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# **STATEMENT OF ACCOUNTS**

2010/11

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# **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF LONDON BOROUGH OF HAMMERSMITH & FULHAM**

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**CERTIFICATION BY CHAIRMAN OF THE  
AUDIT AND PENSIONS COMMITTEE**

I confirm that these accounts were approved by the  
Audit and Pensions Committee on 22 September 2011

**Councillor Michael Adam**  
22nd September 2011

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## EXPLANATORY FOREWORD

The purpose of this Statement of Accounts is to summarise the financial performance and overall financial position of the council. The framework within which the council's Accounts are prepared and published is regulated as set out in the Statement of Accounting Policies.

The financial statements have been produced to conform with the requirements of the 'Code of Practice on Local Authority Accounting in the United Kingdom 2010', often referred to as the 'Code', and the 'Best Value Accounting Code of Practice' (BVACOP), both published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code for the financial year 2010/11 requires councils to prepare IFRS (International Financial Reporting Standards) compliant accounts for the first time. Comparatives for 2009/10 have been restated and a separate note in the body of the accounts gives a full explanation of the changes.

The transition to the IFRS based accounts means that some items in the restated Comprehensive Income and Expenditure Statement (CIES) and items on the Balance Sheet for 2009/10 have changed materially compared to their pre-IFRS based equivalents. A summary of key items that have changed in the IFRS based 1st April 2009 Balance Sheet, the 31st March 2010 Balance Sheet and the 2009/10 CIES are outlined in Note 43 to the Core Financial Statements. Overall the changes are financially neutral as reflected in the fact that they do not impact of the Council Tax payer.

The Statement of Accounts sets out details of the council's income and expenditure for the financial year 2010/11 and the Balance Sheet at 31st March 2011. This includes the General Fund, the Housing Revenue Account and the Pension Fund.

The statement of accounts includes key financial statements with explanatory notes and supplementary financial statements with explanatory notes.

### **Key financial statements**

The **Movement in Reserves Statement** (MiRS) summarises the movements in the council's reserves during the financial year. The council's reserves are comprised of 'usable' and 'unusable' reserves and represent the Council's net worth. Usable reserves are available to fund expenditure whereas unusable reserves are not and are required primarily for capital accounting purposes.

The **Comprehensive Income & Expenditure Account** (CIES) details all gains and losses experienced by the council during the financial year.

The **Balance Sheet** reports the position as at 31st March 2011 in relation to the council's assets, liabilities and reserves. The reserves represent the net worth of the council, assets represent everything owned by the council and money owing to the council and liabilities are amounts owed by the council to third parties.

The **Cash Flow Statement** shows the movement in the council's cash and cash equivalents during the year. Cash equivalents are assets that can be readily converted into cash. The statement is divided into 3 parts; cash flows from operating activities, investing activities and financing activities.

The notes to the key financial statements provide further explanations of the figures provided.

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The **Supplementary Financial Statements** include the **Collection Fund Account** which 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. It sets out the contribution of Hammersmith and Fulham council tax payers to the costs of local services and its distribution to the Greater London Authority. The **Housing Revenue Account** shows the income and expenditure relating to the provision of housing and associated services to the council tenants and leaseholders and includes the Statement of Movement on the HRA Fund Balance. This reflects the statutory obligation of the council to account separately for the cost of its activities as a landlord in the provision of council housing. Both statements are also supported by various notes.

The **Pension Fund Accounts** set out a summary of the transactions during the year (Fund Account) and the overall financial position of the fund at 31st March 2011 (Net Assets Statement). The Pension Fund Accounts are also supported by various notes.

Finally, the **Annual Governance Statement** is a statement by the Leader of the Council and the Chief Executive on the arrangements and systems for internal control across the council and the governance arrangements of the group.

### **Accounting Changes**

The changes brought about by the 'Code of Practice on Local Authority Accounting in the United Kingdom 2010 – A Statement of Recommended Practice' necessitate the restatement of the 2009/10 accounts in respect of:

- leases
- government grants deferred
- property, plant and equipment.

Further details of the impact of these changes can be seen in Note 43 to the Core Financial Statements.

### **Revenue Expenditure 2010/11**

#### **General Fund Services**

The draft statement of accounts sets out the Council's spending and funding in line with accounting requirements. The table on the following page explains the same information in the form of the Council's management accounts. The Council's financial position (for example, usable reserves and general balance) is the same in both formats.

The revenue outturn for 2010/11 shows an underspend on net operating expenditure of £3.313m, including proposed transfers to earmarked reserves of £2.601m and a contribution of £1.072m to the General Fund reserve.

<b>Department</b>	<b>Original Budget £000</b>	<b>Revised Budget £000</b>	<b>Actual £000</b>	<b>Over/ Underspend £000</b>
Children's Services	60,373	62,515	62,322	(193)
Unaccompanied Asylum Seeking Children	1,063	1,062	1,109	47
Community Services	77,579	76,127	76,120	(7)
Housing Options & Regeneration	7,690	6,273	6,104	(169)
Environment Services	14,845	20,582	20,434	(148)
Controlled Parking Account	(14,373)	(14,157)	(16,650)	(2,493)
Residents Services	37,195	39,050	39,050	-
Finance and Corporate Services	11,730	13,328	13,020	(308)
Centrally Managed Budgets	13,221	524	482	(42)
<b>Net Operating Expenditure</b>	<b>209,323</b>	<b>205,304</b>	<b>201,991</b>	<b>(3,313)</b>
Net Contribution to Earmarked Reserves	(2,340)	360	2,601	2,241
Net Contribution to General Reserves	-	-	1,072	1,072
<b>Total Net Expenditure</b>	<b>206,983</b>	<b>205,664</b>	<b>205,664</b>	<b>-</b>
Funded by:				
Formula Grant	120,922	120,922	120,922	-
Area Based Grant	22,638	21,319	21,319	-
Council Tax	64,173	64,173	64,173	-
Prior Year Collection Fund Deficit	(750)	(750)	(750)	-
<b>Total Funding</b>	<b>206,983</b>	<b>205,664</b>	<b>205,664</b>	<b>-</b>
<b>Final Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The underspend on net operating expenditure of £3.313m is mainly accounted for by a better than expected recovery of income on the Controlled Parking Account (£2.493m). It should be noted the favourable position within the Controlled Parking Account is primarily due to additional one –off income received as a result of recovery of old parking debt. This will not be recurrent.

Detailed explanations of significant variances have been provided by the respective Service Directors and are shown below.

### **Children's Services**

Children's Services, including Asylum Services for Children, achieved a net underspend of £0.146m. This is made up of an underspend on children's social care of £0.193m and an overspend of £0.047m on Asylum Services.

### **Community Services**

Community Services achieved a departmental underspend of £0.007m, after agreed transfers to reserves of £1.11m to fund the following demands and pressures:

- To fund the 11/12 MTFS programme (contributing towards the departmental shortfall in target).
- To fund a contingency against the risk of savings not being fully delivered.
- To establish a provision for future redundancy costs.

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Within this underspend, Adult Social Care (ASC) delivered an overall net underspend of £0.794m made up of underspends from Community Assessment & Social Care services (£0.107m), Older People Placements and Packages (£0.203m), Learning Disabilities Placements (£0.245m), staffing (£0.075m), Day Services and Support Planning (£0.145m), Residential Care Income (£0.235m), and additional income from Registered Nursing Care Contributions (£0.420m). There is also a further favourable variance of £0.057m from other ASC support services.

These are offset by an adverse variance of £0.694m in income from Home Care.

Quality, Commissioning & Procurement (QCP) delivered an underspend of £0.284m. The outturn position includes underspends of £0.201m in Community Investment Sector payments and £0.074m on salaries across the Division through early achievement of MTFs efficiencies within QCP. There were underspends of £0.010m on other support services within QCP.

Resources delivered an underspend of £0.027m. The variance mainly relates to the Removals and Meals Service (£0.087m), plus £0.040m from other support services and a transfer of £0.100m to the balance sheet reserve for the White City Collaborative Care Centre Lift Project to cover anticipated legal and consultancy costs in 2011/12.

The Head of Directorate budget delivered an underspend of £0.012m on running expenses due to a vacancy being held.

### **Housing and Regeneration**

The department reported an underspend of £0.169m which was mainly due to an underspend in Regeneration of £0.060m from the resolution of a rent arrears issue at the Westway Travellers site, lower workshop maintenance costs and review of non-critical activities.

Housing Options delivered an underspend of £0.024m. This variance largely relates to better than expected income collection rates for the Private Sector Leasing Portfolio.

Finance had an underspend of £0.085m on the departmental redundancy budget.

### **Environment Services**

The department reported an underspend of £0.148m.

- Underspends totalling £2.044m were achieved through staff vacancy management; a reduction in departmental support staff expenditure, additional street lighting and planning fees income and charges to the Primary Care Trust and capital accounts.
- Overspends totalling £1.896m were due to a delay in implementing staff parking charges; delays in the civic accommodation strategy; income shortfalls from advertising hoardings, the building control service, commercial rents, highways and building technical services.

### **Controlled Parking Account**

There was an unbudgeted recovery of income of £2.493m as a result of Pay & Display prices being increased in January 2011 and Penalty Charge Notice (PCN) income being recovered by bailiffs for PCNs issued in previous years.

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## Residents Services

Residents Services reported a break even position.

## Finance & Corporate Services

Finance and Corporate Services delivered an underspend of £0.308m which was mainly due to additional income (£0.180m) and a reduction in leasing charges (£0.205m).

## Centrally Managed Budgets

Overall centrally managed budgets underspent by £0.042m. The main variances relate to:

- Better than anticipated returns for investment income. This reflects both higher cash balances and interest rates received.
- A realignment of the Service Level Agreement budget for Corporate and Democratic Core services.
- A net overspend on the corporate budget for redundancies. This largely reflected budget transfers to service departments to help meet their redundancy costs.

## Housing Revenue Account Services

The Housing Revenue Account (HRA) accounts for the costs of housing people in Council-owned accommodation. The Local Government and Housing Act 1989 requires this income and expenditure to be ring-fenced. The HRA cannot be subsidised by the General Fund.

The net outturn for the HRA was a net deficit of £0.123m. The Council started the year with an HRA balance of £3.241m with a planned appropriation from this reserve of £1.216m. The net deficit was appropriated from the HRA balance at year end to leave a balance carried forward into 2011/12 of £3.107m.

## **31 MARCH 2011 BALANCE SHEET**

	<b>31 March 2011 £m</b>	<b>31 March 2010 £m</b>
Long Term Assets	1,465	1,975
Current Assets	151	210
Current liabilities	(127)	(155)
Net pension liabilities	(324)	(547)
Other long term liabilities	(499)	(523)
<b>Net Assets</b>	<b>666</b>	<b>960</b>
Represented by		
Usable Reserves	(85)	(94)
Unusable reserves	(581)	(866)
<b>Total Reserves</b>	<b>(666)</b>	<b>(960)</b>

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## **CAPITAL OUTTURN 2010/11**

Since the capital programme of £99.848m was approved by the Council in February 2010 there have been amendments to the programme which were approved by Cabinet. The amendments relate to new additions, slippage brought forward from 2009/10, slippage carried forward to 2011/12 and allowance made for revenue expenditure funded from capital under statute resulting in the outturn figure of £91.596m. The table below summarises capital expenditure by service area:

<b>Department</b>	<b>2010/11 £000</b>
Children's Services	10,746
Environment Services	8,080
Housing Revenue Account	67,310
Community Services	1,178
Residents Services	3,648
Other	634
<b>Total</b>	<b>91,596</b>

The financing of the capital expenditure incurred in 2010/11 is summarised in the table below:

<b>Department</b>	<b>2010/11 £000s</b>
Loans	3,442
Direct Revenue Funding	953
Grants and Contributions	59,903
Capital Receipts	27,298
<b>Total</b>	<b>91,596</b>

## **GROUP ACCOUNTS**

As with the 2009/10 Statement of Accounts, Group Accounts have not been included in the 2010/11 Statement of Accounts on the grounds that they do not have a material effect on the overall statements and therefore their inclusion does not provide any more usefulness to readers. The Group Accounts in previous years showed the activities of the Council, the Hammersmith and Fulham Bridge Partnership (HFBP) and Hammersmith and Fulham Homes (H&F Homes). It should be noted that the Council still considers HFBP as an Associate and H&F Homes as a Subsidiary. Details on the total 2010/11 net assets and profit and loss for both companies (with 2009/10 comparators) can be found in Note 38 (Interest in Companies) to the key financial statements, along with contact details for the procurement of the full accounts for both companies.

It should be noted that the council's Management Agreement with H&F Homes ended on 31st March 2011 and the business transferred back to the council. H&F Homes is in the process of being wound up as a company.

## **PENSION LIABILITY**

In accordance with IAS19 a total liability of £324.496m has been included in the 2010/11 Balance Sheet.

The 2010/11 total liability consists of the funded liabilities of £322.341m relating to the Hammersmith and Fulham Pension Fund and £2.155m relating to the London Pensions Fund Authority Pensions Fund.

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## **COLLECTION FUND**

The council has reported a deficit of £0.277m for 2010/11. This deficit will be taken into account in the council tax setting process for 2012/13. Only the council's share of this balance is treated as a council reserve.

## **CURRENT BORROWING AND CAPITAL RESOURCES**

The borrowings disclosed in Note 26 to the Core Financial Statements relate to the financing of capital expenditure incurred in 2010/11 and earlier years. All of the council's borrowing (£459.67m) has been borrowed from the Public Works Loans Board. This figure differs from the figure reported in the Balance Sheet because of the accounting arrangements for the financial assets and liabilities explained in the Statement of Accounting policies. This means that the Balance Sheet figure includes the balances of premiums and discounts yet to be written down to revenue plus accrued interest due.

Future capital expenditure will be financed from borrowing (in accordance with the council's treasury management strategy), revenue contributions, sales of fixed assets, capital grants and contributions and relevant funds within earmarked reserves.

## **OUTLOOK**

Britain's fiscal deficit for 2009/10 was the largest in its peacetime history - the state borrowed one pound for every four that it spent. The Coalition Government came to power in May 2010 with a policy of accelerating the response to the deficit in the public finances. In June 2010 in-year savings of £6.2 billion were announced. Local government's share was £1.16bn of which Hammersmith and Fulham's revenue grant reduction, excluding schools, amounted to £2.3m. The accounts demonstrate that the council has managed to absorb this in-year grant reduction and has still delivered an overall underspend for the year.

The Spending Review in October 2010 trailed proposals for 28% real terms reductions in funding for local government nationally over the four years from 2011/12 to 2014/15 with reductions front loaded to 2011/12 and 2012/13. The Local Government Finance Settlement for 2011/12, announced in December 2010, contained a Revenue Support Grant reduction of 11.3% for Hammersmith and Fulham, against the comparable 2009/10 allocation. This is to be followed by a further reduction of 7.4% for 2012/13. This was significantly more than the national average reduction of 9.9% for 2011/12 but similar to the national average for 2012/13. There was also a reduction in Area Based Grants of £7m in 2011/12. Such large reductions in funding are unprecedented.

Despite this, the Council has delivered a council tax freeze for 2010/11, funded in part by additional grant from central government. This follows four years of council tax reductions of 3% per year and the Band D charge is now the fifth lowest in the country.

The Council has embedded the Medium Term Financial Strategy (MTFS) within its business planning framework. The MTFS will continue to be the vehicle for allocating resources to the Council's priorities, driving through efficiency savings and monitoring their delivery. It provides the Council with a robust 3-year financial plan and a forum for challenging budget and service proposals, identifying and developing savings and efficiencies; and dealing with significant financial risks.

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The scale of the funding reductions requires the council to deliver £64m in savings over the period 2011/12 to 2013/14, beginning with £26.7m in savings for 2011/12. This is significantly more challenging than the savings plans the council has faced in the recent past. One of the routes for delivering this scale of savings is the ambitious Tri-borough Programme for combining services that the council has embarked on with the Royal Borough of Kensington and Chelsea and the City of Westminster.

The Council's 2011/12 Budget Strategy recognised the challenge in delivering this scale of budget reduction and recommended that the range for the optimal level of general balances be expanded from £12m - £15m to £10m - £17m. The actual balances carried forward at the close of 2010/11 are £16m.

**Jane West**

Director of Finance and Corporate Services  
15 September 2011

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# **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. In this Council, that officer is the Director of Finance and Corporate Services.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

## **Responsibilities of the Director of Finance and Corporate Services**

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

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

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

The Director of Finance and Corporate Services has also

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

## **CERTIFICATE OF THE DIRECTOR OF FINANCE AND CORPORATE SERVICES**

I certify that the Accounts present a true and fair view of the financial position of the London Borough of Hammersmith and Fulham and the London Borough of Hammersmith and Fulham Pension Fund as at 31 March 2011 and income and expenditure for the year for the financial year 2010/11.

Jane West  
Director of Finance and Corporate Services  
15 September 2011

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## **CORE FINANCIAL STATEMENTS**

Movement in Reserves Statement  
Comprehensive Income and Expenditure Statement  
Balance Sheet  
Cash Flow Statement  
Notes to the Accounts

## Movement in Reserves Statement

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

Notes	General Fund (GF) Balance £000	Schools Balance £000	Earmarked GF Reserves £000	Capital Grants Unapplied £000	Housing Revenue Account (HRA) £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2009</b>	<b>(14,831)</b>	<b>(11,572)</b>	<b>(35,798)</b>	<b>(5,123)</b>	<b>(4,905)</b>	<b>(30,673)</b>	<b>(3,864)</b>	<b>(1,649)</b>	<b>(108,415)</b>	<b>(1,119,318)</b>	<b>(1,227,733)</b>
<b>Movement in Reserves during 2009/10</b> (Surplus) or Deficit on Provision of Services	56,082	-	-	-	-	-	-	-	56,082	-	56,082
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	211,560	211,560
<b>Total Comprehensive Income and Expenditure</b>	<b>56,082</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,082</b>	<b>211,560</b>	<b>267,642</b>
Adjustments between accounting basis & funding basis under regulations	(57,849)	-	-	374	1,664	11,040	2,747	(171)	(42,195)	42,195	-
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(1,767)</b>	<b>-</b>	<b>-</b>	<b>374</b>	<b>1,664</b>	<b>11,040</b>	<b>2,747</b>	<b>(171)</b>	<b>13,887</b>	<b>253,755</b>	<b>267,642</b>
Transfers to/(from) Earmarked Reserves <b>(Increase)/Decrease in 2009/10</b>	1,598 <b>(169)</b>	(980) <b>(980)</b>	1,307 <b>1,307</b>	(438) <b>(64)</b>	- <b>1,664</b>	- <b>11,040</b>	(2,409) <b>338</b>	1,172 <b>1,001</b>	250 <b>14,137</b>	(250) <b>253,505</b>	- <b>267,642</b>
<b>Balance at 31 March 2010</b>	<b>(15,000)</b>	<b>(12,552)</b>	<b>(34,491)</b>	<b>(5,187)</b>	<b>(3,241)</b>	<b>(19,633)</b>	<b>(3,526)</b>	<b>(648)</b>	<b>(94,278)</b>	<b>(865,813)</b>	<b>(960,091)</b>
<b>Movement in Reserves during 2010/11</b> (Surplus) or Deficit on Provision of Services	423,335	-	-	-	-	-	-	-	423,335	-	423,335
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	(129,387)	(129,387)
<b>Total Comprehensive Income and Expenditure</b>	<b>423,335</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>423,335</b>	<b>(129,387)</b>	<b>293,948</b>
Adjustments between accounting basis & funding basis under regulations	(433,490)	-	-	(324)	134	19,633	70	(349)	(414,326)	414,326	-
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(10,155)</b>	<b>-</b>	<b>-</b>	<b>(324)</b>	<b>134</b>	<b>19,633</b>	<b>70</b>	<b>(349)</b>	<b>9,009</b>	<b>284,939</b>	<b>293,948</b>
Transfers to/(from) Earmarked Reserves <b>(Increase)/Decrease in 2010/11</b>	9,085 <b>(1,070)</b>	(1,123) <b>(1,123)</b>	(7,932) <b>(7,932)</b>	- <b>(324)</b>	- <b>134</b>	- <b>19,633</b>	- <b>70</b>	- <b>(349)</b>	30 <b>9,039</b>	(30) <b>284,909</b>	- <b>293,948</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>(16,070)</b>	<b>(13,675)</b>	<b>(42,423)</b>	<b>(5,511)</b>	<b>(3,107)</b>	<b>-</b>	<b>(3,456)</b>	<b>(997)</b>	<b>(85,239)</b>	<b>(580,904)</b>	<b>(666,143)</b>

## Comprehensive Income and Expenditure

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

	Notes	Year Ended 31 March 2011			Year Ended 31 March 2010 (Restated)		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Central services to the public		31,787	(32,257)	(470)	32,623	(32,338)	285
Cultural, environmental, regulatory and planning services		63,465	(18,004)	45,461	57,109	(16,645)	40,464
Education and children's services		237,074	(176,351)	60,723	249,050	(153,459)	95,591
Highways and transport services		34,207	(32,725)	1,482	31,928	(29,467)	2,461
Local authority housing (HRA)	10	572,290	(85,466)	486,824	75,851	(84,483)	(8,632)
Other housing services		170,496	(159,092)	11,404	168,906	(155,692)	13,214
Adult social care		105,669	(33,371)	72,298	103,908	(41,035)	62,873
Corporate and democratic core		8,171	(124)	8,047	8,468	(61)	8,407
Non distributed costs - General	10	11,544	(90,116)	(78,572)	7,287	(1,337)	5,950
<b>Cost of Services</b>		1,234,703	(627,506)	607,197	735,130	(514,517)	220,613
Other Operating Expenditure	11	8,865	(6,244)	2,621	31,387	(29,994)	1,393
Financing and Investment Income and Expenditure	12	80,209	(36,651)	43,558	73,455	(26,980)	46,475
Taxation and non-specific grant income	13		(230,041)	(230,041)		(212,399)	(212,399)
<b>(Surplus) or Deficit on Provision of Services</b>				<b>423,335</b>			<b>56,082</b>
Surplus or deficit on revaluation of Property, Plant and Equipment assets				19,667			(15,587)
Actuarial (gains)/losses on pension assets / liabilities				(149,054)			227,147
<b>Other Comprehensive Income and Expenditure</b>				<b>(129,387)</b>			<b>211,560</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>293,948</b>			<b>267,642</b>



## Balance Sheet

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

	Notes	31 March 2011 £000	31 March 2010 (Restated) £000	1 April 2009 (Restated) £000
Property, Plant and Equipment	14	1,405,687	1,923,354	1,889,503
Investment Property	15	51,706	44,129	39,845
Intangible Assets	16	1,398	830	744
Long Term Investments		2,816	2,654	1,619
Long Term Debtors		3,312	3,544	3,728
<b>Long Term Assets</b>		<b>1,464,919</b>	<b>1,974,511</b>	<b>1,935,439</b>
Assets Held for Sale	23	234	740	-
Short Term Investments		30,413	70,398	54,452
Short Term Debtors	21	62,055	57,005	72,287
Inventories	20	209	207	279
Cash and Cash Equivalents	22	58,600	81,958	36,864
<b>Current Assets</b>		<b>151,511</b>	<b>210,308</b>	<b>163,882</b>
Bank overdraft	22	(4,329)	(14,230)	(30,750)
Short Term Borrowing		(21,855)	(5,855)	(5,324)
Short Term Creditors	24	(95,500)	(128,999)	(84,217)
Provisions	25	(590)	-	-
Grants and Contributions Receipts in Advance	36	(4,756)	(5,983)	(3,306)
<b>Current Liabilities</b>		<b>(127,030)</b>	<b>(155,067)</b>	<b>(123,597)</b>
Long Term Borrowing		(459,670)	(475,289)	(397,579)
Long Term Creditors		(100)	(100)	(100)
Provisions	25	(2,644)	(4,565)	(5,193)
Other Long Term Liabilities		(337,580)	(560,639)	(315,882)
Grants and Contributions Receipts in Advance	36	(23,263)	(29,068)	(29,237)
<b>Long Term Liabilities</b>		<b>(823,257)</b>	<b>(1,069,661)</b>	<b>(747,991)</b>
<b>NET ASSETS</b>		<b>666,143</b>	<b>960,091</b>	<b>1,227,733</b>
Usable Reserves	7	(85,239)	(94,278)	(108,415)
Unusable Reserves	7	(580,904)	(865,813)	(1,119,318)
<b>TOTAL RESERVES</b>		<b>(666,143)</b>	<b>(960,091)</b>	<b>(1,227,733)</b>

## Cash Flow Statement

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

	Notes	31 March 2011 £000	31 March 2010 £000 (Restated)
Net (surplus) or deficit on the provision of services		423,335	56,082
Adjustments to net surplus or deficit on the provision of services for non-cash movements		(476,681)	(98,944)
Adjust for items in the net deficit on the provision of services that are investing or financing activities		27,992	12,879
<b>Net cash flows from Operating Activities</b>	28	<b>(25,354)</b>	<b>(29,983)</b>
<b>Investing Activities</b>			
Purchase of Property, plant and equipment, investment property and intangible assets		87,760	103,528
Purchase of short-term and long-term investments		422	1,035
Proceeds from sale of property, plant and equipment, investment property and intangible assets		(27,991)	(12,879)
Proceeds from short-term and long-term investments		(260)	-
Other receipts from investing activities		(14,973)	(26,735)
<b>Net cash flows from Investing Activities</b>		<b>44,958</b>	<b>64,949</b>
<b>Financing Activities</b>			
Cash receipts of short and long term borrowing		(40,000)	(77,000)
Other receipts from financing activities		(497)	(37,373)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		819	789
Repayments of short and long term borrowing		-	17,000
Other payments for financing activities		33,531	4
<b>Net cash flows from Financing Activities</b>		<b>(6,147)</b>	<b>(96,580)</b>
<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>13,457</b>	<b>(61,614)</b>
Cash and cash equivalents at the beginning of the reporting period		67,728	6,114
<b>Cash and cash equivalents at the end of the reporting period</b>	22	<b>54,271</b>	<b>67,728</b>

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# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1. Statement of Accounting Policies

### i. GENERAL PRINCIPLES

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code) and the Best Value Accounting Code of Practice 2010/11 (BVACOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011.

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

### ii. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

### iii. ACCRUALS OF INCOME AND EXPENDITURE

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

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where 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.

Any known uncollectable debts are written off and where there is uncertainty over debt recovery a provision for doubtful debt is made. In both instances a charge is made to revenue for the income that might not be collected.

### iv. OVERHEADS AND SUPPORT SERVICES

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

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

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

#### **v. GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

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

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

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

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

#### **Area Based Grant**

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

#### **vi. CHARGES TO REVENUE FOR NON-CURRENT ASSETS**

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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**vii. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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

**viii. PROPERTY, PLANT AND EQUIPMENT**

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

**Recognition**

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

The threshold for capital expenditure has been set at £10,000.

**Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

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

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

Depreciated Replacement Cost is used as an estimate of fair value where there is no market-based evidence of fair value because of the specialist nature of an asset, for example schools.

Depreciated Historical Cost basis is used as a proxy for fair value where non-property assets have short useful lives or low values (or both).

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

All items of property, plant and equipment, except Council Dwellings, are revalued on a five year rolling programme by each department. Council Dwellings are revalued annually.

Where decreases in value are identified, they are accounted for by:

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

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

### **Impairment**

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

Where impairment losses are identified, they are accounted for by:

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

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

### **Depreciation**

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

The estimated life is determined at the time of acquisition or when the asset has been revalued. Assets are depreciated from the year after their acquisition or completion, and are depreciated in the year of disposal. Depreciation is calculated on a straight line basis with no residual value.

The following depreciation treatment has been adopted for the various categories of assets; the useful lives stated below cover the majority of assets in each category:

- All Buildings (including Council dwellings) are depreciated over periods ranging from 35 to 100 years. Further enhancement expenditure is depreciated over a shorter period (from 4 to 10 years.)
- Infrastructure is depreciated over periods ranging from 3 to 40 years.
- Vehicles, Plant and Equipment are depreciated over periods ranging from 4 to 48 years.
- Community Assets are generally depreciated over a 4 to 73 year period.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

### **Disposals and Non-current Assets Held for Sale**

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

### **ix. INVESTMENT PROPERTY**

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

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

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

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## **x. LEASES**

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

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

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

### **The Council as Lessee**

#### *Finance Leases*

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

Lease payments are apportioned between:

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### *Operating Leases*

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

### **The Council as Lessor**

#### *Finance Leases*

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

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property - applied to write down the lease debtor (together with any premiums received), and



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- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

#### *Operating Leases*

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

#### **Sale and Leaseback Assets**

Where the Council has sold a property but is leasing it back, the substance of the lease is reviewed to determine if it falls under this policy.

Where the leaseback is a finance lease the lease is accounted for as any other finance lease with any apparent initial gain on the disposal deferred and amortised over the lease term.

Where the leaseback is an operating lease the lease is accounted for as any other operating lease and the asset disposed of is treated as an Asset Held for Sale and accounted for accordingly.

#### **xi. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor.

As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For this scheme the liability was written down by an initial capital contribution of £2.9m.

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

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

- fair value of the services received during the year - debited to Adult Social Care service in the Comprehensive Income and Expenditure Statement
- finance cost - an interest charge between 8-16% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

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- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

## **xii. INTANGIBLE ASSETS**

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The depreciable amount of an intangible asset is amortised over its useful life, usually 4 years but range between 3 to 10 years, to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

## **xiii. INVENTORIES**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

## **xiv. CASH AND CASH EQUIVALENTS**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours, having originally been invested for a period no longer than three months.

Cash equivalents are investments that, having originally been invested for no longer than three months, are repayable on demand or readily convertible to known amounts of cash with an insignificant risk of change in value. Fixed Deposits are not considered to be readily convertible since they are only repayable at the point of maturity and cannot be traded or redeemed without penalty.

Cash and Cash Equivalents are held to meet the daily cash flow needs of the Council. These are distinct from investments that are held for the purposes of capital protection or appreciation and/or earning a return.

Cash and cash equivalents are shown separately to bank overdrafts.

## **xv. FINANCIAL INSTRUMENTS**

### **Financial Liabilities**

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

### **Financial Assets**

The Council only has one type of financial asset - investments and receivables - which are assets that have fixed or determinable payments but are not quoted in an active market.

Investments and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For all of the investments that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the borrower, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

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## **xvi. EMPLOYEE BENEFITS**

### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### **Termination Benefits**

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

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

### **Pension Schemes**

Employees of the Council are members of the following pension schemes:

- Under the provisions of the Local Government Pension Scheme: the London Borough of Hammersmith and Fulham Pension Fund, administered by London Borough of Hammersmith and Fulham.
- Also under the Local Government Pension Scheme: the London Pensions Fund Authority (LPFA) Pension Fund, administered by the London Pensions Fund Authority.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

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

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

### ***The Local Government Pension Scheme***

Pension funds under the Local Government Scheme are accounted for as defined benefits schemes:

- The liabilities of the Funds attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (5.5% in 2009/10) based on the indicative rate of return on high quality corporate bond iBoxx AA rated over 15 year corporate bond index.
- The assets of the Funds attributable to the Council are included in the Balance Sheet at their fair value:

- 
- quoted securities - current bid price
  - unquoted securities - professional estimate
  - unlisted securities - current bid price
  - property - market value.

- The change in the net pensions liability is analysed into seven components:
  - current service cost (the increase in liabilities as a result of years of service earned this year) allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost (the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier year) debited to the Surplus or Deficit on the Provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost (the expected increase in the present value of liabilities during the year as they move one year closer to being paid) debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on assets (the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return) credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains or losses on settlements and curtailments (the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees) debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses (changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions) debited to the Pensions Reserve
  - contributions paid to the Funds - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

### **Discretionary Benefits**

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

## **xvii. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

### **Provisions**

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

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

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

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

### **Contingent Liabilities**

A contingent liability arises where:

- (a) an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council, or
- (b) in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts if the sums involved are likely to be material.

### **Contingent Assets**

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts if the sums involved are likely to be material.

### **xviii. RESERVES**

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

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

### **xix. INTERESTS IN COMPANIES AND OTHER ENTITIES**

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities it is required to prepare group accounts.

The Council has interests in a number of companies and other entities however, based on consideration of criteria to determine what constitutes a material interest, the Council has determined that a full set of Group Accounts is not required for 2010/11. Companies in which the Council has an interest are detailed in Note 38 to the Core Financial Statements. Group Accounts were not prepared for the first time in 2008/09.

### **xx. EVENTS AFTER THE BALANCE SHEET DATE**

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

Two types of events can be identified:

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

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

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**xxi. FOREIGN CURRENCY TRANSLATION**

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

**xxii. VAT**

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

**2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted**

For 2010/11 the only accounting policy change that needs to be reported relates to FRS 30 Heritage Assets. See Note 42 for further disclosures on this change.

**3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council is entering into joint working arrangements with neighbouring local authorities, the City of Westminster and the Royal Borough of Kensington and Chelsea. These arrangements are currently referred to as "tri-borough working". Current proposals will not reduce the level of service provided by the Council and plans to align systems are not yet fully developed. Therefore, the Council believes that it is not necessary to impair any non-current asset in light of tri-borough working.

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#### 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Non-current Assets / Investment Properties	Asset valuations are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties. During the past financial year, the property market in the Borough appeared to grow slowly, but the number and relevance of asset sales against which the Council could judge the fair value of its property assets was low. Therefore, the Council judged that no alteration to the estimates that underpin the valuation of its properties and dwellings was required at year end. Should evidence emerge in 2011-12 that causes the Council to amend these estimates, the estimated fair value of its property and dwellings could change.	A reduction in estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). For example, a 10 per cent reduction in the value of Council Dwellings (£88.1 million) would result in a reduction of the Revaluation Reserve of £4 million and a £84.1 million charge to the CIES. Conversely, an increase in value would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the CIES. Depreciation charges for operational buildings will change in direct proportion to the change in estimated fair value. The net book value of non-current assets subject to potential revaluation is £1.265 billion.
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings (including council dwellings) would increase by £463k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £17.2m and £0.6m for the respective pensions funds (LBHF and LPFA). However, the assumptions interact in complex ways and the impact of minor changes in assumptions cannot be easily measured.

#### 5. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance & Corporate Services on 15 September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.



## 6. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive Management Team on the basis of budget reports analysed across Departments.

These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular

- expenditure on some support services is budgeted for centrally and not charged to Departments.

**(a) The income and expenditure of the Council's Departments recorded in the budget reports for the year is as follows:**

<b>Department Income and Expenditure 2010/11</b>	<b>Children's Services £000</b>	<b>Adult Social Care £000</b>	<b>Regeneration and Housing Options £000</b>	<b>Finance and Corporate Services £000</b>	<b>Centrally Managed Budgets £000</b>	<b>Environmental Services (Including Controlled Parking Services) £000</b>	<b>Residents' Services £000</b>	<b>Housing Revenue Account £000</b>	<b>Total £000</b>
Customer & Client Receipts	(4,629)	(1,503)	(9,405)	(6,368)	807	(37,621)	(8,815)	(68,928)	(136,462)
Government Grants	(149,896)	(4,348)	(5,760)	(11,876)	(162,842)	-	(508)	(14,465)	(349,695)
Internal Recharge Income	(1,368)	(507)	-	(4,323)	-	(9,537)	(4,284)	(31)	(20,050)
Other Reimbursements & Contributions	(21,757)	(25,995)	(1,929)	(5,689)	(13,246)	(4,551)	(1,800)	(2,902)	(77,869)
<b>Total Income</b>	<b>(177,650)</b>	<b>(32,353)</b>	<b>(17,094)</b>	<b>(28,256)</b>	<b>(175,281)</b>	<b>(51,709)</b>	<b>(15,407)</b>	<b>(86,326)</b>	<b>(584,076)</b>
Capital Charges	3,910	1,289	152	623	7,151	11,692	1,250	519,831	545,898
Employee Expenses	131,435	19,856	9,447	23,044	(87,719)	22,595	13,808	2,561	135,027
Other	-	1,340	(43)	(57)	668	(63)	972	(483,976)	(481,159)
Premises Related Expenditure	13,192	2,072	6,096	1,691	523	967	3,908	21,375	49,824
Supplies and Services	53,348	24,656	3,281	(7,202)	(71)	9,281	4,122	2,771	90,186
Support Services	6,599	1,607	2,635	(18,804)	4,819	1,375	3,115	812	2,158
Third Party Payments	27,893	50,096	926	35,833	-	9,078	24,417	23,211	171,454
Transfer Payments	3,185	6,487	686	6,104	170,413	2	2	79	186,958
Transport Related Expenditure	5,019	1,070	18	44	1	566	2,871	46	9,635
Use of Balances & Reserves	(3,500)	-	-	-	83,651	-	(8)	(384)	79,759
<b>Total Expenditure</b>	<b>241,081</b>	<b>108,473</b>	<b>23,198</b>	<b>41,276</b>	<b>179,436</b>	<b>55,493</b>	<b>54,457</b>	<b>86,326</b>	<b>789,740</b>
<b>Net Expenditure</b>	<b>63,431</b>	<b>76,120</b>	<b>6,104</b>	<b>13,020</b>	<b>4,155</b>	<b>3,784</b>	<b>39,050</b>	<b>-</b>	<b>205,664</b>

## 6. Amounts Reported for Resource Allocation Decisions (cont'd)

<b>Department Income and Expenditure 2009/10 Comparative Figures</b>	<b>Children's Services £000</b>	<b>Adult Social Care £000</b>	<b>Regeneration and Housing Options £000</b>	<b>Finance and Corporate Services £000</b>	<b>Centrally Managed Budgets £000</b>	<b>Environmental Services (Including Controlled Parking Services) £000</b>	<b>Residents' Services £000</b>	<b>Housing Revenue Account £000</b>	<b>Total £000</b>
Customer & Client Receipts	(5,712)	(2,059)	(10,594)	(6,677)	(944)	(32,259)	(8,229)	(69,196)	(135,670)
Government Grants	(23,710)	(15,885)	(6,125)	(11,645)	(155,656)	(329)	(696)	(13,276)	(227,322)
Internal Recharge Income	(2,159)	(545)	-	(4,719)	1	(19,667)	(4,788)	(83)	(31,960)
Other Reimbursements & Contributions	(13,177)	(24,383)	(1,350)	(2,613)	(14,054)	(5,209)	(2,343)	(1,247)	(64,376)
<b>Total Income</b>	<b>(44,758)</b>	<b>(42,872)</b>	<b>(18,069)</b>	<b>(25,654)</b>	<b>(170,653)</b>	<b>(57,464)</b>	<b>(16,056)</b>	<b>(83,802)</b>	<b>(459,328)</b>
Capital Charges	35,529	1,655	68	1,284	(38,518)	6,438	2,770	16,101	25,327
Employee Expenses	52,883	20,552	10,191	21,947	10,797	23,025	13,299	2,445	155,139
Other	-	1,326	(122)	144	22,820	254	7,779	17,060	49,261
Premises Related Expenditure	14,130	2,309	7,138	4,149	1,114	12,141	3,443	20,426	64,850
Supplies and Services	(4,494)	26,088	3,721	(5,797)	3,911	10,258	5,907	2,097	41,691
Support Services	5,578	(402)	1,834	(20,485)	8,333	874	2,260	834	(1,174)
Third Party Payments	30,006	49,358	721	30,003	-	7,406	16,581	26,727	160,802
Transfer Payments	2,272	5,875	3,189	4,314	161,676	3	2	137	177,468
Transport Related Expenditure	5,435	987	23	43	-	582	2,950	35	10,055
Use of Balances & Reserves	(2,042)	-	-	122	(23,103)	(108)	(3)	(2,060)	(27,194)
<b>Total Expenditure</b>	<b>139,297</b>	<b>107,748</b>	<b>26,763</b>	<b>35,724</b>	<b>147,030</b>	<b>60,873</b>	<b>54,988</b>	<b>83,802</b>	<b>656,225</b>
<b>Net Expenditure</b>	<b>94,539</b>	<b>64,876</b>	<b>8,694</b>	<b>10,070</b>	<b>(23,623)</b>	<b>3,409</b>	<b>38,932</b>	<b>-</b>	<b>196,897</b>

### (b) Reconciliation of Department Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Department income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	<b>2010/11 £000</b>	<b>2009/10 £000</b>
Net expenditure in the Department Analysis	205,664	196,897
Net expenditure of services and support services not included in the Analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-	(539)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	401,533	17,368
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>607,197</b>	213,726
<b>IFRS Restatement</b>		6,887
2009/10 Restated Net Cost of Services		<b>220,613</b>

Note: The deficit for 2009/10 has been restated from £66.743m to £57.045m in 2010/11 due to the introduction of IFRS

## 6. Amounts Reported for Resource Allocation Decisions (cont'd)

### (c) Reconciliation to Subjective Analysis

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

	Department Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CIES Net Cost of Services £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
<b>2010/11</b>								
Customer & Client Receipts	(136,462)	-	-	3,422	-	(133,040)	(3,422)	(136,462)
Government Grants	(349,695)	-	-	-	-	(349,695)	(59,291)	(408,986)
Internal Recharge Income	(20,050)	-	-	4,816	-	(15,234)	(4,816)	(20,050)
Other Reimbursements & Contributions	(77,869)	-	-	(2,840)	-	(80,709)	2,840	(77,869)
Interest and Investment Income	-	-	-	-	-	-	(1,902)	(1,902)
Pension Expected Return on Assets	-	-	-	-	-	-	(32,819)	(32,819)
Other Operating Income	-	-	-	-	-	-	(517)	(517)
Income from Council Tax	-	-	-	-	-	-	(64,300)	(64,300)
Income from NNDR	-	-	-	-	-	-	(105,590)	(105,590)
<b>Total Income</b>	<b>(584,076)</b>	<b>-</b>	<b>-</b>	<b>5,398</b>	<b>-</b>	<b>(578,678)</b>	<b>(269,817)</b>	<b>(848,495)</b>
Capital Charges	545,898	-	-	(107)	-	545,791	107	545,898
Employee Expenses	135,027	-	-	(2,700)	-	132,327	2,700	135,027
Other	(481,159)	-	-	405,359	-	(75,800)	(6,292)	(82,092)
Premises Related Expenditure	49,824	-	-	(987)	-	48,837	987	49,824
Supplies and Services	90,186	-	-	(1,772)	-	88,414	1,772	90,186
Support Services	2,158	-	-	(2,064)	-	94	2,064	2,158
Third Party Payments	171,454	-	-	(1,378)	-	170,076	1,378	171,454
Transfer Payments	186,958	-	-	(1)	-	186,957	1	186,958
Transport Related Expenditure	9,635	-	-	(215)	-	9,420	215	9,635
Use of Balances & Reserves	79,759	-	-	-	-	79,759	-	79,759
Interest Payments	-	-	-	-	-	-	29,748	29,748
Precepts and Levies	-	-	-	-	-	-	2,653	2,653
Pension Interest Cost	-	-	-	-	-	-	50,461	50,461
Payments to the Housing Receipts Capital Receipts Pool	-	-	-	-	-	-	1,366	1,366
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(1,205)	(1,205)
<b>Total Expenditure</b>	<b>789,740</b>	<b>-</b>	<b>-</b>	<b>396,135</b>	<b>-</b>	<b>1,185,875</b>	<b>85,955</b>	<b>1,271,830</b>
<b>Surplus or deficit on the provision of services</b>	<b>205,664</b>	<b>-</b>	<b>-</b>	<b>401,533</b>	<b>-</b>	<b>607,197</b>	<b>(183,862)</b>	<b>423,335</b>

**6. Amounts Reported for Resource Allocation Decisions (cont'd)**

	Department Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in CIES Net Cost of Services £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
<b>2009/10 Comparative figures</b>								
Customer & Client Receipts	(135,670)	-	-	2,820	-	(132,850)	(2,820)	(135,670)
Government Grants	(227,322)	-	-	-	-	(227,322)	(33,646)	(260,968)
Internal Recharge Income	(31,960)	-	-	7,372	-	(24,588)	(7,372)	(31,960)
Other Reimbursements & Contributions	(64,376)	-	-	8,249	-	(56,127)	(8,249)	(64,376)
Interest and Investment Income	-	-	-	-	-	-	(1,288)	(1,288)
Pension Expected Return on Assets	-	-	-	-	-	-	(65,904)	(65,904)
Other Operating Income	-	-	-	-	-	-	(23,061)	(23,061)
Income from Council Tax	-	-	-	-	-	-	(4,433)	(4,433)
Income from NNDR	-	-	-	-	-	-	(96,808)	(96,808)
<b>Total Income</b>	<b>(459,328)</b>	<b>-</b>	<b>-</b>	<b>18,441</b>	<b>-</b>	<b>(440,887)</b>	<b>(243,581)</b>	<b>(684,468)</b>
Capital Charges	25,327	-	-	(199)	-	25,128	199	25,327
Employee Expenses	155,139	-	-	(8,101)	-	147,038	8,101	155,139
Other	49,261	-	(539)	18,239	-	66,961	(1)	66,960
Premises Related Expenditure	64,850	-	-	(1,388)	-	63,462	1,388	64,850
Supplies and Services	41,691	-	-	(3,445)	-	38,246	3,445	41,691
Support Services	(1,174)	-	-	(1,090)	-	(2,264)	1,090	(1,174)
Third Party Payments	160,802	-	-	(3,321)	-	157,481	3,321	160,802
Transfer Payments	177,468	-	-	(4)	-	177,464	4	177,468
Transport Related Expenditure	10,055	-	-	(1,057)	-	8,998	1,057	10,055
Use of Balances & Reserves	(27,194)	-	-	(707)	-	(27,901)	707	(27,194)
Interest Payments	-	-	-	-	-	-	26,608	26,608
Precepts and Levies	-	-	-	-	-	-	9,650	9,650
Pension Interest Cost	-	-	-	-	-	-	45,632	45,632
Payments to the Housing Receipts Capital Receipts Pool	-	-	-	-	-	-	2,517	2,517
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(7,120)	(7,120)
<b>Total Expenditure</b>	<b>656,225</b>	<b>-</b>	<b>(539)</b>	<b>(1,073)</b>	<b>-</b>	<b>654,613</b>	<b>96,598</b>	<b>751,211</b>
<b>Surplus or deficit on the provision of services</b>	<b>196,897</b>	<b>-</b>	<b>(539)</b>	<b>17,368</b>	<b>-</b>	<b>213,726</b>	<b>(146,983)</b>	<b>66,743</b>
<b>IFRS Restatement</b>						6,887	(17,548)	(10,661)
2009/10 Restated Figures						<b>220,612</b>	<b>(164,531)</b>	<b>56,082</b>

## 7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

### Movement on Usable Reserves 2009/10 (Restated)

	General Fund Balance £000	School Balances £000	Earmarked Reserves £000	Capital Grants Unapplied £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Reserves £000	Total Usable Reserves £000
<b>Balance at 31 March 2009</b>	<b>(14,831)</b>	<b>(11,572)</b>	<b>(35,798)</b>	<b>(5,123)</b>	<b>(4,905)</b>	<b>(30,673)</b>	<b>(3,864)</b>	<b>(1,649)</b>	<b>(108,415)</b>
Surplus or (deficit) on the provision of services	56,082	-	-	-	-	-	-	-	56,082
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-
<b>Total Comprehensive Income and Expenditure</b>	<b>56,082</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>56,082</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>									
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>									
Depreciation of Property, Plant and Equipment	(19,602)	-	-	-	-	-	-	-	(19,602)
Amortisation of Intangible Assets	(215)	-	-	-	-	-	-	-	(215)
Impairment/Revaluation losses (charged to the I&E)	(42,182)	-	-	-	-	-	-	-	(42,182)
Movements in the market value of investment properties	2,019	-	-	-	-	-	-	-	2,019
Capital grants and contributions applied	6,497	-	-	374	-	-	-	-	6,870
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (CIES)	-	-	-	-	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	9,106	-	-	-	-	-	-	-	9,106
Revenue expenditure funded from capital under statute	(2,411)	-	-	-	-	-	-	-	(2,411)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	-	-
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	7,329	-	-	-	-	-	(12,878)	-	(5,549)
Use of capital receipts reserve to finance capital expenditure	-	-	-	-	-	-	13,286	-	13,286
Reversal of items relating to retirement benefits debited or credited to the CIES made in accordance with IAS19 (Note 33)	(41,715)	-	-	-	-	-	-	-	(41,715)
Employer's pensions contributions and direct payments to pensioners	23,250	-	-	-	-	-	-	-	23,250
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	506	-	-	-	-	-	-	-	506
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(707)	-	-	-	-	-	-	-	(707)
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(207)	-	-	-	-	-	-	-	(207)
<b>Insertion of items not debited or credited to the CIES</b>									
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	4,254	-	-	-	-	-	-	-	4,254
Voluntary repayment of debt (above Minimum Revenue Provision)	790	-	-	-	-	-	-	-	790
Transfer of HRA Balance	(1,664)	-	-	-	1,664	-	-	-	-
Statutory provision for finance lease liabilities	(2)	-	-	-	-	-	-	-	(2)
Capital expenditure charged against the General Fund and HRA balances	445	-	-	-	-	-	-	(171)	274
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals	-	-	-	-	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Govt Capital Receipts Pool (Housing Pooled Capital Receipts)	(2,517)	-	-	-	-	-	2,517	-	-
Difference between fair value depreciation and historical cost depreciation	-	-	-	-	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	(178)	-	(178)
Reversal of Major Repairs Allowance credited to the HRA	(822)	-	-	-	-	(11,825)	-	-	(12,647)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	22,865	-	-	22,865
<b>Total Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(57,849)</b>	<b>-</b>	<b>-</b>	<b>374</b>	<b>1,664</b>	<b>11,040</b>	<b>2,747</b>	<b>(171)</b>	<b>(42,195)</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(1,767)</b>	<b>-</b>	<b>-</b>	<b>374</b>	<b>1,664</b>	<b>11,040</b>	<b>2,747</b>	<b>(171)</b>	<b>13,887</b>
Transfers (to)/from Earmarked Reserves (Note 8)	1,598	(980)	1,307	(438)	-	-	(2,409)	1,172	250
<b>(Increase)/Decrease in year</b>	<b>(169)</b>	<b>(980)</b>	<b>1,307</b>	<b>(64)</b>	<b>1,664</b>	<b>11,040</b>	<b>338</b>	<b>1,001</b>	<b>14,137</b>
<b>Balance at 31 March 2010 carried forward</b>	<b>(15,000)</b>	<b>(12,552)</b>	<b>(34,491)</b>	<b>(5,187)</b>	<b>(3,241)</b>	<b>(19,633)</b>	<b>(3,526)</b>	<b>(648)</b>	<b>(94,278)</b>

**Movement on Usable Reserves 2010/11**

	General Fund Balance £000	School Balances £000	Earmarked Reserves £000	Capital Grants Unapplied £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Reserves £000	Total Usable Reserves £000
<b>Balance at 1 April 2010</b>	<b>(15,000)</b>	<b>(12,552)</b>	<b>(34,491)</b>	<b>(5,187)</b>	<b>(3,241)</b>	<b>(19,633)</b>	<b>(3,526)</b>	<b>(648)</b>	<b>(94,278)</b>
Surplus or (deficit) on the provision of services	423,335	-	-	-	-	-	-	-	423,335
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-
<b>Total Comprehensive Income and Expenditure</b>	<b>423,335</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>423,335</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>									
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>									
Depreciation of Property, Plant and Equipment (Including HRA)	(20,844)	-	-	-	-	-	-	-	(20,844)
Amortisation of Intangible Assets (including HRA)	(223)	-	-	-	-	-	-	-	(223)
Impairment/Revaluation losses (charged to the I&E)	(516,049)	-	-	-	-	-	-	-	(516,049)
Movements in the market value of investment properties	1,930	-	-	-	-	-	-	-	1,930
Capital grants and contributions applied	22,541	-	-	392	-	-	-	-	22,933
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (CIES)	716	-	-	(716)	-	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	-	-	-	-
Revenue expenditure funded from capital under statute	(676)	-	-	-	-	-	538	-	(138)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	-	-
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	1,840	-	-	-	-	-	(28,514)	(349)	(27,023)
Use of capital receipts reserve to finance capital expenditure	-	-	-	-	-	-	26,732	-	26,732
Reversal of items relating to retirement benefits debited or credited to the CIES made in accordance with IAS19 (Note 3)	49,559	-	-	-	-	-	-	-	49,559
Employer's pensions contributions and direct payments to pensioners	23,627	-	-	-	-	-	-	-	23,627
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	506	-	-	-	-	-	-	-	506
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	877	-	-	-	-	-	-	-	877
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(284)	-	-	-	-	-	-	-	(284)
<b>Insertion of items not debited or credited to the CIES</b>									
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	4,309	-	-	-	-	-	-	-	4,309
Voluntary repayment of debt (above Minimum Revenue Provision)	232	-	-	-	-	-	-	-	232
Transfer of HRA Balance	(134)	-	-	-	134	-	-	-	-
Statutory provision for finance lease liabilities	(2)	-	-	-	-	-	-	-	(2)
Capital expenditure charged against the General Fund and HRA balances	1,050	-	-	-	-	-	-	-	1,050
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals	-	-	-	-	-	-	28	-	28
Contribution from the Capital Receipts Reserve to finance the payments to the Govt Capital Receipts Pool (Housing Pooled Capital Receipts)	(1,366)	-	-	-	-	-	1,366	-	-
Difference between fair value depreciation and historical cost depreciation	-	-	-	-	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	(80)	-	(80)
Reversal of Major Repairs Allowance credited to the HRA	(1,099)	-	-	-	-	(12,169)	-	-	(13,268)
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	31,802	-	-	31,802
<b>Total Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(433,490)</b>	<b>-</b>	<b>-</b>	<b>(324)</b>	<b>134</b>	<b>19,633</b>	<b>70</b>	<b>(349)</b>	<b>(414,326)</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(10,155)</b>	<b>-</b>	<b>-</b>	<b>(324)</b>	<b>134</b>	<b>19,633</b>	<b>70</b>	<b>(349)</b>	<b>9,009</b>
Transfers (to)/from Earmarked Reserves (Note 8)	9,085	(1,123)	(7,932)	-	-	-	-	-	30
<b>(Increase)/Decrease in year</b>	<b>(1,070)</b>	<b>(1,123)</b>	<b>(7,932)</b>	<b>(324)</b>	<b>134</b>	<b>19,633</b>	<b>70</b>	<b>(349)</b>	<b>9,039</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>(16,070)</b>	<b>(13,675)</b>	<b>(42,423)</b>	<b>(5,511)</b>	<b>(3,107)</b>	<b>-</b>	<b>(3,456)</b>	<b>(997)</b>	<b>(85,239)</b>

**Movement on Unusable Reserves 2009/10  
(Restated)**

	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipts Reserve £000	Pensions Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable Reserves £000	Total Usable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2009</b>	<b>(81,695)</b>	<b>(1,341,690)</b>	<b>(3,446)</b>	<b>301,123</b>	<b>2,807</b>	<b>371</b>	<b>3,212</b>	<b>(1,119,318)</b>	<b>(108,415)</b>	<b>(1,227,733)</b>
Surplus or (deficit) on the provision of services	-	-	-	-	-	-	-	-	56,082	56,082
Revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	(15,587)	-	-	-	-	-	-	(15,587)	-	(15,587)
Actuarial gains or losses on pensions assets and liabilities	-	-	-	227,147	-	-	-	227,147	-	227,147
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-
<b>Total Comprehensive Income and Expenditure</b>	<b>(15,587)</b>	<b>-</b>	<b>-</b>	<b>227,147</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>211,560</b>	<b>56,082</b>	<b>267,642</b>

**Adjustments between accounting basis & funding basis under regulations**

<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>										
Depreciation of Property, Plant and Equipment	13,007	6,595	-	-	-	-	-	19,602	(19,602)	-
Amortisation of Intangible Assets	-	215	-	-	-	-	-	215	(215)	-
Impairment/Revaluation losses (charged to the I&E)	-	42,182	-	-	-	-	-	42,182	(42,182)	-
Movements in the market value of investment properties	-	(2,019)	-	-	-	-	-	(2,019)	2,019	-
Capital grants and contributions applied	-	(6,870)	-	-	-	-	-	(6,870)	6,870	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	(9,106)	-	-	-	-	-	(9,106)	9,106	-
Revenue expenditure funded from capital under statute	-	2,411	-	-	-	-	-	2,411	(2,411)	-
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	522	5,027	-	-	-	-	-	5,549	(5,549)	-
Use of capital receipts reserve to finance capital expenditure	-	(13,286)	-	-	-	-	-	(13,286)	13,286	-
Reversal of items relating to retirement benefits debited or credited to the CIES made in accordance with IAS19 (Note 33)	-	-	-	41,715	-	-	-	41,715	(41,715)	-
Employer's pensions contributions and direct payments to pensioners	-	-	-	(23,250)	-	-	-	(23,250)	23,250	-
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	(506)	-	-	(506)	506	-
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	-	-	-	-	-	707	-	707	(707)	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	207	207	(207)	-
<b>Insertion of items not debited or credited to the CIES</b>										
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	-	(4,254)	-	-	-	-	-	(4,254)	4,254	-
Voluntary repayment of debt (above Minimum Revenue Provision)	-	(790)	-	-	-	-	-	(790)	790	-
Transfer of HRA Balance	-	-	-	-	-	-	-	-	-	-
Statutory provision for finance lease liabilities	-	-	2	-	-	-	-	2	(2)	-
Capital expenditure charged against the General Fund and HRA balances	-	(274)	-	-	-	-	-	(274)	274	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	178	-	-	-	-	178	(178)	-
Reversal of Major Repairs Allowance credited to the HRA	-	12,647	-	-	-	-	-	12,647	(12,647)	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	(22,865)	-	-	-	-	-	(22,865)	22,865	-
<b>Total Adjustments between accounting basis &amp; funding basis under</b>	<b>13,529</b>	<b>9,613</b>	<b>180</b>	<b>18,465</b>	<b>(506)</b>	<b>707</b>	<b>207</b>	<b>42,195</b>	<b>(42,195)</b>	<b>-</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>(2,058)</b>	<b>9,613</b>	<b>180</b>	<b>245,612</b>	<b>(506)</b>	<b>707</b>	<b>207</b>	<b>253,755</b>	<b>13,887</b>	<b>267,642</b>
Transfers (to)/from Earmarked Reserves (Note 8)	-	(250)	-	-	-	-	-	(250)	250	-
<b>(Increase)/Decrease in year</b>	<b>(2,058)</b>	<b>9,363</b>	<b>180</b>	<b>245,612</b>	<b>(506)</b>	<b>707</b>	<b>207</b>	<b>253,505</b>	<b>14,137</b>	<b>267,642</b>
<b>Balance at 31 March 2010 carried forward</b>	<b>(83,753)</b>	<b>(1,332,327)</b>	<b>(3,266)</b>	<b>546,735</b>	<b>2,301</b>	<b>1,078</b>	<b>3,419</b>	<b>(865,813)</b>	<b>(94,278)</b>	<b>(960,091)</b>

**Movement on Unusable Reserves 2010/11**

	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipts Reserve £000	Pensions Reserve £000	Financial Instruments Adjustment Account £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable Reserves £000	Total Usable Reserves £000	Total Reserves £000
<b>Balance at 1 April 2010</b>	<b>(83,753)</b>	<b>(1,332,327)</b>	<b>(3,266)</b>	<b>546,735</b>	<b>2,301</b>	<b>1,078</b>	<b>3,419</b>	<b>(865,813)</b>	<b>(94,278)</b>	<b>(960,091)</b>
Surplus or (deficit) on the provision of services	-	-	-	-	-	-	-	-	423,335	423,335
Upward revaluation of assets	-	-	-	-	-	-	-	-	-	-
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on Provision of Services	19,667	-	-	-	-	-	-	19,667	-	19,667
Accumulated gains on assets sold or scrapped	-	-	-	-	-	-	-	-	-	-
Actuarial gains or losses on pensions assets and liabilities	-	-	-	(149,054)	-	-	-	(149,054)	-	(149,054)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	-	-
<b>Total Comprehensive Income and Expenditure</b>	<b>19,667</b>	<b>-</b>	<b>-</b>	<b>(149,054)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(129,387)</b>	<b>423,335</b>	<b>293,948</b>
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>										
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>										
Depreciation of Property, Plant and Equipment	-	20,844	-	-	-	-	-	20,844	(20,844)	-
Amortisation of Intangible Assets	-	223	-	-	-	-	-	223	(223)	-
Impairment/Revaluation losses (charged to the I&E)	-	516,049	-	-	-	-	-	516,049	(516,049)	-
Movements in the market value of investment properties	-	(1,930)	-	-	-	-	-	(1,930)	1,930	-
Capital grants and contributions applied	-	(22,933)	-	-	-	-	-	(22,933)	22,933	-
Revenue expenditure funded from capital under statute	-	138	-	-	-	-	-	138	(138)	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	16,731	(16,731)	-	-	-	-	-	-	-	-
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	-	27,023	-	-	-	-	-	27,023	(27,023)	-
Use of capital receipts reserve to finance capital expenditure	-	(26,732)	-	-	-	-	-	(26,732)	26,732	-
Reversal of items relating to retirement benefits debited or credited to the CIES made in accordance with IAS19 (Note 33)	-	-	-	(49,559)	-	-	-	(49,559)	49,559	-
Employer's pensions contributions and direct payments to pensioners	-	-	-	(23,627)	-	-	-	(23,627)	23,627	-
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	(506)	-	-	(506)	506	-
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	-	-	-	-	-	(877)	-	(877)	877	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	284	284	(284)	-
<b>Insertion of items not debited or credited to the CIES</b>										
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	-	(4,309)	-	-	-	-	-	(4,309)	4,309	-
Voluntary repayment of debt (above Minimum Revenue Provision)	-	(232)	-	-	-	-	-	(232)	232	-
Capital expenditure charged against the General Fund and HRA balances	-	(1,050)	-	-	-	-	-	(1,050)	1,050	-
Statutory provision for finance lease liabilities	-	-	2	-	-	-	-	2	(2)	-
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals	-	(28)	-	-	-	-	-	(28)	28	-
Difference between fair value depreciation and historical cost depreciation	1,065	(1,065)	-	-	-	-	-	-	-	-
Removal of revaluation reserve balances for Property, Plant and Equipment disposed of in prior year	460	(460)	-	-	-	-	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	80	-	-	-	-	80	(80)	-
Reversal of Major Repairs Allowance credited to the HRA	-	13,268	-	-	-	-	-	13,268	(13,268)	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	(31,802)	-	-	-	-	-	(31,802)	31,802	-
<b>Total Adjustments between accounting basis &amp; funding basis under</b>	<b>18,256</b>	<b>470,273</b>	<b>82</b>	<b>(73,186)</b>	<b>(506)</b>	<b>(877)</b>	<b>284</b>	<b>414,326</b>	<b>(414,326)</b>	<b>-</b>
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>37,923</b>	<b>470,273</b>	<b>82</b>	<b>(222,240)</b>	<b>(506)</b>	<b>(877)</b>	<b>284</b>	<b>284,939</b>	<b>9,009</b>	<b>293,948</b>
Transfers (to)/from Earmarked Reserves (Note 8)	-	(30)	-	-	-	-	-	(30)	30	-
<b>(Increase)/Decrease in year</b>	<b>37,923</b>	<b>470,243</b>	<b>82</b>	<b>(222,240)</b>	<b>(506)</b>	<b>(877)</b>	<b>284</b>	<b>284,909</b>	<b>9,039</b>	<b>293,948</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>(45,830)</b>	<b>(862,084)</b>	<b>(3,184)</b>	<b>324,495</b>	<b>1,795</b>	<b>201</b>	<b>3,703</b>	<b>(580,904)</b>	<b>(85,239)</b>	<b>(666,143)</b>



## 8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	Balance at 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Movement Between Reserves 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Movement Between Reserves 2010/11 £000	Balance at 31 March 2011 £000	
<b>General Fund</b>										
i.	Insurance Fund	(3,089)	-	(354)	-	(3,443)	101	(4,273)	-	(7,615)
ii.	Controlled Parking Fund	-	-	(223)	-	(223)	120	(450)	-	(553)
iii.	Computer Replacement Fund	(861)	185	(122)	-	(798)	-	(118)	-	(916)
iv.	IT Infrastructure	-	-	-	-	-	(490)	-	-	(490)
v.	Price Pressures	-	-	-	-	-	(152)	-	-	(152)
vi.	Efficiency Projects Reserve	(5,399)	2,367	(703)	(1,325)	(5,060)	2,606	(1,840)	-	(4,294)
vii.	Planned Maintenance	-	-	-	-	-	(192)	-	-	(192)
viii.	Environment Services Redundancy	-	-	-	-	-	(211)	-	-	(211)
ix.	Economic Downturn Reserve	(2,121)	2,132	(799)	-	(788)	170	(124)	-	(742)
x.	Debtors/Creditors Review	(117)	1	(66)	-	(182)	104	(2)	-	(80)
xi.	PCT Integration Reserve	(150)	-	-	-	(150)	-	(621)	-	(771)
xii.	Dilapidations/Office Moves	(790)	425	(1,636)	-	(2,001)	416	(612)	-	(2,197)
xiii.	Housing Benefit	(2,462)	253	-	1,000	(1,209)	257	(450)	-	(1,402)
xiv.	DWP Grant for Housing Benefit Changes	-	-	-	-	-	(52)	-	-	(52)
xv.	Income System Enhancement	(355)	-	(136)	-	(491)	211	-	-	(280)
xvi.	Planning Inquiries	(169)	50	1	-	(118)	159	(80)	-	(39)
xvii.	LPFA Sub Fund	-	-	(379)	-	(379)	-	(690)	-	(1,069)
xviii.	Single Status	(1,761)	-	(17)	-	(1,778)	32	-	-	(1,746)
xix.	Bishops Park	(1,000)	-	-	(200)	(1,200)	-	-	-	(1,200)
xx.	Performance Reward Grant	(2,296)	1,346	-	-	(950)	2	-	-	(948)
xxi.	Imperial Wharf	(1,000)	-	-	200	(800)	-	-	-	(800)
xxii.	No Recourse to Public Funds	(200)	-	-	100	(100)	-	-	-	(100)
xxiii.	24/7 Policing	(3,327)	1,263	-	-	(2,064)	2,184	(121)	-	(0)
xxiv.	Civic Accommodation Reserve	(988)	47	-	-	(941)	34	-	-	(907)
xxv.	PFI Reserve	(432)	-	(133)	-	(565)	565	(133)	-	(133)
xxvi.	Online Housing Application	(300)	-	-	-	(300)	-	-	96	(204)
xxvii.	Enhanced Housing Options	-	-	-	-	-	44	-	(96)	(52)
xxviii.	Temporary Accommodation	-	-	(164)	(377)	(541)	-	-	-	(541)
xxix.	S117 Reserve	(200)	78	-	-	(122)	-	-	-	(122)
xxx.	Participle Projects	-	-	-	-	-	-	(256)	-	(256)
xxxi.	Strokes Association Payments	-	-	-	-	-	-	(100)	-	(100)
xxxii.	Preventative Services & Early Intervention	-	-	-	-	-	-	(350)	-	(350)
xxxiii.	Pressures & Demands	-	-	-	-	-	-	(2,729)	-	(2,729)
xxxiv.	Continuing Care Pressures	(1,476)	776	(197)	-	(897)	624	-	-	(273)
xxxv.	Corporate Redundancy	-	-	-	-	-	-	(1,000)	-	(1,000)
xxxvi.	LPFA Top-up	(22)	-	-	22	-	-	-	-	-
xxxvii.	Other Funds	(4,405)	482	(3,487)	580	(6,830)	4,066	(2,224)	-	(4,988)
	<b>Total</b>	<b>(32,920)</b>	<b>9,405</b>	<b>(8,415)</b>	<b>-</b>	<b>(31,930)</b>	<b>11,695</b>	<b>(17,270)</b>	<b>-</b>	<b>(37,505)</b>
<b>HRA</b>										
xxxviii.	Major Works	(130)	130	-	-	-	-	-	-	-
	<b>Total</b>	<b>(130)</b>	<b>130</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total</b>	<b>(33,050)</b>	<b>9,535</b>	<b>(8,415)</b>	<b>-</b>	<b>(31,930)</b>	<b>11,695</b>	<b>(17,270)</b>	<b>-</b>	<b>(37,505)</b>

(Cont'd Overleaf)

## 8. Transfers to/from Earmarked Reserves (cont'd)

	Balance at 1 April 2009 £000	Transfers Out 2009/10 £000	Transfers In 2009/10 £000	Movement Between Reserves 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Movement Between Reserves 2010/11 £000	Balance at 31 March 2011 £000
<b>Revenue Grants</b>									
xxxix.	ESA Implementation	(35)	-	-	(35)	-	-	-	(35)
xl.	Temp Accommodation Set-Up Costs	-	-	(6)	(6)	-	-	-	(6)
xli.	Regen Grant - LDA	(69)	32	-	(37)	37	(37)	-	(37)
xlii.	Regen Grant	(546)	504	-	(42)	-	-	-	(42)
xliii.	LIFT Project	(88)	88	-	-	-	-	-	-
xliv.	Migrant Impact Fund	-	26	(198)	(172)	-	(99)	-	(271)
xlv.	LABGI	-	105	(556)	(451)	745	(451)	-	(157)
xlvi.	Regeneration Job Centre	(163)	90	-	(73)	73	(73)	-	(73)
xlvii.	Contact Point	-	198	(280)	(82)	82	-	-	0
xlviii.	Assistive Technology	(113)	44	-	(69)	69	-	-	-
xlix.	Carers	(207)	-	(64)	(271)	211	-	-	(60)
i.	Emergency Respite	(74)	54	-	(20)	20	-	-	-
ii.	Training Support	(553)	15	(50)	(588)	552	(32)	-	(68)
iii.	HRA & Climate Change	-	-	-	-	-	(8)	-	(8)
liii.	Catalyst Housing Support Grant	-	-	-	-	-	(2)	-	(2)
liv.	Stroke Care	-	-	-	-	-	(90)	-	(90)
lv.	Single Regen Budget	-	-	-	-	-	(70)	-	(70)
lvi.	TFL Street Management	-	-	-	-	-	(129)	-	(129)
lvii.	Supporting People	-	-	-	-	-	(1,833)	-	(1,833)
lviii.	LAA Waste Grant	-	-	-	-	-	(55)	-	(55)
lix.	Homelessness Grant	(391)	1,380	(1,283)	(294)	1,350	(1,633)	-	(577)
lx.	S106 - Revenue Schemes	(508)	439	(352)	(420)	107	(1,091)	-	(1,404)
	Sub-Total	(2,747)	2,975	(2,789)	(2,561)	3,246	(5,603)	-	(4,918)
	<b>Total (Restated)</b>	<b>(35,798)</b>	<b>12,511</b>	<b>(11,204)</b>	<b>-</b>	<b>(34,491)</b>	<b>14,941</b>	<b>(22,873)</b>	<b>-</b>

The main purpose of each earmarked reserve is explained below:

i.	Insurance Fund	- this was established to underwrite a proportion of the Council's insurable risks.
ii.	Controlled Parking Fund	- the surplus from the running of the Controlled Parking operations within the Borough is accumulated in this Fund. In the past, this reserve had to be used to meet expenditure on transport and highways related activities.
iii.	Computer Replacement Fund	- this is for the enhancement to the Council's IT systems required to meet existing commitments and future demands.
iv.	IT Infrastructure	- this reserve has been set up for future IT improvement programmes.
v.	Price Pressures	- this reserve is to address inflationary pressures to the council.
vi.	Efficiency Projects Reserve	- this reserve will fund future revenue expenditure and capital investment that will provide future revenue savings.
vii.	Planned Maintenance	- this reserve is an underspend on revenue planned maintenance which will be spent in 2011/12 due to increased activity expected from inspection checks from EC Harris and building site audits.
viii.	Environment Services Redundancy	- this reserve is a carry forward based on major reorganisations which will fall into 2011/12.
ix.	Economic Downturn Reserve	- this reserve has been set up to deal with any effects of the current worldwide economic downturn.
x.	Debtors/Creditors Review	- this reserve is set aside to meet the cost of a review of all balance sheet debtors and creditors held by the Council and to meet any costs of adjusting those balances.
xi.	PCT Integration Reserve	- this reserve has been set up to fund any potential costs of the integration of Hammersmith & Fulham Primary Care Trust.
xii.	Dilapidations/Office Moves	- this reserve has been set up to fund potential office moves and the repair of office accommodation dilapidations.
xiii.	Housing Benefit	- the completion of the audit of the housing benefit subsidy claim often results in a reduction in subsidy paid for the previous financial year. This reserve is used to meet the cost of any adjustments.
xiv.	DWP Grant for Housing Benefit Changes	- Grants received from DWP to make changes to systems for Housing Benefit changes.
xv.	Income System Enhancement	- this reserve has been set up to fund the replacement or upgrade of the Council's cash collection IT system.
xvi.	Planning Inquiries	- this reserve has been established to fund possible future costs of planning inquiries that may become chargeable to the General Fund.
xvii.	LPFA Sub Fund	- this reserve has been set aside to cover a potential pensions liability to the LPFA.
xviii.	Single Status	- this reserve has been created to meet the costs of the implementation of Single Status. Local Authorities were required to introduce harmonised pay and conditions for staff by 31 March 2007.
xix.	Bishops Park	- this reserve has been set aside as part of the Bishops Park lottery funded development scheme.
xx.	Performance Reward Grant	- this is a reserve set up to hold funds from the Reward Grant passed to the Council by the Department of Communities & Local Government.
xxi.	Imperial Wharf	- this reserve has been set up to under write the construction of Imperial Wharf Overground station.

xxii.	No Recourse to Public Funds	- this reserve was established to provide services to people who have no recourse to public funds.
xxiii.	24/7 Policing	- this reserve has been set up to fund the extension of the Safer Neighbourhood Teams 24/7 policing scheme.
xxiv.	Civic Accommodation Reserve	- this reserve is set aside to meet the preliminary costs that are emerging in connection with the Council's Civic Accommodation project.
xxv.	PFI Reserve	- this reserve has been set up to meet the future indexations costs of the Council's Private Finance Initiative.
xxvi.	Online Housing Application	- set up to fund the development of an on-line Housing applications register.
xxvii.	Enhanced Housing Options	- this reserve has been set up to help fund the Enhanced Housing Options programme.
xxviii.	Temporary Accommodation	- this reserve has been set up to deal with possible shortfalls arising out of the introduction of a cap on rental income received for temporary accommodation.
xxix.	S117 Reserve	- this money was set aside to meet the costs of any new cases arising out of charging for care under Section 117 of the Mental Health Act, 1983, that come to light.
xxx.	Participle Projects	- This reserve was set up to cover the Participle Projects scheme funded from non-recurrent funds from social care grants and the PCT.
xxxi.	Strokes Association Payments	- This reserve was set up to cover the Strokes Association scheme funded from non-recurrent funds from social care grants and the PCT.
xxxii.	Preventative Services & Early Intervention	- This reserve was set up to cover the Preventative & Early Intervention scheme funded from non-recurrent funds from social care grants and the PCT.
xxxiii.	Pressures & Demands	- this reserve is to address non-recurring new financial pressures.
xxxiv.	Continuing Care Pressures	- this reserve has been set up to meet the demands of a potential future increase of cost related to social care.
xxxv.	Corporate Redundancy	- this reserve was set up to cover any redundancies.
xxxvi.	LPFA Top-up	- this reserve was set up to cover past service adjustments. The residual amount was transferred to the Efficiency Projects reserve in year.
xxxvii.	Other Funds	- these comprise a number of other reserves held by various departments of the Council.
xxxviii.	Major Works	- this reserve has been set aside to assist leaseholders in paying for major works from the Decent Homes programme.
xxxix. - lix.	Grants	- these are grants which have been transferred as an earmarked reserve due to the implementation of International Financial Reporting Standards (IFRS).

### 9(a) Usable Reserves

The Council's usable reserves are explained below:

i.	General Fund Balances	- The General Fund includes any surplus after meeting net expenditure on Council Services.
ii.	School Balances	- 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.
iii.	Earmarked Reserves	- Note 8 describes each Earmarked Reserve in detail.
iv.	Capital Grants Unapplied	- These are capital grants with no payback conditions and have had no associated expenditure in 2010/11.
v.	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.
vi.	Major Repairs Reserve	- The Major Repairs Reserve is available for financing major repairs to the Council's housing stock.
vii.	Capital Receipts Reserve	- This reserve relates to the capital receipts from the sale of assets, such as Right-To-Buy properties and other general receipts.
viii.	Capital Reserves	- This is to hold retained capital receipts from the sale of assets.

### 9(b) Unusable Reserves

The Council's unusable reserves are explained below:

i.	Revaluation Reserve	<p>The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:</p> <ul style="list-style-type: none"> <li>• revalued downwards or impaired and the gains are lost</li> <li>• used in the provision of services and the gains are consumed through depreciation, or</li> <li>• disposed of and the gains are realised.</li> </ul>
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		The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.
ii.	Capital Adjustment Account	<p>The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.</p> <p>The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.</p>
iii.	Deferred Capital Receipts Reserve	The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.
iv.	Pensions Reserve	The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.
v.	Financial Instruments Adjustment Account	The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.
vi.	Collection Fund Adjustment Account	The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.
vii.	Accumulated Absences Account	The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

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## 10. Material Items of Income and Expense

In 2010/11 the Government announced that it plans to increase future pensions in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This change has resulted in a reduction of past service pension costs of £88.655 million. This has been recognised within "Non-distributed costs - General" in the Comprehensive Income and Expenditure Statement in accordance with BVACOP.

In 2010/11 the Government revised the adjustment factor, applied to the cost of housing dwelling stock to derive an Existing Use Value - Social Housing (EUW-SH) valuation, from 37% to 25%. In addition the Council conducted a full revaluation of its dwelling stock as at 1 April 2010 in line with the proper practice set out in the Government guidance "Stock Valuation for Resource Accounting: Guidance for Valuers - 2010". Our last full revaluation was conducted as at 1 April 2005. As a result of these two factors a proportion of the assets were revalued downwards and revaluation losses in excess of the Revaluation Reserve balances for those assets totalled £465m, which is mainly the impact of the change in adjustment factor (£352m.) This has been recognised within "Local authority housing (HRA)" in the Comprehensive Income and Expenditure Statement in accordance with BVACOP.

## 11. Other Operating Expenditure

	2010/11 £000	2009/10 £000
Levies	2,654	9,650
Payments to the Government Housing Capital Receipts Pool	1,366	2,517
Gains/losses on the disposal of non-current assets	(1,205)	(7,119)
Trading Operations [See Below]	323	778
Other Operating Income	(517)	(4,433)
	<u>2,621</u>	<u>1,393</u>

The following Trading Operations operated during the year. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. The table illustrates the surplus or deficit for each service.

	2010/11			2009/10		
	Turnover £000	Expenditure £000	(Surplus)/ Deficit £000	Turnover £000	Expenditure £000	(Surplus)/ Deficit £000
Highways Division	(1,114)	1,113	(1)	(1,428)	1,464	36
Construction & Property Related Services	(301)	1,007	706	(7,627)	7,718	91
Building Cleaning	-	-	-	(2,193)	2,206	13
Catering	(35)	308	273	(2,675)	2,995	320
Home to School Transport	-	-	-	(2,232)	2,431	199
Industrial Estates and Misc Properties	(1,954)	1,014	(940)	(1,022)	1,070	48
Other	(540)	825	285	(650)	721	71
Net surplus on trading operations	<u>(3,944)</u>	<u>4,267</u>	<u>323</u>	<u>(17,827)</u>	<u>18,605</u>	<u>778</u>

## 12. Financing and Investment Income and Expenditure

	2010/11 £000	2009/10 £000
Interest payable and similar charges	29,748	27,823
Pensions interest cost	50,461	45,632
Expected return on pensions assets	(32,819)	(23,061)
Interest receivable and similar income	(1,902)	(1,900)
Income and expenditure in relation to investment properties and changes in their fair value	(1,930)	(2,019)
	<u>43,558</u>	<u>46,475</u>

## 13. Taxation and non-specific grant income

	2010/11 £000	2009/10 £000
Council Tax Income	(64,300)	(65,904)
Non domestic rates	(105,590)	(96,808)
Non-ringfenced government grants	(36,651)	(33,646)
Capital grants and contributions	(23,500)	(16,041)
	<u>(230,041)</u>	<u>(212,399)</u>

## 14. Property, Plant and Equipment

### (i) Movements on Balances

Movements in 2010/11

	Council Dwellings £000	Other Land and Buildings £000	Infrastructure Assets £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
<b>Cost or Valuation</b>									
At 1 April 2010 (Restated)	1,411,345	387,336	159,318	27,880	10,766	12,366	235	<b>2,009,246</b>	18,768
Additions	57,648	8,221	6,537	1,346	3,595	-	467	<b>77,814</b>	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(57,979)	9,525	-	-	-	165	-	<b>(48,289)</b>	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(508,656)	(6,794)	-	-	-	(439)	-	<b>(515,889)</b>	-
Derecognition – disposals	(18,130)	(715)	-	(26)	-	-	-	<b>(18,871)</b>	-
Derecognition – other	(422)	(9,001)	-	-	-	(315)	-	<b>(9,738)</b>	-
Assets reclassified (to)/from Held for Sale	-	(274)	-	-	-	-	-	<b>(274)</b>	-
Other movements in cost or valuation	(2,862)	(1,157)	-	-	-	999	-	<b>(3,020)</b>	-
<b>At 31 March 2011</b>	<b>880,944</b>	<b>387,141</b>	<b>165,855</b>	<b>29,200</b>	<b>14,361</b>	<b>12,776</b>	<b>702</b>	<b>1,490,979</b>	<b>18,768</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2010	-	(23,437)	(43,981)	(17,245)	(1,229)	-	-	<b>(85,892)</b>	(688)
Depreciation charge	(13,268)	(7,399)	(9,130)	(2,467)	(548)	-	-	<b>(32,812)</b>	(660)
Revaluation	13,088	12,363	-	-	-	-	-	<b>25,451</b>	-
Derecognition – disposals	4	54	-	19	-	-	-	<b>77</b>	-
Derecognition – other	-	7,701	-	-	-	-	-	<b>7,701</b>	-
Other movements in depreciation and impairment	25	158	-	-	-	-	-	<b>183</b>	-
<b>At 31 March 2011</b>	<b>(151)</b>	<b>(10,560)</b>	<b>(53,111)</b>	<b>(19,693)</b>	<b>(1,777)</b>	<b>-</b>	<b>-</b>	<b>(85,292)</b>	<b>(1,348)</b>
<b>Net Book Value at 31 March 2011</b>	<b>880,793</b>	<b>376,581</b>	<b>112,744</b>	<b>9,507</b>	<b>12,584</b>	<b>12,776</b>	<b>702</b>	<b>1,405,687</b>	<b>17,420</b>

Movements in 2009/10 (Restated)

	Council Dwellings £000	Other Land and Buildings £000	Infrastructure Assets £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFL Assets Included in Property, Plant and Equipment £000
<b>Cost or Valuation</b>									
At 1 April 2009	1,346,732	406,384	151,902	27,648	8,807	11,907	4,117	1,957,497	18,980
Additions	74,291	13,276	7,416	232	1,954	-	113	97,282	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,837)	5,817	-	-	-	-	-	2,980	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(7,724)	(33,947)	-	-	-	-	-	(41,671)	(212)
Derecognition – disposals	(1,116)	(4,200)	-	-	-	-	-	(5,316)	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	(740)	-	(740)	-
Other movements in cost or valuation	1,999	6	-	-	5	1,199	(3,995)	(786)	-
<b>At 31 March 2010</b>	<b>1,411,345</b>	<b>387,336</b>	<b>159,318</b>	<b>27,880</b>	<b>10,766</b>	<b>12,366</b>	<b>235</b>	<b>2,009,246</b>	<b>18,768</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2009	-	(17,821)	(35,589)	(13,706)	(877)	-	-	(67,993)	-
Depreciation charge	(12,646)	(7,320)	(8,392)	(3,539)	(352)	-	-	(32,249)	(860)
Revaluation	12,646	1,470	-	-	-	-	-	14,116	172
Derecognition – disposals	-	158	-	-	-	-	-	158	-
Derecognition – other	-	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	76	-	-	-	-	-	76	-
<b>At 31 March 2010</b>	<b>-</b>	<b>(23,437)</b>	<b>(43,981)</b>	<b>(17,245)</b>	<b>(1,229)</b>	<b>-</b>	<b>-</b>	<b>(85,892)</b>	<b>(688)</b>
<b>Net Book Value at 31 March 2010 (Restated)</b>	<b>1,411,345</b>	<b>363,899</b>	<b>115,337</b>	<b>10,635</b>	<b>9,537</b>	<b>12,366</b>	<b>235</b>	<b>1,923,354</b>	<b>18,080</b>

(ii) Depreciation and useful life

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Council Dwellings	35 - 75 years
Other Land and Buildings	4 - 100 years
Infrastructure	3 - 40 years
Vehicles, Plant, Furniture & Equipment	4 - 48 years
Community Assets	4 - 73 years

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**(ii) Depreciation and Useful life (cont'd)**

The amount charged to services in 2010/11 was:	£000
Central services to the public	605
Cultural, environmental, regulatory and planning services	3,771
Education and children's services	4,164
Highways and transport services	7,451
Local authority housing (HRA)	13,805
Other housing services	102
Adult social care	1,297
Non distributed costs - General	1,510
Other Operating Expenditure (Trading Operations)	107
	<u>32,812</u>

**(iii) Effect of Changes in Estimates**

In 2010/11 the Authority made no material changes to its accounting estimates for Property, Plant and Equipment.

**(iv) Revaluation**

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The Authority has used the external valuation contractor Lambert Smith & Hampton to carry out the valuations under instruction from the authority's internal Valuation and Property Services. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations have an effective date of 1 April 2010 and is the last year of our rolling programme. A new programme is to be established for valuations with effective date 1 April 2011.

The significant assumptions applied in estimating the fair values are:

- Valuations of owner occupied properties reflect special adaptations or particular suitability of the premises for the existing use, but specifically exclude, so far as possible value attributable to goodwill and alternative uses.
- No allowance has been made for any national or local tax whether existing or which may arise in the future.
- For non-Council Dwellings, the properties have been valued on an individual basis, thus envisaging that they will be marketed individually or in groups over an appropriate period of time.
- Except where specific information is available, properties have been properly maintained and are in good repair and condition.

	Council Dwellings £000	Other Land and Buildings £000	Infrastructure Assets £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at Historical Cost	-	5,309	112,744	9,507	12,584	-	702	140,846
Valued at fair value as at:								
31 March 2011	873,957	184,709	-	-	-	1,690	-	1,060,356
31 March 2010	6,836	149,385	-	-	-	-	-	156,221
31 March 2009	-	13,470	-	-	-	468	-	13,938
31 March 2008	-	-	-	-	-	-	-	-
31 March 2007	-	23,708	-	-	-	10,618	-	34,326
	<u>880,793</u>	<u>376,581</u>	<u>112,744</u>	<u>9,507</u>	<u>12,584</u>	<u>12,776</u>	<u>702</u>	<u>1,405,687</u>



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**(v) Capital Commitments**

Capital commitments on major schemes at 31 March 2011 totalled £31m across the Council. This figure includes schemes for both the General Fund (Bishop's Park - £4.1m and Edward Woods estate regeneration - £9.3m) and the Decent Homes programme £17.6m.

**(vi) Impairment Losses**

The Council values its dwellings in accordance with the proper practice set out in the Government guidance "*Stock Valuation for Resource Accounting: Guidance for Valuers - 2010*". Under the requirements of the "beacon system" of valuation and 75 per cent discount applied to the open market valuation of the dwellings using the "Existing Use Valuation - Social Housing" methodology, the Council's capital expenditure on its dwelling stock does not increase the value of the assets on a pound-for-pound basis; at best the value of a dwelling will be increased by only 25 per cent of the capital expenditure incurred upon it. The Code and associated Guidance Notes for Practitioners require the Council to impair an asset accordingly where the value of an asset increases by less than the capital expenditure incurred on it. The Council has impaired £43.2m it spent enhancing its dwelling stock and charged the impairment to the Surplus or Deficit on the Provision of Services.

The Council conducted a full revaluation of its dwelling stock as at 1 April 2010 in line with the proper practice set out in the Government guidance "*Stock Valuation for Resource Accounting: Guidance for Valuers - 2010*". A proportion of the assets were revalued downwards and revaluation losses in excess of the Revaluation Reserve balances for those assets totalling £465m were debited to the Surplus or Deficit on the Provision of Services.

**15. Investment Properties**

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

	2010/11 £000	2009/10 £000
Rental income from investment property*	(3,828)	(3,752)

\* Due to the accounts coding structure direct expenditure on investment property is not available.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	31 March 2011 £000	31 March 2010 £000
Balance at start of the year	44,129	39,845
Additions:		
• Purchases	5,061	5
• Subsequent expenditure	1,429	3,962
Disposals	(3,680)	(392)
Net gains/losses from fair value adjustments	1,930	(77)
Transfers:		
• to/from Property, Plant and Equipment	2,837	0
Other changes	-	786
Balance at end of the year	<b>51,706</b>	<b>44,129</b>

## 16. Intangible Assets

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

### (i) Movements on Balances

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

	2010/11			2009/10		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
<b>Balance at start of year:</b>						
• Gross carrying amounts	-	2,896	2,896	-	2,595	2,595
• Accumulated amortisation	-	(2,066)	(2,066)	-	(1,851)	(1,851)
Net carrying amount at start of year	-	830	830	-	744	744
Purchases	-	811	811	-	301	301
Disposals	-	(20)	(20)	-	-	-
Amortisation for the period	-	(223)	(223)	-	(215)	(215)
Other changes	-	-	-	-	-	-
<b>Net carrying amount at end of year</b>	<b>-</b>	<b>1,398</b>	<b>1,398</b>	<b>-</b>	<b>830</b>	<b>830</b>
Comprising:						
• Gross carrying amounts	-	3,666	3,666	-	2,896	2,896
• Accumulated amortisation	-	(2,268)	(2,268)	-	(2,066)	(2,066)
	<b>-</b>	<b>1,398</b>	<b>1,398</b>	<b>-</b>	<b>830</b>	<b>830</b>

There are no items of capitalised software that are individually material to the financial statements.

### (ii) Amortisation and Useful Life

All intangible assets are given a finite useful life, based on assessments of the period that the intangible asset is expected to be of use to the Council. The useful lives assigned to intangible assets range from 3 years to 10 years.

The carrying amount of intangible assets is amortised on a straight-line basis. £61k of the amortisation of £223k charged to revenue in 2010/11 was charged to the service headings in the Net Expenditure of Services where appropriate. The balance was charged to the Service Management and Support Services cost centres and then absorbed as an overhead across all services.

The amount charged to services in 2010/11 was:

	£000
Central Services to the Public	133
Cultural, Environmental, Regulatory & Planning Services	20
Education and children's services	7
Local authority housing (HRA)	48
Other Housing Services	13
Non-Distributed Costs	2
	<u>223</u>

### (iii) Effect of Changes in Estimates

In 2010/11 the Authority made no changes to its accounting estimates for intangible assets.

### (iv) Revaluation

IAS 38 allows an intangible asset to be carried at a revalued amount only where its fair value can be determined by reference to an active market. There is no active market for the Authority's intangible assets and therefore intangible assets are not revalued. Intangible assets are therefore carried at its cost less any accumulated amortisation and any accumulated impairment loss.

### (v) Capital Commitments

The Council does not have any major commitments in relation to Intangible Assets.

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## 17. Capital Expenditure and Capital Financing

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

	2010/11 £000	2009/10 £000 (Restated)
<b>Opening Capital Financing Requirement</b>	552,972	506,617
<b>Capital Investment</b>		
Property, Plant and Equipment	77,813	97,282
Investment Properties	6,490	3,967
Intangible Assets	811	301
Revenue Expenditure Funded from Capital under Statute	6,482	8,301
<b>Sources of Finance</b>		
Capital receipts	(27,298)	(17,580)
Government grants and other contributions	(60,667)	(45,058)
Sums set aside from revenue:		
Direct revenue contributions	(953)	(198)
MRP/loans fund principal	(4,541)	(660)
<b>Closing Capital Financing Requirement</b>	<u>551,109</u>	<u>552,972</u>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (supported by government financial assistance)	(812)	38,466
Increase in underlying need to borrowing (unsupported by government financial assistance)	(232)	(676)
Assets acquired under finance leases	(717)	(660)
Assets acquired under PFI/PPP contracts	(102)	9,225
<b>Increase/(decrease) in Capital Financing Requirement</b>	<u>(1,863)</u>	<u>46,355</u>

## 18. Leases (Restated)

### Council as Lessee

#### Finance Leases

The Council has acquired some office space, much of its IT and some vehicles under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
Other Land and Buildings	435	544	652
Vehicles, Plant, Furniture and Equipment	3,193	3,878	4,600
	<u>3,628</u>	<u>4,422</u>	<u>5,252</u>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
Finance lease liabilities (net present value of minimum lease payments):			
• current	771	717	700
• non-current	3,184	3,955	4,672
Finance costs payable in future years	1,164	1,617	2,128
Minimum lease payments	<u>5,119</u>	<u>6,289</u>	<u>7,500</u>

The lease payments will be payable over the following periods:

	Minimum Lease Payments			Finance Lease Liabilities		
	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
Not later than one year	1,169	1,169	1,211	771	717	700
Later than one year and not later than five years	3,738	4,544	4,678	2,991	3,449	3,282
Later than five years	212	576	1,611	193	528	2,022
	<u>5,119</u>	<u>6,289</u>	<u>7,500</u>	<u>3,955</u>	<u>4,694</u>	<u>6,004</u>

The Council has neither sub-let any of the accommodation or equipment held under the finance leases nor is paying any rental in excess of the contractual minimum lease payments.

#### *Operating Leases*

The Council has acquired some office accommodation, hostels, depot facilities and a range of vehicles and office equipment by entering into operating leases.

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

	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
Not later than one year	1,677	2,368	3,329
Later than one year and not later than five years	3,441	4,290	4,986
Later than five years	6,436	7,063	7,788
	<u>11,554</u>	<u>13,721</u>	<u>16,103</u>

The Council has sub-let some of the accommodation and equipment held under these leases. At 31st March 2011 the minimum income expected to be received under non-cancellable sub-leases was £542,000 (£658,000 at 31st March 2010).

The expenditure charged to the service revenue accounts during the year in relation to these leases was:

	2010/11 £000	2009/10 £000
Minimum lease payments	2,558	3,521
Contingent rents	738	1,237
Sublease payments receivable	(130)	(281)
	<u>3,166</u>	<u>4,477</u>

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**Council as Lessor***Finance Leases*

The Council has two properties let on long term commercial leases which qualify as finance leases. The Council has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
Finance lease debtor (net present value of minimum lease payments):			
• current	2	2	2
• non-current	166	162	157
Unearned finance income	2,856	2,864	2,873
Unguaranteed residual value of property	43	41	39
Gross investment in the lease	<u>3,067</u>	<u>3,069</u>	<u>3,071</u>

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

	Gross Investment in the Lease			Minimum Lease Payments		
	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
Not later than one year	157	157	157	3	2	2
Later than one year and not later than five years	552	552	552	11	11	11
Later than five years	<u>2,358</u>	<u>2,360</u>	<u>2,362</u>	<u>1,807</u>	<u>1,810</u>	<u>1,813</u>
	<u>3,067</u>	<u>3,069</u>	<u>3,071</u>	<u>1,821</u>	<u>1,823</u>	<u>1,826</u>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into such as rent reviews. In 2010/11 £412,000 contingent rents were receivable by the council (£449,000 in 2009/10).

*Operating Leases*

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

- for the provision of community services, such as sports facilities, day centres and community centres.
- for economic development purposes providing suitable affordable accommodation for local businesses.
- as an investment to make the use of the Council's assets.

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

	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
Not later than one year	2,265	2,907	4,062
Later than one year and not later than five years	7,608	8,130	9,210
Later than five years	<u>24,401</u>	<u>26,243</u>	<u>28,085</u>
	<u>34,274</u>	<u>37,280</u>	<u>41,357</u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £341,000 contingent rents were receivable by the Council (2009/10 £383,000).

## 19. Private Finance Initiative

2010/11 was the seventh year of a 25 year Private Finance Initiative (PFI) to provide new services for vulnerable older people in the borough. The PFI has created new nursing homes, sheltered accommodation and a day care centre. Hammersmith & Fulham PCT also share the services provided at these sites through a back-to-back agreement with the Council.

### Property Plant and Equipment

The assets used to provide services at the residential care and nursing homes and sheltered accommodation are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 14.

### Payments

The Council makes an agreed payment each year (Unitary Charge) which is adjusted each year by inflation and three yearly by market conditions, and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. The annual Unitary Charge has been split into service charge, liability and interest.

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

	Payment for Services £000	Liability £000	Interest £000	Total £000
Payable in 2011/12	4,637	114	1,302	6,053
Payable within two to five years	19,668	626	5,039	25,333
Payable within six to ten years	27,234	1,383	5,698	34,315
Payable within eleven to fifteen years	30,303	2,641	4,439	37,383
Payable within sixteen to twenty years	29,422	4,359	1,931	35,712
	<b>111,264</b>	<b>9,123</b>	<b>18,409</b>	<b>138,796</b>

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

	2010/11 £000	2009/10 £000
Balance outstanding at start of year	9,224	9,315
Payments during the year	(105)	(91)
Capital expenditure incurred in the year	-	-
Balance outstanding at year-end	<b>9,119</b>	<b>9,224</b>

## 20. Inventories

	Consumable Stores		Maintenance Materials		Total	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
<b>Balance outstanding at start of year</b>	82	119	125	160	207	279
Purchases	40	18	100	266	140	284
Recognised as an expense in the year	(25)	(53)	(121)	(301)	(146)	(354)
Adjustment	17	(2)	(7)	-	10	(2)
Written off balances	-	-	(2)	-	(2)	-
	<b>114</b>	<b>82</b>	<b>95</b>	<b>125</b>	<b>209</b>	<b>207</b>

## 21. Debtors

	31 March 2011 £000	31 March 2010 £000 (Restated)	01 April 2009 £000 (Restated)
Central government bodies	16,937	18,691	
Other local authorities	-	-	
NHS bodies	738	38	
Public corporations and trading funds	-	-	
Other entities and individuals	44,380	38,276	
<b>Total</b>	<b>62,055</b>	<b>57,005</b>	<b>72,287</b>

No breakdown of the 1 April 2009 balance is available due to unavailability of analysis.

## 22. Cash and Cash Equivalents

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

	Current Assets		
	31 March 2011 £000	31 March 2010 £000 (Restated)	01 April 2009 £000 (Restated)
Cash held by the Council	395	320	288
Bank current accounts	2,401	2,061	1,782
School bank accounts	15,404	12,577	11,794
Short-term deposits	40,400	67,000	23,000
<b>Total</b>	<b>58,600</b>	<b>81,958</b>	<b>36,864</b>

	Current Liabilities		
	31 March 2011 £000	31 March 2010 £000 (Restated)	01 April 2009 £000 (Restated)
Bank overdraft	(4,329)	(14,230)	(30,750)
<b>Total</b>	<b>(4,329)</b>	<b>(14,230)</b>	<b>(30,750)</b>
<b>Net Cash and Cash Equivalents</b>	<b>54,271</b>	<b>67,728</b>	<b>6,114</b>

## 23. Assets Held For Sale

All Assets Held for Sale have been classified as Current as sales are expected within 12 months from balance sheet date.

	Current	
	31 March 2011 £000	31 March 2010 £000
<b>Balance outstanding at start of year</b>	740	-
Assets newly classified as held for sale:		
• Property, Plant and Equipment	-	-
• Intangible Assets	-	-
• Other assets/liabilities in disposal groups	234	740
Revaluation losses	-	-
Revaluation gains	-	-
Assets declassified as held for sale:		
• Property, Plant and Equipment	-	-
• Intangible Assets	-	-
• Other assets/liabilities in disposal groups	-	-
Assets sold	(740)	-
<b>Balance outstanding at year-end</b>	<b>234</b>	<b>740</b>

## 24. Creditors

	31 March 2011 £000	31 March 2010 £000 (Restated)	1 April 2009 £000 (Restated)
Central government bodies	(27,894)	(65,296)	
Other local authorities	-	-	
NHS bodies	(425)	(82)	
Public corporations and trading funds	-	-	
Other entities and individuals	(67,181)	(63,621)	
<b>Total</b>	<b>(95,500)</b>	<b>(128,999)</b>	<b>(84,217)</b>

No breakdown of the 1 April 2009 balance is available due to unavailability of analysis.

## 25. Provisions

	Insurance £000	Other Provisions £000	Total £000
<b>Balance at 1 April 2009</b>	(4,225)	(968)	(5,193)
Additional provisions	-	(98)	(98)
Amounts used	-	135	135
Unused amounts reversed	-	590	590
Unwinding of discount	-	-	-
<b>Balance at 31 March 2010/1 April 2010</b>	<b>(4,225)</b>	<b>(341)</b>	<b>(4,566)</b>
Additional provisions	-	(2,388)	(2,388)
Amounts used	-	85	85
Unused amounts reversed	3,635	-	3,635
Unwinding of discount	-	-	-
<b>Balance at 31 March 2011</b>	<b>(590)</b>	<b>(2,644)</b>	<b>(3,234)</b>
<i>Of which:</i>			
Next twelve months	(590)	-	(590)
Over twelve months	-	(2,644)	(2,644)
<b>Balance at 31 March 2011</b>	<b>(590)</b>	<b>(2,644)</b>	<b>(3,234)</b>

### Insurance

The council has reduced the insurance provision by £3.64m (held for known future insurance claims resulting from the Authority's self-insurance of liability risks and fire damage) as a result of the recent review of Insurance claims and changes in definitions. The updated provision is based on figures from insurers (Zurich) and reflects claims they have currently received for which they expect payment in the next 12 months.

### Other Provisions

Other Provisions include:

- £1.048m for anticipated redundancy costs as a result of World Class Financial Management re-organisation and Tri-Borough working initiatives.
- £583k to cover a potential shortfall in funding for Unaccompanied Asylum Seeking Children.
- £456.7k for the estimated amounts payable under the Notting Hill Housing Group (NHHG) 20 year leases surpluses and deficits agreement. The Authority is required to make payment to NHHG for the deficits arising from 2009/10 and 2010/11 under the terms of the S&D agreement.
- £143k for a number of ongoing disrepair cases for HRA properties.
- £80k for the risk over funding responsibility for a period of care at Royal Hospital Neurodisability for a specific patient which at balance sheet date was unresolved. £80k represents the amount the Local Authority will be liable for if it is determined that the Council must fund the entire period in question.



## 26. Financial Instruments

### (i) Categories of Financial Instruments

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

	Long Term			Current		
	31 March 2011	31 March 2010 (Restated)	1 April 2009 (Restated)	31 March 2011	31 March 2010 (Restated)	1 April 2009 (Restated)
	£000	£000	£000	£000	£000	£000
<b>Financial Assets:</b>						
<b>Loans and Receivables</b>						
Investments	2,816	2,654	1,619	30,413	70,398	54,452
Cash & cash equivalents	-	-	-	58,600	81,958	36,864
Long Term Debtors	3,312	3,544	3,728	-	-	-
Trade Debtors	-	-	-	60,041	46,110	-
<b>Total</b>	<b>6,128</b>	<b>6,198</b>	<b>5,347</b>	<b>149,054</b>	<b>198,466</b>	<b>91,316</b>
<b>Financial Liabilities :</b>						
<b>Measured at amortised cost</b>						
Borrowings	(459,670)	(475,289)	(397,579)	(21,855)	(5,855)	(5,324)
Bank overdraft	-	-	-	(4,329)	(14,230)	(30,750)
Long Term Creditors	(100)	(100)	(100)	-	-	-
Trade Creditors	-	-	-	(66,022)	(60,491)	-
<b>Total</b>	<b>(459,770)</b>	<b>(475,389)</b>	<b>(397,679)</b>	<b>(92,206)</b>	<b>(80,576)</b>	<b>(36,074)</b>
<b>Other Long Term Liabilities</b>						
PFI & Finance Lease liabilities	<b>(14,238)</b>	<b>(15,513)</b>	<b>(16,815)</b>			

The amounts for trade debtors and creditors are the values identified in Notes 21 and 24 to the accounts gross of any allowance for bad debts, see paragraph on Credit Risk in Note 27 below, but excluding outstanding balances to/from Government Departments, debts arising from taxation demands and monies received or paid in advance. No amounts are shown for 2009 debtors and creditors due to the unavailability of breakdown analysis. Further analysis of PFI and Finance Lease liabilities is given in Notes 18 and 19.

### (ii) Reclassifications

No financial instruments have been reclassified between valuation at amortised cost and valuation at fair value during 2010/11 or previous years.

### (iii) Income, Expense, Gains and Losses

	2010/11			2009/10		
	Financial Liabilities at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	29,748	-	29,748	27,823	-	27,823
Losses on derecognition	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-
Impairment losses	-	139	139	-	-	-
Fee expense	131	-	131	125	-	125
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>29,879</b>	<b>139</b>	<b>30,018</b>	<b>27,948</b>	<b>-</b>	<b>27,948</b>
Interest income	-	(1,902)	(1,902)	-	(1,900)	(1,900)
Increases in fair value	-	-	-	-	-	-
Gains on derecognition	-	-	-	-	-	-
Fee income	-	-	-	-	-	-
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(1,902)</b>	<b>(1,902)</b>	<b>-</b>	<b>(1,900)</b>	<b>(1,900)</b>
<b>Net gain/(loss) for the year</b>	<b>29,879</b>	<b>(1,763)</b>	<b>28,116</b>	<b>27,948</b>	<b>(1,900)</b>	<b>26,048</b>

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#### (iv) Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates at 31 March 2011 of 1.9% to 5.3% for loans from the PWLB and 0.48% to 1.25% for investments, these are based on new lending rates for equivalent loans at that date.
- no early repayment or impairment is recognised
- the fair value of trade debtors and creditors are taken to be the invoiced amounts.
- the fair value of cash, overdrafts and other cash equivalents is taken to be the carrying value

The amount for long term debtors at 31/3/2011 represents outstanding mortgages, firstly on sold Council Houses of £392,000 (£480,000 at 31/3/2010), secondly private sector mortgages of £149,000 (£152,000 at 31/3/2010) less an impairment charge, raised during 2010/11 of £139,000 and lastly a long term loan to the Hammersmith & Fulham Bridge Partnership (HFBP), balance £2,910,000 (£2,912,000 at 31/3/2010). As the interest rate charged to mortgagees is linked to the market rate and given the relatively small amount outstanding fair value is taken to be the carrying value. The HFBP loan is charged at current market rates. Therefore any difference between carrying and fair value on long term debtors would be insignificant.

£100,000 of the Long Term investment at 31/3/2011 (£100,000 at 31/3/2010) shown above relates to the Council's investment in the GLE Group matched by the long term creditor of the same amount. Again as any difference in values would be insignificant the fair value is taken to be the carrying value for both the investment and the liability.

The fair values calculated for the remaining instruments which consist of the Council's borrowings and investments are as follows:

#### Financial Liabilities

	31 March 2011		31 March 2010	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Borrowings	(481,525)	(473,362)	(481,144)	(509,105)

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2011) arising from a commitment to pay interest to lenders below current market rates.

#### Financial Assets

	31 March 2011		31 March 2010	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and receivables	33,129	33,052	72,952	72,711

#### 27. Nature and Extent of Risks Arising from Financial Instruments

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

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

The council has adopted CIPFA's "*Treasury Management in the Public Services: Code of Practice*" and sets treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the council in accordance with the above Code of Practice. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

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## Credit Risk

Credit risk arises from the short term lending of surplus funds to banks and other financial institutions, as well as credit exposures to the council's customers. Deposits are not made with banks and building societies unless they are rated independently using all three credit rating agencies below. The minimum score required by the Council for long term rating is A- from Fitch; A3 from Moody's and A- from S&P. The minimum score required for short term ratings is F2 from Fitch; P2 from Moody's and A-3 from S&P. Limits are also placed on the total amount deposited with any single institution. The Council also uses other market data on a weekly basis and adverse market movements may result in the removal of an institution from the Council's lending lists.

Exposure to customers is assessed by reference to past experience, age of debt, and stage of recovery process. Details of these debts are reported in Note 21. The sums shown are net of a prudent provision for their impairment amounting to £28.258 million at 31/3/2011 (£26.330 million at 31/3/2010). The council does not normally allow credit for its customers.

The past due but not impaired amount can be analysed by age as follows:

	31 March 2011 £000	31 March 2010 (Restated) £000
Less than three months	49,437	28,957
Three to six months	2,591	4,835
Six months to one year	1,804	5,434
More than one year	6,208	6,884
	<b>60,040</b>	<b>46,110</b>

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

	31 March 2011 £000	Historic Experience of Default %	Estimated Maximum Exposure to Default £000
Deposits with Banks and Financial Institutions	70,400	-	-

No credit limits were exceeded during the reporting period and the council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

## Liquidity Risk

The council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has ready access to borrowings from the money markets and the Public Works Loans Board. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Instead, the risk is that the council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The council sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that not more than 30% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and the re-scheduling of existing loans. The maturity analysis of financial liabilities is as follows:

	31 March 2011 £000	31 March 2010 £000
Less than one year	16,000	-
Between one and two years	174	16,000
Between two and five years	52,882	25,534
Between five and ten years	70,400	77,922
More than ten years	336,064	356,064
	<b>475,520</b>	<b>475,520</b>

All trade and other payables are due to be paid in less than one year.

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## Market risk

### Interest Rate Risk

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

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates - the fair value of the liabilities borrowings will fall
- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 20% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

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

Currently all of the council's investments and loans are at fixed interest rates so that the existing portfolio has no short term sensitivity to either upward or downward interest rate changes.

### Price Risk

The Council has no investments in equity shares.

### Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## 28. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2010/11	2009/10
	£000	£000
Interest Received	(2,080)	(3,195)
Interest Paid	29,360	27,107

## 29. Agency Services

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 involved is contained in the table below.

The expenditure and income relating to agency services is not included in the Income and Expenditure Account, since it is not incurred as part of the authority's normal responsibilities. However, a surplus of £135,000 has been made in relation to Thames Water, for whom collection from tenants is carried out. This surplus is included in the Housing Revenue Account Net Cost of Service. The council no longer acts as an agent for Eagle Star Tenant's Insurance.

	2010/11	2009/10
	£000	£000
Capital Ambition - Revenue	8,705	8,292
Capital Ambition - Capital	3,400	-
Joint Improvement Programme	2,202	1,341
Thames Water - Collection from Tenants	3,532	4,051
Eagle Star - Tenants Insurance	-	40
<b>Total</b>	<b>17,839</b>	<b>13,724</b>

## 30. Members' Allowances

The Council paid the following amounts to members of the council during the year.

	2010/11	2009/10
	£000	£000
Members' Allowances	878	856

### 31. Officers' Remuneration

The remuneration paid to the Council's senior employees is as follows:

	Notes		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensat- ion for Loss of Office £	Pension Con- tribution £	Total £
Geoff Alltimes - Chief Executive	1	2010/11	215,591	10,194	-	-	55,881	281,666
		2009/10	208,636	10,194	-	-	51,644	270,474
Sir William Atkinson - Head Teacher Phoenix High School	3	2010/11	166,180	-	-	-	23,431	189,611
		2009/10	160,640	-	-	-	22,650	183,290
Jane West - Director of Finance & Corporate Services		2010/11	151,522	13,637	-	-	40,974	206,133
		2009/10	148,551	16,341	-	-	38,914	203,806
Nigel Pallace - Director of Environment Services		2010/11	146,676	10,267	-	-	38,922	195,865
		2009/10	142,404	14,240	-	-	36,968	193,612
James Reilly - Director of Community Services		2010/11	139,566	6,607	-	-	34,604	180,777
		2009/10	148,551	11,884	-	-	37,863	198,298
Andrew Christie - Director of Children's Services		2010/11	146,676	11,734	689	-	39,268	198,367
		2009/10	142,404	12,816	340	-	36,632	192,192
Lyn Carpenter - Director of Residents' Services		2010/11	124,913	8,652	-	-	33,237	166,802
		2009/10	140,000	9,800	-	-	35,353	185,153
Susan Harris - Director of Residents' Services (Acting)		2010/11	52,190	5,219	-	-	27,130	84,539
		2009/10	-	-	-	-	-	-
Dinesh Ramjee - Head Teacher Henry Compton School (Left Aug 2010)	3	2010/11	60,056	-	-	195,490	8,468	264,014
		2009/10	-	-	-	-	-	-
Michael Cogher - Assistant Director (Legal & Democratic Services)	2	2010/11	114,062	5,703	11	-	29,644	149,420
		2009/10	109,770	5,591	-	-	27,225	142,586
Frank Hansen - Assistant Director (Strategy, Performance & Procurement)		2010/11	96,242	3,850	-	57,544	24,764	182,400
		2009/10	-	-	-	-	-	-

**Note 1** - The full salary of the Chief Executive is given above, however, it should be noted that from April 2009 to November 2010, a share arrangement was entered into whereby Hammersmith and Fulham Primary Care Trust shared the Chief Executive, contributing to 30% of the Salary.

**NB** The Chief Executive's salary 2010/11 includes Returning Officer fees of £11,717 for the Local and General Elections. The 2009/10 figure includes £4,762 for the European Elections.

**Note 2** - The full salary of the Assistant Director (Legal & Democratic Services) is given above, however, it should be noted that from June 2009, a share arrangement was entered into with the Royal Borough of Kensington and Chelsea (RBKC) to share the Head of Legal Services. In 2010/11 £75,000 was received from RBKC at a charge of £100 per hour.

**Note 3** - Pay decisions for the head teachers disclosed above rest with the School Governing Body and not the Council.

These numbers do not include senior employees shown on the previous page.

### **Including Redundancies**

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions and including redundancy payments) were paid the following amounts:

### **Excluding Redundancies**

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions and excluding redundancy payments) were paid the following amounts:

<b>Remuneration Band</b>	<b>2010/11 Number of Employees</b>	<b>2009/10 Number of Employees</b>	<b>2010/11 Number of Employees</b>	<b>2009/10 Number of Employees</b>
£145,000 - £149,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£135,000 - £139,999	1	2	1	2
£130,000 - £134,999	1	1	1	-
£125,000 - £129,999	1	-	1	-
£120,000 - £124,999	-	-	-	-
£115,000 - £119,999	-	-	-	-
£110,000 - £114,999	2	-	1	-
£105,000 - £109,999	3	4	3	4
£100,000 - £104,999	6	7	6	6
£95,000 - £99,999	9	6	8	6
£90,000 - £94,999	8	10	6	9
£85,000 - £89,999	9	9	7	9
£80,000 - £84,999	17	11	16	11
£75,000 - £79,999	13	15	13	14
£70,000 - £74,999	22	24	21	24
£65,000 - £69,999	42	23	39	24
£60,000 - £64,999	34	47	35	41
£55,000 - £59,999	54	55	51	49
£50,000 - £54,999	145	112	138	112
<b>Total</b>	<b>367</b>	<b>326</b>	<b>347</b>	<b>311</b>

Of the 367 employees listed above in 2010/11, 153 (42%) were employees where pay decisions rest with the School Governing Body and not the Council. The corresponding figure for 2009/10 was 123 (38%).

Of the 347 employees listed above in 2010/11, 153 (44%) were employees where pay decisions rest with the School Governing Body and not the Council. The corresponding figure for 2009/10 was 122 (39%).

### **Termination Benefits**

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £1.065 million. Of this total, £195,490 is payable to Dinesh Ramjee, Head Teacher of Henry Compton School and £57,544 to Frank Hansen, Assistant Director, Strategy, Performance & Procurement in the form of compensation for loss of office and enhanced pension benefits. The remaining £812k is payable to other 88 officers who were made redundant as part of the Council's reorganisation of services.

### **32. Pension Schemes Accounted for as Defined Contribution Schemes**

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, the Council paid £5.58 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £5.3 million and 14.1%. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. During 2010/11 the costs arising from additional benefits amounted to £335.7k.

### 33. Defined Benefit Pension Schemes

#### Participation in Pension Schemes

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

The Council participates in two post employment schemes:

- The Local Government Pension Scheme administered locally by London Borough of Hammersmith and Fulham (LBHF LGPS).
- The Local Government Pension Scheme administered by London Pensions Fund Authority (LPFA LGPS).

Both schemes are funded defined benefit final salary schemes, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2010/11	2009/10	2010/11	2009/10
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
• current service costs	20,526	12,280	429	325
• past service gains	(85,666)	-	(2,989)	-
• settlements and curtailments	499	6,449	-	90
<i>Financing and Investment Income and Expenditure</i>				
• interest cost	48,153	43,306	2,308	2,326
• expected return on scheme assets	(31,085)	(21,903)	(1,734)	(1,158)
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	<b>(47,573)</b>	<b>40,132</b>	<b>(1,986)</b>	<b>1,583</b>
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>				
• actuarial gains and losses	(131,923)	213,406	(17,131)	13,741
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	<b>(179,496)</b>	<b>253,538</b>	<b>(19,117)</b>	<b>15,324</b>
<b>Movement in Reserves Statement</b>				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	70,836	(17,321)	2,350	(1,144)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
• employers' contributions payable to scheme	20,705	20,121	545	652

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2010/11 is a gain of £1.768m.

## Assets and Liabilities in Relation to Post-employment Benefits

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

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2010/11	2009/10	2010/11	2009/10
	£000	£000	£000	£000
Opening balance 1 April	(988,478)	(651,744)	(50,981)	(34,576)
Current service cost	(20,526)	(12,280)	(429)	(325)
Interest cost	(48,153)	(43,306)	(2,308)	(2,326)
Contributions by Scheme participants	(5,969)	(6,140)	(103)	(118)
Actuarial gains and losses	163,820	(306,366)	9,812	(15,758)
Benefits paid	22,126	26,933	2,698	2,173
Past service gain	85,666	-	2,989	-
Unfunded pension payments	2,454	2,450	37	39
Curtailements	(499)	(2,283)	-	(90)
Settlements	-	4,258	-	-
Closing balance at 31 March	<b>(789,559)</b>	<b>(988,478)</b>	<b>(38,285)</b>	<b>(50,981)</b>
Funded liabilities	(765,798)	(959,889)	(37,861)	(50,507)
Unfunded liabilities	(23,761)	(28,589)	(424)	(474)

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

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2010/11	2009/10	2010/11	2009/10
	£000	£000	£000	£000
Opening balance 1 April	463,379	357,372	29,345	27,825
Expected rate of return	31,085	21,903	1,734	1,158
Actuarial gains and losses	(31,897)	92,960	7,319	2,017
Employer contributions	23,262	22,811	364	439
Contributions by scheme participants	5,969	6,140	103	118
Benefits paid	(24,580)	(37,807)	(2,735)	(2,212)
Entity combinations	-	-	-	-
Settlements	-	-	-	-
Closing balance at 31 March	<b>467,218</b>	<b>463,379</b>	<b>36,130</b>	<b>29,345</b>

The expected return on assets is based on the long-term future expected investment return for each asset class at the beginning of the period. The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

The actual return on scheme assets in the year was £22.985m (2009/10 £114.863m) for the LBHF Local Government Pension Scheme and £3.438m (2009/10 £3.175m) for the LPFA Local Government Pension Scheme.

In the UK budget statement on 22 June 2010 the chancellor announced that with effect from 1st April 2011 public sector pensions would be updated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the Council's liabilities in the LBHF Local Government Pension Scheme by £85.666m and in the LPFA Local Government Pension Scheme by £2.989m. These reductions have been recognised as past service gains in accordance with guidance set down in UITF Guidance 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund or Housing Revenue Account.

### Scheme History

	2006/07	2007/08	2008/09	2009/10	2010/11
<i>Present Value of Liabilities</i>					
LBHF Local Government Pension Scheme	(780,140)	(680,440)	(651,744)	(988,478)	(789,559)
LPFA Local Government Pension Scheme	(39,670)	(35,936)	(34,576)	(50,981)	(38,285)
<i>Fair Value of Assets</i>					
LBHF Local Government Pension Scheme	407,791	393,485	357,372	463,379	467,218
LPFA Local Government Pension Scheme	30,648	31,903	27,825	29,345	36,130
<i>Surplus/(deficit) in the scheme</i>					
LBHF Local Government Pension Scheme	(372,349)	(286,955)	(294,372)	(525,099)	(322,341)
LPFA Local Government Pension Scheme	(9,022)	(4,033)	(6,751)	(21,636)	(2,155)
<b>Total</b>	<b>(381,371)</b>	<b>(290,988)</b>	<b>(301,123)</b>	<b>(546,735)</b>	<b>(324,496)</b>



The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total liability of £324.496m has a substantial impact on the net worth of the council as recorded in the Balance Sheet, resulting in a negative overall balance of £324.496m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made by the council in the year to 31 March 2012 is £20.482m to the LBHF Local Government Pension Scheme and £0.592m to the LPFA Local Government Pension Scheme.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the LBHF Local Government Pension Scheme and the LPFA Local Government Pension Scheme have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2010/11	2009/10	2010/11	2009/10
<b>Long-term expected rate of return on assets in the scheme:</b>				
Equities	7.5%	7.0%	7.3%	7.0%
Cashflow matching	-	-	4.5%	4.2%
Gilts	4.5%	4.0%	-	-
Alternative Assets	7.5%	7.0%	-	-
Target Return Portfolio	-	-	5.0%	-
Cash	3.0%	3.0%	3.0%	4.0%
<b>Mortality Assumptions</b>				
Life expectancy from age 65 - retiring today				
Men	19.70	20.28	18.40	21.00
Women	23.80	22.37	21.60	23.40
Life expectancy from age 65 - retiring in 20 years				
Men	21.80	21.44	20.40	22.00
Women	25.70	23.15	23.40	24.20
<b>Financial Assumptions</b>				
Rate of Inflation - RPI	3.5%	3.9%	3.5%	3.9%
Rate of Inflation - CPI	2.7%	-	2.7%	-
Rate of Increase in Salaries	5.0%	5.4%	4.5%	5.4%
Rate of Increase in Pensions	2.7%	3.9%	2.7%	3.9%
Expected Return on Assets	7.0%	6.1%	5.1%	4.4%
Discount Rate	5.5%	5.5%	5.5%	5.5%
Take up of option to convert annual pension to retirement lump sum	50.0%	50.0%	50.0%	50.0%

The assets of the schemes consist of the following categories, by proportion of the total assets held:

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2010/11	2009/10	2010/11	2009/10
	%	%	%	%
Equities	55.0%	57.0%	14.0%	11.0%
Cashflow matching	-	-	33.0%	38.0%
Gilts	13.0%	14.0%	-	-
Cash	2.0%	1.0%	-	(3.0%)
Target Return Portfolio	-	-	53.0%	54.0%
Alternative Assets	30.0%	28.0%	-	-
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## History of Experience Gains and Losses

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

	2006/07 (Restated) %	2007/08 (Restated) %	2008/09 %	2009/10 %	2010/11 %
Differences between the expected and actual return on assets					
LBHF Local Government Pension Scheme	(1.4%)	(10.4%)	(18.3%)	20.1%	(6.8%)
LPFA Local Government Pension Scheme	-	4.0%	(16.5%)	6.9%	20.3%
Experience gains and losses on liabilities					
LBHF Local Government Pension Scheme	-	(0.5%)	-	0.7%	11.6%
LPFA Local Government Pension Scheme	(1.3%)	(4.2%)	0.0%	-	9.4%

### 34. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors:

	2010/11 £000	2009/10 £000
Fees payable to Audit Commission with regard to external audit services carried out by the appointed auditor for the year	400	432
Fees payable to Audit Commission in respect of statutory inspections	-	20
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	81	117
Fees payable to the Audit Commission for National Fraud Initiative Audit and IFRS rebates	2 (37)	-
<b>Total</b>	<b>446</b>	<b>569</b>

### 35. Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

Notes	Central Expenditure £000	ISB £000	Total £000
A Final DSG for 2010/11	10,048	84,339	94,387
B Plus Brought forward from 2009/10	-	-	-
C Less Carry forward to 2011/12 agreed in advance	-	-	-
D Agreed budgeted distribution in 2010/11	10,048	84,339	94,387
E Less Actual central expenditure	(9,319)	-	(9,319)
F Less Actual ISB deployed to schools	-	(84,339)	(84,339)
G Plus Council contribution for 2010/11	-	-	-
H <b>Carry forward to 2011/12</b>	<b>729</b>	<b>-</b>	<b>729</b>

#### Notes Explained

- A: DSG figure as issued by the Department on 1 July 2010.  
 B: Figure brought forward from 2009/10 as agreed with the Department.  
 C: Any amount which the Council decided after consultation with the schools forum to carry forward to 2011/12 rather than distribute in 2010/11.  
 D: Budgeted distribution of DSG, adjusted for carry-forward, as agreed with the schools forum.  
 E: Actual amount of central expenditure items in 2010/11.  
 F: Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the Council once it is deployed to schools' budget shares).  
 G: Any contribution from the Council in 2010/11 which will have the effect of substituting for DSG in funding the Schools Budget.  
 H: Carry forward to 2011/12.

### 36. Grant Income

The Council credited the following grants, contributions and donations which were greater than £50,000 to the Comprehensive Income and Expenditure Statement in 2010/11:

	2010/11 £000	2009/10 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Council Tax Income	(36,651)	(65,904)
Non domestic rates	(105,590)	(96,808)
Non-ringfenced government grants	(64,300)	(33,646)
Capital grants and contributions	(23,500)	(16,041)
<b>Total</b>	<b>(230,041)</b>	<b>(212,399)</b>

#### Credited to Services

Housing & Council Tax Benefit Subsidy	(159,841)	(155,656)
Dedicated Schools Grant	(94,387)	(88,842)
Sixth Form Grant	(17,595)	(8,626)
Housing subsidy	(14,253)	(13,046)
Standards Funds and Schools Standards grants	(16,084)	(16,012)
Sure Start, Early Years & Childcare	(7,508)	(6,550)
Supporting People	(3,199)	(14,198)
Housing Benefit/ Council Tax Benefit Administration grant	(2,439)	(2,785)
Adult Learning	(1,671)	(1,636)
Transport for London / Surface Transport	(1,516)	(1,432)
Homelessness	(1,288)	(1,835)
Further Education	(1,114)	(1,292)
Drug Intervention Programme	(1,041)	(1,135)
Children's Workforce Development Council grants	(1,028)	(705)
s106	(1,010)	-
New Deal for Communities - revenue	(1,006)	(1,274)
Social Care Reform Grant	(947)	-
Unaccompanied Asylum Seeking Children	(650)	(1,153)
NNDR Cost of Collection Allowance	(614)	(493)
Child Poverty Pilot	(595)	(402)
Think Family	(517)	(483)
Other grants and contributions individually less than £0.5m	(6,694)	(7,462)
<b>Total</b>	<b>(334,997)</b>	<b>(325,017)</b>

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

	31 March 2011 £000	31 March 2010 (Restated) £000	1 April 2009 (Restated) £000
<b>Grants and Contributions Receipts in Advance (Current)</b>			
6th Form grants - revenue	-	(4,055)	-
Supporting People Grant - revenue	-	(2,735)	(1,450)
Standards Fund - revenue	(1,169)	(820)	-
Learning & Skills Council - revenue	(809)	(614)	(361)
Social Care Reform - revenue	(637)	(618)	(182)
Other revenue grants	(2,141)	2,859	(1,313)
<b>Total</b>	<b>(4,756)</b>	<b>(5,983)</b>	<b>(3,306)</b>

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**36. Grant Income Cont'd**

	31 March 2011	31 March 2010	1 April
	£000	(Restated) £000	2009 (Restated) £000
<b>Grants and Contributions Receipts in Advance (Non-Current)</b>			
Developer contributions	(14,023)	(18,759)	(21,899)
Standards Fund - capital	(6,552)	(4,180)	-
PCT fund	-	(2,436)	-
Sure Start - capital	(925)	-	(1,289)
Edward Woods Grant - capital	(126)	(2,245)	-
New Deals for Communities - capital	(44)	(1,749)	(1,709)
LPSA - Pump Priming Grant	-	-	(1,331)
Transport for London/ Surface Transport	-	-	(1,088)
Supporting People Grant - revenue	-	2,735	-
Other revenue grants	-	(577)	(199)
Other capital grants	(1,593)	(1,857)	(1,722)
<b>Total</b>	<b>(23,263)</b>	<b>(29,068)</b>	<b>(29,237)</b>

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## **37. Related Parties**

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

### **Central Government**

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

Grants received from government departments are set out in the subjective analysis in Note 6 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 36.

### **Members**

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 30.

Information regarding reportable transactions 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 2010/11, the Council engaged in various transactions with related parties which is disclosed in the information provided by Councillors and Chief Officers to the value of £6.7 million. The most significant transactions are to environmental concerns (£3.8m), charitable organisations (£1m), health care support (£0.8m), cultural organisations (£0.5m), legal support in the borough (£0.4m) and Housing Associations (£0.2m).

In addition to the above, 21 Councillors serve as School Governors in the borough's schools.

### **Other Public Bodies**

The Council is the administering authority of the Pension Fund. During the financial year the Pension Fund had an average balance of £0.247 million of surplus cash deposited with the Council. The Council paid the Fund £1,841 of interest on these monies. The Council charged the Fund £0.817 million for expenses incurred in administering the fund. A detailed summary of the Pension Fund Accounts is included within this Statement of Accounts in the Supplementary Financial Statements section.

### **Pooled Budget**

Five officers are jointly funded by Hammersmith and Fulham PCT and the Council; their positions are Joint Head of Commissioning, Joint Head of Learning Disability Services, Joint Programme Director, Joint Strategy and Performance Officer and Joint Chief Executive. In 2010/11 payments to the PCT totalled £1.7 million and income received from the PCT was £19.2 million. There is joint funding by the Royal Borough of Kensington and Chelsea for the Head of Legal Services.

### **Entities Controlled or Significantly Influenced by the Council**

Up until 31 March 2011 the Council had delegated responsibility for overseeing the management and maintenance of its residential stock to Hammersmith & Fulham Homes (HFH). This was in accordance with the management agreement that was signed on 27 May 2004 and was effective from 1 June 2004. This agreement ended in 31 March 2011. The Council paid HFH a monthly management fee and in 2010/11 the annual fee amounted to £23.1m.

HFH is a private company limited by guarantee with no share capital. When the company is wound up, the Council undertakes to contribute such amounts as may be required for the payment of debts and liabilities providing this amount does not exceed £1. Any remaining assets, after the satisfaction of all debts and liabilities, will be transferred to the Council's Housing Revenue Account.

Hammersmith & Fulham Bridge Partnership (HFBP) is a joint venture between Agilisys (80.1%) and the Council (19.9%). The contract between HFBP and the Council is for ten years and commenced on 1st November 2006. HFBP provides IT services to the council and provides significant capital investment in a range of projects.

The Council is deemed to have a significant influence over HFBP. This is exerted through active participation in policy decision-making and implementation. The Council comprises one third of the memberships of the Board of Directors in HFBP.

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### **38. Interest in Companies**

The Council has an involvement with a number of associated companies which are set out below, two of which were referred to in the related parties Note 37. 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 lively arts and theatre management. The Council supplies funding under a funding agreement to enable the company to carry out its charitable objectives. The contributions were £359,040 in 2010/11. The latest audited accounts available, those relating to 2009/10, show net assets of £2,876,064 (£2,739,455 in 2008/09) and a profit on its activities in that year of £136,609 (deficit of £23,765 in 2008/09). The Funding agreement also provides the financial arrangements and responsibilities of the Council and Theatre respectively as a consequence of the Company occupying its premises on the basis of a sub under lease from the Council. Copies of the accounts may be obtained from the Executive Director, Lyric Theatre, King Street, London W6 0QL.

#### **(ii) Hammersmith and Fulham Urban Studies Centre**

This charity is a charitable company limited by guarantee and was set up in 1983. Its objectives are the advancement of environmental education at all levels, particularly in the London Borough of Hammersmith and Fulham. The Council is the main source of grant funding for the charity. The charity's latest audited accounts available, those relating to 2009/10 show net assets worth £66,638 (£53,706 in 2008/09). A surplus of £12,932 has been reported for 2009/10 (£11,920 surplus in 2008/09). Copies of the accounts may be obtained from the Company Secretary, Hammersmith and Fulham Urban Studies Centre, The Lilla Huset, 191 Talgarth Road, London, W6 8BJ.

#### **(iii) Hammersmith & Fulham Bridge Partnership (HFBP)**

As referred to in Note 37 HFBP is a joint venture between Agilisys (80.1%) and the council (19.9%). Although HFBP has been included in the Group Accounts of the Council as an Associate of the Council in previous years, the issue of materiality was considered and the conclusion was that inclusion would not make a material difference to the usefulness of the Statement of Accounts for readers. The management accounts for the year 2010/11 showed total net liabilities of £207k (£2.721 million in 2009/10 audited accounts) with a profit before tax of £2.54 million (£0.131million loss in 2009/10 audited accounts) of which 19.9% would apply to the Council's Group accounts.

Copies of HFBP accounts may be obtained from HFBP, 2nd Floor, 26-28 Hammersmith Grove, Hammersmith, London, W6 7AW.

#### **(iv) Hammersmith & Fulham Homes (HFH)**

HFH is a company limited by guarantee and does not have any share capital. The company was set up as an Arms Length Management Organisation (ALMO) in June 2004 to provide housing management services in relation to the Council's housing stock. This agreement ended on the 31st May 2010. However, members agreed to an extension of the ALMO Management contract until 31st March 2011 to allow for the completion of the Decent Homes programme and internal reorganisations of housing management services.

Although HFH has been included in the Group Accounts of the Council as a subsidiary in previous years, the issue of materiality was considered and the conclusion was that inclusion would not make a material difference to the usefulness of the Statement of Accounts for readers and HFH has now ceased to operate. The unaudited accounts for the year 2010/11 showed total net assets of £2.639 million (£11.380 million net liabilities in 2009/10 audited accounts) with a profit before tax of £5.804million, (£1.271 million loss in 2009/10 audited accounts).

Copies of H&F Homes accounts may be obtained from Housing Regeneration, 3rd Floor, Hammersmith Town Hall Extension, King St, London, W6 9JU.

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### 39. Contingent Assets and Contingent Liabilities

#### Contingent Assets

Imperial Wharf: Discounted Market Sale Units

The Council has received a 30% equity share on 25 properties sold, at discount, at Imperial Wharf. At the time of sale, the estimated value of the Council's equity share was £2.552m – though this is subject to market fluctuations. At any time the owners of such properties can request that they buy the remaining 30% share. Such a purchase would realise additional capital resources for the Council which can be invested in affordable housing projects, but the level and timing of such resources is uncertain.

#### Contingent Liabilities

Single Status

In accordance with the National Single Status agreement on local government conditions of service and pay scales, the Council has undertaken an equal pay audit. The Council has largely implemented Single Status but the Unions still assert that the Council has an equal pay risk. The Council established an earmarked reserve of £2.545m to fund equal pay claims in 2007/08 and settled the majority of cases in 2008/09. However some specific areas are still under negotiation and the Council's earmarked reserve to fund equal pay claims stands at £1.746m at 31 March 2011.

### 40. Pooled Budgets

#### NATIONAL HEALTH SERVICE ACT 2006 POOLED FUNDS AND SIMILAR ARRANGEMENTS

Under Section 75 of the NHS Act 2006 (formerly Section 31 of the Health Act 1999), NHS bodies and local authorities can form partnership arrangements for lead commissioning, integrated provision of services and pooled budgets.

A Learning Disabilities Services is provided under partnership agreement with National Health Services Hammersmith and Fulham (NHS HF).

The agreement included pooling of budgets at the start of the financial year, but it was agreed between both parties in year that the pooling of budgets would cease as of 31st August. The partnership arrangements continue but both parties retain individual responsibility for the over and under- spends in their own ring fenced areas.

The Council is the accountable body. The memorandum accounts are summarised below.

	2010/11 £000	2009/10 £000
<b>Original Contributions</b>		
London Borough of Hammersmith and Fulham	(12,063)	(16,214)
Hammersmith and Fulham PCT	(5,475)	(4,679)
<b>Total Original Contributions</b>	<b>(17,538)</b>	<b>(20,893)</b>
Expenditure met from the Pooled Budget	17,489	20,543
<b>Net surplus arising on the pooled budget during the year</b>	<b>(49)</b>	<b>(350)</b>
<b>(Additional)/Reduced Contributions Required</b>		
London Borough of Hammersmith and Fulham	402	814
Hammersmith and Fulham PCT	(353)	(464)
<b>Revised Contributions</b>		
London Borough of Hammersmith and Fulham	(11,661)	(15,400)
Hammersmith and Fulham PCT	(5,828)	(5,143)
<b>Total Revised Contributions</b>	<b>(17,489)</b>	<b>(20,543)</b>

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#### 41. Trust Funds

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 1879. The table below shows the operating costs and income of the Trust:

	2010/11 £000	2009/10 £000
<b>Balance at 1st April</b>	<b>(5,698)</b>	<b>(5,748)</b>
Income	(654)	(735)
<b>Sub total</b>	<b>(6,352)</b>	<b>(6,483)</b>
Less:		
Expenditure and Transfers	673	785
<b>Balance at 31 March</b>	<b>(5,679)</b>	<b>(5,698)</b>

#### 42. Heritage Assets: Impact Of The Adoption Of The New Standard On The 2011/12 Financial Statements

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

Though full adoption is not required until 2011/12, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. The heritage assets held by the authority are collections of paintings which are currently on loan to:

- the "Brain Trust" (on tour in Japan) care of the Leighton House Museum and the
- Victoria and Albert Museum.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the authority is able to recognise more of its collections of heritage assets in the Balance Sheet. The Authority is unlikely to be able to recognise the majority of its paintings in future financial statements as it is of the view that obtaining valuations for the vast majority of these collections would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Authority's financial statements – this exemption is permitted by the 2011/12 Code.



### 43. Transition to IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

#### 2009/10 Comprehensive Income and Expenditure Statement

Cost of Services (Net)

	2009/10 Published £000	Cash and Cash Equivalents £000	Short-term accumulating compensated absences £000	Leases £000	s106 Contributions £000	Grants Received in Advance - Revenue £000	Grants Received in Advance - Capital £000	Government Grants Deferred £000	Re- classification of PPE into Held for Sale £000	Re- classification of PPE into Investment Property £000	2009/10 Adjusted £000
Central services to the public	241	-	64	(20)	-	-	-	-	-	-	285
Cultural, environmental, regulatory and planning services	38,243	-	(94)	(182)	70	(190)	-	2,617	-	-	40,464
Education and children's services	94,660	-	310	(121)	-	(82)	-	824	-	-	95,591
Highways and transport services	(352)	-	(22)	-	17	-	-	2,818	-	-	2,461
Local authority housing (HRA)	(8,720)	-	-	-	-	-	-	88	-	-	(8,632)
Other housing services	12,923	-	(8)	(23)	-	284	-	38	-	-	13,214
Adult social care	62,376	-	(44)	(29)	-	87	-	483	-	-	62,873
Corporate and democratic core	8,405	-	1	-	-	-	-	-	-	-	8,407
Non distributed costs	5,950	-	-	-	-	-	-	-	-	-	5,950
	<b>213,726</b>	-	<b>207</b>	<b>(375)</b>	<b>87</b>	<b>99</b>	-	<b>6,868</b>	-	-	<b>220,613</b>
<b>Cost of Services</b>											
Other Operating Expenditure	778	-	-	615	-	-	-	-	-	-	1,393
Financing and Investment Income and Expenditure	48,597	-	-	(103)	-	-	-	-	-	(2,019)	46,475
Taxation and non-specific grant income	(196,358)	-	-	-	68	-	(506)	(15,602)	-	-	(212,399)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>66,743</b>	-	<b>207</b>	<b>137</b>	<b>155</b>	<b>99</b>	<b>(506)</b>	<b>(8,734)</b>	-	<b>(2,019)</b>	<b>56,082</b>

**Opening 1 April 2009 Balance Sheet**

	2009/10 Published £000	Cash and Cash Equivalents £000	Short-term accumulating compensated absences £000	Leases £000	s106 Contributions £000	Grants Received in Advance - Revenue £000	Grants Received in Advance - Capital £000	Government Grants Deferred £000	Re- classification of PPE into Held for Sale £000	Re- classification of PPE into Investment Property £000	2009/10 Adjusted £000
Property, Plant and Equipment	1,924,132	-	-	5,216	-	-	-	-	-	(39,845)	1,889,503
Investment Property	-	-	-	-	-	-	-	-	-	39,845	39,845
Intangible Assets	744	-	-	-	-	-	-	-	-	-	744
Assets Held for Sale	-	-	-	-	-	-	-	-	-	-	-
Long Term Investments	1,619	-	-	-	-	-	-	-	-	-	1,619
Long Term Debtors	814	-	-	2,914	-	-	-	-	-	-	3,728
<b>Long Term Assets</b>	<b>1,927,309</b>	-	-	<b>8,130</b>	-	-	-	-	-	-	<b>1,935,439</b>
Assets Held for Sale	-	-	-	-	-	-	-	-	-	-	-
Short Term Investments	77,452	(23,000)	-	-	-	-	-	-	-	-	54,452
Short Term Debtors	72,042	-	-	157	-	88	-	-	-	-	72,287
Inventories	279	-	-	-	-	-	-	-	-	-	279
Cash and Cash Equivalents	13,864	23,000	-	-	-	-	-	-	-	-	36,864
<b>Current Assets</b>	<b>163,637</b>	-	-	<b>157</b>	-	<b>88</b>	-	-	-	-	<b>163,882</b>
Cash Balances Overdrawn	(30,750)	-	-	-	-	-	-	-	-	-	(30,750)
Short Term Borrowing	(5,324)	-	-	-	-	-	-	-	-	-	(5,324)
Short Term Creditors	(112,516)	-	(3,212)	-	26,661	1,523	3,327	-	-	-	(84,217)
Provisions	-	-	-	-	-	-	-	-	-	-	-
Grants and Contributions Receipts in Advance	-	-	-	-	-	(3,306)	-	-	-	-	(3,306)
<b>Current Liabilities</b>	<b>(148,590)</b>	-	<b>(3,212)</b>	-	<b>26,661</b>	<b>(1,783)</b>	<b>3,327</b>	-	-	-	<b>(123,597)</b>
Long Term Borrowing	(397,579)	-	-	-	-	-	-	-	-	-	(397,579)
Long Term Creditors	(100)	-	-	-	-	-	-	-	-	-	(100)
Provisions	(5,193)	-	-	-	-	-	-	-	-	-	(5,193)
Other Long Term Liabilities	(310,550)	-	-	(5,332)	-	-	-	-	-	-	(315,882)
Government Grants Deferred	(92,102)	-	-	-	-	-	-	92,102	-	-	-
Grants and Contributions Receipts in Advance	(8,945)	-	-	-	(21,899)	3,932	(2,325)	-	-	-	(29,237)
<b>Long Term Liabilities</b>	<b>(814,469)</b>	-	-	<b>(5,332)</b>	<b>(21,899)</b>	<b>3,932</b>	<b>(2,325)</b>	<b>92,102</b>	-	-	<b>(747,991)</b>
<b>NET ASSETS</b>	<b>1,127,887</b>	-	<b>(3,212)</b>	<b>2,955</b>	<b>4,762</b>	<b>2,237</b>	<b>1,002</b>	<b>92,102</b>	-	-	<b>1,227,733</b>
Usable Reserves	(100,414)	-	-	-	(4,762)	(2,237)	(1,002)	-	-	-	(108,415)
Unusable Reserves	(1,027,473)	-	3,212	(2,955)	-	-	-	(92,102)	-	-	(1,119,318)
<b>TOTAL RESERVES</b>	<b>(1,127,887)</b>	-	<b>3,212</b>	<b>(2,955)</b>	<b>(4,762)</b>	<b>(2,237)</b>	<b>(1,002)</b>	<b>(92,102)</b>	-	-	<b>(1,227,733)</b>

**Closing 31 March 2010 Balance Sheet**

	2009/10 Published £000	Cash and Cash Equivalents £000	Short-term accumulating compensated absences £000	Leases £000	s106 Contributions £000	Grants Received in Advance - Revenue £000	Grants Received in Advance - Capital £000	Government Grants Deferred £000	Re- classification of PPE into Held for Sale £000	Re- classification of PPE into Investment Property £000	2009/10 Adjusted £000
Property, Plant and Equipment	1,963,801	-	-	4,422	-	-	-	-	(740)	(44,129)	1,923,354
Investment Property	-	-	-	-	-	-	-	-	-	44,129	44,129
Intangible Assets	830	-	-	-	-	-	-	-	-	-	830
Assets Held for Sale	-	-	-	-	-	-	-	-	-	-	-
Long Term Investments	2,654	-	-	-	-	-	-	-	-	-	2,654
Long Term Debtors	632	-	-	2,912	-	-	-	-	-	-	3,544
<b>Long Term Assets</b>	<b>1,967,917</b>	-	-	<b>7,334</b>	-	-	-	-	<b>(740)</b>	-	<b>1,974,511</b>
Assets Held for Sale	-	-	-	-	-	-	-	-	740	-	740
Short Term Investments	137,398	(67,000)	-	-	-	-	-	-	-	-	70,398
Short Term Debtors	58,959	-	-	157	-	(2,111)	-	-	-	-	57,005
Inventories	207	-	-	-	-	-	-	-	-	-	207
Cash and Cash Equivalents	14,958	67,000	-	-	-	-	-	-	-	-	81,958
<b>Current Assets</b>	<b>211,522</b>	-	-	<b>157</b>	-	<b>(2,111)</b>	-	-	<b>740</b>	-	<b>210,308</b>
Cash Balances Overdrawn	(14,230)	-	-	-	-	-	-	-	-	-	(14,230)
Short Term Borrowing	(5,855)	-	-	-	-	-	-	-	-	-	(5,855)
Short Term Creditors	(159,104)	-	(3,419)	-	22,991	1,607	8,926	-	-	-	(128,999)
Provisions	-	-	-	-	-	-	-	-	-	-	-
Grants and Contributions Receipts in Advance	-	-	-	-	-	(5,983)	-	-	-	-	(5,983)
<b>Current Liabilities</b>	<b>(179,189)</b>	-	<b>(3,419)</b>	-	<b>22,991</b>	<b>(4,376)</b>	<b>8,926</b>	-	-	-	<b>(155,067)</b>
Long Term Borrowing	(475,289)	-	-	-	-	-	-	-	-	-	(475,289)
Long Term Creditors	(100)	-	-	-	-	-	-	-	-	-	(100)
Provisions	(4,565)	-	-	-	-	-	-	-	-	-	(4,565)
Other Long Term Liabilities	(555,967)	-	-	(4,672)	-	-	-	-	-	-	(560,639)
Government Grants Deferred	(101,208)	-	-	-	-	-	-	101,208	-	-	-
Grants and Contributions Receipts in Advance	(11,518)	-	-	-	(18,759)	8,627	(7,418)	-	-	-	(29,068)
<b>Long Term Liabilities</b>	<b>(1,148,647)</b>	-	-	<b>(4,672)</b>	<b>(18,759)</b>	<b>8,627</b>	<b>(7,418)</b>	<b>101,208</b>	-	-	<b>(1,069,661)</b>
<b>NET ASSETS</b>	<b>851,603</b>	-	<b>(3,419)</b>	<b>2,819</b>	<b>4,232</b>	<b>2,140</b>	<b>1,508</b>	<b>101,208</b>	-	-	<b>960,091</b>
Usable Reserves	(86,398)	-	-	-	(4,232)	(2,140)	(1,508)	-	-	-	(94,278)
Unusable Reserves	(765,205)	-	3,419	(2,819)	-	-	-	(101,208)	-	-	(865,813)
<b>TOTAL RESERVES</b>	<b>(851,603)</b>	-	<b>3,419</b>	<b>(2,819)</b>	<b>(4,232)</b>	<b>(2,140)</b>	<b>(1,508)</b>	<b>(101,208)</b>	-	-	<b>(960,091)</b>

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**a. Cash and cash equivalents**

The Code (following IFRS 1) requires local authorities to classify cash and cash equivalents in their opening IFRS Balance Sheet (1 April 2009) in accordance with IAS7. Reclassifying items to cash equivalents following IAS 7 is a change of accounting policy that required the council to restate their opening balances in respect of cash and cash equivalents. Our accounting policy now states that cash equivalents include deposits with financial institutions repayable without penalty on notice of not more than 24 hours. These were previously recognised as Short Term Investments

**b. Short-term accumulating compensated absences**

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

**b. Leases**

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the council is the lessee) will be unchanged. Where the council is the lessor, the regulations allow the council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The transition note demonstrates the accounting treatment that has changed following the introduction of the Code.

**c. Grants and Contributions**

Under the Code, grants and contributions for capital and revenue schemes are recognised as income when they become receivable. Previously, grants used to fund assets were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund, and grants and contributions received for other capital and revenue schemes which were unspent at year end were recognised as income as they were drawn down.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet
- Portions of government grants deferred, capital and revenue grants and contributions previously recognised as income in 2009/10 have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Some grants and contributions were received in 2009/10 but not used. Previously, no income was recognised in respect of these contributions, which were shown in Short Term Creditors within the Current Liabilities section of the Balance Sheet. Following the change in accounting policy, where the grants or contributions were not attached to conditions or where conditions had been fulfilled, the grant or contribution has been recognised in full, and transferred to the Capital Grants Unapplied Account or Earmarked Reserves account (based on whether the contribution was capital or revenue) within the Usable Reserves section of the Balance Sheet.

**d. Assets Held for Sale**

The Code (following IFRS 1) requires authorities to re-classify and account for Assets Held for Sale where relevant criteria have been met

**e. Investment Properties**

Under IFRS there is now a requirement to recognise changes in the market value of Investment Properties in the Comprehensive Income and Expenditure Statement as opposed to the Revaluation Reserve. In addition Investment Properties are required to be moved from Property, Plant and Equipment into its own category.

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## **SUPPLEMENTARY FINANCIAL STATEMENTS**

Collection Fund Account  
Housing Revenue Account  
Pension Fund Account

## Collection Fund Account

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

	Notes	2010/11 £000	2009/10 £000
<b>Income</b>			
Council Tax	1	(73,925)	(74,621)
Transfers from the General Fund:			
Council Tax Benefits		(16,673)	(17,029)
Income collectable from business ratepayers	2	<u>(161,657)</u>	<u>(159,293)</u>
		<b>(252,255)</b>	<b>(250,943)</b>
<b>Expenditure</b>			
Precepts and Demands	3	88,665	90,795
Business rate:			
Payment to the national pool	2	154,565	158,800
Costs of collection		554	493
Business Rate Supplement			
Payment to the Greater London Authority	2	6,478	-
Costs of collection		60	-
Impairment of debts/appeals:			
Write-offs of uncollectable amounts		1,058	944
Allowance for impairment		698	415
Distribution/Recovery of previous year's estimated Collection Fund surplus/(deficit)		<u>(1,028)</u>	<u>466</u>
		<b>251,050</b>	<b>251,913</b>
Movement on Fund balance		(1,205)	970
(Surplus)/Deficit as at 1 April		1,482	512
<b>(Surplus)/Deficit as at 31 March</b>	<b>4</b>	<b><u>277</u></b>	<b><u>1,482</u></b>

### 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

Band	Estimated number of taxable properties after discounts and exemptions	Ratio to Band D	Band D equivalent dwellings
A	2509	6/9	1673
B	4366	7/9	3396
C	10986	8/9	9765
D	19462	1	19462
E	12550	11/9	15339
F	7854	13/9	11344
G	9525	15/9	15875
H	1835	18/9	3671

#### 2. National Non-Domestic Rates

NNDR is organised and administered on a national basis. The government specifies an amount (41.4 pence to the pound in 2010/11) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

In 2010/11 the council was also required to collect a Business Rate Supplement (BRS) from NNDR taxpayers. This BRS is then paid over to Greater London Authority (GLA) who have responsibility for applying it to the Crossrail project across London.

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The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of the population.

The NNDR income (after reliefs and provisions) was £161.657 million for 2010/11 (£159.293 million for 2009/10). The rateable value at 31st March 2011 was £470.214 million (£358.263 million at 31st March 2010).

### 3. Precepts and Demands

The 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.

	2010/11 £000	2009/10 £000
London Borough of Hammersmith and Fulham	64,173	66,264
Greater London Authority	24,492	24,531
	<b>88,665</b>	<b>90,795</b>

### 4. Collection Fund Balance

A proportion of the Collection Fund balance above is properly attributable to the GLA and thus should not be wholly taken to the net worth component of the Council's Balance Sheet. Only an element calculated pro rata to the precepts above therefore appears as a balance in the net worth section of the Balance with the remainder treated as a debtor.

	31 March 2011 £000	31 March 2010 £000
London Borough of Hammersmith and Fulham	201	1,078
Greater London Authority	76	404
	<b>277</b>	<b>1,482</b>

## Housing Revenue Account (HRA)

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

### HRA Income and Expenditure Statement

	Notes	2010/11 £000	2009/10 £000 Restated
<b>Income</b>			
Dwelling Rents		(57,461)	(56,561)
Non-dwelling rents		(2,513)	(2,284)
Charges for services and facilities		(10,555)	(12,126)
Contributions towards expenditure		(684)	(554)
HRA Subsidy receivable	8	(14,253)	(13,046)
		<b>(85,466)</b>	<b>(84,571)</b>
<b>Expenditure</b>			
Repairs and maintenance and management			
Repairs and maintenance		14,634	14,765
Supervision and management		25,410	28,952
Special Services		7,490	7,274
Rents, rates, taxes and other charges		1,483	1,383
Depreciation and impairment of non-current assets	7	522,509	22,612
Movement in the allowance for bad debts		501	610
Debt management costs		125	125
Revenue Expenditure Funded from Capital Under Statute		138	217
		<b>572,290</b>	<b>75,938</b>
		<b>486,824</b>	<b>(8,633)</b>
<b>Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>			
HRA services' share of Corporate and Democratic Core		497	497
<b>Net (Income)/Cost for HRA Services</b>		<b>487,321</b>	<b>(8,136)</b>

### HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:

(Gain)/loss on sale of HRA non-current assets		(1,604)	(1,088)
Interest payable and similar charges		22,691	20,543
Amortisation of Premiums and Discounts		378	707
Interest and investment income		(287)	(512)
Pensions interest cost and expected return on pensions assets		273	396
Other Operating Income		-	(3,189)
<b>(Surplus)/deficit for the year on HRA services</b>		<b>508,772</b>	<b>8,721</b>

### Movement on the HRA Statement

<b>Balance on the HRA at the end of the previous year</b>		<b>(3,241)</b>	<b>(4,905)</b>
(Surplus)/deficit for the year on the HRA Income and Expenditure Statement		508,772	8,721
Adjustments between accounting basis and funding basis under statute	1	(507,539)	(9,294)
Net (increase)/decrease before transfers to/(from) reserves		1,233	(573)
Transfers to/(from) reserves			
Major Repairs Reserve		(1,099)	(822)
Earmarked Reserves		-	3,059
<b>(Increase)/decrease in year on the HRA</b>		<b>134</b>	<b>1,664</b>
<b>Balance on the HRA at the end of the current year</b>		<b>(3,107)</b>	<b>(3,241)</b>



## Notes to the Housing Revenue Account

### 1. Adjustments between accounting basis and funding basis under statute

	2010/11 £000	2009/10 £000
Charges for impairment of non-current assets	(508,656)	(9,461)
Charges for depreciation of non-dwellings	(586)	(505)
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	519	77
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(12)	-
Gain or loss on sale of HRA non-current assets	1,604	1,088
Deferred charges	(138)	(217)
HRA share of contributions (to)/from the Pensions Reserve	(270)	(276)
	<b>(507,539)</b>	<b>(9,294)</b>

### 2. Housing Stock

The Council has overall responsibility for managing the housing stock. The day to day management is carried out on behalf of the Council by Hammersmith and Fulham Homes. The average number of dwellings during 2010/11 was 12,920. The stock movement during the year was as shown in the table below. The figure for hostels is based on dwelling equivalents; for this purpose three bed spaces equals one dwelling.

	Dwellings Number	Hostels Number	Equity Share Number	Total Number
Number at 1 April 2010	12,945	111	14	13,070
Additions	1	1	-	2
Sales	(51)	-	-	(51)
Number at 31 March 2011	<b>12,895</b>	<b>112</b>	<b>14</b>	<b>13,021</b>

### 3. Stock Valuation

The net balance sheet value of land, housing dwellings and other assets within the HRA is as follows:

	31 March 2011 £000	1 April 2010 £000
<b>Operational Assets</b>		
Housing Dwellings	880,793	1,411,346
Other Land and Buildings	12,152	12,511
Vehicles, Plant, Equipment	681	859
Intangible Assets	190	239
<b>Non Operational Assets</b>		
Investment Properties	36,804	27,478
	<b>930,620</b>	<b>1,452,433</b>

The open market, vacant possession value of hostels, houses and flats within the HRA as at 1 April 2010 was £3.460 billion. This compares to the balance sheet value of £881 million for the Council's hostels, houses and flats as at 1 April 2010. This is an indication of the economic and social cost of providing Council housing at less than full market rents.

### 4. Major Repairs Reserve

This reserve is credited with the depreciation charged to the HRA each year plus 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.

	2010/11 £000	2009/10 £000
<b>Balance as at 1 April</b>	(19,633)	(30,673)
Depreciation Charges to HRA	(13,805)	(13,152)
Adjusting transfer from HRA:		
Depreciation on Non-Dwellings	537	505
Excess/(Shortfall) of Depreciation on Dwellings over MRA	1,099	822
Funding of Capital Expenditure	31,802	22,865
<b>Balance as at 31 March</b>	<b>-</b>	<b>(19,633)</b>

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## 5. Capital Expenditure Financing

	2010/11 £000	2009/10 £000
Borrowing	9,893	51,195
Major Repairs Reserve	31,802	22,865
Other Grants and Contributions	9,876	448
Capital Receipts	6,215	3,967
<b>Total</b>	<b>57,786</b>	<b>78,475</b>

## 6. Capital Receipts

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

	2010/11 £000	2009/10 £000
Dwelling & Hostels	(23,832)	5,785
<b>Total</b>	<b>(23,832)</b>	<b>5,785</b>

## 7. Depreciation and Impairment

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

	2010/11 £000	Restated 2009/10 £000
<b>Operational Assets</b>		
Depreciation		
Dwellings	13,268	12,646
Other Land and Buildings	359	279
Vehicles, Plant, Equipment and Intangible Assets	226	226
Impairment*	508,656	9,461
<b>Total</b>	<b>522,509</b>	<b>22,612</b>

\* Note 10 of the Core Statement of Accounts provides a detailed explanation of the Impairment.

## 8. HRA Subsidy

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

	2010/11 £000	2009/10 £000
Allowance for Management	13,285	13,265
Allowance for Maintenance	20,136	20,186
Allowance for Major Repairs	12,169	11,824
Charges for Capital	25,912	23,596
Other Items	1,073	1,148
Rent	(58,411)	(56,900)
Interest on Receipts	(34)	(47)
Adjustment for Previous Year	123	(26)
<b>Total</b>	<b>14,253</b>	<b>13,046</b>

## 9. Rent Arrears and Bad Debt Provisions

Gross rent arrears were as follows:

	2010/11 £000	2009/10 £000
Main Council Stock	3,357	3,435
Hostels	409	375
<b>Total</b>	<b>3,766</b>	<b>3,810</b>

Bad debt provisions at 31 March 2011 were:

	2010/11 £000	2009/10 £000
Main Council Stock	(1,959)	(2,063)
Hostels	(391)	(359)
<b>Total</b>	<b>(2,350)</b>	<b>(2,422)</b>

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**10. IAS19 Retirement Benefits**

The Council considers it to be proper accounting practice to allow the HRA to be charged with an attributable share of current and past service costs, interest costs and expected return on assets. To ensure that there is no net effect on the HRA, these entries are reversed out and replaced by employers' contributions payable by means of an appropriation to the Pensions Reserve in the Movement on the HRA Statement (see Note 1).

Note 32-33 to the Core Financial Statements provides further details.

**11. Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

REFCUS comprises capital expenditure on non-asset related items and maintenance that is capital expenditure under statute but revenue expenditure under accounting rules.

REFCUS is charged to the Comprehensive Income and Expenditure Statement, although there is no effect on the bottom line on the Housing Revenue Account.

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## **PENSION FUND ACCOUNTS**

Fund Account

Net Assets Statement

Notes to the Pension Fund

## Fund Account

	Note	2010/11		2009/10	
		£000	£000	£000	£000
<b>Dealings with members, employers and others directly involved in the scheme</b>					
<b>Contributions</b>					
From Employers	12	24,924		24,425	
From Members	12	<u>7,564</u>	32,488	<u>7,576</u>	32,001
Individual Transfers In from other Pension Funds	2(a)		6,746		3,267
Other Income			45		29
<b>Benefits</b>					
Pensions	13	(16,358)		(15,238)	
Pensions Increases on Pensions and Lump Sum Benefits	13	(6,399)		(6,514)	
Lump Sum Retirement Benefits	13	(3,866)		(6,146)	
Lump Sum Death Benefits	13	<u>(208)</u>	(26,831)	<u>(855)</u>	(28,753)
<b>Payments to and on account of leavers</b>					
Individual Transfers Out to other Pension Funds	2(a)		(4,693)		(4,985)
Refund of Contributions			(10)		(2)
State Scheme Premiums			(3)		2
<b>Administrative Expenses</b>	14		<u>(902)</u>		<u>(947)</u>
<b>Net Additions (Withdrawals) from dealings with members</b>			<b>6,840</b>		<b>612</b>
<b>Returns on Investments</b>					
Investment Income	10		7,766		9,039
Taxes on Income (Irrecoverable Withholding Tax)			(154)		(170)
<b>Profit and losses on disposal of investments and changes in value of investments</b>					
Realised	7		26,207		14,378
Unrealised	7		3,681		113,286
<b>Investment Management Expenses</b>	2(c)		<u>(2,936)</u>		<u>(3,702)</u>
<b>Net Returns on Investments</b>			<u><b>34,564</b></u>		<u><b>132,831</b></u>
<b>Net Increase (Decrease) in the net assets available for benefits during the year</b>			<b>41,404</b>		<b>133,443</b>
<b>Opening Net Assets of the Scheme</b>			<u><b>554,314</b></u>		<u><b>420,871</b></u>
<b>Closing Net Assets of the Scheme</b>			<u><u><b>595,718</b></u></u>		<u><u><b>554,314</b></u></u>

## Net Assets Statement

The objective of the fund's accounts is to provide information about the financial position of the fund. The accounts summarise the transactions of the fund and show the net assets of the fund at the end of the financial year. They do not take account of liabilities to pay pensions and benefits which fall due after the financial year. The actuarial position of the fund, which does take account of such obligations, is set out in note 3.

	Note	31 March 2011 £000	31 March 2010 £000	01 April 2009 £000
<b>Investment Assets</b>				
Fixed Interest Securities	Public Sector	-	-	3,384
	Private Sector	-	-	6,884
Index Linked Securities	Public Sector	11,871	12,708	8,189
	Private Sector	-	-	116
Equities	UK	96,072	90,968	69,599
	Overseas	164,106	155,973	108,275
Pooled Investment Vehicles				
	Managed Funds – UK Fixed Interest	63,331	61,005	54,644
	Managed Funds – UK Equities	62,786	56,232	28,871
	Managed Funds – Overseas Equities	865	904	-
	Managed Funds – Libor Plus 1 Fund	59,254	58,095	39,073
	Managed Funds – Cash Fund	-	-	125
	Managed Funds – Illiquid Strategies Fund of Funds	1,740	1,399	-
	Managed Funds – Dynamic Asset Allocation Fund	108,900	102,112	79,841
	Managed Funds – Real Return Fund	-	1,486	1,409
	Managed Funds – Ruffer Baker Steel Gold Fund	2,504	1,768	1,469
	Managed Funds – Red Kite Fund	648	-	-
	Managed Funds – Private Equity	12,628	9,199	7,913
Cash Deposits		8,379	4,570	13,054
Other Investment Balances				
	Amounts Outstanding on Sale of Investments	765	530	2,012
	Investment Income Due	1,061	1,072	1,713
<b>Investment Liabilities</b>				
	Amounts Outstanding on Purchase of Investments	(746)	(1,190)	(6,634)
<b>Total Investment Assets</b>	8	<b>594,164</b>	<b>556,831</b>	<b>419,937</b>
<b>Current Assets</b>				
	Contributions due from Employers	189	209	273
	Combined Benefits	44	31	34
	Other Current Assets	1	(15)	-
	Cash Balances	1,875	(370)	1,780
<b>Current Liabilities</b>				
	Unpaid Benefits	(43)	(1,030)	(768)
	Investment Management Expenses	(502)	(1,339)	(375)
	Administration Expenses	(10)	(3)	(10)
<b>Net assets of the scheme available to fund benefits at the period end</b>		<b>595,718</b>	<b>554,314</b>	<b>420,871</b>

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# Notes to the Pension Fund Accounts

## 1. INTRODUCTION

The Pension Fund is a funded, defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of Hammersmith and Fulham Council and the admitted bodies in the fund. These benefits include retirement pensions and early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. The fund is financed by contributions from employees, the Council, the admitted bodies and from interest and dividends on the fund's investments. The benefits payable are based on an employee's final salary and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The regulations governing the administration of the pension scheme and those regarding scheme benefits, membership and contributions are updated on a regular basis by central government. A revised scheme came in to effect from 1st April 2008.

The Council has delegated the investment arrangements of the scheme to the Audit and Pensions Committee (the Committee) who decide on the investment policy most suitable to meet the liabilities of the fund and have the ultimate responsibility for the investment policy. The Committee is made up of six elected representatives of the Council, including two opposition party representatives, each having voting rights. Members of the admitted bodies, representatives of the Trade Unions and one co-opted member may attend the committee meetings but have no voting rights.

The Committee reports to the full Council and has full delegated authority to make investment decisions. The Committee obtains and considers advice from the Director of Finance and Corporate Services, and as necessary from the fund's appointed actuary, investment managers and advisor.

The Committee has delegated the management of the fund's investments to professional investment managers, appointed in accordance with the regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

The following table is a membership summary of the scheme:

	31 March 2011	31 March 2010
Contributing employees	4,064	4,176
Pensioners receiving	4,285	4,055
Deferred Pensioners	5,217	4,900

The above membership summary includes a number of external bodies which have been admitted to the Fund by admission agreements. Details of these admitted bodies are shown in Notes 12 (contributions receivable) and 13 (benefits payable.)

## 2. ACCOUNTING POLICIES

### (a) General Principles

The accounts have been prepared in accordance with IAS 26 and the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code) issued by the Chartered Institute of Public Finance and Accountancy ("CIPFA"). The accounts have been prepared on an accrual basis in accordance with the Code, apart from transfer values which have been accounted for on a cash basis.

In 2010/2011 there has been a change in the way benefits have been accrued at the year end. From 2010/2011 benefits for employees retiring on the 31st March 2011 have not been accrued. If this practice had been used in 2009/2010 the amount of benefits paid in that year would have reduced by £545,008 and increased by the same amount in 2010/2011.

### (b) Valuation of Investment Assets

Quoted securities and pooled investment vehicles have been valued at the bid price at the balance sheet date. Quoted securities are valued by Northern Trust, the fund's custodian and Pooled Investment Vehicles at the bid prices quoted by their managers.

Where appropriate, market values and cash deposits listed in overseas currencies are converted into sterling at the rates of exchange ruling at the balance sheet date. Unquoted investments are valued at an approximation of their current market value having regard to fair value, latest dealings, professional valuations and other appropriate financial information.

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## 2. ACCOUNTING POLICIES (cont'd)

There are no significant restrictions affecting the ability of the scheme to realise its investments at the accounting date or at the value at which they are included in the accounts apart from the investments in private equity which, by their nature, will be realised over a long period of time.

### (c) Investment Management Expenses

The Panel appointed external investment managers to manage the investments of the Fund. These managers are paid a fee based on the market value of the investments they manage and/or a fee based on performance.

## 3. ACTUARIAL VALUATION

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Hammersmith & Fulham Pension Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates.

The latest full triennial valuation of the London Borough of Hammersmith and Fulham Pension Fund was carried out by Barnett Waddingham, the fund's actuary, as at 31 March 2010 in accordance with the Funding Strategy Statement of the Fund and Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008. The results were published in the triennial valuation report dated 31 March 2011 and this is available on the Council's Internet site.

Rates of contributions paid by the participating Employers during 2010/11 were based on the previous actuarial valuation carried out as at 31 March 2007.

The following statement has been prepared by the Actuary to the Fund.

### **2010 Valuation Results**

The 2010 valuation certified a common contribution rate of 21.5% of pensionable pay to be paid by each employing body participating in the London Borough of Hammersmith and Fulham Pension Fund. In addition to this each employing body has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the Statement to the Rates and Adjustment Certificate in the triennial valuation report.

### **Contribution Rates**

The contribution rates were calculated using the Projected Unit Method.

The contribution rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- a) the additional annual accrual of benefits allowing for future pay increases and increases to pension in payment when these fall due; plus
- b) an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

### **Asset Value and Funding Level**

The smoothed market value of the Fund's assets as at 31 March 2010 for valuation purposes was £531.7m which represented 74% (70% at 31st March 2007) of the Fund's accrued liabilities at that date allowing for future increases in pay and pensions in payment.

To be consistent with the market related valuation of assets the liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date as follows:

- Rate of return on investments - 6.7% per annum
- Rate of increases in pay - 5.0% per annum
- Rate of Increases to pensions in payment - 3.0% per annum

### **Post Valuation Events – Changes in market conditions**

Since March 2010 investment returns have been slightly less than assumed at the 2010 valuation and liabilities may have slightly increased due to a decrease in the real discount rate underlying the valuation funding model.

Overall we estimate that the funding level as at 31 March 2011 will be slightly less than as at the 2010 valuation.

The next actuarial valuation is due as at 31 March 2013 and the resulting contribution rates required by the employers will take effect from 1 April 2014. We will continue to monitor the financial position of the Fund.

**Alison Hamilton FFA**  
**Partner, Barnett Waddingham**  
**05 May 2011**



#### 4. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The table below shows the total net liability of the Fund as at 31st March 2011. The figures have been prepared by the fund's actuary only for the purposes of providing the required information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

In calculating the required numbers the actuary adopted methods and assumptions that are consistent with IAS19.

	31 March 2011	31 March 2010
	£'000	£'000
Present Value of Promised Retirement Benefits*	899,733	1,023,750
Fair Value of Scheme Assets (bid value)	<u>(595,718)</u>	<u>(554,314)</u>
Net Liability	<b><u>304,015</u></b>	<b><u>469,436</u></b>

\*Present Value of Promised Retirement Benefits comprises of approximately £774,653,000 and £125,080,000 in respect of vested benefits and non-vested benefits respectively as at 31 March 2011.

#### 5. MANAGEMENT OF INVESTMENTS

The investment strategy of the Fund consists of having four main portfolios, UK Equity, Global (ex UK) Equity, Dynamic Asset Allocation and a Matching Fund (to match some of the Fund's liabilities). Each portfolio represents approximately 25% of the total Fund. The investment strategy is designed to give diversification and specialisation and achieve optimum return against acceptable risk.

Within the four portfolios external investment managers have been appointed with clear strategic benchmarks which place maximum accountability for performance against that benchmark on the investment manager.

The UK Equity portfolio is managed by Majedie Asset Management, the Global (ex UK) portfolio by MFS International (UK) Ltd, the Dynamic Asset Allocation portfolio is split 75% to Baring Asset Management Ltd and 25% to Ruffer LLP and the Matching Fund is split equally between Goldman Sachs Asset Management and Legal and General Investment Management.

Additionally, the Panel has agreed to invest up to £15 million in four private equity fund of funds. Two are managed by Invesco, which has approximately 75% invested in the United States and 25% in Europe, and the other two are managed by Unigestion which are invested almost entirely in Europe.

The market value and proportion of the investments managed by each fund manager at 31st March is as follows:

	31 March 2011		31 March 2010	
	Market Value £000	Total %	Market Value £000	Total %
Majedie Asset Management	155,398	26.2	143,787	25.8
MFS International	156,527	26.3	147,747	26.5
Baring Asset Management	108,900	18.3	102,112	18.3
Ruffer LLP	37,708	6.3	34,882	6.3
Goldman Sachs	59,262	10.0	58,099	10.4
Legal and General	63,335	10.7	61,006	11.0
Invesco Private Equity	6,677	1.1	5,201	0.9
Unigestion Private Equity	6,316	1.1	3,904	0.7
Barings English Growth Fund	41	0.0	93	0.1
	<b><u>594,164</u></b>	<b><u>100.0</u></b>	<b><u>556,831</u></b>	<b><u>100.0</u></b>

The Panel has appointed Northern Trust as its global custodian. They are responsible for safe custody and settlement of all investment transactions, collection of income and the administration of corporate actions.

## 6. FUND PERFORMANCE

Northern Trust is also employed to monitor the investment performance of the fund. Performance is measured on a financial year basis against a customised benchmark. Until 31st December 2008, the benchmark was calculated based on the split between Equities, UK Gilts, UK Index-Linked gilts and UK Corporate Bonds. From 1st January 2009, following the implementation of a new investment strategy, the benchmark was changed to more reflect the performance against the Fund's liabilities. The benchmark was defined as a portfolio of index-linked gilts with an average duration of 18 years in line with the Fund's liabilities with an outperformance target of the benchmark of 1.75% per annum.

The performance compared to the benchmark is as follows:

	2010/11 %	2009/10 %	3 Years % pa	5 Years % pa
Fund	6.4	33.1	8.8	6.3
Benchmark + 1.75% per annum	8.6	14.0	2.1	1.8
Difference	-2.2	19.1	6.7	4.5

## 7. INVESTMENT ASSETS - MOVEMENTS IN YEAR

The table below shows a reconciliation of the movement in the total investment assets of the fund for 2010/11 and 2009/2010.

	2010/11 £000	2009/10 £000
<b>Market Value of Investment Assets at 1st April</b>	<b>556,831</b>	<b>419,937</b>
<b>Movements in Year</b>		
Purchase of Investments	206,069	176,563
Sale of Investments	(203,101)	(162,170)
Realised Profit/(Loss) on Sales	26,207	14,378
Unrealised Profit/(Loss) in Market Value	3,681	113,286
Change in Cash Deposits	3,809	(8,484)
Change in Debtors and Creditors	668	3,321
<b>Market Value of Investment Assets At 31st March</b>	<b>594,164</b>	<b>556,831</b>

The table below shows a reconciliation of the movement by major asset class of the fund in 2010/2011.

	Equities £000	Fixed Income £000	Pooled Investment Vehicles £000	Private Equity £000	Cash £000	Debtors & Creditors £000	Total £000
<b>Value at 31 March 2010</b>	<b>246,940</b>	<b>12,707</b>	<b>283,002</b>	<b>9,200</b>	<b>4,570</b>	<b>412</b>	<b>556,831</b>
<b>Movements in Year</b>							
Purchase of Investments	185,789	6,231	11,686	2,363	-	-	206,069
Sale of Investments	(183,623)	(7,837)	(10,693)	(948)	-	-	(203,101)
Realised Profit/(Loss) on Sales	24,622	502	528	555	-	-	26,207
Unrealised Profit/(Loss) in Market Value	(13,550)	268	15,505	1,458	-	-	3,681
Change in Cash Deposits	-	-	-	-	3,809	-	3,809
Change in Debtors and Creditors	-	-	-	-	-	668	668
<b>Value at 31 March 2011</b>	<b>260,178</b>	<b>11,871</b>	<b>300,028</b>	<b>12,628</b>	<b>8,379</b>	<b>1,080</b>	<b>594,164</b>

The total amount of direct transaction costs incurred in the purchase and sale of investments in 2010/2011 was £600,124 (£350,122 in 2009/2010.)

## 8. INVESTMENT ASSETS (All investments are quoted unless stated)

	31 March 2011		31 March 2010	
	£000	£000	£000	£000
<b>United Kingdom</b>				
Fixed Interest - Private Sector		-		-
Index Linked Securities - Public Sector		6,084		4,885
Index Linked Securities - Private Sector		-		-
Equities		96,072		90,968
Pooled Investment Vehicles				
Managed Fund - Majedie UK Equity Funds	62,786		56,232	
Managed Fund - L & G 2055 Index Linked Gilt	63,331		61,005	
Managed Fund - Ruffer Real Return Fund	-		1,486	
Managed Fund - Goldman Sachs Libor Plus 1 Fund	59,254		58,095	
Managed Fund - Baring Dynamic Asset Allocation Fund	108,900		102,112	
Managed Fund - Ruffer Illiquid Strategies Fund of Funds	1,740		1,399	
Managed Fund - Ruffer Baker Steel Gold Fund	2,504		1,768	
Managed Fund - Private Equity (Unquoted)		41		93
<b>Total United Kingdom</b>		<b>400,712</b>		<b>378,043</b>
<b>Overseas</b>				
Fixed Interest - Public Sector		-		-
Fixed Interest - Private Sector		-		-
Index Linked Securities - Public Sector		5,787		7,823
Equities				
North America	78,233		73,016	
Japan	11,716		14,335	
Europe (ex UK)	52,218		64,751	
Pacific Basin	10,417		3,148	
Other	11,522	164,106	723	155,973
Pooled Investment Vehicles				
Managed Fund - Ruffer Japanese Fund		865		904
Managed Fund - Red Kite Fund		648		-
Managed Fund - Private Equity (Unquoted)				
Invesco - North America	6,591		5,199	
Unigestion - Europe	5,996	12,587	3,907	9,106
<b>Total Overseas</b>		<b>183,993</b>		<b>173,806</b>
Cash Deposits		8,379		4,570
Other Investment Balances				
Amounts outstanding on Sale of Investments		765		530
Amounts outstanding on Purchase of Investments		(746)		(1,190)
Investment Income Due		1,061		1,072
<b>Total Value of Investments</b>		<b>594,164</b>		<b>556,831</b>

## 9. TOP TEN EQUITY HOLDINGS

The largest 10 equity holdings of the Fund as at 31 March 2011 was:

Holding	Country	Market Value	
		£'000	% Holding
Royal Dutch Shell	United Kingdom	9,204	1.55
Vodafone Group	United Kingdom	8,990	1.51
BP	United Kingdom	8,167	1.37
GlaxoSmithKline	United Kingdom	7,614	1.28
HSBC	United Kingdom	4,923	0.83
Danaher Corporation	Switzerland	4,284	0.72
Unilever	Netherlands	3,898	0.66
AstraZeneca	United Kingdom	3,861	0.65
Oracle	Germany	3,833	0.65
BHP Billiton	Switzerland	3,482	0.59
<b>Total</b>		<b>58,256</b>	<b>9.81</b>
<b>Total Value of Investments</b>		<b>594,164</b>	

## 10. INVESTMENT INCOME

The table below shows a breakdown of the investment income for the year.

	2010/11 £000	2009/10 £000
Income from Fixed Interest Securities	5	124
Dividends from Equities	7,732	7,876
Income from Index-Linked Securities	179	173
Interest on Cash Deposits	124	148
Currency profit/(loss)	(343)	671
Other	69	47
<b>Total</b>	<b>7,766</b>	<b>9,039</b>

## 11. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

As at 31st March 2011, the fund had a commitment to invest a further £5.3million in the four private equity fund of funds managed by Invesco and Unigestion. It is anticipated that these commitments will be spread over the next four years.

## 12. CONTRIBUTIONS RECEIVABLE

From 1st April 2008 a new scheme came in to effect and employees' contributions are now calculated on a sliding scale based on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make balancing contributions determined by the fund's actuary to maintain the solvency of the fund.

The table below shows a breakdown of the total amount of employers' and employees' contributions made during the year by the Council and each admitted body.

	Employers'		Employees'	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
LB Hammersmith and Fulham	20,761	20,241	5,951	6,039
H & F Homes	1,353	1,485	617	666
LBHF Councillors	66	60	16	15
Mortlake Crematorium Board	62	59	15	15
London Oratory School	89	90	39	40
Burlington Danes Academy	104	109	48	50
F M Conway Ltd	100	86	34	26
Urban Partnership Group	63	69	17	19
H&F Community Law Centre	20	27	5	8
Family Mosaic	169	148	44	44
Disabilities Trust	5	5	1	1
Thames Reach	6	12	2	4
Medequip Assistive Technology	14	14	4	3
Eden Food Service	262	110	87	35
Family Mosaic Supporting People	21	15	9	6
Glencross Cleaning Ltd	3	3	2	2
Inspace Partnerships Ltd	65	62	21	18
H & F Bridge Partnership	396	486	224	205
Keir	144	146	44	43
Keir - Non HR Contract	4	4	2	1
P H Jones Ltd	5	6	2	2
Irish Cultural Centre	6	6	1	1
Hammersmith Academy	1	0	0	0
Financial Data Management	3	0	2	0
E C Harris LLP	55	0	23	0
Crime Reduction Initiatives	5	0	2	0
Quadron	208	259	67	67
Serco	763	737	231	209
Tendis	25	25	7	7
Turners	146	161	47	50
<b>Grand Totals</b>	<b>24,924</b>	<b>24,425</b>	<b>7,564</b>	<b>7,576</b>

### 13. BENEFITS PAYABLE

The tables below show a breakdown of the total amount of benefits payable for 2010/11.

	Pensions		Pension Increases	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
LB Hammersmith and Fulham	15,100	14,388	6,317	6,423
Councillors	1	-	1	-
H & F Homes	752	505	49	62
Mortlake Crematorium Board	37	21	4	5
H&F Community Law Centre	45	10	3	2
Burlington Danes Academy	11	-	3	-
H&F Police Consultative Group	5	5	1	1
ROOM the National Council	4	5	1	1
Family Mosaic	81	86	13	13
Greenwich Leisure Ltd	2	2	1	-
Blythe Neighbourhood Council	1	1	-	1
Inspace Partnerships Ltd	35	36	1	1
Turners	5	2	-	-
Urban Partnership Group	3	2	-	-
Eden Food Service	1	-	-	-
F M Conway Ltd	7	-	-	-
H & F Bridge Partnership	227	148	5	5
Quadron	13	11	-	-
Serco	28	16	-	-
<b>Grand Totals</b>	<b>16,358</b>	<b>15,238</b>	<b>6,399</b>	<b>6,514</b>

	Lump Sum Retirement Benefits		Lump sum Death Benefits	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
LB Hammersmith and Fulham	2,642	4,430	191	614
Councillors	7	-	-	-
H & F Homes	535	1,282	-	241
Mortlake Crematorium Board	147	8	-	-
H&F Community Law Centre	46	-	-	-
Burlington Danes Academy	47	6	-	-
Family Mosaic	1	17	-	-
Inspace Partnerships Ltd	49	64	-	-
Eden Food Service	15	-	-	-
F M Conway Ltd	17	-	-	-
H & F Bridge Partnership	301	240	17	-
Keir	-	4	-	-
Quadron	2	-	-	-
Turners	-	37	-	-
Urban Partnership Group	-	17	-	-
Serco	57	41	-	-
<b>Grand Totals</b>	<b>3,866</b>	<b>6,146</b>	<b>208</b>	<b>855</b>

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## **14. RELATED PARTIES**

The Council was a related party to the fund. Details of the relationship are disclosed in Note 1 to the Pension Fund Accounts. In accordance with the regulations the Council's expenses in administering the scheme are charged to the Fund. The amount charged by the Council for 2010/2011 was £817,172 (2009/2010 - £861,449).

During 2010/2011 as a result of the day to day administration of the fund the pension fund borrowed monies from the Council or invested any surplus monies with the Council. The pension fund paid £1,841 in interest to the Council during 2010/2011. At 31st March 2011 the Council owed the Pension Fund £124,815.

Some of the elected representatives and senior officers of the Council who attended the Audit and Pensions Committee were members of the Pension Fund and made contributions to the fund in accordance with the regulations. No other material transactions with related parties of the fund during 2010/2011 were identified.

## **15. STOCK LENDING AGREEMENTS**

The Fund did not participate in stock lending or underwriting.

## **16. STATEMENT OF INVESTMENT PRINCIPLES**

The Panel approved a Statement of Investment Principles on 16th March 2010 and this is available in the Pension Fund Annual Report on the Council's Internet site. The Statement shows the Authority's compliance with the Myner's principles of investment management.

## **17. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC'S)**

The pension fund's AVC providers are Zurich Assurance and the Equitable Life Assurance Society, although no employees are currently contributing to the Equitable Life scheme apart from four members who contributed £369.96 for death-in-service cover.

The total market value of the separately invested AVC's with Equitable Life Assurance at the year end was £306,481.24.

At the year end there were 69 members of the Zurich Assurance AVC scheme. The total value of the contributions paid to Zurich in 2010/2011 was £46,417.86 and the total market value of the separately invested AVC's with Zurich Assurance at 5 April 2011 was £870,678.54.

In accordance with Regulation 4(2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009 the contributions paid and the assets of these investments are not included in the Pension Fund Accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

## **18. POST BALANCE SHEET EVENTS**

At the 31st August 2011 the market value of the investments of the Fund had decreased to approximately £581.59 million due to the fall in global stock markets since the date of the balance sheet.

## **19. TRANSITION TO IFRS**

There are no material differences on transition to the IFRS-based Code.

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# ANNUAL GOVERNANCE STATEMENT

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# ANNUAL GOVERNANCE STATEMENT

## Scope of responsibility

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

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

The Council has an approved and adopted code of corporate governance embedded in its Financial Regulations, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code and Financial Regulations is contained in the Council's constitution and is available on the Council website. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) [England] Regulations 2011 in relation to the publication of a statement of internal control.

## The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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

## The governance framework

The key elements of the systems and processes that comprise the authority's governance arrangements are:

- Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

The Council approves its objectives and strategy through its executive (known as the Cabinet) and through decisions of the full Council in respect of certain defined matters such as the Council's budget. The meetings are open to the public except where personal, confidential or exempt matters (within a limited number of categories set out in legislation) are being discussed.

The principal publicly available documents setting out the Council's key objectives are the Borough's Community Strategy, the Council's Corporate Plan, and these can be accessed via the Council website.

- reviewing the authority's vision and its implications for the authority's governance arrangements



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A review of the Council's constitution takes place each year at the Annual Council meeting. Amendments that arise in-year based on any change in focus to the Council's vision or where change in legislation affects existing governance arrangements are presented to the Executive Management Team, Cabinet, and Full Council for approval as required.

- measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

The authority continues to produce a range of national and operational performance indicators. These are reported to senior management as well as appropriate Member committees for review, which makes the information available to the general public.

- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

The Council's constitution clearly documents the roles, functions, responsibilities and delegated powers of the Cabinet and Cabinet Members, Chief Officers, the scrutiny process, and of its "Key" decisions process (those which involve significant savings or expenditure or which have a significant impact). Key decisions are set out in a Forward Plan, which documents decisions likely to be taken in the next four months, and decisions are taken in public unless certain statutory 'exempt' items are taken to members for decision. Occasionally a situation will arise where a decision will need to be taken quickly, in which case it will form a Leader's Urgent Decision, reported at the next Cabinet meeting. Decisions, which are not classified as key, are taken either by Cabinet members or by officers using the delegated powers set out in the constitution. Cabinet Members' decisions are set out in a report signed by the relevant cabinet member and are available to the public. Certain matters e.g. planning, licensing and senior appointments must be dealt with by either a Committee that reflects the political balance of the council or officers as set out in the Constitution. All Key Decisions are accompanied by an Equality Impact Analysis and/or Equality Statement.

Policies other than those decided by the full Council under the Budget and Policy Framework are decided by the Cabinet. The Cabinet is responsible for all executive functions. Non-executive functions which are set out in regulations must be dealt with by committees of members or individual officers e.g. planning applications.

- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

As required under the Local Government Act 2000, the Council has adopted a constitution, which is reviewed and re-published every year at the end of May. This sets out how the Council operates, how decisions are made, and contains procedures which ensure that these are efficient, transparent and accountable to local people. The Constitution includes a code of conduct for members (a national code, overseen by the Standards Board for England and the Council's own Standards Committee) and various additional local protocols governing Members and officers.

The Council has an approved Anti-Fraud and Corruption Strategy that incorporates a Code of Conduct for Members and Officers. The strategy incorporates appropriate reporting procedures. Staff are provided with a copy of the officers' code of conduct upon taking up post with the council. Standards of conduct of councillors are overseen by the Standards Committee.

- reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

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Standing Orders and Standing Financial Instructions form part of the Constitution. As such they are reviewed and approved annually. There is a framework of regular financial management information and reporting to all levels of management and to Members. In addition there are Financial Regulations and financial procedures in place, which are regularly reviewed, including the Contracts Standing Orders and a structure of Financial Delegations. These include appropriate checks and management monitoring to help ensure compliance.

- undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

The Council has an established Audit & Pension Committee for the purposes of approving its accounts and considering audit and risk management matters generally. Its terms of reference form part of the Council's overall constitution. These are fully compliant with the CIPFA guidance.

- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

Regular reports are produced by the authority in compliance with current initiatives and external requirements.

Services are delivered by suitably experienced staff. All posts have a detailed job description, and professionally qualified finance staff are employed in key roles throughout the organisation. There is an internal audit service that undertakes reviews of and reports on the adequacy and effectiveness of internal control. This includes an annual, independent assurance statement by the Chief Internal Auditor giving their opinion on the authority's overall system of internal control. The Internal Audit Service has been subject to an independent annual review since financial year 2006/7.

All Cabinet reports are cleared by the Assistant Director (Legal & Democratic Services) and by the Director of Finance & Corporate Services. The council has corporate boards, including scrutiny committees and partnership boards, whose role is to approve plans and monitor performance.

The Council has an established Standards Committee. The Standards Committee comprises 10 members (5 Councillor members and 5 independent persons drawn from outside the Council). The Committee will always be chaired by one of the independent members, and oversee the Council's ethical framework of codes and processes designed to ensure policy probity and high standards of conduct in respect of councillors. This committee meets regularly although meetings will be less frequent given the proposed abolition of the statutory regime.

- whistle-blowing and for receiving and investigating complaints from the public

The Council has a whistle blowing (confidential reporting) procedure in place and this has been communicated to all staff via the corporate Intranet. It has recently been reviewed, revised and republished.

Complaints procedures are clearly signposted on the Council's internet site. This 3 step protocol is managed by the Corporate Complaints Officer based in the Finance and Corporate Services Department.

The Council also has a Monitoring Officer whose role and responsibilities are clearly defined in legislation and in the Council's constitution. This officer is ably supported by the authority's Legal Services Division.

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- identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

All members are offered training on the members' code of conduct and must sign a declaration that they will be bound by it. Members who are to sit on the planning and licensing committees are required to undertake specialist training before they are allowed to sit. Additional directed training is provided to Cabinet and Committee members as needed, as an example the Audit & Pensions Committee receives regular training e.g. in interpreting accounts and different pension investment fund vehicles. The Leader undertakes appraisal meetings with cabinet Members annually from which additional training programmes may arise.

- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

Many forms of consultation take place across the Council, as appropriate to the circumstances, aims of the exercise, and need to consult. For example, consultation exercises may be conducted when revisiting or determining new policy, or reconfiguring or ending service provision. For these kinds of exercises, the Council uses a variety of methods such as open sessions for the public, sessions for service users and groups with an interest in our proposals, and a web based consultation package, Citizen Space. Each year a Borough Residents' Survey takes place that acts as a test of satisfaction in relation to the council's overall performance. The Council uses an internal challenge process for budget setting, and conducts Equality Impact Analyses when changes are to be implemented. The Council produces performance and finance related material that is available in both hard copy and electronic format available either centrally, on request or through release at local libraries.

Where services have been delivered through significant partners such as the Primary Care Trust, H&F Bridge Partnership for information and communication technology, or H&F Homes for housing services, performance monitoring arrangements are in place and assurances of their internal governance arrangements have been reviewed.

### **Review of effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. A review of the main elements of the Council's entire governance framework has been completed and no significant issues found which is to be reported to the Council's Executive Management Team.

### **Control Assurances**

The Council has reviewed in detail the control assurances across the authority and of its significant partners. The results of the review of the effectiveness of the Internal Control environment has been reported to the Audit & Pension Committee along with a plan to address weaknesses and ensure continuous improvement of the system is in place. In completing this review the following governance issues were identified:

#### **1. Budget Management**

Corporate Capital and Revenue monitoring during the 2009/10 year identified variances to budgets in leaseholders Insurance and H & F Direct projected savings. These were brought to the attention of the council's Financial Strategy Board as part of the standard monitoring process. Consequently departmental procedures have been strengthened for 2010/11 through more explicit standard setting by Corporate Finance complimented with written guidance. Financial Regulations were updated and republished in 2009. Therefore this issue is considered closed.

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## **2. Reconciliation of financial systems**

The Council has progressed well in redeveloping financial systems and processes over the past few years through the journey to World Class Financial Management (which strengthens the resource dedicated to this area) and the adoption of International Financial Reporting Standards. While External Audit note the improvement made over recent years further improvement is still needed.

## **3. Business Continuity IT**

The implementation of a Business Continuity project to increase IT resilience has taken some time to implement and has progressed sufficiently to put in place robust arrangements to deal an IT service interruption. Due to the progress already made this is no longer considered a significant control issue.

## **4. Frameworkki**

Control issues emerging from the use of the Frameworkki system were reported to Cabinet and the position updated in January 2010. The update highlighted concerns in the performance, reporting, reliability and output of data from the system mirroring issues nationally with the system. A major project was undertaken to support improvements in the software and re-training staff in using the system to best effect. This is no longer considered a significant control issue.

## **5. Contract Management**

The use of consultants was raised in the Annual Governance Statement last year. While some improvement has been made there continue to be weaknesses in managing contracts for consultants. This has been subject to a recent audit and the report is awaited.

## **6. Information requests**

The provision of information in compliance with the Freedom of Information Act has been the subject of a review from the Office of the Information Commissioner who has sought a written undertaking from the council to improve the responsiveness to Information requests. In response the council has increased the resource, training and support in this area.

## **7. Health and Safety**

Substantial progress has achieved in the delivery of a reasonable Health & Safety environment. This has included the training, support, resource and guidance provided by the Corporate Safety Team. Issues remain in relation to the management and control of gas safety certification for temporary accommodation and that of departmental wide risk assessment as a counter-balance to newly emerging areas of risk. There continues to be a focus on addressing these issues.

<p>The Council proposes over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.</p>
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## **Chief Executive**

## **Leader**

On behalf of Hammersmith & Fulham Council

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## **GLOSSARY OF TERMS**

### **ACCOUNTING PERIOD**

The timescale during which accounts are prepared. Local authority accounts have an overall accounting period of one year from 1st April to 31st March.

### **ACCOUNTING POLICIES**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements. Accounting policies define the process whereby transactions and other events are reflected in financial statements.

### **ACCOUNTING STANDARDS**

A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Act of Parliament and in professional codes and statements of recommended practice.

### **ACCRUALS**

An accounting principle where income and expenditure are taken into account in the year in which they are earned or incurred, rather than when monies are received and/or invoices are actually paid.

### **ACQUISITIONS**

The Council spends funds from the capital programme to buy assets such as land and buildings.

### **ACTUARIAL VALUATION**

The Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates every three years.

### **AGENCY SERVICES**

Services provided by or for another local authority or public body where the cost of carrying out the service is reimbursed.

### **AMORTISATION**

The equivalent of depreciation for intangible assets.

### **ARMS LENGTH MANAGEMENT ORGANISATIONS (ALMOs)**

An ALMO is a not-for-profit housing management company that is wholly owned and controlled by a local authority – Hammersmith & Fulham Homes (HFH). The aim of an ALMO is to ensure that Councils invest their housing resources efficiently, economically and strategically to provide 'Decent Homes' for tenants.

### **APPROPRIATION**

The transfer of ownership of an asset, from one Service Area to another at an agreed (usually market or outstanding debt) value.

### **ASSET REGISTER**

A record of Council assets including land and buildings, housing, infrastructure, vehicles equipment etc. This is maintained for the purpose of calculating capital charges that are made to service revenue accounts. It is updated annually to reflect new acquisitions, disposals, revaluations and depreciation.

### **AUDIT COMMISSION**

The body responsible for the appointment of external auditors to local authorities, coordinating audits throughout the country, setting standards and monitoring performance.

### **BALANCES**

The amount of money left over at the end of the financial year after allowing for all expenditure and income that has taken place. These are also known as financial reserves. They comprise of the General Fund balance, the Collection Fund balance, the Housing Revenue Account balance and the Education Establishment Account balance.

### **BEST VALUE ACCOUNTING CODE OF PRACTICE (BVACOP)**

BVACOP sets the financial reporting guidelines for local authorities. It supplements the principles and practice set out in the Code of Practice on Local Authority Accounting (known as the Statement of Recommended Practice (SORP)), by establishing practice for consistent reporting. It provides guidance in three key areas:

- The definition of total cost
- Good Practice Guidance
- Service expenditure analysis

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**BUDGET**

A forecast of the Council's planned expenditure and income, either over a set period or for a specific project.

**CAPITAL ADJUSTMENT ACCOUNT**

An account recording financing transactions relating to capital expenditure. This account is not available for general use to fund capital expenditure.

**CAPITAL EXPENDITURE**

Expenditure on the purchase, construction and enhancement of Council assets such as houses, offices, schools and roads. Expenditure can only be treated as 'capital' if it meets the statutory definitions and is in accordance with accounting practice and regulations.

**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 FINANCING REQUIREMENT**

The authority's total liabilities in respect of capital expenditure financed by credit less the provision made to meet these liabilities.

**CAPITALISATION**

Costs are capitalised to the extent that they create or improve any fixed asset with a useful economic life greater than one year.

**CAPITAL RECEIPTS**

Monies received from the sale of the Council's assets such as land and buildings. These receipts are used to pay for additional capital expenditure.

**CIPFA**

The Chartered Institute of Public Finance and Accountancy is the accountancy body which represents at national level the interests of local government and public service finance. The Institute produces advice, codes of practice and guidance to local authorities on best practice.

**COLLECTION FUND**

The Collection Fund is a separate account kept by every billing authority into which Council Tax and Business rates are paid.

**COMMUNITY ASSETS**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

**CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

**CONTINGENT LIABILITIES**

Possible losses that arise from past events which will only be confirmed by one or more uncertain future events not wholly within the council's control.

**CREDITORS**

Sums owed by the Authority for goods and/or services received, but for which payment has not been made by the end of the accounting period.

**CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

**DEBTORS**

Sums due to the Authority but not received by the end of the accounting period.

**DEFERRED CREDITS**

This is the term applied to deferred capital receipts and represents capital income still to be received. 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.

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**DEFERRED LIABILITIES**

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time. The main example of this is outstanding finance lease obligations.

**DEPRECIATION**

A provision made in the accounts to reflect the value of assets used during the year. Depreciation forms part of the capital charge made to service revenue accounts.

**EARMARKED RESERVES**

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

**EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

**FAIR VALUE**

The fair value of a fixed asset is the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**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.

**FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT**

The adjustment account is used to equalise the impact of financial reporting standards for financial instruments on council tax over the life of financial instruments concerned.

**FINANCIAL INSTRUMENT**

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

**FIXED ASSETS**

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

**GENERAL FUND**

The council's main revenue account that covers the net cost of all services other than the provision of council housing for rent.

**GOVERNMENT GRANTS**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

**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.

**HISTORIC COST**

The actual cost of an asset in terms of past consideration as opposed to its current value.

**HOUSING REVENUE ACCOUNT**

A statutory account that contains all expenditure and income on the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund and the account must balance. Local authorities are not allowed to make up any deficit on the HRA from the General Fund.

**HOUSING SUBSIDY**

The grant payable by central government to local authorities to subsidise the cost of providing Council housing and the management and maintenance of that housing. The grant is paid into the Housing Revenue Account.

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**IAS19 (FORMERLY FRS17)**

This International Accounting Standard is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

**IMPAIRMENT**

A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

**INFRASTRUCTURE ASSETS**

Fixed assets that are inalienable, expenditure on which is recoverable only by a continued use of the asset created. Examples of infrastructure assets include highways and footpaths.

**INTANGIBLE ASSET**

Fixed assets that do not have physical substance but are identified and controlled by the Council, for example, purchased software licences.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

The Accounting standards adopted by the International Accounting Standards Board (IASB). Local Authorities are required to produce full accounts using IFRS in 2010/11.

**INVESTMENT PROPERTIES**

Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential, with any rental income being negotiated at arm's length.

**LEVIES**

Payments to London-wide bodies such as the London Pension Fund Authority. The cost of these bodies is borne by local authorities in the area concerned, based on their Council Tax base and is met from the General Fund.

**MINIMUM REVENUE PROVISION (MRP)**

The minimum amount that the Council must charge to the revenue account in the year in respect of the repayment of principal of borrowing for capital purposes. In the accounts the MRP is included within capital financing charges.

**NATIONAL NON-DOMESTIC RATE (NNDR)**

The rates paid by businesses. The amount paid is based on the rateable value set by the Inland Revenue multiplied by a rate in the £ set by the government which is the same throughout the country. The rates are collected by local authorities and paid over to the government. They are then redistributed to local authorities on the basis of relevant population.

**NET BOOK VALUE**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**NET REALISABLE VALUE**

The open market value of the asset less the expenses to be incurred in realising the asset.

**OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility of for the service or strategic objectives of the authority.

**OUTTURN**

Actual income and expenditure in a financial year.

**PAST SERVICE COST**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.



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**PRIVATE FINANCE INITIATIVE (PFI)**

A contract between a public body, in our case the Council, and a private company. The private sector makes a capital investment in the assets required to deliver improved services.

**POOLING ARRANGEMENTS (CAPITAL RECEIPTS)**

Since 1st April 2004, 75% of 'Right to Buy' capital receipts have to be paid to the DCLG; the remaining element can be used to finance capital expenditure. A proportion of other housing receipts must also be paid over unless it is intended to use the receipts for affordable housing or regeneration projects.

**POST BALANCE SHEET EVENTS**

Events arising after the balance sheet date should be reflected in the statement of accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included.

**PRECEPT**

A precept is a charge raised by another Authority to meet its net expenditure. The precepting Authority for this Council is the Greater London Authority (GLA). The GLA calculates its total spending needs for the year and sets its own council tax in the same way as a London Borough. Each Billing authority then collects the tax for them.

**PRIOR PERIOD ADJUSTMENTS**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

**PROVISIONS**

A provision is an amount set aside in the accounts for liabilities anticipated in the future which cannot always be accurately quantified. FRS 12 defines a provision as a present obligation as the result of a past event; where it is probable that the transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of that obligation.

**PUBLIC WORKS LOAN BOARD (PWLB)**

A central government agency which provides long and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow. Local authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

**RELATED PARTIES**

Related Parties are those individuals and entities that the Council either has the ability to influence, or to be influenced by. Related parties include the Government, subsidiary and associated companies, the Pension Fund, Councillors and senior offices.

**RESERVES**

The amounts held by way of balances and funds that are free from specific liabilities or commitments. The council is able to earmark some of its reserves towards specific projects, whilst leaving some free to act as a working balance.

**REVENUE CONTRIBUTIONS TO CAPITAL OUTLAY (RCCO)**

The use of revenue monies to pay for capital expenditure – also known as Direct Revenue Financing (DRF).

**REVENUE EXPENDITURE**

Expenditure on day to day items such as salaries, wages and running costs. These items are paid for from service income, RSG, NNDR and Council Tax. Under the Local Government Finance Act all expenditure is deemed to be revenue unless it is specifically classified as capital.

**REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)**

Expenditure that is treated by the regulations as capital expenditure but which does not meet the definition of capital expenditure in the Statement of Recommended Practice.

**REVENUE SUPPORT GRANT (RSG)**

The main grant payable to support local authorities' revenue expenditure. A local authority's RSG entitlement is intended to make up the difference between expenditure and income from the NNDR pool and Council Tax. Revenue Support Grant is distributed as part of Formula Grant.

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**RIGHT TO BUY**

The council is legally required to sell council homes to tenants, at a discount, where the tenant wishes to buy their home. The money received from the sale is a capital receipt of which only 25% can be spent on capital expenditure. The remaining 75% must be paid over to the DCLG under pooling arrangements.

**STOCKS**

The amount of unused or unconsumed stocks held in expectation of future use.

**SUPPORTED CAPITAL EXPENDITURE**

This is capital expenditure funded by government, either as a one-off capital grant or as part of the annual RSG settlement to cover the financing costs of monies borrowed.

**TRANSFER PAYMENTS**

A payment to a person or organisation that does not result in a reciprocal benefit or service being provided to the council. The main examples are housing and council tax benefit. In most cases the cost of transfer payments is either fully or partially reimbursed by Central Government.

**USEFUL LIFE**

The period over which the Council will derive benefits from the use of a fixed asset.

**WRITE-OFFS**

Income is recorded in the Council's accounts on the basis of amounts due. When money owing to the Council cannot be collected the income is already showing in the accounts and has to be reduced or written off.