad terms, the test as to whether companies are local authority influenced is whether the local authority has the right to or in fact does exercise a dominant influence over the company in question.
- (3) The original concept of controlled influenced and minority interests in companies were introduced by the 1989 Act. "Influenced" means at least 20% local authority interest plus a business relationship with the company accounting for over 50% of the company's turnover and/or the company was located on local authority land leased or sold for less than best consideration. "Controlled" means over 50% local authority interests, and "minority" less than 20% interest. The concept in the 1989 Act stands, but the Order introduces the term "regulated".
- (4) A local authority influenced or controlled company must state this on all business documents.
- (5) Councillors or officers who are directors of outside companies to which they have been nominated by the Council are under the following obligations:-
 - (a) (Councillors only) that the remuneration they receive from the company should not exceed that received from a local authority and should be declared.
 - (b) to give information to councillors about their activities required by the local authority (save for confidential information) and
 - (c) to cease to be a director immediately upon disqualification councillor or termination of their employment by the Council.

You will be notified by officers if you are appointed to a regulated local authority company.

4. CHARITIES

- 4.1 To be a charity an organisation must operate for a charitable purpose. There are four such charitable purposes:
 - the relief of poverty and human suffering
 - the advancement of education
 - the advancement of religion
 - another purpose for the benefit of the community.

It must operate for the public benefit and have exclusively charitable purposes. An organisation which operates for political purposes will not qualify for charitable status.

- 4.2 To register as a charity the organisation must submit its completed constitution (usually Certificate of Incorporation and the Memorandum and Articles of Association of a company limited by guarantee) to the Charity Commissioners for approval. If they are satisfied that the organisation is charitable it will be registered as such.
- 4.3 Those who are responsible for the control and administration of a charity are referred to as its trustees, even where the organisation is a company limited by guarantee even though they are not strictly trustees. Trustees of a charity retain personal liability, and can only delegate to the extent that the constitution authorises them so to do

4.4 Trustees' Duties

- (1) Trustees must take care to act in accordance with the constitution and to protect the charity's assets. They are also responsible for compliance with the Charities Acts, and should note the particular requirements of the Acts in respect of land transactions.
- (2) Trustees must not make a private profit from their position. They cannot receive remuneration without the sanction of the Charity Commission. They must also perform their duty with the standard of care which an ordinary, prudent business person would show. Higher standards are required of professionals, and in relation to investment matters.
- (3) Charitable trustees must ensure that the information relating to the charity and trustees is registered with the Charity Commissioners and that annual accounts, reports and returns are completed and sent.
- (4) If charitable income exceed £10,000, the letters, adverts, cheques etc must bear a statement that the organisation is a registered charity.
- (5) Trustees are under a duty to ensure compliance with all relevant legislation (e.g. in relation to tax and land matters).

4.5 Trustees' Personal Liability

- (1) Generally a trustee incurs personal liability if he/she:-

- acts outside the scope of the trust deed
- falls below the required standard of care
- acts otherwise than in the best interests of the charity, in a way which causes loss to the charity fund
- makes a personal profit from the trust assets

In such circumstances the trustee will incur personal liability for losses incurred.

- (2) If in doubt, always consult the Charity Commissioners. A trustee who does so can avoid personal liability for breach of trust if he/she acts in accordance with the advice given.
- (3) Trustees of a trust can be liable personally to third parties unless the trust is also a company, and therefore has a separate legal identity from the trustees. The constitution will normally provide for trustees to be given an indemnity from the trust assets, provided they act properly in incurring the liability. Trustees remain personally liable for their own acts and defaults once they have retired. If they have entered into any ongoing contracts on behalf of the trust they should seek an indemnity from their successors. If the charity is a company, the trustees will be protected from liabilities incurred in the day-to-day running of the charity in the normal course, but will be personally liable if they commit a breach of trust (see (1) above).
- (4) Trustees may be liable to fines if they do not comply with the duty to make returns etc.

4.6 Indemnities

An indemnity can be given from the trust fund provided the trustees have acted properly and within his/her powers. Trustees may take out insurance to protect themselves against personal liability but not for criminal acts, fraud etc. There will be no problem if the trustees themselves pay the premiums but if they are paid out of the charitable funds the trustees will need the consent of the Charity Commissioners first, unless the trust deed allows it.

5. MANAGEMENT COMMITTEES

5.1 Unincorporated Associations

Groups which are not charitable trusts or companies are "unincorporated associations" and have no separate legal identity from their members. The rules governing the members' duties and liability will be set out in a constitution which is simply an agreement between the members as to how the organisation will operate. Usually the constitution will provide for a management committee to

be responsible for the everyday running of the organisation. An unincorporated organisation may be charitable and may register as a charity.

5.2 Property will have to be held by individuals as the association has no legal existence of its own.

5.3 Duties

Broadly, Management Committee members must act within the constitution, and must take reasonable care in exercising their powers.

5.4 Liabilities

(1) Generally, the Management Committee members are liable for the acts of the organisation, but are entitled to an indemnity from the funds of the organisation if they have acted properly. If there are not enough funds, the Committee members are personally liable for the shortfall.

(2) If one person is appointed by the constitution to act as the agent of the organisation for certain purposes, then that person acts as the agent for all the members, who have joint liability for the agent's actions.

(3) Members of the Committee of Management will have personal liability if they act outside the authority given to them or if they do not comply with statute e.g. the payment of employees' tax etc.

5.5 Indemnities

Members will be entitled to an indemnity if they act in accordance with the constitution and are not at fault. It is possible to obtain insurance but if the organisation is to pay the premium it must be permitted by the constitution.

6. **REGISTRATION AND DISCLOSURE OF OUTSIDE INTERESTS FOR MEMBERS**

6.1 Part Three of the Local Government Act 2000 required each local authority to adopt a Code of Conduct for Members which must contain all the provisions of the Model Code of Conduct. Each member of the authority, elected or co-opted, is required to sign an undertaking to observe the provisions of the authority's Code of Conduct for Members. The Model Code of Conduct of Members is prescribed by regulations under the Local Government Act 2000 and replaces the old rules in relation to "pecuniary" and "non-

pecuniary" interests.

The requirements of the Code of Conduct for Members can be summarised as:

- a. a requirement to comply with specific rules in respect of the member's conduct;
- b. a requirement to notify the authority's Monitoring Officer of membership of or employment by any outside body, which information will then be included in a public register of interests;
- c. when any matter affecting such an outside body comes before the authority and the member would in any manner be involved in consideration of that matter, to disclose the member's interest in that outside body and, in cases where a significant conflict of interest arises, to withdraw from taking any part in that consideration.

Where a member fails to register all such interests, fails to disclose such an interest or fails to withdraw when required to do so, any person may make a complaint to the Standards Board for England. If the member is adjudged by a Case Tribunal to have failed to comply with the Code of Conduct, a Case Tribunal can suspend the member in whole or in part for up to one year, or can disqualify the member from being a member of any local authority for up to five years.

6.2 General Rules of Conduct

The Model Code set out some general rules of conduct which must be observed by members. The most important rules, in the context of outside interests are as follows:

- (a) A member must not disclose information given to him/her in confidence by anyone, or information acquired which he/she believes is of a confidential nature, without the consent of a person authorised to give it, or unless he/she is required by law to do so;
- (b) A member must not in his/her official capacity, or any other circumstances, conduct him/herself in a manner which could reasonably be regarded as bringing his/her office or authority into disrepute;
- (c) A member must not in his/her official capacity, or any other circumstance, use his/her position as a member improperly to confer on or secure for himself/herself or any other person, an advantage or disadvantage;

- (d) A member must, when using or authorising the use by others of the resources of the authority ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the authority or of the office to which the member has been elected or appointed.

6.3 Registration of Interests

The Code of Conduct for Members requires every member to notify the Monitoring Officer of any registerable interests which he/she holds, within one month of election or appointment. Members' declarations or registerable interest are then held in a public register of interest. The member may not act as a member until he/she has completed that declaration. In addition, the member must notify the Monitoring Officer of any change in his/her registerable interests within 28 days of becoming aware of that change.

Membership of an outside body can be a registerable interest under any of the following headings:

- (a) any employment or business carried on by him/her;
- (b) the name of the person who employs or has appointed him/her name of any firm in which he/she is a partner, and the name of any company for which he/she is a remunerated director.
- (c) a description of any contract for goods, services or works made between the authority and the member or a firm in which he/she is a partner, a company of which he is a remunerated director, or a body in which the member has a shareholding with a nominal value exceeding £25,000;
- (d) the address or other description (sufficient to identify the location) of any land in which he/she has a beneficial interest and which is in the area of the authority:
- (e) the address or other description (sufficient to identify the location) of any land where the landlord is the authority and the tenant is a firm in which the member is a partner, a company of which he/she is a remunerated director, or a body of the description specified in sub-paragraph (d) above
- (f) the address or other description (sufficient to identify the location) of any land in the authority's area in which he/she has a licence (alone or jointly with others) to occupy for 28 days or longer;
- (g) membership of or a position of general control or management in any body to which he has been appointed or nominated by the

- authority as its representative;
- (h) membership of or a position of general control or management in any public authority or body exercising functions of a public nature;
 - (i) membership of or a position of general control or management in any company, industrial and provident society, charity, or body directed to charitable purposes;
 - (j) membership of or a position of general control or management in any body whose principal purposes include the influence of public opinion or policy; and
 - (k) membership of or a position of general control or management in any trade union or professional association.

6.4 Disclosure of Personal Interests

Whenever a member is present at a meeting at which a matter is under consideration in which he/she has a personal interest, he/she must disclose both the existence and the nature of that interest before the start of consideration of that matter, and any executive member who has taken an executive decision on any matter in which he/she has such a personal interest must ensure that the interest is recorded in the official record of the decision.

A member will have a personal interest in any matter which relates to any registerable interest within paragraph 6.3 above, or where a decision on the matter might reasonably be regarded as affecting to a greater extent than other council tax payers, ratepayers or inhabitants of the authority's area, the wellbeing or financial position of the member him/herself, a relative or a friend or

- (a) any employment or business carried out by such persons;
- (b) any person who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
- (c) any corporate body in which such persons have a beneficial interest in a class of securities exceeding the nominal value of £50,000; or
- (d) any body listed in sub-paragraphs (g) to (k) of paragraph 5.3 below in which such persons hold a position of general control or management.

For this purpose, "relative" means a spouse, partner (a member of a couple who live together), parent, parent-in-law, son, daughter, step-son,

step-daughter, child of a partner, brother, sister, grandparent, grandchild, uncle, aunt, nephew, niece, or the spouse or partner of any of the preceding persons.

6.5 Prejudicial Interests

In some instances, the conflict between the interests of the authority and a member's interest may be of such a substantial nature that the member's interest is not only "personal" but also "prejudicial". The test of whether an interest is prejudicial is the "probable bias" test, namely whether the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice the member's judgement of the public interest.

However, there are some exceptions to this rule. So a member who has what would otherwise be a prejudicial interest is given a discretion to regard him/herself as not having a prejudicial interest, but merely a personal interest, in a matter if that matter relates to -

- (a) another relevant authority of which he is a member:
- (b) another public authority in which he/she holds a position of general control or management; or
- (c) a body to which he/she has been appointed or nominated by the authority as its representative. In certain circumstances the interest may be such that participation is still inappropriate. Advice should be sought on a case by case basis.

Where a member does have a prejudicial interest, he/she must withdraw from the room or chamber where a meeting is being held whenever it becomes apparent that the matter is being considered at that meeting, must not exercise executive functions in relation to that matter, and must not seek improperly to influence a decision about that matter. "Withdraw" in this context means withdrawal from any part of the room, so the member must not observe the consideration of the matter from the public gallery.

"Meeting" means any meeting of the Council, or any of its Committees or Sub-Committees, as well as meetings of the Executive, of any Executive Committee, and of any Joint Committee or Area Committee.

7. **Registration and Disclosure of Outside Interest for Officers**

7.1 Declaration of Interests

Section 117(1) of the Local Government Act 1972 requires that, if it comes to the knowledge of any officer of a local authority, that the authority has entered or proposes to enter into any contract in which he/she has a

pecuniary interest, whether or not he/she would actually be a party to the contract, he/she must give notice in writing to the authority. There is a difficulty with this provision as the definition of a pecuniary interest has now been repealed, but it must be taken as any circumstance in which he/she or a member of his/her immediate family stand to gain or lose financially as a result of the contract.

7.1 Registration of Interests

Most local authorities require officers to declare any interests which they have, both upon appointment and as those interests change, and enter those declarations in a register which is not available to the public but is accessible by other officers who have a "need to know".

8. **Gifts and Hospitality**

8.1 Members and officers must never accept any gift or consideration as an inducement for doing or forbearing to do anything in their roles as members or officers of the authority. Indeed, where officers accept any such gift or consideration from anyone who has or is seeking a contract with the authority, the gift or consideration is deemed to have been accepted corruptly unless the officer can prove to the contrary. It is therefore very important to be completely open about any significant gift or hospitality, to avoid the suspicion of misconduct.

8.2 Members are required by the Code of Conduct for Members to notify the Monitoring Officer of receipt of any gift or hospitality with a value of more than £25 (or, in Wales, such value as the authority set for this purpose), whatever the motivation for such a gift. Most authorities have similar rules for officers.

8.3 A particular issue arises for officers seconded to work on behalf of outside bodies, as Section 117(2) of the Local Government Act 1972 provides that an officer shall not, under colour of his office or employment, accept any fee or reward whatsoever other than his/her proper remuneration. It is therefore essential that, where an officer is to be seconded and might be in receipt of any remuneration, bonus or allowances from the authority to which he/she is to be seconded, that the seconding authority agree that his/her proper remuneration shall henceforth include any remuneration, bonus or allowances paid to the officer by the body to which he/she is seconded.

Appendix I

Responsibilities of Management Committees etc

Main responsibilities of the committee

The main responsibilities of the management committee or other governing body are:

- to maintain a long term overview of the organisation and all its work;
- to make strategic and major decisions about the organisation's objectives, policies and procedures;
- to ensure the needs and interests of relevant people and bodies are taken into account when making decisions;
- to ensure adequate resources (especially people and money) to carry out the organisation's activities;
- to monitor progress towards objectives, and other work;
- to take legal responsibility for the organisation and all its actions (or inaction). If the organisation gets into legal or financial trouble, members of the management committee or other governing body can in many cases be held personally liable.

Legal responsibilities

The legal responsibilities of the management committee or other governing body can be divided into 10 main areas.

Constitutional objects and powers

The management committee or other governing body is responsible for ensuring the organisation carries out its objects (aims or purposes) and operates within its powers according to the constitution, so committee members must know what the objects and powers are and understand what they mean. A good committee will always consult users, managers, staff and volunteers before making major decisions.

If an organisation with charitable status operates outside its objects or powers, the Charity Commission can require the charity trustees personally to pay back to the charity any money used for these activities.

Procedures and Accountability -

The management committee or other governing body is responsible for ensuring the organisation carries out its business according to its constitution and good practice. Part of the constitution relates to why the organisation exists and the type of activities it is supposed to carry out; a constitution also defines how the organisation is supposed to conduct its business. It is the committee's responsibility to ensure these rules are followed. Specific responsibilities include:

- serving as a well-informed, interested, supportive committee;
- maintaining democratic procedures and accountability;
- holding meetings regularly, and ensuring members have the information needed to make decisions;
- calling the annual general meeting and ensuring elections and other essential items are dealt with as required,
- ensuring adequate communication between the committee, subgroups, managers, staff, volunteers, and the organisation's users, members, clients, residents or other people served by the organisation.

Legal obligations and undertakings

Statutory obligations exist in law and must be met: for example having to register under the Data Protection Act if the organisation keeps information about recognisable living individuals on computer, or having to give contracts of employment to staff who normally work 8 or more hours per week. It is the responsibility of the management committee or other governing body to ensure the organisation meets these obligations.

Legal undertakings are legally binding commitments which the organisation chooses to enter into: for example renting premises, hiring staff, leasing a photocopier or entering into a contract to provide services. It is the responsibility of the committee or other governing body to ensure the organisation can and does meet the terms of any such undertaking.

If the organisation is incorporated as a company limited by guarantee or is registered as an industrial and provident society (IPS) it can enter into legal undertakings in its own name. If it is not a company or an IPS it cannot enter into a legally binding agreement in its own name, so this will have to be done by individuals, usually the organisation's elected officers, acting on behalf of the organisation. Anyone who signs a legal document must be authorised to do so, by a proper decision made by the committee, and must clearly indicate she or he is signing on behalf of the organisation.

To protect themselves as well as the organisation, members of the management committee or other governing body should be satisfied the organisation is meeting its legal obligations with respect to'

- contracts of employment and employment legislation;
- equal opportunities legislation (Race Relations Act, Sex Discrimination Act, Disabled Persons Acts);
- lease, licence or tenancy agreements;
- Health and Safety at Work Act, Offices, Shops and Railways Premises Act and other health and safety legislation;
- insurance requirements,
- financial record-keeping and information, income tax, national insurance, other taxes, VAT;
- bank accounts, loans, overdrafts;

- fund-raising and grants;
- work done by the organisation under a service agreement or contract;
- Data Protection Act;

Financial responsibility and accountability

The management committee or other governing body is responsible for ensuring the organisation has enough money to carry out its work, meets its financial obligations when they are due, accounts for all its financial dealings and does not get into financial trouble. This includes not only the payment of bills but also ensuring proper records are kept and the organisation's money is spent in the correct way. This means the management committee or other governing body has ultimate responsibility for:

- wages, tax, national insurance, statutory sick pay and maternity pay, pensions, redundancy pay, and any other pay or benefits due to workers under legislation or the terms of their contracts;
- mortgages, rent, rates;
- insurances; -
- all other bills; -
- ensuring the organisation will have enough money to meet any financial obligations when they come due;
- ensuring all grants or other funds received for specific purposes are spent as specified;
- ensuring the organisation is being paid enough for any services it is providing under a service agreement or contract;
- ensuring the organisation's funds are wisely invested;
- ensuring the organisation keeps accurate and comprehensible financial records, accessible to management committee members and authorised members of staff;
- receiving regular financial reports in a form which committee members can understand;
- ensuring annual accounts are drawn up and audited in accordance with the constitution and, where relevant, funders' requirements and/or legislation. (For details of financial liability see Appendix 2).

Employment and volunteers

In most voluntary organisations the management committee or other governing body is legally the employer, with responsibility for hiring, supporting and if necessary firing staff.

Even if some aspects of employment are delegated to staff or a personnel subcommittee, the committee as a whole is responsible for ensuring the organisation has appropriate procedures to draw up and regularly update job descriptions; ensure adequate funding to pay staff; advertise appropriately, shortlist, interview and select staff; issue and abide by contracts of employment; ensure there is appropriate induction, training, supervision, support, and ideally a

regular review! assessment procedure for staff; deal with complaints and grievances; undertake disciplinary and redundancy proceedings.

If some or all of the organisation's work is carried out by volunteers the committee has legal responsibility for them and their work. The committee should ensure they are adequately inducted and supported and there are appropriate disciplinary and grievance procedures

If a staff member or volunteer acts negligently, for example by giving incorrect advice to a client or not looking after a child properly in a community nursery, members of the governing body could be found negligent if the organisation does not have and enforce proper procedures for recruiting and training staff, setting standards, monitoring work and maintaining a safe environment.

Equal opportunities

It is the responsibility of the management committee or other governing body to ensure the organisation complies with equal opportunities legislation (Race Relations Act, Sex Discrimination Acts, Equal Pay Act, Disability Discrimination Acts). But good practice goes far beyond the legislation. If the organisation is concerned about equal opportunities (and the Council believes that all voluntary organisations should be) it is the committee's responsibility to ensure the organisation has a clear statement of intent on equal opportunities and

a workable code of practice setting out how it will make its statement a reality, and to ensure the code of practice is implemented and monitored.

Premises and equipment

A management committee or other., governing body generally has overall responsibility for the use, safety and security of premises used by the organisation and must ensure they are properly and legally managed and used. This includes:

- making decisions about major change of premises use. Day to day decisions about use (for example bookings) might be delegated to staff or volunteers but are still the ultimate responsibility of the committee.
- ensuring adequate finance and insurance;
- setting conditions for bookings, hire of premises, licences and similar requirements;
- developing and implementing a health and safety policy covering all aspects of the organisation's work; - ensuring the organisation meets public health and fire regulations and precautions;
- ensuring adequate security for premises, equipment and people;
- approving alterations, repairs and renovations;
- ensuring planning and building regulations are met.

Insurance

The management committee or other governing body is responsible for ensuring all insurances are taken out and paid. Some insurances are compulsory:

- employer's liability insurance must be held by any organisation with paid staff, and the certificate of insurance must be prominently displayed at the organisation's office; - public liability insurance covers injury, loss or damage caused to any person (including volunteers and management committee members) as a result of the organisation's negligence;
- if an organisation has vehicles it must have third party insurance, which covers injury or death caused to other people;
- buildings insurance and/or plate glass windows insurance are not required by law but might be required by the terms of a lease or mortgage.

Other insurances are discretionary but organisations funded by London Borough of Hammersmith and Fulham are required to have contents insurance.

Legal status

The management committee or other governing body must ensure the organisation meets its legal obligations if it is a company limited by guarantee, an industrial and provident society, a friendly society and/or a registered charity. Any organisation registered under the Companies Acts, the Friendly Societies Act or the Industrial and Provident Societies Act must meet the requirements of the relevant Act. Organisations which fail to do so can face heavy fines, as can individual members of the management-committee or other governing body. Responsibilities include:

- preparing annual accounts and balance sheets, having them audited and submitting them to the Registrar of Companies or Registrar of Friendly Societies;
- holding the annual general meeting as required by the constitution, electing directors (management committee) and submitting annual returns to the Registrar;
- notifying all changes of director to the Registrar;

In charities the charity trustees (usually the same as the management committee, but not necessarily) have responsibility for:

- preparing annual accounts, having them audited as required and submitting them to the Charity Commission and Inland Revenue;
- filing an annual report and annual return, as specified in regulations under the Charities Act 1993, with the Charity Commission; - ensuring all the organisation's activities fall within the charity's objects and are charitable as

defined by law; -indicating on all the charity's documents, invoices, cheques and publications that it is a registered charity.

Everything else

Last but not least, the management committee or other governing body is responsible for any other legal or moral responsibilities which might apply. This could include, for example:

- conditions imposed by funders.
- legislation applicable to certain types of work, such as housing associations, work with children or people considered vulnerable, work with dangerous machinery or equipment, food handling, lotteries or public events.

Appendix 2

Liabilities of Organisations & Members

Liabilities

Members of the management committee or other governing body are generally legally responsible for what the organisation does only if they have the right to vote on the committee. So co-opted members or representatives of other bodies without voting rights would not usually have any liability for what the organisation does. If an individual who represents another body has voting rights on the committee any legal liability rests with the individual, not the organisation which she or he is representing.

The legal liability of members of the management committee or other governing body is determined by the legal status of the organisation. This depends on whether the organisation is unincorporated or incorporated.

Unincorporated organisations

An unincorporated organisation does not have a legal identity of its own. In law, it is simply a collection of individuals.

Unincorporated organisations cannot officially enter into contracts or other legal agreements in their own name. If they want to rent property, employ people, borrow money or take legal action, this has to be done (or will legally be assumed to have been done) by individuals acting on behalf of the organisation. If they want to own property, the property will be legally held by individuals (holding trustees) on behalf of the organisation.

Some unincorporated organisations are registered as friendly societies or trusts, but most are unregistered associations. An unregistered association is not accountable to anyone except its own members and funders,

If an unincorporated organisation gets into debt or has other legal problems, the people who have responsibility for the organisation (the

management committee, if there is one, or all the members) can be held personally responsible for the difficulties. They have legal liability for whatever mess the organisation gets itself into.

Ways to limit individual liability

There are several ways to reduce the risk to individual members of the management committee or other governing body.

- Members of the governing body must always act sensibly and responsibly in making decisions about the organisation. This means getting proper information from staff or professional advisers, discussing issues fully, and

- not taking on obligations they know the organisation might not be able to fulfil.
- Individuals who sign legal or financial undertakings should make it clear, in writing, they are signing on behalf of the organisation rather than as individuals. If possible, they should indicate that their liability 'is limited to the extent of the assets of the organisations'.
 - If an individual committee member thinks a decision is irresponsible, she or he can be publicly disassociated from it. If this disassociation is properly minuted, the individual may not be held responsible for any liability arising from the decision.
 - The organisation should have all legally required insurances and sufficient other insurance to cover possible claims.
 - It is possible to get insurance to indemnify (repay) committee members for any personal liability they incur on behalf of the organisation.
 - If the organisation hires several staff, owns premises, or has other long term financial commitments, it should consider incorporation.

Incorporated organisations

An incorporated organisation has an existence of its own, as a legal body separate from its individual members. The organisation can, in its own name, rent or buy property, hire workers, borrow money or take legal action. This is sometimes referred to as having legal personality.

- In a company limited by shares members (shareholders) invest money in the company in order to make a profit. This structure is not appropriate for voluntary organisations but is sometimes used for trading subsidiaries.
- An industrial and-provident society (IPS) is a genuine co-operative, or a business or industry 'acting for the benefit of the community'. A community business, housing association or voluntary organisation involved in producing and selling goods or other training activities can become an IPS.
- A company limited by guarantee is an appropriate structure for a voluntary group which exists for a social or political reason and puts any profits back into the group. Most voluntary or community groups which incorporate become companies limited by guarantee.

Extent of individual liability

The members of a company limited by guarantee will guarantee (promise) to pay a small amount, usually £1 or £5, if the organisation gets into financial trouble. Their liability is normally limited to this amount. However, if the Company becomes insolvent and is wound up following wrongful trading (where directors knew or ought to have known before the Company went into liquidation that there was no reasonable prospect that the Company would avoid liquidation) or, fraudulent trading (where the Company business was carried on to defraud creditors), directors and other members of the Company may be ordered to contribute to the Company assets.

Members of the company might be all the current members of the organisation, the founding members, or some or all of the members of the management committee or other governing body. This will be set out in the constitution, which is called the memorandum and articles of association. The memorandum sets out the organisation's objects and what it can do (its powers); the articles set out its rules and procedures.

The liability of company directors (usually the same as the management committee) is limited in the same way. However company directors can lose this protection if it can be shown that they have acted negligently (irresponsibly) or fraudulently (dishonestly). And under the Insolvency Act 1986 company directors can be held personally liable in cases of wrongful trading. This is where a company continues to operate when the directors know, or could reasonably have been expected to know, that it does not have a reasonable hope of being able to meet its financial obligations when they come due.

If the company is also a charity, the company directors will also be charity trustees. As trustees they can be held personally liable (even though the organisation is incorporated) if the charity's funds are used for purposes which are outside its objects or powers.

To a large extent incorporation reduces the risk of members of the management committee (or separate board of directors, if there is one) being held personally liable if the organisation gets into debt or gets into other trouble. But there is still considerable risk if the committee operates irresponsibly.

All registered charities must have charity trustees (sometimes called managing trustees) who have ultimate responsibility for the organisation. In some charities the trustees delegate some management responsibilities to another body, which might be called a management committee but does not have ultimate responsibility. In this situation the relationship between the two groups must be clearly set out in terms of reference.

Charity trustees cannot 'profit' from the charity. This means they cannot be employed by the organisation, even for part-time or temporary work. Conversely, employees of a charity cannot be trustees and cannot be voting members of the committee if the committee is also the trustee body. (Employees can, of course, attend meetings and participate if the trustees so wish).

Most charities must submit their accounts each year to the Charity Commission and to the Inland Revenue if they want to claim the tax benefits which charities enjoy.

The Charity Commission can advise on any aspect of charity registration or charity law, and should be contacted if there is any doubt about what a charity can and cannot do.

Incorporation of charity trustees

It is possible for a charity to incorporate its trustee body, while not incorporating the organisation as a whole. This enables the organisation to own property and enter into contracts or other legal arrangements in its own name, rather than through individuals acting on behalf of the organisation. This type of incorporation does not, however, limit the personal liability of the trustees in any way. Further information is available from the Charity Commission.

SPECIAL MOTION NO. 1 – COUNCIL PROCEDURE RULE 14 AMENDMENT

Standing in the names of:

- (i) Councillor Colin Aherne
- (ii) Councillor Fiona Evans

"That Council Procedure Rule 14, dealing with Special Motions, be amended as follows to improve clarity as to how such motions should be dealt with in future".
(revised wording shown in italics)

14. SPECIAL MOTIONS

[**NOTE:** * The term "clear days" below refers to weekdays, excluding weekends, Bank Holidays, the day the motion is received, and the day on which the meeting is held.]

- a) Any two Councillors may submit a Special Motion for debate by the Council. Such motions shall be published in the agenda for the meeting.
- b) Special Motions must be relevant to matters affecting the lives of people living and working in the Borough.
- c) Special Motions may be ruled out of order *by the Mayor, on advice from the Director of Policy and Administration and Head of Legal Services*, if they are irrelevant to the affairs of the Borough, defamatory, or place the Council at legal risk. *Where ruled out of order, such motions shall not be placed on the agenda and the mover and seconder shall be notified. Where motions are submitted close to the deadline, and review has not been possible prior to publication of the agenda, the Mayor may make a ruling, on advice, at the Council meeting. Motions that are ruled out of order at Council meetings may not be amended to make them valid. Neither may a substitute motion be tabled.*
- d) A councillor may not move a Special Motion to directly overturn a Council resolution arising from a previous Special Motion passed in the previous six months. A Special motion or amendment may not be submitted to the same effect as one rejected in the preceding six months.
- e) Special Motions must be submitted to the offices of the Director of Policy and Administration, signed by the mover and seconder, *no later than midday **7 clear days*** before the date of the Council Meeting. (i.e by midday (12 noon) on the Friday (normally) the week before the date of the Council meeting).*

- f) Amendments to Special Motions may be submitted to, or moved at, the Council Meeting. They will be included on the agenda if received **6 clear days*** prior to the meeting.
- g) Special motions will be included on the agenda in the order that they are received.
- h) Amendments to Special motions must relate sufficiently to the original motion so as not to contravene requirements for public notice of matters on the Council agenda as required by the 1972 Local Government Act.
- i) Special Motions may be withdrawn at, or prior to, a Council meeting. Motions not moved or seconded shall be treated as withdrawn.
- j) Special Motions shall be debated in accordance with the rules of debate and may be (i) supported; (ii) supported in amended form following one or more amendments moved and accepted; (iii) opposed.
- k) No Councillor shall move or second more than two Special Motions at the same meeting.

jpc/11/09/03

SPECIAL MOTION NO. 2 – COUNCIL ACCOUNTS

Standing in the names of:

- (i) Councillor Stephen Greenhalgh
- (ii) Councillor Mike Adam

“This Council has no confidence in its ability to produce accurate accounts and to implement tight fiscal controls.”

jpc/12/09/03

SPECIAL MOTION NO. 3 – CRIME REDUCTION IN THE BOROUGH

Standing in the names of:

- (i) Councillor Greg Hands
- (ii) Councillor Frances Stainton

"This Council notes the declining detection rates for crimes committed in Hammersmith & Fulham and calls for measures to support crime reduction across the Borough, including CCTV in Shepherds Bush Road and Wandsworth Bridge Road."

jpc/12/09/03