STATEMENT OF ACCOUNTS

2014/15

Hammersmith & Fulham Council

Independent auditor's report to the members of the London Borough of Hammersmith & Fulham

We have audited the financial statements of the London Borough of Hammersmith & Fulham for the year ended 31 March 2015 on pages 14 to 95. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director for Finance and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director for Finance; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2015 and the amount and disposition of the fund's assets and liabilities as at 31 March 2015; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 97 to 103 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

Conclusion on the London Borough of Hammersmith & Fulham's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, London Borough of Hammersmith & Fulham put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Certificate

Certificate pending.

Andrew Sayers
for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants
15 Canada Square
London E14 5GL

CERTIFICATION BY CHAIRMAN OF THE AUDIT PENSIONS AND STANDARDS COMMITTEE

I confirm that these accounts were approved by the Audit, Pensions and Standards Committee on 15 September 2015

Councillor Iain Cassidy
15 September 2015

STATEMENT OF ACCOUNTS CONTENTS

The Council's Statement of Accounts for the Year Ended 31 March 2015 is set out on the following pages.

FOREWORD

INTRODUCTION

1 The Statement of Accounts sets out the Council's income and expenditure for the financial year 2014/15 and its Balance Sheet at 31 March 2015. This covers the General Fund, Housing Revenue Account, Pension Fund and the Collection Fund.

2 The Statement of Accounts comprises:

Key Financial Statements

The **Movement in Reserves Statement (MiRS)** is a summary of the changes to the Council's reserves during the course of the financial year. The reserves represent the Council's net worth and are analogous to the equity of a private company. Reserves are divided into 'usable' and 'unusable' reserves. Usable reserves can be used to fund expenditure or reduce the council tax; unusable reserves cannot.

The **Comprehensive Income and Expenditure Statement (CIES)** reports all of the Council's gains and losses during the financial year. The CIES is prepared in accordance with International Financial Reporting Standards and the detail will therefore differ from the Council's management accounts and revenue budgets. However, the Council's financial position i.e. the working balance and usable reserves, will be the same.

The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities and reserves on 31 March 2015. The reserves are always equal to the Council's assets less the Council's liabilities. Assets represent everything owned by the Council and money owed to it. Liabilities are the sums that the Council owes to others.

The **Cash Flow Statement** shows the changes to the Council's cash and 'cash equivalents' during the financial year. Cash equivalents are assets that can be readily converted into cash and have a low likelihood of a change in value. The statement shows cash flows from: 'operating' activities, which are the cash flows from the Council's services; 'investing' activities, which are the cash flows from the Council's capital investment, investments and asset sales; and 'financing' activities, which are primarily the cash flows relating to the Council's borrowings.

Explanatory Notes

The **Notes** provide more detail about the items contained in the key financial statements, the Council's accounting policies and other information that helps interpretation and understanding of the key financial statements and accounts.

Supplementary Financial Statements

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.

The **Collection Fund Account** summarises the income and expenditure relating to the collection of council tax and 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 **Pension Fund Account** sets out a summary of the transactions during the year (Fund Account) and the overall financial position of the fund at 31st March 2015 (Net Assets Statement).

3 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 Council.

4 The **outturn** for 2014/15 includes:

- A General Fund under-spend of £8 million after departmental carry forwards of £4.3 million
- General Fund and earmarked reserves at 31 March 2015 of £109 million and
- A stable balance sheet (total net assets have increased, but due substantially to the annually updated revaluation of fixed assets offset by annually updated pension liability).

2014/15 BUDGET

5 Annually, the Council sets the budget. In brief, the 2014/15 budgets included:

- A Council Tax reduction of 3%;
- Savings of £18 million off-setting cost pressures and grant losses; which produced
- a net revenue budget requirement of £172 million funded from Council Tax, the local share of business rates and Revenue Support Grant from government within a gross budget of £680 million.

REVENUE SPENDING

6 The draft Statement of Accounts sets out the Council's spending and funding in line with accounting requirements. The position below explains the same information in the form of the Council's management accounts. The Council's financial position (for example, total usable reserves and final working balance) is the same in both formats.

7 The net under-spend on the General Fund was £8m, reflecting a 2 per cent under-spending by departments (against the gross budget excluding transfer payments and recharges) after agreed carry forwards of budgets to 2015/16 of £4.3 million. The balance of the under-spend has been transferred to the Efficiency Reserve, the IT Infrastructure Reserve, the NDR Deficit Support Reserve, the Stock Options Appraisal Reserve and the Demand Pressures Reserve.

8 The summary outturn position is as set out below:

Department	**Budget**	**Actual**	**Over/ (Under) Spend**
	£000	**£000**	**£000**
Children's Services	70,415	70,669	254
Unaccompanied Asylum Seeking Children	1,232	1,237	5
Adult Social Care	63,955	63,269	(686)
Housing & Regeneration	8,403	7,455	(948)
Transport and Technical Services	19,537	19,479	(58)
Controlled Parking Account	(20,425)	(23,530)	(3,105)
Environment, Leisure and Residents Services	29,492	29,469	(23)
Public Health	347	-	(347)
Libraries and Archives	3,628	3,602	(26)
Finance and Corporate Services	21,356	20,913	(443)
Centrally Managed Budgets	19,080	16,448	(2,632)
Net Operating Expenditure	**217,020**	**209,011**	**(8,009)**
Contingencies Not Drawn Down	3,337	-	(3,337)
	220,357	**209,011**	**(11,346)**
Grants and Capital Financing and Accounting Adjustments	(44,870)	(44,870)	-
Net Contribution to Earmarked Reserves	(3,454)	7,892	11,346
Net Contribution to General Reserves	-	-	-
Total Net Expenditure	**172,033**	**172,033**	**-**
Funded by:			
Formula Grant	66,038	66,038	-
Localised NDR	53,839	53,839	-
Council Tax	52,156	52,156	-
Total Funding	**172,033**	**172,033**	**-**
Final Position	**-**	**-**	**-**

Housing Revenue Account (HRA)

9 The Statement of Accounts also includes the ring-fenced Housing Revenue Account for the provision of social housing. The Housing Revenue Account showed a surplus of £5.7 million, increasing its working balance by the same amount. Full details are set out in the HRA Statement of Accounts.

31 MARCH 2015 BALANCE SHEET

10 The balance sheet as at 31 March is summarised below. Aside from pension liabilities that are re-estimated each year and typically volatile, the overall position is substantially stable.

	31 March 2015	31 March 2014
	£m	£m
Long Term Assets	1,757	1,651
Current Assets	437	404
Current Liabilities	(190)	(173)
Net Pension Liabilities	(522)	(427)
Other Long Term Liabilities	(257)	(276)
Net Assets	**1,225**	**1,179**
Represented by:		
Usable Reserves	(267)	(257)
Unusable reserves	(958)	(922)
Total Reserves	**(1,225)**	**(1,179)**

11 The breakdown of the usable reserves is set out below:

	31 March 2015
	£m
General Fund Balance	(19)
General Fund Earmarked Reserves	(90)
HRA Balance and Earmarked Reserves	(28)
Schools Reserves	(15)
Capital Reserves (Receipts and Grants)	(115)
Total	**(267)**

CAPITAL SPENDING AND FUNDING

12 In 2014/15, the actual capital expenditure (outturn) totalled £98 million. The table below summarises capital expenditure by service area:

Department	**2014/15 £000**
Adult Social Care	1,122
Children's Services	28,609
Environment, Leisure and Residents' Services	1,121
Housing Revenue Account Programme	49,803
Housing and Regeneration (Decent Neighbourhoods Programme)	6,987
Libraries and Archives	1,036
Transport and Technical Services	9,292
Total	**97,970**

13 The 2014/15 capital expenditure was financed as follows:

Capital Financing	2014/15 £000
Capital receipts	41,538
Capital Grants and Contributions	30,135
Major Repairs Reserve (MRR) / Major Repairs Allowance (MRA)	23,256
Council and School reserves	2,884
Housing Revenue Account	113
General Fund Revenue Account	44
Total	**97,970**

ACCOUNTING POLICIES

14 The 2014/15 accounts are compliant with International Financial Reporting Standards (IFRS). They comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2014 (the Code) which is based on IFRS.

15 The accounting policies adopted by the Council comply with the Code and are set out in Note 1 to the Statement of Accounts. These are substantially unchanged from 2013/14.

GROUP ACCOUNTS

16 As with the 2013/14 Statement of Accounts, Group Accounts have not been included in the 2014/15 Statement of Accounts on the grounds that they do not have a material effect on the overall statements. Their inclusion does not provide any more usefulness to readers. The Council considers the Hammersmith and Fulham Bridge Partnership (HFBP) as a Subsidiary. Details on the total 2014/15 net assets and profit and loss for HFBP (with 2013/14 comparators) can be found in Note 37 (Interest in Companies) to the key financial statements, along with contact details for the procurement of the full accounts.

FUTURE OUTLOOK

17 For 2015/16 the Council has reduced its Council Tax by 1%. Funding reductions and cost pressures were matched by £24 million in budget reductions - bringing total budget reductions to £42 million over two years.

18 The national economic outlook remains challenging. Government funding is expected to continue falling until at least 2018/19 as action is taken to tackle the national fiscal deficit. The Council has also been negatively impacted, due to rating appeals, by the introduction of the localised business rates retention scheme. Despite these challenges, the Council remains well positioned in a demanding environment.

19 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 4-year financial plan and a forum for challenging budget and service proposals, identifying and developing savings and efficiencies; and dealing with significant financial risks. The scale of the funding reductions requires the Council to deliver £58 million in savings over the period 2014/15 to 2016/17, including £24 million in savings for 2015/16. This continues to be very challenging. The route for delivering this scale of savings is both as an individual authority and through Shared Services.

20 The Council's 2015/16 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 maintained at £14m - £20m. The actual balances carried forward at the close of 2014/15 are £19m.

Hitesh Jolapara

Director for Finance
29 June 2015

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 for Finance.
- 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 for Finance

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

In preparing this Statement of Accounts, the Director for Finance 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 for Finance has also:

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

CERTIFICATE OF THE DIRECTOR FOR FINANCE

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 2015 and income and expenditure for the year for the financial year 2014/15.

H Jolapara

Hitesh Jolapara
Director for Finance
29 June 2015

CORE FINANCIAL STATEMENTS

Movement in Reserves

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	Schools Balance	Earmarked Reserves	Capital Grants Unapplied	Housing Revenue Account (HRA)	Major Repairs Reserve	Capital Receipts Reserve	Capital Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2013		**(18,000)**	**(18,806)**	**(62,841)**	**(46,219)**	**(4,263)**	**(5,707)**	**(20,494)**	**(880)**	**(177,210)**	**(623,611)**	**(800,821)**
Movement in Reserves during 2013/14												
(Surplus) or Deficit on Provision of Services (Restated)*		(4,731)	-	-	-	(251,042)	-	-	-	(255,773)	-	(255,773)
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	-	(122,951)	(122,951)
Total Comprehensive Income and Expenditure		**(4,731)**	**-**	**-**	**-**	**(251,042)**	**-**	**-**	**-**	**(255,773)**	**(122,951)**	**(378,724)**
Adjustments between accounting basis & funding basis under regulations	7	(20,757)	4,049	-	3,525	240,558	(961)	(50,555)	2	175,861	(175,861)	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves		**(25,488)**	**4,049**	**-**	**3,525**	**(10,484)**	**(961)**	**(50,555)**	**2**	**(79,912)**	**(298,812)**	**(378,724)**
Transfers to/(from) Earmarked Reserves	8	24,484	(1,989)	(29,748)	-	7,253	-	-	-	-	-	-
(Increase)/Decrease in 2013/14		**(1,004)**	**2,060**	**(29,748)**	**3,525**	**(3,231)**	**(961)**	**(50,555)**	**2**	**(79,912)**	**(298,812)**	**(378,724)**
Balance at 31 March 2014		**(19,004)**	**(16,746)**	**(92,589)**	**(42,694)**	**(7,494)**	**(6,668)**	**(71,049)**	**(878)**	**(257,122)**	**(922,423)**	**(1,179,545)**
Movement in Reserves during 2014/15												
(Surplus) or Deficit on Provision of Services		3,520	-	-	-	(89,274)	-	-	-	(85,754)	-	(85,754)
Other Comprehensive Income and Expenditure		-	-	-	-	-	-	-	-	-	40,558	40,558
Total Comprehensive Income and Expenditure		**3,520**	**-**	**-**	**-**	**(89,274)**	**-**	**-**	**-**	**(85,754)**	**40,558**	**(45,196)**
Adjustments between accounting basis & funding basis under regulations	7	(12,053)	2,395	-	(1,415)	79,790	6,668	914	-	76,299	(76,299)	-
Net (Increase)/Decrease before Transfers to Earmarked Reserves		**(8,533)**	**2,395**	**-**	**(1,415)**	**(9,484)**	**6,668**	**914**	**-**	**(9,455)**	**(35,741)**	**(45,196)**
Transfers to/(from) Earmarked Reserves	8	8,533	(624)	(11,721)	-	3,812	-	-	-	-	-	-
(Increase)/Decrease in 2014/15		**-**	**1,771**	**(11,721)**	**(1,415)**	**(5,672)**	**6,668**	**914**	**-**	**(9,455)**	**(35,741)**	**(45,196)**
Balance at 31 March 2015 carried forward		**(19,004)**	**(14,975)**	**(104,310)**	**(44,109)**	**(13,166)**	**-**	**(70,135)**	**(878)**	**(266,577)**	**(958,164)**	**(1,224,741)**

Comprehensive Income and Expenditure Statement

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

		Year Ended 31 March 2015			Year Ended 31 March 2014 - Restated*		
	Notes	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000	£000	£000	£000
Central services to the public		10,959	(4,518)	6,441	10,918	(4,982)	5,936
Cultural and Related Services		11,534	(3,838)	7,696	15,094	(3,646)	11,448
Environment and Regulatory Services		35,147	(8,799)	26,348	33,407	(7,866)	25,541
Planning Services		10,724	(6,086)	4,638	10,319	(6,665)	3,654
Education and children's services		204,033	(132,725)	71,308	192,589	(138,485)	54,104
Highways and transport services		42,423	(42,069)	354	41,410	(40,159)	1,251
Local authority housing (HRA)		62,273	(80,644)	(18,371)	58,651	(77,338)	(18,687)
Local authority housing (HRA) - Dwelling Revaluation	9	(56,622)	-	(56,622)	(188,313)	-	(188,313)
Other housing services		186,968	(177,491)	9,477	183,030	(172,734)	10,296
Adult social care		91,560	(29,055)	62,505	96,063	(30,387)	65,676
Public Health		19,149	(19,149)	-	18,113	(18,111)	2
Corporate and democratic core		4,274	(820)	3,454	5,085	(235)	4,850
Non distributed costs - General		9,215	(449)	8,766	1,220	(521)	699
Cost of Services		**631,637**	**(505,643)**	**125,994**	**477,586**	**(501,129)**	**(23,543)**
Other Operating Expenditure	10	7,811	(37,549)	(29,738)	8,484	(53,886)	(45,402)
Financing and investment income and expenditure	11	34,429	(6,191)	28,238	37,919	(7,952)	29,967
Taxation and non-specific grant income and expenditure	12	2,882	(213,130)	(210,248)	2,827	(219,622)	(216,795)
(Surplus) or Deficit on Provision of Services				**(85,754)**			**(255,773)**
(Surplus) or deficit on revaluation of Property, Plant and Equipment assets				(38,087)			(33,286)
(Surplus) or deficit on revaluation of available for sale financial assets				525			(40)
Remeasurements of the net defined benefit liability (asset)	32			78,120			(89,625)
Other Comprehensive Income and Expenditure				**40,558**			**(122,951)**
Total Comprehensive Income and Expenditure				**(45,196)**			**(378,724)**

* In line with LAAP Bulletin 103, the write-out of working balances in respect of schools converting to Acadamy status has been accounted for within Financing and investment income and expenditure. This was previously accounted for under Other Comprehensive Income and Expenditure. The prior year figures have been restated with £667k transferred to Financing and investment income and expenditure. This change has no effect on the bottom line.

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, are 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 2015**	**31 March 2014**
		£000	£000
Property, Plant and Equipment	13	1,666,821	1,564,782
Heritage Assets	15	8,023	8,023
Investment Property	14	79,310	76,200
Intangible Assets		883	965
Assets Held for Sale		-	-
Long Term Investments	25	100	100
Long Term Debtors	25	1,648	1,673
Long Term Assets		**1,756,785**	**1,651,743**
Assets Held for Sale	21	2,401	9,224
Short Term Investments	25	320,596	281,471
Short Term Debtors	19	55,558	58,367
Inventories		74	96
Cash and Cash Equivalents	20	58,823	54,411
Current Assets		**437,452**	**403,569**
Short Term Borrowing	25	(18,856)	(6,089)
Short Term Creditors	22	(138,563)	(140,857)
Provisions	24	(20,411)	(15,293)
Grants and Contributions Receipts in Advance	35	(12,595)	(10,978)
Current Liabilities		**(190,425)**	**(173,217)**
Long Term Borrowing	25	(232,144)	(247,842)
Long Term Creditors	25	(100)	(100)
Provisions	24	(717)	(2,441)
Other Long Term Liabilities	23	(531,178)	(435,715)
Grants and Contributions Receipts in Advance	35	(14,932)	(16,452)
Long Term Liabilities		**(779,071)**	**(702,550)**
NET ASSETS		**1,224,741**	**1,179,545**
Usable Reserves	7	(266,577)	(257,122)
Unusable Reserves	7	(958,164)	(922,423)
TOTAL RESERVES		**(1,224,741)**	**(1,179,545)**

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. The Cashflow Statement has been prepared using the indirect method.

	Notes	**2014/15 £000**	**2013/14 £000**
Net surplus or (deficit) on the provision of services		85,754	255,773
Adjustments to net surplus or deficit on the provision of services for non-cash movements	27	3,528	(134,237)
Adjust for items in the net deficit on the provision of services that are investing or financing activities		(73,394)	(79,003)
Net cash flows from Operating Activities		**15,888**	**42,533**
<u>Investing Activities</u>			
Purchase of Property, plant and equipment, investment property and intangible assets		(82,171)	(48,118)
Purchase of short-term and long-term investments		(39,125)	(159,274)
Proceeds from sale of property, plant and equipment, investment property and intangible assets		73,394	79,003
Proceeds from short-term and long-term investments		-	-
Other receipts from investing activities		15,693	22,611
Net cash flows from Investing Activities		**(32,209)**	**(105,778)**
<u>Financing Activities</u>			-
Cash receipts of short and long term borrowing		-	-
Other receipts from financing activities		24,416	34,362
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts		(793)	(1,048)
Repayments of short and long term borrowing		(2,890)	(12,210)
Other payments for financing activities		-	-
Net cash flows from Financing Activities		**20,733**	**21,104**
Net increase or (decrease) in cash and cash equivalents		**4,412**	**(42,141)**
Cash and cash equivalents at the beginning of the reporting period		54,411	96,552
Cash and cash equivalents at the end of the reporting period	20	**58,823**	**54,411**

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 2011, 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 2014/15 (the Code) and the Service Reporting Code of Practice 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015.

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 sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

• Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

• 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 Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

• Corporate and Democratic Core - costs relating to the Council's status as a multifunctional, democratic organisation.

• Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

1. Statement of Accounting Policies (cont'd)

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 & Expenditure (non-ring-fenced 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.

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.

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.

1. Statement of Accounting Policies (cont'd)

Measurement

Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

The cost of assets acquired other than by purchase is deemed to be 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).

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, where material, 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 5 to 60 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 2 to 25 years.
- Community Assets are generally depreciated over a 3 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, leading to a significantly different depreciation profile, the components are depreciated separately.

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 assessed 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, excepting where receipts have been retained under the 1-4-1 replacement scheme.

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. HERITAGE ASSETS

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

Valuation Policy

The Council has decided to disclose Heritage Assets on a market valuation basis on the balance sheet. Heritage assets are accounted for in accordance with the Council's accounting policies on property, plant and equipment, except where it is not practical to obtain a valuation. Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external Valuers, nor is there any prescribed minimum period between valuations.

1. Statement of Accounting Policies (cont'd)

Depreciation, amortisation and impairment policy

The Council has a policy of not charging depreciation or amortisation on heritage assets which have indefinite lives. The carrying amount of a heritage asset shall be reviewed where there is evidence of impairment; for example, where an asset has suffered physical deterioration or breakage or new doubts arise as to its authenticity.

The Council has reported four categories of heritage assets:

(i) Art Collections
This category consists of pictures and works of art including historical paintings, sketches and other artwork including the Cecil French Bequest and is reported in the balance sheet at market valuation. These valuations are reviewed periodically as appropriate. These are deemed to have indeterminate lives and high residual values. Hence the Council does not deem it appropriate to charge depreciation for these assets.

(ii) Books & Printed Materials
This category consists of books, and other printed material such as press, pictures, drawings and prints. These valuations are reviewed periodically as appropriate. These are deemed to have indeterminate lives and high residual values. Hence the Council does not deem it appropriate to charge depreciation for these assets.

(iii) Ceramics & Glass
This category consists of ceramics and glass. These valuations are reviewed periodically as appropriate. These are deemed to have indeterminate lives and high residual values. Hence the Council does not deem it appropriate to charge depreciation for these assets.

(iv) Other Heritage Assets
This category consists of clocks, watches, coins, general items, jewellery, silver items, vertu, other decorative arts and the Mylne Bequest. These valuations are reviewed periodically as appropriate. These are deemed to have indeterminate lives and high residual values. Hence the Council does not deem it appropriate to charge depreciation for these assets.

x. 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.

xi. 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
- 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.

1. Statement of Accounting Policies (cont'd)

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.

xii. 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 the Council's existing PFI scheme (which provides services for vulnerable older people in the borough) 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 8-17% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

• contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

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

xiii. 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.

xiv. 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 'First-in, First-out' (FIFO) costing formula.

1. Statement of Accounting Policies (cont'd)

xv. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that, 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.

xvi. FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

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

Financial assets are classified into two types:
• **loans and receivables** – assets that have fixed or determinable payments but are not quoted in an active market; and
• **available-for-sale assets** – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and 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 that particular instrument. For most of the loans which the Council has made, 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 in the year is the amount which the loan agreement identified as receivable.

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

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

Available for Sale Assets

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

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

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis;
- Equity shares with no quoted market prices – professional estimate.

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

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

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

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

xvii. 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 at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

1. Statement of Accounting Policies (cont'd)

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

Post-Employment Benefits

Employees of the Council 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 LPFA.

• 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 who 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 3.3% (4.4% in 2013/14). 2014/15 is based on the annualised yield at the 18 year point on the Merill Lynch AA rated corporate bond curve. This is the same point as used in 2013/14
• 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
- unitised securities - current bid price
- property - market value.

• The change in the net pensions liability is analysed into the **following components**:

Service Cost comprising:
- **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 line in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- **net interest on the net defined benefit liability (asset):** i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurement comprising:
- **Re-measurement of the return on plan assets** – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **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.

xviii. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

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

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

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

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

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.

xix. 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.

1. Statement of Accounting Policies (cont'd)

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.

xx. 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 2014/15. Companies in which the Council has an interest are detailed in Note 37 to the Core Financial Statements. Group Accounts have not been prepared since 2008/09.

xxi. 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.

xxii. FOREIGN CURRENCY TRANSLATION

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in 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.

xxiii. 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.

xxiv. EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial position.

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

The Code of Practice on Local Authority Accounting in the United Kingdom has introduced several changes in accounting policies which will be required from 1 April 2015, the following changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

- IFRS 13 Fair Value Measurement. This introduces a requirement for the concept of fair value measurment to be applied to all assets and liabilities which use fair value as a measurement basis. In respect of property, plant and equipment the only change is in the valuation of surplus property. Currently surplus property is valued at existing use value before being reclassified as surplus assets. In future surplus assets will be valued as fair value.

- IFRIC21 Levies. This clarifies the recognition point for payment of levies as the activity which triggers the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

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:

Funding

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.

Joint-Working Arrangements

The Council has entered into various shared-services arrangements with other local authorities. Current proposals will not reduce the level of service provided by the Council and plans to align systems continue to be developed. The Council believes that it is not necessary to impair any non-current assets in light of shared-service working.

Accounting for Schools - Balance Sheet Recognition of Schools

The Council has been required to take a view on which school assets are recognised on the Council's balance sheet. The Council has recognised Community schools and Voluntary Controlled schools. The Council has not recognised Voluntary Aided, Free, or Academy Schools as it is of the view that these school assets are - to varying degree - beyond the control of the Authority. This position has been thoroughly reviewed in light of guidance issued in 2014/15.

Accounting for Schools - Transfer of Schools to Academy Status

When a school that is held on the Council’s balance sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration, on the date that the school converts to Academy status, rather than as an impairment on the date that approval to transfer to Academy status is announced.

Accounting for Schools - Transfer of Capital Grants

When an unconditional capital grant is passed to a school within the Council's accounting boundary, and remains unspent at the year-end, the Council has taken a view to account for this within Schools' Reserves as opposed to Capital Grants Unapplied.

Capital Charges associated with HRA Non-Dwelling Assets

In 2012/13, as part of transitional funding arrangements in the Housing Revenue Account (HRA), the Department for Local Government and Communities (DCLG) determined that the depreciation of non-dwelling assets should impact on the HRA balance. This determination was later extended to cover revaluation losses. Previously, such costs were neutralised to the Capital Adjustment Account (CAA). The Council, in complying with this determination, has taken a view that, in order to apply it consistently, it should also apply to revaluation gains. Gains incurred on investment properties have been reserved in an earmarked reserve - seeing that no revaluation reserve is available - which will be held to mitigate against future potential losses. The Council has taken a view that the DCLG determination does not extend gains and losses incurred on disposal. The Council has not adjusted the CAA to remove any funding associated with non-dwellings which has been reserved there.

Investment Properties

Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation. These properties have been assessed using these criteria, which is subject to interpretation.

Group Accounts

The group boundaries have been estimated using the criteria associated with the Code of Practice. In line with the Code the Council has not identified any companies within the group boundary that would require it to complete Group Accounts on grounds of materiality.

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 2015 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. However, the valuation of property will inevitably be an estimate and property values can be volatile. Should evidence emerge in 2015/16 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 net book value of Council Dwellings (£121.3 million) would result in a reduction of the Revaluation Reserve of £15.7 million and a £105.6 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 £1.632 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.	If the useful life of assets is reduced, depreciation charges would increase. For example it is estimated that the annual depreciation charge for Council dwellings would increase by £1.83m 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 are considered in detail in Note 32.

5. Events after the Reporting Period

The unaudited Statement of Accounts have been prepared up to 31 March 2015. They were authorised for issue by the Director for Finance on 29 June 2015. There are no material adjusting or non-adjusting events after the balance sheet date to report.

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 SeRCOP. However, decisions about resource allocation are taken by the Council's Cabinet 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:

Department Income and Expenditure 2014/15	**Children's Services**	**Adult Social Care**	**Housing and Regeneration**	**Finance and Corporate Services**	**Centrally Managed Budgets**	**Transport and Technical Services (Including Controlled Parking Services)**	**Public Health**	**Libraries and Archives**	**Environment, Leisure & Residents' Services**	**Housing Revenue Account**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Customer & Client Receipts	(3,955)	(879)	(12,911)	(1,789)	(559)	(46,726)	-	(130)	(7,654)	(77,104)	(151,707)
Government Grants	(109,107)	(362)	(2,964)	(1,053)	(150,668)	(31)	(19,149)	-	-	(5,417)	(288,751)
Internal Recharge Income	(239)	(863)	(113)	(3,409)	-	(3,887)	-	(6)	(2,064)	(87)	(10,668)
Other Reimbursements & Contributions	(14,171)	(25,434)	(554)	(3,744)	(14,404)	(4,150)	-	(604)	(4,158)	(1,382)	(68,601)
Total Income	**(127,472)**	**(27,538)**	**(16,542)**	**(9,995)**	**(165,631)**	**(54,794)**	**(19,149)**	**(740)**	**(13,876)**	**(83,990)**	**(519,727)**
Capital Charges	24,315	1,152	115	620	-	15,136	-	499	1,095	(38,278)	4,654
Employee Expenses	94,105	15,691	6,177	21,421	8,666	17,688	221	1,587	5,788	10,005	181,349
Other	-	1,251	-	78	3,781	6	-	-	1,368	70,844	77,328
Premises Related Expenditure	10,038	668	10,083	106	2	5,349	11	331	3,451	17,097	47,136
Supplies and Services	19,927	10,896	1,583	9,019	3,496	4,842	349	627	2,086	3,516	56,341
Support Services	7,641	5,964	2,552	(31,260)	5,580	(4,579)	1,486	845	4,860	6,318	(593)
Third Party Payments	35,047	45,363	845	21,081	445	12,126	17,082	435	23,503	4,691	160,618
Transfer Payments	4,236	8,967	2,632	9,815	160,107	-	-	-	-	257	186,014
Transport Related Expenditure	2,302	855	10	28	2	175	-	18	1,194	55	4,639
Use of Balances & Reserves	1,767	-	-	-	-	-	-	-	-	9,485	11,252
Total Expenditure	**199,378**	**90,807**	**23,997**	**30,908**	**182,079**	**50,743**	**19,149**	**4,342**	**43,345**	**83,990**	**728,738**
Net Expenditure	**71,906**	**63,269**	**7,455**	**20,913**	**16,448**	**(4,051)**	**-**	**3,602**	**29,469**	**-**	**209,011**

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

Department Income and Expenditure 2013/14	Children's Services	Adult Social Care	Housing and Regeneration	Finance and Corporate Services	Centrally Managed Budgets	Transport and Technical Services (Including Controlled Parking Services)	Public Health	Libraries and Archives	Environment, Leisure & Residents' Services	Housing Revenue Account	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Customer & Client Receipts	(4,707)	(905)	(13,051)	(3,387)	(2,269)	(46,231)	(30)	(143)	(7,555)	(74,535)	(152,813)
Government Grants	(112,758)	(59)	(3,005)	(1,002)	(146,729)	(5)	(17,751)	-	(46)	(803)	(282,158)
Internal Recharge Income	(660)	(1,737)	(155)	(5,205)	-	(7,387)	-	(27)	(2,993)	(185)	(18,349)
Other Reimbursements & Contributions	(15,327)	(25,545)	(991)	(1,445)	(12,848)	(4,086)	(330)	(528)	(3,309)	(1,592)	(66,001)
Total Income	**(133,452)**	**(28,246)**	**(17,202)**	**(11,039)**	**(161,846)**	**(57,709)**	**(18,111)**	**(698)**	**(13,903)**	**(77,115)**	**(519,321)**
Capital Charges	7,741	708	122	937	-	13,611	64	1,916	2,902	(174,156)	(146,155)
Employee Expenses	95,930	15,634	7,122	20,877	9,950	18,868	112	1,586	6,559	11,241	187,879
Other	-	1,270	-	104	4,666	16	-	-	1,425	198,450	205,931
Premises Related Expenditure	10,609	459	9,071	101	19	6,526	8	417	4,358	15,951	47,519
Supplies and Services	21,389	12,789	1,210	9,993	4,717	6,068	1,440	606	2,142	5,032	65,386
Support Services	8,168	7,533	1,958	(29,860)	5,355	(4,848)	74	663	4,476	6,370	(111)
Third Party Payments	37,557	46,692	1,412	21,366	262	11,095	16,414	428	21,991	3,362	160,579
Transfer Payments	4,437	8,691	3,112	9,727	156,127	-	-	-	-	262	182,356
Transport Related Expenditure	1,285	884	13	33	1	307	-	14	1,730	119	4,386
Use of Balances & Reserves	2,656	-	-	-	-	-	-	-	-	10,484	13,140
Total Expenditure	**189,772**	**94,660**	**24,020**	**33,278**	**181,097**	**51,643**	**18,112**	**5,630**	**45,583**	**77,115**	**720,910**
Net Expenditure	**56,320**	**66,414**	**6,818**	**22,239**	**19,251**	**(6,066)**	**1**	**4,932**	**31,680**	**-**	**201,589**

(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.

	2014/15	2013/14
	£000	£000
Net expenditure in the Department Analysis	209,011	201,589
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	(1,862)	(9,832)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(81,155)	(215,300)
Cost of Services in Comprehensive Income and Expenditure Statement	**125,994**	**(23,543)**

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.

2014/15	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
Customer & Client Receipts	(151,707)	-	-	2,885	-	(148,822)	(2,885)	(151,707)
Government Grants	(288,751)	-	-	5,417	-	(283,334)	(107,280)	(390,614)
Internal Recharge Income	(10,668)	-	-	6	-	(10,662)	(6)	(10,668)
Other Reimbursements & Contributions	(68,601)	-	-	814	-	(67,787)	(984)	(68,771)
Interest and Investment Income	-	-	-	-	-	-	(1,794)	(1,794)
Other Operating Income	-	-	-	-	-	-	-	-
Income from Council Tax	-	-	-	-	-	-	(52,512)	(52,512)
Non-domestic rates income and expenditure	-	-	-	-	-	-	(50,286)	(50,286)
Total Income	**(519,727)**	**-**	**-**	**9,122**	**-**	**(510,605)**	**(215,747)**	**(726,352)**
Capital Charges	4,654	-	-	(92)	-	4,562	92	4,654
Employee Expenses	181,349	-	(1,862)	(118)	-	179,369	118	179,487
Other	77,328	-	-	(77,325)	-	3	-	3
Premises Related Expenditure	47,136	-	-	(4)	-	47,132	4	47,136
Supplies and Services	56,341	-	-	(421)	-	55,920	421	56,341
Support Services	(593)	-	-	(205)	-	(798)	205	(593)
Third Party Payments	160,618	-	-	(849)	-	159,769	849	160,618
Transfer Payments	186,014	-	-	-	-	186,014	-	186,014
Transport Related Expenditure	4,639	-	-	(11)	-	4,628	12	4,640
Use of Balances & Reserves	11,252	-	-	(11,252)	-	-	1,143	1,143
Interest Payments	-	-	-	-	-	-	14,916	14,916
Precepts and Levies	-	-	-	-	-	-	2,888	2,888
Net interest on the net defined benefit liability (asset)	-	-	-	-	-	-	18,370	18,370
Payments to the Housing Receipts Capital Receipts Pool	-	-	-	-	-	-	4,902	4,902
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(35,524)	(35,524)
Income and expenditure in relation to investment properties and changes in their fair value	-	-	-	-	-	-	(4,397)	(4,397)
Total Expenditure	**728,738**	**-**	**(1,862)**	**(90,277)**	**-**	**636,599**	**3,999**	**640,598**
Surplus or deficit on the provision of services	**209,011**	**-**	**(1,862)**	**(81,155)**	**-**	**125,994**	**(211,748)**	**(85,754)**

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

2013/14	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
Customer & Client Receipts	(152,813)	-	-	3,732	-	(149,081)	(3,140)	(152,221)
Government Grants	(282,158)	-	-	803	-	(281,355)	(113,852)	(395,207)
Internal Recharge Income	(18,349)	-	-	1,819	-	(16,530)	(1,819)	(18,349)
Other Reimbursements & Contributions	(66,001)	-	-	1,153	-	(64,848)	(876)	(65,724)
Interest and Investment Income	-	-	-	-	-	-	(1,326)	(1,326)
Other Operating Income	-	-	-	-	-	-	(22)	(22)
Income from Council Tax	-	-	-	-	-	-	(53,275)	(53,275)
Non-domestic rates income and expenditure	-	-	-	-	-	-	(49,669)	(49,669)
Total Income	**(519,321)**	**-**	**-**	**7,507**	**-**	**(511,814)**	**(223,979)**	**(735,793)**
Capital Charges	(146,155)	-	-	(368)	-	(146,523)	368	(146,155)
Employee Expenses	187,879	-	(9,832)	(1,221)	-	176,826	352	177,178
Other	205,931	-	-	(205,926)	-	5	-	5
Premises Related Expenditure	47,519	-	-	(45)	-	47,474	45	47,519
Supplies and Services	65,386	-	-	(569)	-	64,817	569	65,386
Support Services	(111)	-	-	(218)	-	(329)	218	(111)
Third Party Payments	160,579	-	-	(1,246)	-	159,333	1,247	160,580
Transfer Payments	182,356	-	-	-	-	182,356	-	182,356
Transport Related Expenditure	4,386	-	-	(74)	-	4,312	74	4,386
Use of Balances & Reserves	13,140	-	-	(13,140)	-	-	667	667
Interest Payments	-	-	-	-	-	-	15,922	15,922
Precepts and Levies	-	-	-	-	-	-	2,869	2,869
Net interest on the net defined benefit liability (asset)	-	-	-	-	-	-	21,330	21,330
Payments to the Housing Receipts Capital Receipts Pool	-	-	-	-	-	-	5,616	5,616
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(51,143)	(51,143)
Income and expenditure in relation to investment properties and changes in their fair value	-	-	-	-	-	-	(6,385)	(6,385)
Total Expenditure	**720,910**	**-**	**(9,832)**	**(222,807)**	**-**	**488,271**	**(8,251)**	**480,020**
Surplus or deficit on the provision of services	**201,589**	**-**	**(9,832)**	**(215,300)**	**-**	**(23,543)**	**(232,230)**	**(255,773)**

* See footnote on Academies on CIES

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 2013/14	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
Balance at 1 April 2013	**(18,000)**	**(18,806)**	**(62,841)**	**(46,219)**	**(4,263)**	**(5,707)**	**(20,494)**	**(880)**	**(177,210)**
Surplus or (deficit) on the provision of services - Restated*	(4,731)	-	-	-	(251,042)	-	-	-	**(255,773)**
Total Comprehensive Income and Expenditure	**(4,731)**	**-**	**-**	**-**	**(251,042)**	**-**	**-**	**-**	**(255,773)**
Adjustments between accounting basis & funding basis under regulations									
Depreciation of Property, Plant and Equipment	(19,986)	-	-	-	(373)	-	-	-	**(20,359)**
Amortisation of Intangible Assets	(189)	-	-	-	(24)	-	-	-	**(213)**
Dwelling Depreciation	-	-	-	-	14,001	(14,001)	-	-	**-**
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	-	(11,888)	(2,113)	-	-	**(14,001)**
Impairment/Revaluation losses (charged to the CIES)	2,074	-	-	-	188,313	-	-	-	**190,387**
Revenue expenditure funded from capital under statute (REFCUS)	(10,274)	-	-	-	(1)	-	-	-	**(10,275)**
Movements in the market value of investment properties	1,898	-	-	-	-	-	-	-	**1,898**
Difference between fair value depreciation and historical cost depreciation	-	-	-	-	-	-	-	-	**-**
Capital grants and contributions applied	15,461	-	-	2,706	803	-	-	-	**18,970**
Capital grants and contributions applied (REFCUS)	3,742	-	-	4,447	-	-	-	-	**8,189**
Use of capital receipts reserve to finance capital expenditure (including REFCUS)	-	-	-	-	-	-	10,987	-	**10,987**
Use of capital reserve to finance capital expenditure	-	-	-	-	-	-	-	2	**2**
Capital expenditure charged against the General Fund and HRA balances	1,570	4,049	-	-	-	-	-	-	**5,619**
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	15,153	-	-	**15,153**
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (CIES)	3,628	-	-	(3,628)	-	-	-	-	**-**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(7,639)	-	-	-	(18,003)	-	-	-	**(25,642)**
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	8,446	-	-	-	70,899	-	(79,345)	-	**-**
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (In-Year)	(201)	-	-	-	(463)	-	664	-	**-**
Removal of revaluation reserve balances for Property, Plant and Equipment disposed of in prior year	-	-	-	-	-	-	-	-	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	(2,272)	-	**(2,272)**
Deferred costs in respect of disposals transferred to the CAA	(632)	-	-	-	(1,263)	-	-	-	**(1,895)**
Release of Deferred costs from CAA to UCR upon receipt of cash	-	-	-	-	-	-	227	-	**227**
Contribution from the Capital Receipts Reserve to finance the payments to the Govt Capital Receipts Pool (Housing Pooled Capital Receipts)	(5,616)	-	-	-	-	-	5,616	-	**-**
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	1,425	-	-	-	-	-	-	-	**1,425**
Voluntary repayment of debt (above Minimum Revenue Provision)	63	-	-	-	-	-	-	-	**63**
Statutory provision for finance lease liabilities (including PFI)	1,084	-	-	-	-	-	-	-	**1,084**
Voluntary application of capital receipts	-	-	-	-	-	-	13,568	-	**13,568**
Reversal of items relating to retirement benefits debited or credited to the CIES made in accordance with IAS19 (Note 32)	(28,733)	-	-	-	(3,419)	-	-	-	**(32,152)**
Employer's pensions contributions and direct payments to pensioners	17,277	-	-	-	2,081	-	-	-	**19,358**
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	209	-	-	-	(86)	-	-	-	**123**
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	(4,204)	-	-	-	-	-	-	-	**(4,204)**
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	(160)	-	-	-	(19)	-	-	-	**(179)**
Total Adjustments between accounting basis & funding basis under regulations	**(20,757)**	**4,049**	**-**	**3,525**	**240,558**	**(961)**	**(50,555)**	**2**	**175,861**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(25,488)**	**4,049**	**-**	**3,525**	**(10,484)**	**(961)**	**(50,555)**	**2**	**(79,912)**
Transfers (to)/from Earmarked Reserves (Note 8)	24,484	(1,989)	(29,748)	-	7,253	-	-	-	-
(Increase)/Decrease in year	**(1,004)**	**2,060**	**(29,748)**	**3,525**	**(3,231)**	**(961)**	**(50,555)**	**2**	**(79,912)**
Balance at 31 March 2014 carried forward	**(19,004)**	**(16,746)**	**(92,589)**	**(42,694)**	**(7,494)**	**(6,668)**	**(71,049)**	**(878)**	**(257,122)**

* See footnote on Academies on CIES

7 (cont.). Adjustments between Accounting Basis and Funding Basis under Regulations

Movement on Usable Reserves 2014/15

	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
Balance at 1 April 2014	**(19,004)**	**(16,746)**	**(92,589)**	**(42,694)**	**(7,494)**	**(6,668)**	**(71,049)**	**(878)**	**(257,122)**
Surplus or (deficit) on the provision of services	3,520	-	-	-	(89,274)	-	-	-	**(85,754)**
Total Comprehensive Income and Expenditure	**3,520**	**-**	**-**	**-**	**(89,274)**	**-**	**-**	**-**	**(85,754)**
Adjustments between accounting basis & funding basis under regulations	-	-	-	-	-	-	-	-	**-**
Depreciation of Property, Plant and Equipment	(20,753)	-	-	-	(303)	-	-	-	**(21,056)**
Amortisation of Intangible Assets	(154)	-	-	-	(34)	-	-	-	**(188)**
Dwelling Depreciation	-	-	-	-	17,923	(17,923)	-	-	**-**
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	-	(19,259)	1,336	-	-	**(17,923)**
Impairment/Revaluation losses (charged to the CIES)	(8,670)	-	-	-	56,622	-	-	-	**47,952**
Revenue expenditure funded from capital under statute (REFCUS)	(13,355)	-	-	-	(82)	-	-	-	**(13,437)**
Movements in the market value of investment properties	4,108	-	-	-	-	-	-	-	**4,108**
Difference between fair value depreciation and historical cost depreciation	-	-	-	-	-	-	-	-	**-**
Capital grants and contributions applied	11,626	-	-	1,460	5,417	-	-	-	**18,503**
Capital grants and contributions applied (REFCUS)	4,185	-	-	7,447	-	-	-	-	**11,632**
Use of capital receipts reserve to finance capital expenditure (including REFCUS)	-	-	-	-	-	-	41,538	-	**41,538**
Use of capital reserve to finance capital expenditure	-	-	-	-	-	-	-	-	**-**
Capital expenditure charged against the General Fund and HRA balances	533	2,395	-	-	113	-	-	-	**3,041**
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	23,255	-	-	**23,255**
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (CIES)	10,322	-	-	(10,322)	-	-	-	-	**-**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(25,720)	-	-	-	(12,150)	-	-	-	**(37,870)**
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	40,467	-	-	-	34,403	-	(74,870)	-	**-**
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (In-Year)	(144)	-	-	-	(237)	-	381	-	**-**
Removal of revaluation reserve balances for Property, Plant and Equipment disposed of in prior year	-	-	-	-	-	-	-	-	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-	(23)	-	**(23)**
Deferred costs in respect of disposals transferred to the CAA	(345)	-	-	-	(750)	-	-	-	**(1,095)**
Release of Deferred costs from CAA to UCR upon receipt of cash	-	-	-	-	-	-	486	-	**486**
Contribution from the Capital Receipts Reserve to finance the payments to the Govt Capital Receipts Pool (Housing Pooled Capital Receipts)	(4,902)	-	-	-	-	-	4,902	-	**-**
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	1,126	-	-	-	-	-	-	-	**1,126**
Voluntary repayment of debt (above Minimum Revenue Provision)	63	-	-	-	-	-	-	-	**63**
Statutory provision for finance lease liabilities (including PFI)	1,105	-	-	-	-	-	-	-	**1,105**
Voluntary application of capital receipts	-	-	-	-	-	-	28,500	-	**28,500**
Reversal of items relating to retirement benefits debited or credited to the CIES made in accordance with IAS19 (Note 32)	(32,109)	-	-	-	(3,592)	-	-	-	**(35,701)**
Employer's pensions contributions and direct payments to pensioners	16,272	-	-	-	1,839	-	-	-	**18,111**
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	54	-	-	-	(86)	-	-	-	**(32)**
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	4,198	-	-	-	-	-	-	-	**4,198**
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	40	-	-	-	(34)	-	-	-	**6**
Total Adjustments between accounting basis & funding basis under regulations	**(12,053)**	**2,395**	**-**	**(1,415)**	**79,790**	**6,668**	**914**	**-**	**76,299**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(8,533)**	**2,395**	**-**	**(1,415)**	**(9,484)**	**6,668**	**914**	**-**	**(9,455)**
Transfers (to)/from Earmarked Reserves (Note 8)	8,533	(624)	(11,721)	-	3,812	-	-	-	-
(Increase)/Decrease in year	**(0)**	**1,771**	**(11,721)**	**(1,415)**	**(5,672)**	**6,668**	**914**	**-**	**(9,455)**
Balance at 31 March 2015 carried forward	**(19,004)**	**(14,975)**	**(104,310)**	**(44,109)**	**(13,166)**	**-**	**(70,135)**	**(878)**	**(266,577)**

7. Adjustments between Accounting Basis and Funding Basis under Regulations (cont'd)

Movement on Unusable Reserves 2013/14	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipts Reserve £000	Pensions Reserve £000	Financial Instruments Adjustment Account £000	Available for Sale Financial Instruments Reserve £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable Reserves £000	Total Usable Reserves £000	Total Reserves £000
Balance at 1 April 2013	**(71,998)**	**(1,056,624)**	**(2,362)**	**503,469**	**1,176**	**-**	**(785)**	**3,513**	**(623,611)**	**(177,210)**	**(800,821)**
Surplus or (deficit) on the provision of services - Restated*	-	-	-	-	-	-	-	-	-	(255,773)	(255,773)
Surplus or deficit on revaluation of Property, Plant and Equipment assets	(33,286)	-	-	-	-	-	-	-	(33,286)	-	(33,286)
Actuarial gains/losses on pension assets / liabilities	-	-	-	(89,625)	-	-	-	-	(89,625)	-	(89,625)
Gains/losses on Available for Sale Financial Assets	-	-	-	-	-	(40)	-	-	(40)	-	(40)
Total Comprehensive Income and Expenditure	**(33,286)**	**-**	**-**	**(89,625)**	**-**	**(40)**	**-**	**-**	**(122,951)**	**(255,773)**	**(378,724)**
Adjustments between accounting basis & funding basis under regulations											
Depreciation of Property, Plant and Equipment	-	20,359	-	-	-	-	-	-	**20,359**	(20,359)	-
Amortisation of Intangible Assets	-	213	-	-	-	-	-	-	**213**	(213)	-
Dwelling Depreciation	-	-	-	-	-	-	-	-	**-**	-	-
Reversal of Major Repairs Allowance credited to the HRA	-	14,001	-	-	-	-	-	-	**14,001**	(14,001)	-
Impairment/Revaluation losses (charged to the CIES)	-	(190,387)	-	-	-	-	-	-	**(190,387)**	190,387	-
Revenue expenditure funded from capital under statute (REFCUS)	-	10,275	-	-	-	-	-	-	**10,275**	(10,275)	-
Movements in the market value of investment properties	-	(1,898)	-	-	-	-	-	-	**(1,898)**	1,898	-
Difference between fair value depreciation and historical cost depreciation	759	(759)	-	-	-	-	-	-	**-**	-	-
Capital grants and contributions applied	-	(18,970)	-	-	-	-	-	-	**(18,970)**	18,970	-
Capital grants and contributions applied (REFCUS)	-	(8,189)	-	-	-	-	-	-	**(8,189)**	8,189	-
Use of capital receipts reserve to finance capital expenditure (including REFCUS)	-	(10,987)	-	-	-	-	-	-	**(10,987)**	10,987	-
Use of capital reserve to finance capital expenditure	-	(2)	-	-	-	-	-	-	**(2)**	2	-
Capital expenditure charged against the General Fund and HRA balances	-	(5,619)	-	-	-	-	-	-	**(5,619)**	5,619	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	(15,153)	-	-	-	-	-	-	**(15,153)**	15,153	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (CIES)	-	-	-	-	-	-	-	-	**-**	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	25,642	-	-	-	-	-	-	**25,642**	(25,642)	-
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	-	**-**	-	-
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (In-Year)	-	-	-	-	-	-	-	-	**-**	-	-
Removal of revaluation reserve balances for Property, Plant and Equipment disposed of	2,465	(2,465)	-	-	-	-	-	-	**-**	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	2,272	-	-	-	-	-	**2,272**	(2,272)	-
Deferred costs in respect of disposals transferred to the CAA	-	1,895	-	-	-	-	-	-	**1,895**	(1,895)	-
Release of Deferred costs from CAA to UCR upon receipt of cash	-	(227)	-	-	-	-	-	-	**(227)**	227	-
Contribution from the Capital Receipts Reserve to finance the payments to the Govt Capital Receipts Pool (Housing Pooled Capital Receipts)	-	-	-	-	-	-	-	-	**-**	-	-
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	-	(1,425)	-	-	-	-	-	-	**(1,425)**	1,425	-
Voluntary repayment of debt (above Minimum Revenue Provision)	-	(63)	-	-	-	-	-	-	**(63)**	63	-
Statutory provision for finance lease liabilities (including PFI)	-	(1,084)	-	-	-	-	-	-	**(1,084)**	1,084	-
Voluntary application of capital receipts	-	(13,568)	-	-	-	-	-	-	**(13,568)**	13,568	-
Reversal of items relating to retirement benefits debited or credited to the CIES made in accordance with IAS19 (Note 32)	-	-	-	32,152	-	-	-	-	**32,152**	(32,152)	-
Employer's pensions contributions and direct payments to pensioners	-	-	-	(19,358)	-	-	-	-	**(19,358)**	19,358	-
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	(123)	-	-	-	**(123)**	123	-
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	-	-	-	-	-	-	4,204	-	**4,204**	(4,204)	-
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	-	-	-	-	-	-	-	179	**179**	(179)	-
Total Adjustments between accounting basis & funding basis under regulations	**3,224**	**(198,411)**	**2,272**	**12,794**	**(123)**	**-**	**4,204**	**179**	**(175,861)**	**175,861**	**-**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(30,062)**	**(198,411)**	**2,272**	**(76,831)**	**(123)**	**(40)**	**4,204**	**179**	**(298,812)**	**(79,912)**	**(378,724)**
Transfers (to)/from Earmarked Reserves (Note 8)	-	-	-	-	-	-	-	-	-	-	-
(Increase)/Decrease in year	**(30,062)**	**(198,411)**	**2,272**	**(76,831)**	**(123)**	**(40)**	**4,204**	**179**	**(298,812)**	**(79,912)**	**(378,724)**
Balance at 31 March 2014 carried forward	**(102,060)**	**(1,255,035)**	**(90)**	**426,638**	**1,053**	**(40)**	**3,419**	**3,692**	**(922,423)**	**(257,122)**	**(1,179,545)**

* See footnote on Academies on CIES

7. Adjustments between Accounting Basis and Funding Basis under Regulations

Movement on Unusable Reserves 2014/15	Revaluation Reserve £000	Capital Adjustment Account £000	Deferred Capital Receipts Reserve £000	Pensions Reserve £000	Financial Instruments Adjustment Account £000	Available for Sale Financial Instruments Reserve £000	Collection Fund Adjustment Account £000	Accumulated Absences Account £000	Total Unusable Reserves £000	Total Usable Reserves £000	Total Reserves £000
Balance at 1 April 2014	**(102,060)**	**(1,255,035)**	**(90)**	**426,638**	**1,053**	**(40)**	**3,419**	**3,692**	**(922,423)**	**(257,122)**	**(1,179,545)**
Surplus or (deficit) on the provision of services	-	-	-	-	-	-	-	-	-	(85,754)	(85,754)
Surplus or deficit on revaluation of Property, Plant and Equipment assets	(38,087)	-	-	-	-	-	-	-	(38,087)	-	(38,087)
Actuarial gains/losses on pension assets / liabilities	-	-	-	78,120	-	-	-	-	78,120	-	78,120
Gains/losses on Available for Sale Financial Assets	-	-	-	-	-	525	-	-	525	-	525
Total Comprehensive Income and Expenditure	**(38,087)**	**-**	**-**	**78,120**	**-**	**525**	**-**	**-**	**40,558**	**(85,754)**	**(45,196)**
Adjustments between accounting basis & funding basis under regulations											
Depreciation of Property, Plant and Equipment	-	21,056	-	-	-	-	-	-	**21,056**	(21,056)	-
Amortisation of Intangible Assets	-	188	-	-	-	-	-	-	**188**	(188)	-
Dwelling Depreciation	-	-	-	-	-	-	-	-	**-**	-	-
Reversal of Major Repairs Allowance credited to the HRA	-	17,923	-	-	-	-	-	-	**17,923**	(17,923)	-
Impairment/Revaluation losses (charged to the CIES)	-	(47,952)	-	-	-	-	-	-	**(47,952)**	47,952	-
Revenue expenditure funded from capital under statute (REFCUS)	-	13,437	-	-	-	-	-	-	**13,437**	(13,437)	-
Movements in the market value of investment properties	-	(4,108)	-	-	-	-	-	-	**(4,108)**	4,108	-
Difference between fair value depreciation and historical cost depreciation	1,932	(1,932)	-	-	-	-	-	-	**-**	-	-
Capital grants and contributions applied	-	(18,503)	-	-	-	-	-	-	**(18,503)**	18,503	-
Capital grants and contributions applied (REFCUS)	-	(11,632)	-	-	-	-	-	-	**(11,632)**	11,632	-
Use of capital receipts reserve to finance capital expenditure (including REFCUS)	-	(41,538)	-	-	-	-	-	-	**(41,538)**	41,538	-
Use of capital reserve to finance capital expenditure	-	-	-	-	-	-	-	-	**-**	-	-
Capital expenditure charged against the General Fund and HRA balances	-	(3,041)	-	-	-	-	-	-	**(3,041)**	3,041	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	(23,255)	-	-	-	-	-	-	**(23,255)**	23,255	-
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (CIES)	-	-	-	-	-	-	-	-	**-**	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	-	37,870	-	-	-	-	-	-	**37,870**	(37,870)	-
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	-	-	-	-	-	-	-	-	**-**	-	-
Contribution from the Capital Receipts Reserve towards admin costs of non-current asset disposals (In-Year)	-	-	-	-	-	-	-	-	**-**	-	-
Removal of revaluation reserve balances for Property, Plant and Equipment disposed of	541	(541)	-	-	-	-	-	-	**-**	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	23	-	-	-	-	-	**23**	(23)	-
Deferred costs in respect of disposals transferred to the CAA	-	1,095	-	-	-	-	-	-	**1,095**	(1,095)	-
Release of Deferred costs from CAA to UCR upon receipt of cash	-	(486)	-	-	-	-	-	-	**(486)**	486	-
Contribution from the Capital Receipts Reserve to finance the payments to the Govt Capital Receipts Pool (Housing Pooled Capital Receipts)	-	-	-	-	-	-	-	-	**-**	-	-
Statutory provision for the financing of capital investment (Minimum Revenue Provision)	-	(1,126)	-	-	-	-	-	-	**(1,126)**	1,126	-
Voluntary repayment of debt (above Minimum Revenue Provision)	-	(63)	-	-	-	-	-	-	**(63)**	63	-
Statutory provision for finance lease liabilities (including PFI)	-	(1,105)	-	-	-	-	-	-	**(1,105)**	1,105	-
Voluntary application of capital receipts	-	(28,500)	-	-	-	-	-	-	**(28,500)**	28,500	-
Reversal of items relating to retirement benefits debited or credited to the CIES made in accordance with IAS19 (Note 32)	-	-	-	35,701	-	-	-	-	**35,701**	(35,701)	-
Employer's pensions contributions and direct payments to pensioners	-	-	-	(18,111)	-	-	-	-	**(18,111)**	18,111	-
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	32	-	-	-	**32**	(32)	-
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	-	-	-	-	-	-	(4,198)	-	**(4,198)**	4,198	-
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	-	-	-	-	-	-	-	(6)	**(6)**	6	-
Total Adjustments between accounting basis & funding basis under regulations	**2,473**	**(92,213)**	**23**	**17,590**	**32**	**-**	**(4,198)**	**(6)**	**(76,299)**	**76,299**	**-**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(35,614)**	**(92,213)**	**23**	**95,710**	**32**	**525**	**(4,198)**	**(6)**	**(35,741)**	**(9,455)**	**(45,196)**
Transfers (to)/from Earmarked Reserves (Note 8)	-	-	-	-	-	-	-	-	-	-	-
(Increase)/Decrease in year	**(35,614)**	**(92,213)**	**23**	**95,710**	**32**	**525**	**(4,198)**	**(6)**	**(35,741)**	**(9,455)**	**(45,196)**
Balance at 31 March 2015 carried forward	**(137,674)**	**(1,347,248)**	**(67)**	**522,348**	**1,085**	**485**	**(779)**	**3,686**	**(958,164)**	**(266,577)**	**(1,224,741)**

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 2014/15.

		Balance at 31 March 2013 £000	Transfers Out 2013/14 £000	Transfers In 2013/14 £000	Movement Between Reserves 2013/14 £000	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Movement Between Reserves 2014/15 £000	Balance at 31 March 2015 £000
	General Fund									
1	Insurance Fund	(4,993)	175	(2)	-	**(4,820)**	-	(1,022)	-	**(5,842)**
2	Controlled Parking Fund	(408)	2,161	(2,448)	-	**(695)**	599	(707)	90	**(713)**
3	Computer Replacement Fund	(842)	-	(1,323)	-	**(2,165)**	-	(248)	1,000	**(1,413)**
4	IT Infrastructure	(2,813)	-	-	-	**(2,813)**	410	(2,000)	(1,000)	**(5,403)**
5	Efficiency Projects Reserve	(7,661)	3,015	(5,750)	-	**(10,396)**	1,599	(2,308)	(2,176)	**(13,281)**
6	Price Pressures	(1,000)	-	-	1,000	**-**	-	-	-	**-**
7	Corporate Demand Pressures	-	-	(2,459)	(1,057)	**(3,516)**	-	(5,600)	-	**(9,116)**
8	Debtors/Creditors Review	(619)	-	-	-	**(619)**	-	-	-	**(619)**
9	Dilapidations/Office Moves	(2,970)	-	(756)	-	**(3,726)**	-	(585)	-	**(4,311)**
10	Housing Benefit	(2,591)	176	-	-	**(2,415)**	167	-	-	**(2,248)**
11	Planning Inquiries	(273)	-	(85)	-	**(358)**	-	(130)	-	**(488)**
12	LPFA Sub Fund	(1,000)	-	-	-	**(1,000)**	-	-	-	**(1,000)**
13	Bishops Park	(412)	54	-	-	**(358)**	41	-	-	**(317)**
14	Imperial Wharf	(800)	-	-	-	**(800)**	-	-	-	**(800)**
15	King Street Regeneration	(699)	31	-	-	**(668)**	72	-	-	**(596)**
16	Temporary Accommodation	(3,506)	-	-	-	**(3,506)**	-	-	-	**(3,506)**
17	ASC Pressures & Demands	(2,393)	646	(1,571)	221	**(3,097)**	740	(2,044)	-	**(4,401)**
18	Community Safety Reserve	(167)	-	(25)	(190)	**(382)**	25	(3)	-	**(360)**
19	Local Lead Flood Authority	(394)	-	(209)	-	**(603)**	-	(70)	-	**(673)**
20	Contribution to Local Election	(150)	-	(175)	-	**(325)**	266	(75)	-	**(134)**
21	Human Resources Reserve	(1,000)	-	-	-	**(1,000)**	-	-	-	**(1,000)**
22	Capital Reserves	(400)	-	(1,134)	-	**(1,534)**	55	-	-	**(1,479)**
23	Supporting People Programme	(1,989)	-	-	-	**(1,989)**	-	-	-	**(1,989)**
24	CHS Pressures and Demands	(1,861)	708	(52)	450	**(755)**	25	-	-	**(730)**
25	CHS Shared Service Integration	(280)	167	-	(250)	**(363)**	257	-	-	**(106)**
26	MTFS Delivery Risk	(5,881)	-	(1,119)	-	**(7,000)**	852	-	-	**(6,148)**
27	Legal Fees Reserve	(275)	-	(65)	-	**(340)**	30	-	290	**(20)**
28	Managed Services	(1,800)	-	(2,950)	-	**(4,750)**	3,284	(1,000)	1,590	**(876)**
29	VAT Reserve	(2,000)	-	(500)	-	**(2,500)**	-	-	-	**(2,500)**
30	Business Board Reserve	(571)	-	(787)	-	**(1,358)**	-	(252)	787	**(823)**
31	ELRS Fulham Palace Reserve	(15)	15	(459)	-	**(459)**	31	(140)	-	**(568)**
32	TFM Reserve	-	-	(400)	(529)	**(929)**	167	-	(351)	**(1,113)**
33	3SIF Grant Reserve	-	-	-	-	**-**	-	(542)	-	**(542)**
34	ASC Portfolio Management	-	30	(164)	(323)	**(457)**	122	-	-	**(335)**
35	Troubled Families	-	-	(709)	-	**(709)**	298	-	-	**(411)**
36	Focus on Practice	-	-	-	(350)	**(350)**	-	-	-	**(350)**
37	PSL Incentive Payments	-	-	(400)	-	**(400)**	190	(129)	-	**(339)**
38	NDR Deficit Support	-	-	(6,021)	-	**(6,021)**	5,264	(2,485)	-	**(3,242)**
39	HFD Budget Reserve	-	-	-	-	**-**	-	-	(600)	**(600)**
40	Customer Services Reserve	-	-	-	-	**-**	-	(450)	-	**(450)**
41	Stock Options Appraisal	-	-	-	-	**-**	-	(1,200)	-	**(1,200)**
42	Redundancy Reserves	(2,499)	201	(1,112)	382	**(3,028)**	-	(719)	-	**(3,747)**
43	Other Funds	(3,077)	814	(1,358)	400	**(3,221)**	968	(1,780)	361	**(3,672)**
	General Fund Sub-Total	**(55,339)**	**8,193**	**(32,033)**	**(246)**	**(79,425)**	**15,462**	**(23,489)**	**(9)**	**(87,461)**
	HRA									
44	HRA IT Recharges Reserve	(162)	-	(43)	-	**(205)**	-	(142)	-	**(347)**
45	HRA Past Service Pension Cost	(209)	209	-	-	**-**	-	-	-	**-**
46	HRA Pay Increase	(161)	161	-	-	**-**	-	-	-	**-**
47	HRA Efficiency Reserve	(320)	-	(700)	-	**(1,020)**	-	(391)	-	**(1,411)**
48	HRA Human Resources Reserve	(83)	83	-	-	**-**	-	-	-	**-**
49	HRA Non-dwellings Impairment Reserve	(1,244)	-	(5,102)	-	**(6,346)**	357	(646)	-	**(6,635)**
50	HRA Strategic Regeneration and Housing Development	(1,246)	-	(500)	-	**(1,746)**	-	-	-	**(1,746)**
51	HRA Utilities Reserve	(300)	39	(500)	-	**(761)**	-	(500)	-	**(1,261)**
52	HRA Commercial Property leases	-	-	(200)	-	**(200)**	106	-	-	**(94)**
53	HRA Legal Costs	-	-	(200)	-	**(200)**	-	-	-	**(200)**
54	Improved Voids Specification	-	-	(500)	-	**(500)**	-	-	-	**(500)**
55	Sheltered Housing	-	-	-	-	**-**	-	(871)	-	**(871)**
56	Deed Pack Review Reserve	-	-	-	-	**-**	-	(300)	-	**(300)**
57	Stock Options Appraisal Reserve	-	-	-	-	**-**	-	(300)	-	**(300)**
58	Welfare Reform Reserve	-	-	-	-	**-**	-	(500)	-	**(500)**
59	Parking Charges Review Reserve	-	-	-	-	**-**	-	(606)	-	**(606)**
60	Community Pot	-	-	-	-	**-**	-	(19)	-	**(19)**
	HRA Sub-Total	**(3,725)**	**492**	**(7,745)**	**-**	**(10,978)**	**463**	**(4,275)**	**-**	**(14,790)**
	Revenue Grants									
61	TFL Street Management	(129)	-	-	-	**(129)**	-	-	-	**(129)**
62	S106 - Revenue Schemes	(2,755)	1,415	-	-	**(1,340)**	112	(170)	-	**(1,398)**
63	ALSS SFA 2011/12 Allocation	(235)	48	-	-	**(187)**	102	-	-	**(85)**
64	CHS Adoption Reform Reserve	-	-	(226)	-	**(226)**	86	-	-	**(140)**
65	Other Revenue Grants	(658)	198	(90)	246	**(304)**	129	(141)	9	**(307)**
	Revenue Grants Sub-Total	**(3,777)**	**1,661**	**(316)**	**246**	**(2,186)**	**429**	**(311)**	**9**	**(2,059)**
	Total	**(62,841)**	**10,346**	**(40,094)**	**-**	**(92,589)**	**16,354**	**(28,075)**	**-**	**(104,310)**

8. Earmarked Reserves Description

The main purpose of each earmarked reserve is explained below:		
1.	Insurance Fund	- this was established to underwrite a proportion of the Council's insurable risks.
2.	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.
3.	Computer Replacement Fund	- this is for the enhancement to the Council's IT systems required to meet existing commitments and future demands.
4.	IT Infrastructure	- this reserve has been set up for future IT improvement programmes.
5.	Efficiency Projects Reserve	- this reserve will fund future revenue expenditure and capital investment that will provide future revenue savings.
6.	Price Pressures	- To meet unbudgeted pay and price increases.
7.	Corporate Demand Pressures	- To meet unbudgeted demands and pressures.
8.	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.
9.	Dilapidations/Office Moves	- this reserve has been set up to fund potential office moves and the repair of office accommodation dilapidations.
10.	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.
11.	Planning Inquiries	- this reserve has been established to fund possible future costs of planning inquiries that may become chargeable to the General Fund.
12.	LPFA Sub Fund	- this reserve has been set aside to cover a potential pensions liability to the LPFA.
13.	Bishops Park	- this reserve has been set aside as part of the Bishops Park lottery funded development scheme.
14.	Imperial Wharf	- this reserve has been set up to under write the construction of Imperial Wharf Overground station.
15.	King Street Regeneration	- this reserve is to meet the preliminary costs that are emerging in connection with the King Street Regeneration.
16.	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.
17.	ASC Pressures & Demands	- this reserve is to address non-recurring new financial pressures within Adult Social Care.
18.	Community Safety Reserve	- this is for funding the Integrated Offender Management Support Programme.
19.	Local Lead Flood Authority	- DEFRA grant monies given under the Flood & Water Management Act 2010.
20.	Contribution to Local Election	- Funds set aside to fund the next local election in 2019.
21.	Human Resources Reserve	- this is a reserve to fund any requirements in relation to Human Resources.
22.	Capital Reserves	- this is a revenue-backed reserve to support capital expenditure and to provide bridging finance pending receipts of grants, etc.
23.	Supporting People Programme	- this reserve has been set up to enable the Supporting People programme to be managed over a rolling 3 year cycle in line with the contracts let with service suppliers.
24.	CHS Pressures and Demands	- this reserve is to address non-recurring new financial pressures within Children's Services.
25.	CHS Shared Service Integration	- this reserve is to address one off costs arising from shared service integration projects.
26.	MTFS Delivery Risk	- This reserve has been created to mitigate the risks associated with the implementation of new MTFS projects.
27.	Legal Fees Reserve	- this reserve has been created to cover future one off legal costs relating to planning and environmental health.
28.	Managed Services	- this reserve has been set up to fund one off costs relating to the implementation of managed services.
29.	VAT Reserve	- this reserve is to cover costs incurred as a result of VAT related changes.
30.	Business Board Reserve	- this reserve is to fund projects approved by the HF Business Board.
31.	ELRS Fulham Palace Reserve	- this reserve is held to fund anticipated financial commitments in relation to Fulham Palace. This will fund 3 years of premises costs relating to the Head Lease (lease and insurance costs) as well as set aside funds for the continued investment in the Bishops Park and Fulham Palace open spaces as part of the funding agreement with the Heritage Lottery Fund (HLF).
32.	TFM Reserve	- The reserve represents additional costs on the contract due to a refresh of the service matrix- detailing buildings and service provision- and the potential need to fund additional expenditure as a result of changes in the apportionment of actual costs incurred across the three boroughs. The reserve also represents elective variable works, removals costs and ad hoc security costs that are not included in the fixed contract price.
33	3SIF Grant Reserve	this reserve is to support the Third Sector Investment Fund medium term allocation plan.
34	ASC Portfolio Management	- The reserve is to fund additional resources required to delivery the Shared Service Adult Social Care Transformation and Efficiency Savings Portfolio work Programme which is anticipated to deliver savings over the Medium term.
35	Troubled Families	- This reserve has been created to carry forward funding that has already been earnt, but not spent, into Year 3 of the project in order to fund the costs associated with running the programme.
36	Focus on Practice	- this reserve was for the blueprint development of more purposeful practice and effective interventions with families over a two to three year period. It is hoped to create a service which will establish effective practice, delivers sustained change and better outcomes through a move to intensive evidence based casework with smaller caseloads for front line staff.
37	PSL Incentive Payments	- this reserve is to mitigate against higher Direct Lettings costs.
38	NDR Deficit Support	- this is a reserve to smooth the impact of statutory timing differences between funding and impact NDR deficits.
39	HFD Budget Reserve	- this reserve is to support H&F Direct in future budget pressures.
40	Customer Services Reserve	- this reserve is to fund improvements in customer service.
41	Stock Options Appraisal	- this is a reserve to address the potential outcomes of the Stock Options Appraisal .
42	Redundancy Reserves	- these reserves were set up to cover any redundancy costs.
43	Other Funds	- this reserve is to fund various smaller projects.
44	HRA IT Recharges Reserve	- this reserve is to fund any budgetary pressures with IT charges.
45	HRA Past Service Pension Cost	- this reserve is to provide for adjustments to the HRA past service cost liability.
46	HRA Pay Increase	- this reserve has been established to cover the potential pay inflation.
47	HRA Efficiency Reserve	- this reserve is to provide funding for the one off costs associated with implementing MTFS savings.
48	HRA Human Resources Reserve	- this is a reserve to fund any requirements in relation to HRA Human Resources.
49	HRA Non-dwellings Impairment Reserve	- this reserve is to smooth the future impact of non-dwellings impairments on the HRA following the introduction of HRA self-financing.
50	HRA Strategic Regeneration and Housing Development	- this reserve is to provide for the risk associated the council's strategy and regeneration and housing development initiatives.
51	HRA Utilities Reserve	- this reserve is to cover the potential impact of applying OFWAT "Water resale order" under which water charges to tenants must be set to equal expenditure incurred by LBHF on a property by property basis.
52	HRA Commercial Property leases	- this reserve is to fund the S106 costs for the termination of commercial property leases.
53	HRA Legal Costs	- this reserve is for the likely legal costs arising from a procurement judgement.
54	Improved Voids Specification	- this reserve is to fund a pilot to improve a limited number of void properties.
55	Sheltered Housing	- this reserve is to fund the costs of additional resourcing for the sheltered housing accommodation service.
56	Deed Pack Review Reserve	- this reserve is to fund a review of the HRA Fixed Asset Register in 2015/16 which will potentially involve a review of deed packs for over 18,000 properties.
57	HRA Stock Options Appraisal Reserve	- this is a reserve is the HRA contribution to address the potential outcomes of the Stock Options Appraisal.
58	Welfare Reform Reserve	- this is a reserve to provide for the further and continuing impact of Welfare Reform.
59	Parking Charges Review Reserve	- this reserve is to coverthe potential need to refund parking charges on HRA properties.
60	Community Pot	- this reserve is the contribution made by the contractor providing housing and caretaking services to a Community Pot to be spent on projects agreed between the Council and the contractor.
61-65	Revenue Grants	- these are grants which have been transferred as an earmarked reserve due to the implementation of International Financial Reporting Standards (IFRS).

9. Material Items of Income and Expense

Transactions in 2014/15

Council Dwellings have again been revalued in-year showing a significant gain of £80.97m (see note 13 for more detail). This gain is divided between the Comprehensive Income and Expenditure Statement (CIES) (£56.62m) and the Revaluation Reserve (£24.35m).

Transactions in 2013/14

Council Dwellings have been revalued in-year and have shown a significant revaluation gain. The net gain posted to the CIES is £188.3m (after taking account of revaluation losses of £12.7m required to reduce in-year capital expenditure to EUV-SH valuation - see note 13iv for more detail). The gain - in part - reverses the significant loss posted to CIES (expenditure) in 2010/11 when the Council revised its social housing valuation adjustment factor. As such the credit for the financial year 2013/14 has been recorded against expenditure.

10. Other Operating Expenditure

	2014/15 £000	2013/14 £000
Levies	2,888	2,868
Payments to the Government Housing Capital Receipts Pool	4,902	5,616
Gains/losses on the disposal of non-current assets	(35,524)	(51,143)
Trading Operations [See Below]	(2,025)	(2,741)
Other Operating Income and Expenditure	21	(2)
	(29,738)	**(45,402)**

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.

	2014/15			2013/14		
	Turnover	Expenditure	(Surplus)/ Deficit	Turnover	Expenditure	(Surplus)/ Deficit
	£000	£000	£000	£000	£000	£000
Construction & Property Related Services	-	-	-	(156)	216	60
Highways Division	(811)	790	(21)	(888)	838	(50)
Industrial Estates and Misc Properties	(2,514)	107	(2,407)	(2,845)	8	(2,837)
Other	(316)	719	403	-	86	86
Net surplus on trading operations	**(3,641)**	**1,616**	**(2,025)**	**(3,889)**	**1,148**	**(2,741)**

11. Financing and Investment Income and Expenditure

	2014/15 £000	2013/14 Restated * £000
Interest payable and similar charges	14,916	15,922
Net interest on the net defined benefit liability (asset)	18,370	21,330
Interest receivable and similar income	(1,794)	(1,326)
Income and expenditure in relation to investment properties and changes in their fair value	(4,397)	(6,626)
Schools converted to Academy Status	1,143	667
	28,238	**29,967**

* See footnote on Academies on CIES

12. Taxation and non-specific grant income and expenditure

	2014/15 £000	2013/14 £000
Council Tax Income	(52,512)	(53,274)
Non-domestic rates income and expenditure	(50,286)	(49,669)
Non-ringfenced government grants	(78,513)	(92,014)
Capital grants and contributions	(28,937)	(21,838)
	(210,248)	**(216,795)**

13. Property, Plant and Equipment

(i) Movements on Balances

Movements in 2014/15	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
Cost or Valuation									
At 1 April 2014	1,096,092	323,038	188,511	30,338	23,828	15,448	10,247	**1,687,502**	19,985
Additions	55,054	13,076	7,614	521	1,224	27	7,212	**84,728**	-
Donations	-	-	-	-	-	-	-	**-**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	17,309	5,754	-	-	-	538	-	**23,601**	(5,066)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	45,973	(11,135)	-	-	-	-	-	**34,838**	(240)
Derecognition – disposals	(7,298)	(23,757)	-	-	-	-	(142)	**(31,197)**	-
Derecognition – other	-	(704)	-	(18,770)	-	(184)	-	**(19,658)**	-
Assets reclassified (to)/from Held for Sale	693	-	-	-	-	537	-	**1,230**	-
Assets reclassified (to)/from Investment Properties	-	-	-	-	-	(1,951)	-	**(1,951)**	-
Other reclassifications	5,312	9,448	1,114	-	(1,114)	307	(15,067)	**-**	-
Other movements in cost or valuation	-	-	-	-	-	-	-	**-**	-
At 31 March 2015	**1,213,135**	**315,720**	**197,239**	**12,089**	**23,938**	**14,722**	**2,250**	**1,779,093**	**14,679**
Accumulated Depreciation and Impairment									
At 1 April 2014	(128)	(7,959)	(82,995)	(25,993)	(5,645)	-	-	**(122,720)**	(632)
Depreciation charge	(17,923)	(6,186)	(11,225)	(1,812)	(1,833)	-	-	**(38,979)**	(316)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,039	7,447	-	-	-	-	-	**14,486**	948
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	10,649	2,465	-	-	-	-	-	**13,114**	-
Derecognition – disposals	94	3,108	-	-	-	-	-	**3,202**	-
Derecognition – other	-	12	-	18,613	-	-	-	**18,625**	-
Other movements in depreciation and impairment	-	-	(647)	-	647	-	-	**-**	-
At 31 March 2015	**(269)**	**(1,113)**	**(94,867)**	**(9,192)**	**(6,831)**	**-**	**-**	**(112,272)**	**-**
Net Book Value									
at 31 March 2015	**1,212,866**	**314,607**	**102,372**	**2,897**	**17,107**	**14,722**	**2,250**	**1,666,821**	**14,679**

13. Property, Plant and Equipment (cont'd)

Movements in 2013/14	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
Cost or Valuation									
At 1 April 2013	886,482	324,397	179,743	30,041	22,799	14,685	392	**1,458,539**	19,985
Additions	17,987	13,468	8,768	297	1,029	220	5,551	**47,320**	-
Donations	-	-	-	-	-	-	-	**-**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	28,857	(6,344)	-	-	-	(15)	-	**22,498**	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	175,615	(1,844)	-	-	-	(141)	-	**173,630**	-
Derecognition – disposals	(11,450)	(5,910)	-	-	-	-	-	**(17,360)**	-
Derecognition – other	-	(850)	-	-	-	-	-	**(850)**	-
Assets reclassified (to)/from Held for Sale	(1,399)	-	-	-	-	930	-	**(469)**	-
Assets reclassified (to)/from Investment Properties	-	448	-	-	-	(92)	-	**356**	-
Other reclassifications	-	(327)	-	-	-	(139)	4,304	**3,838**	-
Other movements in cost or valuation	-	-	-	-	-	-	-	**-**	-
At 31 March 2014	**1,096,092**	**323,038**	**188,511**	**30,338**	**23,828**	**15,448**	**10,247**	**1,687,502**	**19,985**
Accumulated Depreciation and Impairment									
At 1 April 2013	(142)	(11,117)	(72,647)	(24,076)	(3,901)	-	-	**(111,883)**	(316)
Depreciation charge	(14,001)	(6,350)	(10,348)	(1,917)	(1,744)	-	-	**(34,360)**	(316)
Revaluation	14,015	9,427	-	-	-	-	-	**23,442**	-
Derecognition – disposals	-	-	-	-	-	-	-	**-**	-
Derecognition – other	-	28	-	-	-	-	-	**28**	-
Other movements in depreciation and impairment	-	53	-	-	-	-	-	**53**	-
At 31 March 2014	**(128)**	**(7,959)**	**(82,995)**	**(25,993)**	**(5,645)**	**-**	**-**	**(122,720)**	**(632)**
Net Book Value									
at 31 March 2014	**1,095,964**	**315,079**	**105,516**	**4,345**	**18,183**	**15,448**	**10,247**	**1,564,782**	**19,353**

Depreciation and Useful life

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

Council Dwellings	5 - 60 years
Other Land and Buildings	10 - 60 years
Infrastructure	3 - 40 years
Vehicles, Plant, Furniture & Equipment	2 - 25 years
Community Assets	3 - 73 years

13. Property, Plant and Equipment (cont'd)

(ii) Depreciation and Useful life

The amount charged to services in 2014/15 was:	£000
Central Services to the Public	286
Cultural & Related Services	3,110
Environmental & Regulatory Services	754
Planning Services	1,437
Education and Children's Services	4,349
Highways and Transport Services	9,566
HRA	18,226
Other Housing Services	118
Adult Social Care	1,040
Non-Distributed Costs	-
Corporate & Democratic Core	-
Trading Operations	93
	38,979

(iii) Effect of Changes in Estimates

In 2014/15 the Authority made no material changes to its accounting estimates for Property, Plant and Equipment.

(iv) Revaluation and Impairments

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued through full inspection at least every three years. The Authority has used the external valuation contractor Wilks Head & Eve to carry out the valuations under instruction from the authority's internal Valuation and Property Services. Rolling program values are reviewed internally to ensure they are not materially misstated at balance sheet date. 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 31 March 2015.

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
Carrying value under Cost Model	87,138	312,066	102,372	2,897	17,107	16,946	2,250	**540,776**
Carried at Historical Cost	-	-	102,372	2,897	17,107	-	2,250	**124,626**
Valued at fair value as at:								
31 March 2015	1,203,397	287,104	-	-	-	1,382	-	**1,491,883**
31 March 2014	4,694	15,192	-	-	-	-	-	**19,886**
31 March 2013	-	1,549	-	-	-	9,520	-	**11,069**
31 March 2012	4,775	10,762	-	-	-	3,500	-	**19,037**
31 March 2011	-	-	-	-	-	320	-	**320**
	1,212,866	**314,607**	**102,372**	**2,897**	**17,107**	**14,722**	**2,250**	**1,666,821**

13. Property, Plant and Equipment (cont'd)

(iv) Revaluation and Impairments continued.

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 Council conducted a full revaluation of its dwelling stock in 2010/11 in line with the proper practice set out in the Government guidance "Stock Valuation for Resource Accounting: Guidance for Valuers - 2010." Subsequently, on an annual basis, a desk-top revaluation on dwellings as at 31 March 2015 was commissioned by the Council, and completed by the external Valuer Wilks, Head and Eve. A revaluation based on full inspection is scheduled for 2015/16.

Where assets are revalued downwards and revaluation losses are in excess of the available Revaluation Reserve, balances are debited to the Surplus or Deficit on the Provision of Services. A review of fixed assets was carried out for 2014/15 and there were no cases of impairment of assets to report.

CIPFA confirmed in April 2013, that impairment and valuation losses not covered by Revaluation Reserve in relation to HRA dwellings - are charged to the HRA Income & Expenditure Statement but during the 5-year transition period (following HRA Self-Financing) will be reversible through a transfer to the Capital Adjustment Account (CAA) via the Movement in Reserves Statement (MIRS).

For impairment and valuation losses not covered by Revaluation Reserve in relation to HRA non-dwellings - no provision exists to reverse the charges (both during and after transition).

(v) Capital Commitments

The total of capital commitments exceeding £2m at the balance sheet date were as follows:

	31 March 2015	31 March 2014
Service Department	**£000**	**£000**
Children's Services	-	11,418
Housing Revenue Account	13,380	15,879
	13,380	**27,297**

14. Investment Properties

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

	2014/15	2013/14
	£000	**£000**
Rental income from investment property	(6,011)	(6,211)
Direct operating expenses (including repairs and maintenance) arising from investment properties	81	87
Net (gain)/loss	**(5,930)**	**(6,124)**

(i) Revaluation

In 2014/15 the Council commissioned a full revaluation of its investment properties including an inspection of each property where appropriate as at the balance sheet date of 31st March 2015. The work was undertaken by our independent external valuers - Wilks, Head & Eve, whose staff are qualified surveyors with the Royal Institution of Chartered Surveyors (RICS). The valuation bases are in accordance with the Statement of Asset Valuation Practices and Guidance Notes of RICS.

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 for repairs, maintenance or enhancements.

14. Investment Properties (cont'd)

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

	31 March 2015	31 March 2014
	£000	£000
Balance at start of the year	76,200	70,227
Additions:		
• Purchases	-	-
• Construction	-	-
• Subsequent expenditure	9	103
Disposals	(3,247)	(450)
Net gains/(losses) from fair value adjustments	4,397	6,758
Transfers:		
• (to)/from Inventories	-	-
• (to)/from Property, Plant and Equipment	1,951	(438)
• (to)/from Assets Held for Sale	-	-
Other changes	-	-
Balance at end of the year	**79,310**	**76,200**

15. Heritage Assets

(i) Movements on Balances

	Art Collections	Books & Printed Materials	Ceramics & Glass	Other Heritage Assets	Total Assets
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2014	7,688	131	118	86	8,023
Movement on balance	-	-	-	-	-
At 31 March 2015	**7,688**	**131**	**118**	**86**	**8,023**

There have been no movements on Heritage Assets in 2014/15. Further information concerning heritage assets and their valuation can be found in previous Statement of Accounts as published on the Council's website:

http://www.lbhf.gov.uk/Directory/Council_and_Democracy/Plans_performance_and_statistics/Statement_of_accounts/68526_Statement_of_accounts.asp

16. Capital Expenditure and Capital Financing

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

16. Capital Expenditure and Capital Financing (cont'd)

	2014/15	2013/14
	£000	£000
Opening Capital Financing Requirement	297,332	311,803
Capital Investment		
Property, Plant and Equipment	84,729	47,321
Investment Properties	9	104
Intangible Assets	106	246
Revenue Expenditure Funded from Capital under Statute	13,437	10,275
Capital Funding of third-party capital loans	-	975
Sources of Finance		
Capital receipts - used to fund Capital Expenditure	(41,538)	(10,987)
Government grants and other contributions	(53,391)	(42,314)
Sums set aside from revenue:		
Direct revenue contributions	(3,041)	(5,619)
MRP/loans fund principal	(2,293)	(2,572)
Voluntary Application of Capital Receipts	(28,500)	(13,568)
Deferred costs of capital disposals	610	1,668
Closing Capital Financing Requirement	**267,460**	**297,332**
Explanation of movements in year		
Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	(2,231)	(2,509)
Increase/(Decrease) in underlying need to borrow (unsupported by government financial assistance)	(63)	(63)
Voluntary application of Capital Receipts to repay debt	(28,500)	(13,568)
Deferred costs of capital disposals	610	1,668
Assets acquired under finance leases	311	-
Assets acquired under PFI/PPP contracts	-	-
Increase/(decrease) in Capital Financing Requirement	**(29,873)**	**(14,472)**

17. Leases (Finance and Operating)

Council as Lessee

Finance Leases

The Council is not engaged in any material Finance Leases as a Lessee.

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 these non-cancellable leases in future years are:

	31 March 2015	31 March 2014
	£000	£000
Not later than one year	1,171	981
Later than one year and not later than five years	3,652	2,742
Later than five years	9,676	4,652
	14,499	**8,375**

The Council has sub-let some of the accommodation and equipment held under these leases. At 31st March 2015 the minimum income expected to be received under non-cancellable sub-leases was £161,683 (£243,515 at 31st March 2014).

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

	31 March 2015	31 March 2014
	£000	£000
Minimum lease payments	895	1,521
Contingent rents	558	739
Sublease payments receivable	(115)	(115)
	1,338	**2,145**

17. Leases (Finance and Operating) (cont'd)

Council as Lessor

Finance Leases

The Council is not engaged in any material Finance Leases as a Lessor.

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 2015 £000	31 March 2014 £000
Not later than one year	1,380	1,156
Later than one year and not later than five years	4,513	3,789
Later than five years	9,511	9,011
	15,404	**13,956**

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 2014/15 £75k contingent rents were receivable by the Council (2013/14 £75k).

18. Private Finance Initiative

2014/15 was the tenth year of a 25-year Private Finance Initative (PFI) to provide new services for vulnerable older people in the borough. The PFI has created three new nursing homes (one of which was completed one year later than the other two). Hammersmith & Fulham Clinical Commissioning Group also share the services provided at these sites through a back-to-back agreement with the Council.

At the end of the contract ownership of the homes reverts to the Council. There have been no variations made to the contract in 2014/15. Payments are adjusted annually for RPI.

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 13.

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 2015 (excluding 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 2015/16	5,340	186	1,230	**6,756**
Payable within two to five years	22,423	1,031	4,633	**28,087**
Payable within six to ten years	31,019	2,317	4,764	**38,100**
Payable within eleven to fifteen years	34,276	4,499	2,582	**41,357**
Payable within sixteen to twenty years	2,688	536	90	**3,314**
	95,746	8,569	13,299	**117,614**

18. Private Finance Initiative (cont'd)

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:

	2014/15	2013/14
	£000	£000
Balance outstanding at start of year	8,735	8,880
Payments during the year	(165)	(145)
Capital expenditure incurred in the year	-	-
Balance outstanding at year-end	**8,570**	**8,735**

19. Debtors

	31 March 2015	31 March 2014
	£000	£000
Central government bodies	12,970	12,748
Other local authorities	9,874	13,264
NHS bodies	6,583	3,733
Public corporations and trading funds	1	8
Other entities and individuals	26,130	28,614
Total	**55,558**	**58,367**

20. Cash and Cash Equivalents

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

	31 March 2015	31 March 2014
	£000	£000
Cash held by the Council	59	13
Bank current accounts	457	942
School bank accounts	22,351	16,502
Short-term deposits	39,150	39,200
Total	**62,017**	**56,657**
Bank overdraft*	(3,194)	(2,246)
	(3,194)	**(2,246)**
Net Cash and Cash Equivalents	**58,823**	**54,411**

*The year-end bank overdraft reflects the bank position including all outstanding and unpresented items.
LBHF does not operate a physical bank overdraft as part of its cash management policy. This presentation is a technical requirement under IFRS.

21. 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 Assets 31 March 2015 £000	Current Assets 31 March 2014 £000
Balance outstanding at start of year	9,224	15,227
Additions:	-	3
Assets newly classified as held for sale:		
• Property, Plant and Equipment	-	1,005
Assets declassified as held for sale:		
• Property, Plant and Equipment	(1,230)	-
Assets sold	(5,593)	(7,011)
Balance outstanding at year-end	**2,401**	**9,224**

22. Creditors

	31 March 2015 £000	31 March 2014 £000
Central government bodies	(42,052)	(28,991)
Other local authorities	(20,366)	(18,869)
NHS bodies	(9,131)	(11,236)
Public corporations and trading funds	-	-
Other entities and individuals	(67,014)	(81,761)
Total	**(138,563)**	**(140,857)**

23. Other Long Term Liabilities

	31 March 2015 £000	31 March 2014 £000
Net Pensions Liability	(522,349)	(426,639)
Long Term Lease Liability	(8,829)	(9,076)
TOTAL	**(531,178)**	**(435,715)**

24. Provisions

	Insurance £000	NDR - Losses on Appeals £000	Other Provisions £000	Total £000
Balance at 1 April 2013	**(3,593)**	-	**(1,757)**	**(5,350)**
Additional provisions	(180)	(11,725)	(2,127)	**(14,032)**
Amounts used	426	-	1,220	**1,646**
Unused amounts reversed	-	-	2	**2**
Unwinding of discounting	-	-	-	**-**
Balance at 31 March 2014	**(3,347)**	**(11,725)**	**(2,662)**	**(17,734)**
Additional provisions	-	(8,990)	(672)	**(9,662)**
Amounts used	851	3,235	1,234	**5,320**
Unused amounts reversed	-	-	948	**948**
Unwinding of discounting	-	-	-	**-**
Balance at 31 March 2015	**(2,496)**	**(17,480)**	**(1,152)**	**(21,128)**
Of which:				
Next twelve months	(2,496)	(17,480)	(435)	(20,411)
Over twelve months	-	-	(717)	(717)
Balance at 31 March 2015	**(2,496)**	**(17,480)**	**(1,152)**	**(21,128)**

24. Provisions (cont'd)

Following the introduction of the new Business Rates Retention Scheme by Central Government on 1 April 2013, the Council must account for its share of Non-Domestic Rates assets and liabilities. As a result of this, the Council has been exposed to a significant number of outstanding ratings appeals, the estimated liability for this has been recognised here.

The Council's insurance provision (held for known future insurance claims resulting from the Authority's self-insurance of liability risks and fire damage) received a full actuarial assessment of the Insurance Fund position as at 31 March 2013. The provision is based upon updated professional estimates of continuing open claims identified in that year's assessment. It also reflects claims they have currently received for which they expect payment in the next 12 months.

During 1992/93, the then Council's insurers, Municipal Mutual Insurance (MMI), ceased accepting new business. The Council is a member of a scheme of arrangement that has been put into place to try to ensure an orderly settlement of the run-off of MMI. The scheme of arrangement was triggered in 2012/13 and the Council was required to pay a levy of £426K in 2013/14, for which a provision was made in 2012/13 accounts; representing 15% of claims payments made to date. MMI in setting this 15% levy chose a mid-point based upon on actuarial analysis of potential future losses with the aim of ensuring a solvent run off of current losses and those yet to emerge. Whilst a further levy cannot be ruled out in the future, it is anticipated that a further levy is unlikely in the short term. This means the Council will be required to fund 15% of all payments for any newly reported losses during the period of MMI policy coverage prior to 1993. The Council has sufficient funds in its Insurance reserve to cover this exposure.

• £1.964m was held in respect of the PFI inflation rate which the Council was negotiating with the contractor. This was settled in 2014/15.

Other Provisions include:

• £0.655m to cover various HRA tenant related liabilities
• £0.175m to cover potential shortfalls in funding for Specific Childcare
• £0.238m for legal fees and disbursements regarding disrepair cases

25. Financial Instruments

(i) Financial Instruments - Balances

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

	Long Term		Current	
	31 March 2015 £000	**31 March 2014 £000**	**31 March 2015 £000**	**31 March 2014 £000**
Financial Assets:				
Investments - Loans and Receivables	100	100	108,675	91,838
Investments - Available for sale financial assets	-	-	211,921	189,633
Cash & cash equivalents	-	-	58,822	54,411
Long Term Debtors	1,648	1,673	-	-
Trade Debtors	-	-	54,549	51,495
Total	**1,748**	**1,773**	**433,967**	**387,377**
Financial Liabilities :				
Measured at amortised cost				
Borrowings	(232,144)	(247,842)	(18,856)	(6,089)
Long Term Creditors	(100)	(100)	-	-
Trade Creditors	-	-	(2,374)	(16,310)
Total	**(232,244)**	**(247,942)**	**(21,230)**	**(22,399)**
Other Liabilities:				
PFI & Finance Lease liabilities	**(8,829)**	**(9,076)**	**(502)**	**(1,048)**

Note 1 - Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent including accrued interest.

Note 2 – Fair value has been measured by direct reference to published price quotations in an active market.

The amounts for trade debtors and creditors are the values identified in Notes 19 and 22 to the accounts gross of any allowance for bad debts, see paragraph on Credit Risk in Note 26 below, but excluding outstanding balances to/from Government Departments, debts arising from taxation demands and monies received or paid in advance. Further analysis of PFI and Finance Lease liabilities is given in Notes 17 and 18.

25. Financial Instruments (cont'd)

(ii) Reclassifications

No financial instruments have been reclassified between valuation at amortised cost and valuation at fair value during 2014/15 or previous years.

(iii) Income, Expense, Gains and Losses

	2014/15				2013/14			
	Financial Liabilities at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for Sale Assets £000	Total £000	Financial Liabilities at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for Sale Assets £000	Total £000
Interest expense	14,916	-	-	14,916	15,922	-	-	15,922
Losses on derecognition	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Fee expense	-	-	-	-	-	-	-	-
Total expense in Surplus or Deficit on the Provision of Services	**14,916**	**-**	**-**	**14,916**	**15,922**	**-**	**-**	**15,922**
Interest income	-	(589)	(1,205)	(1,794)	-	(1,049)	(277)	(1,326)
Increases in fair value	-	-	-	-	-	-	-	-
Gains on derecognition	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-
Total income in Surplus or Deficit on the Provision of Services	**-**	**(589)**	**(1,205)**	**(1,794)**	**-**	**(1,049)**	**(277)**	**(1,326)**
Net gain/(loss) for the year	**14,916**	**(589)**	**(1,205)**	**13,122**	**15,922**	**(1,049)**	**(277)**	**14,596**

25. Financial Instruments (cont'd)

(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:

- Public Works Loan Board (PWLB) loans have been valued using the standard new loan rates published by the Debt Management Office (DMO) on 31st March 2015.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- 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 March 2015 includes outstanding mortgages of £68k (£90k 31 March 2014). 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. Therefore any difference between carrying and fair value on long term debtors would be insignificant.

£100k of the Long Term investment at 31 March 2015 (£100k at 31 March 2014) shown in section (i) 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 (excluding any Cash or Cash Equivalents) are as follows:

	31 March 2015		31 March 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial Liabilities				
Borrowings				
PWLB Debt	(247,599)	(309,634)	(250,510)	(272,798)
Total	**(247,599)**	**(309,634)**	**(250,510)**	**(272,798)**
Financial Assets				
Loans and receivables				
Money market loans less than one year	108,675	108,675	91,838	91,838
Money market loans greater than one year	-	-	-	-
Available for Sale less than one year	211,921	211,921	189,633	189,633
Available for Sale greater than one year	-	-	-	-
Total	**320,596**	**320,596**	**281,471**	**281,471**

The fair value for financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. The commitment to pay interest above current market rates increases the amount that the authority would have to pay if the lender requested or agreed to early repayment of the loans. The calculation above uses the PWLB certainty rate as the discount factor, if the premature repayment rate were to be used the fair value would be £352,254k as at 31 March 2015 (£306,276k at 31 March 2014.)

The fair value for financial liabilities have been determined by reference to the PWLB redemption rules and prevailing PWLB standard new loan rates at each Balance Sheet date. They include accrued interest.

At 31st March 2015, all money market loans and receivables are repayable within one year. Therefore, the carrying amount is assumed to be approximate fair value; the figure for both years includes accrued interest. The prevailing comparator market rates have been taken from indicative investment rates at the Balance Sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference is not likely to be material.

26. Nature and Extent of Risks Arising from Financial Instruments

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

- 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
- Re-financing risk - the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms
- 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

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and the associated regulations. These require the Council to comply with CIPFA's Prudential Code and Code of Practice on Treasury Management in the Public Services together with investment guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice on Treasury Management in the Public Services;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting the Council's:
    - overall borrowing;
    - maximum and minimum exposures to fixed and variable rates;
    - maximum and minimum exposures for the maturity structure of its debt;
    - maximum annual exposures to investments maturing beyond a year; and
- by approving an investment strategy for the forthcoming year that sets criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

These are required to be reported and approved at or before the Council's Council Tax is set and Revenue Budget approved. These items are reported within the Annual Treasury Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

These policies are implemented by the treasury team. The Council maintains written principles for overall risk management and written policies (Treasury Management Practices – TMPs) covering specific areas such as interest rate risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed regularly.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also considers maximum amounts in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria. Additional selection criteria are also applied following the application of the initial credit criteria.

The Council's maximum exposure to credit risk in relation to its investments in banks cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be able to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparty in relation to outstanding deposits or non investment activity related financial instrument.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures set out above and through cash flow management procedures required by the Code of Practice on Treasury Management in the Public Services. This seeks to ensure that cash is available when needed.

26. Nature and Extent of Risks Arising from Financial Instruments (cont'd)

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow needs, while the PWLB provides access to longer term funds, it also acts as a lender of last resort to local authorities (although it will not provide funding to an authority whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Thus there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

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 19. The sums shown are net of a prudent provision for their impairment amounting to £42.98 million at 31 March 2015 (£40.84 million at 31 March 2014). 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 2015 £000	31 March 2014 £000
Less than three months	39,072	34,616
Three to six months	1,688	2,986
Six months to one year	3,143	2,911
More than one year	10,647	10,982
	54,550	**51,495**

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. While the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments for greater than one year in duration are the key parameters used to address this risk. The Council's treasury and investment strategies address the main risks and the treasury team address the operational risks within the approved parameters. This includes:

• monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
• monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs and spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	31 March 2015 £000	31 March 2014 £000
Less than one year	(18,856)	(6,089)
Between one and two years	(7,074)	(15,702)
Between two and five years	(21,680)	(19,055)
Between five and ten years	(31,379)	(25,388)
More than ten years	(171,763)	(187,453)
Total	**(250,752)**	**(253,687)**

The maturity analysis of financial assets is as follows:

	31 March 2015 £000	31 March 2014 £000
Less than one year	320,596	281,471
Between one and two years	-	-
Between two and three years	-	-
More than three years	1,748	1,773
Total	**322,344**	**283,244**

The above tables exclude trade payables and receivables and cash and cash equivalents all of which are due to be paid/received within one year.

26. Nature and Extent of Risks Arising from Financial Instruments (cont'd)

Market risk

Interest Rate Risk: The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument durations. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowing at variable rates: the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowing at fixed rates: the fair value of the borrowing liability will fall (no impact on revenue balances).
- Investments at variable rates: the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- Investments at fixed rates: the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings do 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 is posted to the Surplus or Deficit on the Provision of Services and affects the General Fund balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. The Strategy sets a treasury indicator that provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitors market and forecast interest rates within the year and adjusts exposure appropriately. For instance, during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

Price risk: the Council, excluding the Pension Fund, does not generally invest in equities or marketable bonds.

Foreign exchange risk: the Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movement in exchange rates.

27a. Cash Flow Statement - Net Cash Flow from Operating Activities

	2014/15 £000	**Restated 2013/14 £000**
Adjustment for items included elsewhere in the Cash Flow Statement:		
Capital Grants	(15,693)	(22,611)
Adjustment for 'non-cash' items included in the Income and Expenditure Statement:		
Depreciation and Amortisation of non-current assets	39,167	34,572
Impairments and revaluations	(52,349)	(197,345)
Value of non-current assets derecognised on disposal	32,275	18,632
Value of 'Assets Held for Sale' derecognised on disposal	5,594	-
Assets transferred to Assets Held for Sale	(1,230)	977
Net adjustment made in respect of IAS 19 (Pensions)	17,590	12,794
Revaluations of Available for Sale Financial Assets	(525)	40
Amortisation of Premia and Discounts	4	(123)
Movement in non-cash assets and liabilities:		
(Increase)/decrease in short-term Debtors*	2,787	(6,806)
add/less: (Increase)/decrease in Capital Debtors	434	(410)
(Increase)/decrease in Long-term Debtors	25	583
Increase/(decrease) in short-term Creditors*	(26,188)	3,430
add/less: Increase/(decrease) in Capital Creditors	(3,105)	846
Assets transferred to 'Assets Held for Sale'	1,229	6,003
(Increase)/decrease in Inventories	22	17
Increase/(decrease) in Provisions	3,394	12,384
Increase/(decrease) in Grants and Contributions Receipts in Advance	97	2,780
Adjustments to net surplus or deficit on the provision of services for non-cash movements	**3,528**	**(134,237)**

*Excluding movements in the Collection Fund Debtors/Creditors with precepting authorities and the short-term element of Finance Leases and PFI's which are included on the face of the cashflow statement.

27b. Cash Flow Statement - Operating Activities

The cash inflows/(outflows) for operating activities include the following:

	2014/15 £000	2013/14 £000
Interest Received	1,846	1,442
Interest Paid	(13,558)	(15,189)

28. 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. In some cases the council makes a small surplus or deficit on these agreements through commission or reimbursement of costs. These surpluses or deficits are included within the relative service lines in the CIES. Bodies with whom we have these agency agreements include Thames Water, Transport for London, London Councils and various Academies in the borough.

29. Members' Allowances

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

	2014/15 £000	2013/14 £000
Members' Allowances	**777**	**819**

30. Officers' Remuneration

This note shows the remuneration as paid through the Council's payroll to the Council's Chief Executive, Statutory Chief Officers, members of the Senior Management Team (H&F Business Board) and employees earning over £150,000. It includes employees with responsibilities for Shared Services with Royal Borough of Kensington (RBKC) and Westminster City Council (WCC)

	Notes		Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contribution £	**Total £**
Nigel Pallace - Acting Interim Chief Executive H & F.	3,11	2014/15	169,966	8,498	0	0	23,179	**201,643**
		2013/14	158,620	16,655	0	0	23,662	**198,937**
Jane West - Executive Director of Finance & Corporate Governance	4	2014/15	158,620	15,862	0	0	23,466	**197,948**
		2013/14	158,620	16,655	0	0	0	**175,275**
Lyn Carpenter - Shared Services Executive Director Environment, Leisure & Residents Services for LBHF and RBKC	5	2014/15	157,215	14,316	0	0	23,379	**194,910**
		2013/14	154,132	12,331	0	0	22,473	**188,936**
Melbourne Barrett - Executive Director of Housing & Regeneration	11	2014/15	137,592	6,880	0	0	18,881	**163,353**
		2013/14	132,300	11,907	0	0	19,468	**163,675**
Elizabeth Bruce - Shared Services Executive Director of Adult Social Care for LBHF, RBKC and WCC	6	2014/15	139,341	9,754	482	0	21,233	**170,809**
		2013/14	60,457	3,023	0	0	8,570	**72,050**
Tasnim Shawkat - Shared Services Director of Law for LBHF and RBKC	7	2014/15	114,803	12,628	18	0	17,444	**144,893**
		2013/14	104,803	10,480	0	0	15,563	**130,846**
Hitesh Jolapara - Director for Finance	8	2014/15	118,970	8,328	0	0	16,832	**144,130**
		2013/14	114,803	11,480	0	0	17,177	**143,460**
Philip Cross - Executive Headteacher, Hurlingham and Chelsea School	9	2014/15	85,355	0	27,145	0	15,863	**128,363**
		2013/14	112,836	0	37,165	0	21,150	**171,151**

Note 1 - The following Senior Officers are employed by RBKC, on a Shared Services basis. Information regarding their remuneration can be found on RBKC's website www.rbkc.gov.uk:

- The Chief Executive role was a Shared Services role with RBKC until the 25th October 2014. As Nicholas Holgate retained s151 responsibilities for RBKC his salary was shared on the following basis 42% (LBHF): 58% RBKC.
- The Shared Services Executive Director of Children's Services (Andrew Christie) is shared equally between LBHF, RBKC and WCC.

Note 2 - The Director of Public Health is shared on a Shared Services basis. Meradin Peachey was the post holder until 4th January 2015 and was employed by Westminster City Council (WCC). Information regarding her remuneration can be found on WCC's website www.westminster.gov.uk. Since this time, Stuart Lines (Deputy Director of Public Health for LBHF, also employed by WCC) has been acting up. This role is shared on the following basis 29% (LBHF): 31% (RBKC): 40% (WCC).

Note 3 -Nigel Pallace was Shared Services Executive Director Transportation & Technical Services with RBKC. Up until the 26th October this role was shared on the following basis 75% (LBHF): 25% (RBKC). From taking up the role of Interim Chief Executive from 27th October 2014 this changed to 100% LBHF.

Note 4 - Seconded to WCC 1st March 15 as Interim Shared Services Executive Director for Corporate Services for WCC/RBKC.

Note 5 - This is a Shared Services role and is split on the following basis 50% (LBHF): 50% (RBKC).

Note 6 - This is a Shared Services role and is split on the following basis 46% (LBHF): 33% (WCC): 21% (RBKC).

Note 7 - This is a Shared Services role and is split on the following basis 50% (LBHF): 50% (RBKC). Included as the Monitoring Officer for LBHF.

Note 8 - This is a Shared Services role with RBKC. Hitesh Jolapara assumed Section 151 responsibilities for LBHF from 1st March 2015 and as at 31st March 2015 the role was split 80% (LBHF): 20% (RBKC).

Note 9 - Pay decisions for the head teachers disclosed above rest with the School Governing Body and not the Council. Philip Cross left 31st December 2014 and the school is now an Academy, so no staff costs will appear in the Council's accounts.

Note 10 - The above remuneration disclosure does not include payments for returning officer duties.

Note 11 - Bonuses have been estimated at 5% for Nigel Pallace and Melbourne Barrett as the decision on the actual figure is pending.

30. Officers' Remuneration (cont'd)

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:

(These numbers do not include senior employees shown in the previous table)

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:

(These numbers do not include senior employees shown in the previous table)

Remuneration Band	Including Redundancies 2014/15 Number of Employees	Including Redundancies 2013/14 Number of Employees	Excluding Redundancies 2014/15 Number of Employees	Excluding Redundancies 2013/14 Number of Employees
£145,000 - £149,999	0	0	0	0
£140,000 - £144,999	0	0	0	0
£135,000 - £139,999	0	0	0	0
£130,000 - £134,999	1	0	1	0
£125,000 - £129,999	0	1	0	1
£120,000 - £124,999	0	0	0	0
£115,000 - £119,999	0	0	0	0
£110,000 - £114,999	7	3	6	3
£105,000 - £109,999	9	7	9	7
£100,000 - £104,999	3	6	3	6
£95,000 - £99,999	3	8	3	8
£90,000 - £94,999	5	2	5	2
£85,000 - £89,999	4	4	4	4
£80,000 - £84,999	14	12	13	11
£75,000 - £79,999	16	22	16	22
£70,000 - £74,999	20	20	19	20
£65,000 - £69,999	18	27	18	27
£60,000 - £64,999	20	16	20	14
£55,000 - £59,999	52	45	52	41
£50,000 - £54,999	102	99	101	98
Total	**274**	**272**	**270**	**264**

Of the 274 employees listed above in 2014/15, 126 (46%) were employees where pay decisions rest with the School Governing Body and not the Council. The corresponding figure for 2013/14 was 121 (44%).

Of the 270 employees listed above in 2014/15, 125 (46%) were employees where pay decisions rest with the School Governing Body and not the Council. The corresponding figure for 2013/14 was 119 (45%).

This note discloses officers in the council's payroll who may be shared via the Shared Services arrangements.

Exit Packages

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special	Number of compulsory redundancies		Number of other departures agreed		Total number of packages by cost band		Total cost of exit packages in each band	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
£0 - £20,000	28	32	23	36	51	68	406,940	590,566
£20,001 - £40,000	18	6	4	12	22	18	600,779	527,168
£40,001 - £60,000	1	3	3	5	4	8	211,489	436,554
£60,001 - £80,000	-	-	1	5	1	5	74,523	342,250
£80,001 - £100,000	-	1	1	2	1	3	86,135	274,294
Over £100,001	-	-	1	2	1	2	115,531	237,726
Total	**47**	**42**	**33**	**62**	**80**	**104**	**1,495,397**	**2,408,558**

This includes exit packages agreed by School Governing Bodies. Exit packages include the accrued cost of added years (the pension strain). These costs are not paid to individuals but reflect the cost to the council of the employee retiring early, without actuarial reduction of their pension.

31. 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 2014/15, the Council paid £4.13 million to Teachers’ Pensions in respect of teachers’ retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £4.33 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 2014/15 the costs arising from additional benefits amounted to £342.6k (2013/14: £343.6k).

32. Defined Benefit 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 the following 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).

The schemes are funded defined benefit 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. The scheme to 31 March 2014 provided benefits based on final salary and length of service on retirement. Changes to the LGPS came into effect on 1 April 2014 and any benefits accrued from this date will be based on career average revalued salary, with various protections in place for those members in the scheme before the changes took effect.

In general, participating in a defined benefit pension scheme means that the Council is exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Pension Funds, there is an orphan risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Council e.g. higher than expected investment returns.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments when they eventually fall due.

32. Defined Benefit Schemes (cont'd)

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**	
	2014/15 £000	**2013/14 £000**	**2014/15 £000**	**2013/14 £000**
Comprehensive Income and Expenditure Statement				
Cost of Services:				
• current service costs	18,952	21,348	216	300
• past service costs including curtailments	819	1,191	-	-
• (gain)/ loss from settlements	(774)	(10,120)	-	-
• administration expenses	562	560	62	57
Financing and Investment Income and Expenditure:				
• net interest expense	18,258	21,024	112	306
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**37,817**	**34,003**	**390**	**663**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
• Return on plan assets (excluding the amount included in the net interest expense)	(63,921)	(16,080)	(1,025)	(30)
• Actuarial gains and losses arising on changes in demographic assumptions	-	47,751	-	743
• Actuarial gains and losses arising on changes in financial assumptions	138,759	22,175	4,966	(2,541)
• Experience loss/ (gain) on defined benefit obligation	(680)	(118,434)	21	(107)
• Other actuarial gains/ (losses)	-	(18,710)	-	(4,392)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**111,975**	**(49,295)**	**4,352**	**(5,664)**
Movement in Reserves Statement				
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(17,602)	(12,576)	12	(218)
Actual amount charged against the General Fund Balance for pensions in the year:				
• employers' contributions payable to scheme	17,729	18,947	370	411
• retirement benefits payable to pensioners (unfunded pension payments)	2,486	2,480	35	34

32. Defined Benefit Schemes (cont'd)

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	
	2014/15 £000	**2013/14 £000**	**2014/15 £000**	**2013/14 £000**
Opening balance 1 April	**1,090,430**	**1,118,199**	**44,343**	**46,765**
Current service cost	18,952	21,348	216	300
Interest cost	47,595	48,042	1,817	1,595
Remeasurement (gains) and losses:				
- Change in financial assumptions	138,759	22,175	4,966	(2,541)
- Change in demographic assumptions	-	47,751	-	743
- Experience loss/(gain) on defined benefit obligation	(680)	(118,434)	21	(107)
Liabilities assumed/ (extinguished) on settlements	1,615	(22,121)	-	-
Estimated benefits paid net of transfers in	(32,213)	(30,316)	(2,211)	(2,435)
Past service costs, including curtailments	819	1,191	-	-
Contributions by Scheme participants	5,137	5,075	48	57
Unfunded pension payments	(2,486)	(2,480)	(35)	(34)
Closing balance at 31 March	**1,267,928**	**1,090,430**	**49,165**	**44,343**

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

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2014/15 £000	**2013/14 £000**	**2014/15 £000**	**2013/14 £000**
Opening balance 1 April	**666,643**	**623,691**	**41,489**	**37,802**
Interest on assets	29,337	27,018	1,705	1,289
Remeasurement gain/ (loss):				
- Return on assets less interest	63,921	16,080	1,025	30
- Other actual gains/ (losses)	-	18,710	-	4,392
Administration expenses	(562)	(560)	(62)	(57)
Contributions by employer including unfunded	20,215	21,427	405	445
Contributions by scheme participants	5,137	5,075	48	57
Estimated benefits paid plus unfunded net of transfers in	(34,699)	(32,797)	(2,246)	(2,469)
Settlement prices received/ (paid)	2,390	(12,001)	-	-
Closing balance at 31 March	**752,382**	**666,643**	**42,364**	**41,489**

32. Defined Benefit Schemes (cont'd)

Pension Assets and Liabilities Recognised in the Balance Sheet

	31 March 2015 £000	31 March 2014 £000
Present Value of Liabilities		
LBHF Local Government Pension Scheme (Funded)	1,231,756	1,054,858
LBHF Local Government Pension Scheme (Unfunded)	36,171	35,571
LPFA Local Government Pension Scheme (Funded)	48,851	44,043
LPFA Local Government Pension Scheme (Unfunded)	314	300
Fair Value of Assets		
LBHF Local Government Pension Scheme	(752,382)	(666,644)
LPFA Local Government Pension Scheme	(42,364)	(41,489)
Net liability arising from defined benefit obligation		
LBHF Local Government Pension Scheme	515,545	423,785
LPFA Local Government Pension Scheme	6,801	2,854
Total	**522,346**	**426,639**

The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total net liability of £522.346m has a substantial impact on the net worth of the council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

• the deficits on both local government schemes will be made good by increased contributions over the remaining working life of employees (ie 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.

Local Government Pension Scheme assets

The return on the Funds (on a bid value to bid value basis) for the year 31 March 2015 are estimated to be 14% for LBHF Local Government Pension Scheme and 7% for LPFA Local Government Pension Scheme. The actual return on Fund assets over the year may be different. The asset allocations are set out below:

LBHF Local Government Pension Scheme

	31 March 2015 £000	31 March 2015 %	31 March 2014 £000	31 March 2014 %
Index Linked Gilts - UK	14,534	1.9%	11,355	1.7%
Index Linked Gilts - Overseas	14,797	2.0%	8,644	1.3%
Listed Equities - UK	178,500	23.7%	177,519	26.6%
Listed Equities - Overseas - North America	129,737	17.2%	94,214	14.1%
Listed Equities - Overseas - Europe	64,544	8.6%	62,648	9.4%
Listed Equities - Overseas - Japan	15,436	2.1%	14,766	2.2%
Listed Equities - Overseas - Asia	9,701	1.3%	8,677	1.3%
Listed Equities - Overseas - Emerging Markets	14,858	2.0%	9,690	1.5%
Unlisted Equities - Overseas - North America	990	0.1%	714	0.1%
Private Equity	9,077	1.2%	9,759	1.5%
Absolute Return Funds - Listed	-	0.0%	106,491	16.0%
Absolute Return Funds - Unlisted	2,404	0.3%	9,038	1.4%
Absolute Return Bond Funds - Listed	57,774	7.7%	50,863	7.6%
Absolute Return Bond Funds - Unlisted	584	0.1%	6,936	1.0%
Listed LDI Fund	113,711	15.1%	73,331	11.0%
Commodities	2,503	0.3%	2,000	0.3%
Forward Foreign Exchange Contracts	471	0.1%	1,405	0.2%
Cash	121,766	16.2%	17,191	2.6%
Net current Assets - Debtors	2,077	0.3%	2,438	0.4%
Net current Assets - Creditors	(1,082)	-0.1%	(1,035)	-0.2%
Total	**752,382**	**100%**	**666,644**	**100%**

	LPFA Local Government Pensions Scheme			
	31 March 2015		31 March 2014	
	£000	%	£000	%
Equities - Segregated - Quoted	8,557	20.2%	10,992	26.5%
Equities - Investment Funds and Unit Trusts - Quoted	1,737	4.1%	492	1.2%
Equities - Investment Funds and Unit Trusts - Unquoted	4,872	11.5%	8,300	20.0%
Equities - Private Equity - Unquoted	3,220	7.6%	2,819	6.8%
LDI	3,177	7.5%	2,557	6.2%
Target Return - Equities	424	1.0%	489	1.2%
Target Return - Corporate Bonds	678	1.6%	662	1.6%
Target Return - Government	381	0.9%	203	0.5%
Target Return - Investment Funds and Unit Trusts - Quoted	7,583	17.9%	5,574	13.4%
Target Return - Investment Funds and Unit Trusts - Unquoted	3,220	7.6%	5,317	12.8%
Infrastructure - Quoted	127	0.3%	123	0.3%
Infrastructure - Unquoted	1,949	4.6%	1,333	3.2%
Property Fund - Unquoted	1,186	2.8%	1,100	2.7%
Commodity Funds - Quoted	127	0.3%	331	0.8%
Commodity Funds - Unquoted	254	0.6%	122	0.3%
Cash (at bank)	4,956	11.7%	950	2.3%
Derivatives - Forwards	(85)	-0.2%	125	0.3%
Total	**42,363**	**100%**	**41,489**	**100%**

Asset and Liability Matching Strategy

During 2014/15 the LBHF Pension Fund invested approximately 13% of the Fund’s assets in a Liability Driven Investment (LDI) bespoke pooled fund in order to match approximately 25% of the Fund’s liabilities to manage the risks of inflation and interest rates. The underlying investments in the pooled fund are UK index linked gilts with durations which match a portion of the Fund’s liabilities and Total Return Swaps which provide further hedging against the risks of inflation and interest rates.

This LDI portfolio sits alongside an absolute return bond fund, which although does not match specifically the liabilities, it does assist further in the management of inflation and interest rate risks. The remainder of the Fund is invested in growth assets, including 10% in absolute return funds to provide diversification from the Fund’s equity investments.

32. Defined Benefit Schemes (cont'd)

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. The LBHF Local Government Pension Scheme and 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 2013.

The principal assumptions used by the actuary have been:

	LBHF Local Government Pension Scheme		LPFA Local Government Pension Scheme	
	2014/15	**2013/14**	**2014/15**	**2013/14**
Mortality Assumptions				
Life expectancy from age 65 - retiring today				
Men	22.8	22.7	21.3	21.2
Women	25.2	25.1	24.6	24.5
Life expectancy from age 65 - retiring in 20 years				
Men	25.1	24.9	23.7	23.5
Women	27.6	27.4	26.9	26.8
Financial Assumptions				
Rate of Inflation - RPI	3.2%	3.6%	3.0%	3.4%
Rate of Inflation - CPI	2.4%	2.8%	2.2%	2.6%
Rate of Increase in Salaries	4.2%	4.6%	4.0%	4.4%
Rate of Increase in Pensions	2.4%	2.8%	2.2%	2.6%
Discount Rate	3.3%	4.4%	3.0%	4.2%

These assumptions are set with reference to market conditions at 31 March 2015.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivitiy analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

	Impact on the Defined Benefit Obligation in the Scheme			
	LBHF Local Government Pension Scheme		**LPFA Local Government Pension Scheme**	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	£000	£000	£000	£000
Adjustment to:				
Discount Rate (+/- 0.1%)	(21,363)	21,751	(668)	678
Long term salary increase (+/- 0.1%)	2,981	(2,953)	29	(29)
Pension increases and deferred revaluation* (+/- 0.1%)	18,942	(18,617)	654	(645)
Mortality age rating assumption (+/- 1 year)	(44,304)	44,703	(1,674)	1,675

*Pension increases are linked to CPI inflation, therefore the impact analysis is equivalent

Impact on the Council's Cash Flows

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by Regulations. The next actuarial valuation of the fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a level of funding of 100% using the actuarial valuation assumptions. LBHF have agreed a strategy with the scheme's actuary to achieve a funding level of 100% over a 22 year period.

The total contributions expected to be made by the council in the year to 31 March 2016 is £18.562m to the LBHF Local Government Pension Scheme and £0.159m to the LPFA Local Government Pension Scheme.

The actuary's estimate of the duration of the Employer's liabilities is 18 years for LBHF Local Government Pension Scheme and 14 years for LPFA Local Government Pension Scheme.

33. 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:

	2014/15	2013/14
	£000	£000
Fees payable to the External Auditor with regard to external audit services carried out by the appointed auditor for the year	216	216
Fees payable to External Audit for the certification of grant claims and returns for the year	35	40
Audit Commission Rebates (relates to 2013/14 Fee)	(43)	-
Additonal Grant Fees for previous years	24	-
Objection Fee Variation for 2012/13	-	7
Total	**232**	**263**

34. 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). An element of DSG is recouped to by the Department to fund academy schools in the council's area. 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 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2014/15 are as follows:

	Central Expenditure	ISB	Total
	£000	£000	£000
Final DSG for 2014/15 before Academy recoupment			119,087
Academy figure recouped for 2014/15			(28,695)
Total DSG after Academy recoupment for 2014/15			90,392
Brought forward from 2013/14			6,185
Carry-forward to 2015/16 agreed in advance			-
Agreed initial budgeted distribution in 2014/15	20,641	75,936	96,577
In-year adjustments	-	-	-
Final budgeted distribution for 2014/15	20,641	75,936	96,577
Less actual central expenditure	(15,360)		(15,360)
Less actual ISB deployed to schools		(75,936)	(75,936)
Plus local authority contribution for 2014/15	-	-	-
Carry forward to 2015/16	**5,281**	**-**	**5,281**

35. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

	2014/15 £000	2013/14 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(66,054)	(81,224)
New Homes Bonus	(4,638)	(2,963)
Education Services	(1,769)	(1,912)
Council Tax Support Admin Subsidy	(1,989)	(1,989)
S31 Grant - Business Rates Retention Scheme Relief	(1,262)	(315)
Welfare Reform Change	(821)	(905)
Council Tax Freeze	(631)	(626)
Special Education Needs	(488)	(75)
Other Non-ringfenced government grants	(861)	(2,006)
Capital grants and contributions	(28,937)	(21,838)
Total	**(107,450)**	**(113,853)**
Credited to Services		
Housing & Council Tax Benefit Subsidy	(150,668)	(146,729)
Dedicated Schools Grant	(91,296)	(92,590)
Public Health Grant	(19,149)	(17,751)
Sixth Form Grant	(5,773)	(6,048)
Pupil Premium Grant	(6,862)	(5,211)
Section 106	(1,837)	(1,316)
DfE Capital Grants	(3,300)	(2,713)
Adult Learning	(1,693)	(1,721)
PFI Grants	(1,474)	-
Transport for London / Surface Transport	(1,291)	(1,283)
Further Education	(1,271)	(1,242)
Social Work Grants	(1,010)	(833)
Infant Free School Meals	(655)	-
NNDR Cost of Collection Allowance	(586)	(600)
Troubled Families	(249)	(1,283)
Adoption Reform Grant	(221)	(617)
Other grants and contributions	(4,301)	(3,833)
Total	**(291,636)**	**(283,770)**

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 2015 £000	31 March 2014 £000
Grants and Contributions Receipts in Advance (Current)		
Dedicated Schools Grant	(5,281)	(6,185)
Public Health Grant	(4,242)	(2,536)
Focus on Practice grant	(974)	-
Social Work Grants	(535)	(1,092)
Learning & Skills Council - revenue	(890)	(786)
Pupil Premium Grant	(92)	(116)
Other grants - revenue	(581)	(263)
Total	**(12,595)**	**(10,978)**

35. Grant Income (cont'd)

	31 March 2015 £000	31 March 2014 £000
Grants and Contributions Receipts in Advance (Non-Current)		
Developer contributions (inc. section 106)	(12,350)	(12,527)
Lyric Theatre	-	(934)
Major Works Income	-	(2,572)
TfL	(2,050)	(86)
Winterbourne Grant	(300)	-
Other capital grants	(232)	(333)
Total	**(14,932)**	**(16,452)**

36. Related Parties

The Council is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by 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 and provides the majority of its funding.

Grants received from government departments are set out in Note 6 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2015 are shown in Note 35.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 29.

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 2014/15, the Council engaged in various transactions with related parties - per information provided by Councillors and Chief Officers - to the value of £790k. The most significant transactions are to charitable organisations (£787k).

In addition to the above, many Members have relationships or hold positions with other public bodies and voluntary organisations with which the Council does not have a financially material relationship, but with which the Council has a financial or influential relationship. These include the Western Riverside Waste Authority and schools.

Other Public Bodies

The Council is the administering authority of the Pension Fund. The Council owed the Pension Fund £88k at the year end. The Pension Fund paid the Council £764 of interest on the cash deposited with the Council. The Council charged the Fund £428k 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

The Council has a pooled budget arrangement with Central London Clinical Commissioning Group for the provision of community equipment. The total expenditure of £1.6m for 2014/15 is funded 60% by CCG and 40% by the the Council.

Shared Services

The Council has entered into joint working arrangements with the City of Westminster and the Royal Borough of Kensington and Chelsea. The nature of these arrangements does mean that each borough influences the others however, each borough remains sovereign.

37. Interest in Companies

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

(i) Lyric Theatre Hammersmith Limited

This is a company limited by guarantee and a registered charity. Its main business is the promotion and encouragement of lively arts and theatre management. The Council supplies funding under a funding agreement to enable the company to carry out its charitable objectives. The revenue contributions by the Council were £281k in 2014/15. The latest audited accounts available, those relating to 2013/14, show net assets of £7,953k (£5,118k in 2012/13) and a profit on its activities in that year of £2,831k (£710k in 2012/13). 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.

Since 2011 the Council, as the major leaseholder, has taken the procurement lead in the Lyric Theatre Redevelopment Project. The Council is one of a number of significant funders of the project which will provide an extension of the community hub and broader cultural offer as well as an enhanced education offer following conclusion of the project.

(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 contributions by the Council were £25k in 2014/15. The charity's latest audited accounts available, those relating to 2013/14 show net assets worth £64k, (£68k in 2012/13). A net deficit of £4k has been reported for 2013/14 (net surplus £0.3k in 2012/13). 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)

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 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 management accounts for the year 2014/15 showed total net assets of £483k (£694k net assets in 2013/14 audited accounts) with a loss before tax of £209k (£159k in 2013/14 audited accounts) of which 19.9% would apply to the Council's Group accounts if these had been prepared. Copies of HFBP accounts may be obtained from HFBP, 2nd Floor, 26-28 Hammersmith Grove, Hammersmith, London, W6 7AW.

(iv) Joint Venture

HFS Developments LLP is a joint venture between the Council (50%) and Stanhope Plc (50%) which was incorporated on 27 March 2014.

38. Contingent Assets and Contingent Liabilities

Contingent Assets

Discounted Market Sale Units

The Council has historically negotiated various Section 106 agreements which deliver affordable housing. These agreements allow the Council to retain an equity share of 30% or more on properties that are being sold at a discount at various sites in the borough. The total number of such properties currently stands at 302 units with an estimated valuation of £129m. This represents a potential asset to the Council of £51m based on the its equity share, however, this is subject to market fluctuations. The owners of such properties can request to buy the retained equity share from the Council, 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.

38. Contingent Assets and Contingent Liabilities (cont'd)

Contingent Liabilities

The council has a number of litigations that were ongoing as at the 31st March 2015 but their outcome is not yet determined.

	2014/15 £'000 (Est)
	175
Total Litigations	**175**

The council is involved in a number of claims. These cases remain as Contingent Liabilities. If the council is unsuccessful in these claims, then the council may be liable to pay damages, interest and costs. All the above litigations are prudent estimates of the potential cost to the council. It is not possible, due to considerations of legal privilege to either provide further information or to give an assessment of the likelihood of success of any of the litigations.

39. 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:

	2014/15 £000	2013/14 £000
Balance at 1st April	**(5,320)**	**(5,399)**
Income	(718)	(639)
Sub total	**(6,038)**	**(6,038)**
Less:		
Expenditure and Transfers	725	718
Balance at 31 March	**(5,313)**	**(5,320)**

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.

	2014/15			2013/14			
	Business Rates £000	**Council Tax** £000	**Total** £000	**Business Rates** £000	**Council Tax** £000	**Total** £000	Notes
Income							
Council Tax Collectable	-	(75,560)	(75,560)	-	(75,716)	(75,716)	1
Business Rates Collectable	(192,085)	-	(192,085)	(186,250)	-	(186,250)	2
Business Rate Supplement Collectable	(6,051)	-	(6,051)	(5,822)	-	(5,822)	
Transitional Protection Payment	1,301	-	1,301	(1,506)	-	(1,506)	
Total Income	**(196,835)**	**(75,560)**	**(272,395)**	**(193,578)**	**(75,716)**	**(269,294)**	
Expenditure							
Precepts and Demands:							
Central Government (CLG)	88,508	-	88,508	82,101	-	82,101	
LB Hammersmith & Fulham	53,105	51,369	104,474	49,261	51,458	100,719	
Greater London Authority	35,403	20,893	56,296	32,840	20,572	53,412	
Business Rate Supplement							
Payment to the Greater London Authority	6,030	-	6,030	5,796	-	5,796	2
Cost of collection	21	-	21	26	-	26	
Charges to Collection Fund							
Write-offs of uncollectable amounts	3,079	9	3,088	2,031	742	2,773	
Increase/ (Decrease) in Bad Debt Provision	(4,315)	1,689	(2,626)	1,935	382	2,317	
Increase/ (Decrease) in Provision for Appeals	19,182	-	19,182	39,083	-	39,083	
Distribution/(Recovery) of previous year's est surplus/(deficit)	(17,546)	1,094	(16,452)	-	-	-	
Cost of collection	565	-	565	574	-	574	
Total Expenditure	**184,032**	**75,054**	**259,086**	**213,647**	**73,154**	**286,801**	
Movement on Fund balance	**(12,803)**	**(506)**	**(13,309)**	**20,069**	**(2,562)**	**17,507**	
(Surplus)/Deficit as at 1 April	20,069	(3,656)	16,413	-	(1,094)	(1,094)	
(Surplus)/Deficit as at 31 March	**7,266**	**(4,162)**	**3,104**	**20,069**	**(3,656)**	**16,413**	3

Notes to the Collection Fund Account

1. Income from Council Tax

Council Tax Income is the amount payable by council tax payers, inclusive of changes arising during the year for successful appeals against valuation banding, new properties, disabled relief and exempt properties. The Council's tax base is based on the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings. For 2014/15 it was calculated as follows:

Band	Number of Dwellings 2014/15	Total after Exemptions, Disregards and Disabled Relief	Ratio to Band D	Band D Equivalent Properties	Adjustments for Council Tax Support	Total Band D equivalents 2014/15	Band D equivalents 2013/14
A	3,457	2,752	6/9	1,835	(638)	1,197	862
B	5,656	4,631	7/9	3,602	(1,395)	2,207	1,810
C	14,130	11,491	8/9	10,214	(3,119)	7,095	6,580
D	24,067	20,654	1	20,654	(4,132)	16,522	16,241
E	14,741	13,115	11/9	16,029	(2,562)	13,467	13,655
F	8,831	7,925	13/9	11,447	(1,188)	10,259	10,605
G	10,593	9,778	15/9	16,297	(637)	15,660	16,014
H	2,088	1,945	18/9	3,890	(15)	3,875	3,868
Total	**83,563**	**72,291**		**83,968**	**(13,686)**	**70,282**	**69,635**

The 2014/15 Council Tax Base after allowing for adjustments for non collection was 69,875.

The Council set a 2014/15 Band D charge of £735.16 (a reduction of 3% from 2013/14), the GLA's Band D charge for 2014/15 was £299.00 making a total Band D Council Tax charge for 2014/15 of £1,034.16.

2. National Non-Domestic Rates

NNDR is organised and administered on a national basis. The council collects non-domestic rates for its area that are based on local rateable values muliplied by a uniform rate (set by the Government). The National Non Domestic Rateable Value at 31 March 2015 was £442.226m (£450.372m as at 31 March 2014). The standard NNDR multiplier for 2014/15 was 48.2 pence (47.1 pence in 2013/14). The Small Business Rate Relief multiplier for 2014/15 was 47.1 pence (46.2 pence in 2013/14).

The Council is responsible for collecting rates due from ratepayers in its area but until 31 March 2013 it paid the proceeds into an NNDR pool administered by the Government. The Government redistributed the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of the population. On 1 April 2013 the Government introduced a new local government funding regime, the Business Rates Retention Scheme. This removed the national pool and instead allows councils to retain a set proportion of business rates collected (reflected as a precept) subject to set baselines and limits. The remainder of business rates collected are paid as precepts to the Government (CLG) and the Greater London Authority (GLA).

The council is 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.

3. Collection Fund Balance

A proportion of the Collection Fund balance above is properly attributable to the GLA or the CLG 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.

	2014/15			2013/14		
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
	£000	£000	£000	£000	£000	£000
London Borough of Hammersmith and Fulham	2,181	(2,960)	(779)	6,021	(2,603)	3,418
Greater London Authority	1,453	(1,202)	251	4,014	(1,053)	2,961
Central Government (CLG)	3,632	-	3,632	10,034	-	10,034
	7,266	**(4,162)**	**3,104**	**20,069**	**(3,656)**	**16,413**

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	2014/15 £000	2013/14 £000
Income			
Dwelling Rents		(67,257)	(64,514)
Non-dwelling rents		(3,017)	(2,314)
Charges for services and facilities		(10,030)	(9,788)
Contributions towards expenditure		(415)	(692)
Reimbursement of Costs		(24)	(30)
		(80,743)	**(77,338)**
Expenditure			
Repairs and maintenance and management			
Repairs and maintenance		13,784	12,841
Supervision and management		20,380	23,072
Special Services		7,228	6,781
Rents, rates, taxes and other charges		289	233
Depreciation and impairment of non-current assets	7	18,261	14,398
Depreciation and impairment of non-current assets - dwelling revaluation	7	(56,622)	(188,313)
Debt management costs		98	67
Movement in the allowance for bad debts		2,250	1,258
Revenue Expenditure Funded from Capital Under Statute		82	1
		5,750	**(129,662)**
Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement		**(74,993)**	**(207,000)**
HRA services' share of Corporate and Democratic Core		297	297
HRA services' share of Non Distributed Costs		(216)	(1,186)
Net (Income)/Cost for HRA Services		**(74,912)**	**(207,889)**
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		(21,266)	(51,168)
Income and expenditure in relation to investment properties and changes in their fair value		(289)	(5,101)
Interest payable and similar charges		11,222	11,948
Amortisation of Premiums and Discounts		-	-
Interest and investment income		(452)	(286)
Pensions interest cost and expected return on pensions assets		-	-
Net interest on the net defined benefit liability (asset)		1,840	2,257
Capital grants and contributions		(5,417)	(803)
Other Operating Income		-	-
(Surplus)/deficit for the year on HRA services		**(89,274)**	**(251,042)**

Movement on the HRA Statement

	Notes	2014/15 £000	2013/14 £000
Balance on the HRA at the end of the previous year		**(7,494)**	**(4,263)**
(Surplus)/deficit for the year on the HRA Income and Expenditure Statement		(89,274)	(251,042)
Adjustments between accounting basis and funding basis under statute	1	79,790	240,558
Net (increase)/decrease before transfers to/(from) reserves		(9,484)	(10,484)
Transfers to/(from) reserves			
Major Repairs Reserve		-	-
Earmarked Reserves*		3,812	7,253
(Increase)/decrease in year on the HRA		**(5,672)**	**(3,231)**
Balance on the HRA at the end of the current year		**(13,166)**	**(7,494)**

* For movements in HRA Earmarked Reserves refer to Note 8 of the Core Financial Statements

Notes to the Housing Revenue Account

1. Adjustments between accounting basis and funding basis under statute

	2014/15 £000	2013/14 £000
Charges for depreciation of non-dwellings	(337)	(397)
Charges for depreciation of dwellings	17,923	14,001
Reversal of Major Repairs Allowance credited to the HRA	(19,259)	(11,888)
Impairment/Revaluation gains, losses (charged to the I&E)	56,622	188,313
Revenue expenditure funded from capital under statute (REFCUS)	(82)	(1)
Movements in the market value of investment properties	-	-
Capital Funding	5,530	803
Gain or loss on sale of HRA non-current assets	21,266	51,170
HRA Self-Financing Resettlement	-	-
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	(86)	(86)
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(34)	(19)
HRA share of contributions (to)/from the Pensions Reserve	(1,753)	(1,338)
	79,790	**240,558**

2. Housing Stock

The Council has overall responsibility for managing the housing stock. The average number of dwellings during 2014/15 was 12444. The stock movement during the year was as shown in the table below. The figure for hostels is based on dwelling equivalents.

	Dwellings Number	Hostels Number	Equity Share Number	Total Number
Number at 1 April 2014	12,480	90	13	12,583
Adjustment to opening balance	-	-	-	-
Additions	22	-	-	22
Sales	(95)	-	-	(95)
Number at 31 March 2015	**12,407**	**90**	**13**	**12,510**

3. Stock Valuation

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

	31 March 2015 £000	31 March 2014 £000
Operational Assets		
Housing Dwellings	1,212,866	1,095,966
Other Land and Buildings	9,596	10,242
Vehicles, Plant, Equipment	78	1,778
Intangible Assets	133	582
Non Operational Assets		
Surplus Assets	3,807	4,430
Investment Properties	50,270	52,298
	1,276,750	**1,165,296**

The open market, vacant possession fair value of houses and flats within the HRA as at 31 March 2015 was £4.81 billion. This compares to the balance sheet value of £1.21 billion for the Council's dwelling stock and hostels as at 31 March 2015. 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 from 2012/13 is a notional calculation). This then functions as an earmarked fund which is used to support capital spending on Council dwellings.

	2014/15	2013/14
	£000	£000
Balance as at 1 April	(6,669)	(5,707)
Depreciation Charges to HRA	(17,923)	(14,001)
Adjusting transfer from HRA:		
Depreciation on Non-Dwellings	(338)	(397)
Excess/(Shortfall) of Depreciation on Dwellings over MRA	1,674	(1,716)
Funding of Capital Expenditure	23,256	15,153
Balance as at 31 March	**-**	**(6,668)**

5. Capital Expenditure Financing

	2014/15	2013/14
	£000	£000
Borrowing	-	-
Major Repairs Reserve	23,256	15,153
Other Grants and Contributions	5,841	1,645
Capital Receipts	27,650	4,537
Total	**56,747**	**21,335**

6. Capital Receipts

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

	2014/15	2013/14
	£000	£000
Dwelling & Hostels	(29,704)	(53,353)
Non-Dwellings	(4,723)	(17,114)
Total	**(34,427)**	**(70,467)**

7. Depreciation and Impairment

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

	2014/15	2013/14
	£000	£000
Operational Assets		
Depreciation		
Dwellings	17,923	14,001
Other Land and Buildings	208	221
Vehicles, Plant, Equipment and Intangible Assets	130	176
Revaluation (Gain) / Loss	(56,622)	(188,313)
Impairment	-	-
Total	**(38,361)**	**(173,915)**

8. Rent Arrears and Bad Debt Provisions

Gross rent arrears were as follows:

	2014/15	2013/14
	£000	£000
Main Council Stock	6,471	5,216
Hostels	501	488
Total	**6,972**	**5,704**

Bad debt provisions at 31 March were:

	2014/15	2013/14
	£000	£000
Main Council Stock	(5,068)	(3,683)
Hostels	(480)	(467)
Total	**(5,548)**	**(4,150)**

PENSION FUND ACCOUNTS

Fund Account
Net Assets Statement
Notes to the Pension Fund

Fund Account

	Note	2014/15		2013/14	
		£000	£000	£000	£000
Dealings with members, employers and others directly involved in the scheme					
Contributions					
From Employers	6	21,944		22,692	
From Members	6	6,658	28,602	6,306	28,998
Individual Transfers In from other Pension Funds			1,445		3,324
Other Income			35		34
Benefits					
Pensions	7	(28,155)		(26,887)	
Commutation & Lump Sum Retirement Benefits	7	(4,955)	(33,110)	(4,882)	(31,769)
Payments to and on account of leavers					
Individual Transfers Out to other Pension Funds			(856)		(3,325)
Refunds to members leaving service			(16)		0
Net Additions (Withdrawals) from dealings with members			**(3,900)**		**(2,738)**
Management expenses	8		**(7,216)**		**(5,548)**
Returns on Investments					
Investment Income	9		11,422		9,680
Taxes on Income (Irrecoverable Withholding Tax)			(255)		(170)
Profit and losses on disposal of investments and changes in value of investments					
Realised	11		65,392		33,428
Unrealised	11		40,203		4,091
Net Returns on Investments			**116,762**		**47,029**
Net Increase (Decrease) in the net assets available for benefits during the year			**105,646**		**38,743**
Opening Net Assets of the Scheme			**762,829**		**724,086**
Closing Net Assets of the Scheme			**868,475**		**762,829**

Net Assets Statement

	Note	31 March 2015 £000	31 March 2014 £000
Investment Assets			
Index Linked Securities	14	31,923	26,286
Equities	14	371,885	320,772
Pooled Investment Vehicles	14	443,015	399,886
Commodities	14	2,540	1,890
Derivative contracts - forward foreign exchange	14	16	260
Cash Deposits	14	15,410	17,027
Other Investment Balances			
Amounts Outstanding on Sale of Investments	14	585	542
Investment Income Due	14	1,018	752
Investment Liabilities			
Derivative contracts - forward foreign exchange	14	(725)	(96)
Amounts Outstanding on Purchase of Investments	14	(886)	(2,425)
Net Investment Assets	14	**864,781**	**764,894**
Current Assets	20	354	278
Current Liabilities	21	(1,146)	(995)
Cash Balances (held directly by Fund)		4,486	(1,348)
Net assets of the Fund available to fund benefits at the period end		**868,475**	**762,829**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Note 19.

Notes to the Pension Fund Accounts

NOTE 1. DESCRIPTION OF HAMMERSMITH AND FULHAM PENSION FUND

a) General

The Pension Fund (the "Fund") is part of the Local Government Pension Scheme and is administered by Hammersmith and Fulham Council. It is a contributory defined benefit 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 and scheduled 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 benefits payable in respect of service from 1st April 2014 are based on career average re-valued earnings and the number of years of eligible service. The benefits payable in respect of service prior to 1st April 2014 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 Fund is governed by the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

From 1st April 2014, the Local Government Pension Scheme Regulations 2013 were effective, changing the scheme from a final salary scheme to a career average revalued earnings based scheme. All benefits payable on service from 1st April 2014 onwards are based on the average of each year of salary revalued in line with the Consumer Price Index.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from interest and dividends on the Fund's investments. Contributions from employees are made in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employer contributions are set based on triennial actuarial funding valuation, as detailed in Note 18.

b) Pensions Sub Committee

The Council has delegated the investment arrangements of the scheme to the Audit, Pensions and Standards Committee, who in December 2014 formed a Pensions Sub-committee and delegated all pensions responsibilities to it. The sub-committee decide on the investment strategy most suitable to meet the liabilities of the Fund and have the responsibility for the investment strategy. The sub-committee is made up of five elected representatives of the Council, including two opposition party representatives, each having voting rights. Members of the admitted bodies and representatives of the Trade Unions may attend the sub-committee meetings but have no voting rights.

The sub-committee reports annually to the Audit, Pensions and Standards Committee and has full delegated authority to make investment decisions. The sub-committee obtains and considers advice from the Director of Finance, and as necessary from the Fund's appointed actuary, investment managers and advisor.

c) Investment Principles

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require administering authorities to prepare and review from time to time a written statement recording the investment strategy of their Pension Fund. The Statement of Investment Principles was last approved on 17th March 2015 and this is available on the Council's website at the link below. The Statement shows the Authority's compliance with the Myner's principles of investment management.

http://www.lbhf.gov.uk/Images/Statement%20of%20Investment%20Principles%202015_tcm21-174597.pdf

The sub-committee has delegated the management of the Fund's investments to professional investment managers (see note 10), appointed in accordance with the regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

d) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Hammersmith & Fulham Pension Fund include:

Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.

Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies and private contractors undertaking a local authority function following outsourcing to the private sector.

The following table is a membership summary of the scheme:

	31 March 2015	31 March 2014
Contributing employees	4,024	3,963
Pensioners receiving benefit	4,288	4,269
Deferred Pensioners	5,957	5,785

Details of the scheduled and admitted bodies are in the Fund's Annual Report.

NOTE 1. DESCRIPTION OF HAMMERSMITH AND FULHAM PENSION FUND (cont'd)

e) Shared Service Working

The City of Westminster, London Borough of Hammersmith & Fulham and the Royal Borough of Kensington & Chelsea councils have shared services to provide a more efficient service and greater resilience. This includes the treasury and pension teams of the three boroughs.

The combined Pensions team was formed in February 2012 and is responsible for the management of the Pension Fund investments across the three boroughs. The team is based at Westminster's offices.

The Pension Funds continue to be managed separately in accordance with government regulations and the investment strategies agreed by the home boroughs who continue to have sovereignty over decision making.

NOTE 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Statement of Accounts summarises the Fund's transactions for 2014/15 and its position at year-end as at 31st March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) issued by the Chartered Institute of Public Finance and Accountancy ("CIPFA") which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The accounts have been prepared on an accruals basis, apart from transfer values which have been accounted for on a cash basis.

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset statement, in the notes to the accounts or by appending an actuarial report, prepared for this purpose. The authority has opted to disclose this information in an accompanying report to the accounts which is discussed in Note 19.

NOTE 3. SUMMARY OF SIGNIFICANT ACCCOUNTING POLICIES

Fund Account - Revenue Recognition

a) Contribution Income

All contributions, both from the members and from the employers, are accounted for on an accruals basis.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment Income

Dividends from quoted securities are accounted for when the security is declared ex-dividend. Interest income is accrued on a daily basis. Investment income is reported gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price.

Fund Account - Expense Items

d) Benefits Payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The Fund is an exempt approved fund under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) Management Expenses

The Code does not require a breakdown of management expenses, however disclosure of expenses in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management costs" is provided in the interests of greater transparency.

All expenses are accounted for on an accruals basis to ensure expenses for the full accounting period are accounted for in the fund account. Staff costs associated with the running of the Fund are charged to the Fund along with an element of overhead charges.

The sub-committee has 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.

Net Assets Statement

(g) Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. Quoted Securities and Pooled Investment Vehicles have been valued at the bid price and fixed interest securities are recorded at net market value based on their current yields at the balance sheet date. Quoted securities are valued by Northern Trust, the Fund's custodian and Pooled Investment Vehicles at the published bid prices or those quoted by their managers.

The values of the investment in Private Equity fund of funds are based on valuations provided by the general partners to the private equity funds. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

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 and the investment in the Partners Multi Asset Credit fund which, by their nature, will be realised over a long period of time.

h) Derivatives

The only derivatives held by the Fund are forward foreign exchange contracts for the purpose of managing currency risk. The value of forward foreign exchange contracts is based on market forward exchange rates at the year end and determined as the gain or loss that would arise if the contract were matched at the year end with an equal and opposite contract.

i) Foreign Currency Transactions

Where appropriate, market values, cash deposits and purchases and sales outstanding listed in overseas currencies are converted into sterling at the rates of exchange ruling at the reporting date.

j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and deposits with financial institutions.

k) Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

l) Actuarial Present Value of Promised Retirement Benefits

The CIPFA Code of Practice on Local Authority Accounting sets out that the actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS19 Post Employment Benefits and relevant actuarial standards. As permitted under the Code, the financial statements include a report from the Actuary by way of disclosing the actuarial present value of retirement benefits. This report is published with these accounts and summarised in Note 19.

m) Additional Voluntary Contributions

Members of the Fund may choose to make additional voluntary contributions (AVCs) into a separate scheme run by Zurich Assurance in order to obtain additional pensions benefits. The company is responsible for providing the investors with an annual statement showing their holding and movements in the year. AVCs are not included within the accounts in accordance with Regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. They are disclosed in Note 22. There are also some residual policies with Equitable Life, which are disclosed in Note 22, but it is not open for new members.

n) Recharges from the General Fund

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs has been charged to the Fund on the basis of actual time spent on Pension Fund business. Costs incurred in the administration and the oversight and governance of the fund are set out separately in Note 8.

NOTE 4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The accounts contain certain estimated figures that are based on assumptions made by the Council and other bodies about the future or that are otherwise uncertain. Estimates are made because they are required to satisfy relevant standards or regulations and are on the basis of best judgement at the time, derived from historical experience, current trends and other relevant factors. As a result, actual results may differ materially from those assumptions.

The items for which there is a significant risk of material adjustment are:

a) Pension Fund Liability

The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in the accompanying actuarial report. The estimates of the net liability to pay pensions depends on a number of judgements and assumptions. In particular are those relating to the discount rate, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on the Fund’s assets.

The effect of changes in individual assumptions can be measured. A 0.5% increase in the discount rate would result in a decrease in the pension liability of £121.7m. A 0.2% increase in the pay inflation assumption would increase the value of liabilities by £6.3m, and a one-year increase in assumed life expectancy would increase liabilities by £49.5m.

b) Unquoted Private Equity Investments

The fair value of private equity investments is unavoidably subjective. The valuations are based on forward-looking estimates and judgements involving many factors. Unquoted private equity assets are valued by the investment managers in accordance with industry standards. The value of private equity investments at the balance sheet date was £9.87m.

The fair value of the Partners multi credit asset fund is also to some extent subjective. A number of the underlying assets are traded in private markets only and therefore judgements need to be made about value, using factors such as the enterprise value and net debt. The value in the net assets statement is £37.5m - the value of the commitment made in February 2015.

NOTE 5. EVENTS AFTER THE BALANCE SHEET

During April and May 2015 the Fund implemented a number of changes to the investment strategy. The £80m in the Legal & General Sterling Liquidity Fund was withdrawn, along with £101m of the monies held in the Legal & General LDI Bespoke Fund. £40m was invested in Standard Life's Long Lease Property Fund, a further £12.5m with Partners Group, £50m in Oak Hill Advisers Diversified Credit Strategies Fund, and £78.5m in M&G Inflation Opportunities Fund V.

NOTE 6. CONTRIBUTIONS RECEIVABLE

Employees’ contributions are calculated on a sliding scale based on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make 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.

	Employers' Contributions				Employees'	
	Normal		Deficit Recovery		Contributions	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000	£000	£000
Administering Authority	9,525	9,814	8,101	9,080	5,120	5,026
Scheduled Bodies	1,114	782	590	561	539	395
Admitted Bodies	2,561	2,127	53	328	999	885
Total	**13,200**	**12,723**	**8,744**	**9,969**	**6,658**	**6,306**

NOTE 7. BENEFITS PAYABLE

The table below shows a breakdown of the total amount of benefits payable.

	Pensions		Lump sum retirement benefits		Lump sum death benefits	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000	£000	£000
Administering Authority	(27,344)	(26,101)	(3,885)	(3,984)	(295)	(443)
Scheduled Bodies	(81)	(83)	(100)	(33)	-	-
Admitted Bodies	(730)	(703)	(480)	(403)	(195)	(19)
Total	**(28,155)**	**(26,887)**	**(4,465)**	**(4,420)**	**(490)**	**(462)**

NOTE 8. MANAGEMENT EXPENSES

The table below shows a breakdown of the management expenses incurred during the year.

	2014/15	2013/14
	£000	£000
Administrative costs	(471)	(496)
Investment management expenses	(6,434)	(4,822)
Oversight and governance costs	(311)	(230)
	(7,216)	**(5,548)**

Investment management expenses are higher in 2014/15 due to full implementation of accounting for fees initally charged through pooled funds and transaction costs as investment management expenses. The 2014/15 investment management expense figure includes performance fees of £1,687k (£1,550k in 2013/14) and transaction costs of £432k (no costs accounted for in 2013/14).

NOTE 9. INVESTMENT INCOME

The table below shows a breakdown of the investment income.

	2014/15	2013/14
	£000	£000
Dividends from Equities	11,001	9,393
Income from Index-Linked Securities	248	226
Interest on Cash Deposits	63	34
Private Equity/Other	110	27
Total	**11,422**	**9,680**

NOTE 10. INVESTMENT STRATEGY

During the majority of 2014/15, the investment strategy of the Fund consisted 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). The investment strategy was designed to give asset diversification and specialisation to reduce exposure to market risk and achieve optimum return.

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 was managed by Majedie Asset Management, the Global (ex UK) portfolio by MFS International (UK) Ltd, the Dynamic Asset Allocation portfolio was split between Baring Asset Management Ltd and Ruffer LLP and the Matching Fund was split between Goldman Sachs Asset Management and Legal and General Investment Management. In August 2014 the Fund exited from the Barings investment and the proceeds were transferred to a liquidity fund with Legal and General Investment Management pending further decisions.

In February 2015 an investment was made in Partners Group Multi Asset Credit Fund utilising some of the cash proceeds. Further changes to the investment strategy were agreed by the sub-committee and set out in the revised Statement of Investment Principles agreed in March 2015. These changes were implemented in April and May 2015, as described in Note 5 Events after the Balance Sheet.

Additionally, the sub-committee agreed some time ago to invest 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. All these funds are now in the distributing phase.

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

	31 March 2015		31 March 2014	
	Market Value £000	**Total %**	**Market Value £000**	**Total %**
Majedie Asset Management	226,483	26.2	207,054	27.1
MFS International (UK) Ltd	222,849	25.8	182,013	23.8
Baring Asset Management Ltd	-	-	125,250	16.4
Ruffer LLP	91,159	10.5	81,302	10.6
Goldman Sachs Asset Management	64,126	7.4	65,248	8.5
Legal & General Investment Management LDI	132,187	15.3	92,585	12.1
Legal & General Investment Management Liquidity	80,036	9.3	-	-
Partners Group	37,600	4.3	-	-
Invesco Private Equity	6,251	0.7	6,221	0.8
Unigestion Private Equity	4,090	0.5	5,221	0.7
	864,781	**100.0**	**764,894**	**100.0**

The sub-committee has appointed Northern Trust as global custodian for the Fund. They are responsible for safe custody and settlement of all investment transactions, collection of income and the administration of corporate actions. Northern Trust has an issuer credit rating of AA- with both Fitch and S&P ratings agencies and A1 with Moody's. The bank account for the Pension Fund has been held with Nat West since December 2014, previously it was also with Northern Trust.

NOTE 11. RECONCILIATION OF MOVEMENT IN INVESTMENTS

The table below shows a reconciliation of the movement in the total investment assets of the Fund by fund manager during 2014/15:

Fund Manager	**Value at 1 April 2014** £000	Purchases during the year and derivative payments £000	Sales during the year and deriative receipts £000	Change in market value during the year £000	**Value at 31 March 2015** £000
Majedie Asset Management	202,701	61,217	(53,425)	13,356	**223,849**
MFS International (UK) Ltd	180,084	68,197	(65,378)	37,836	**220,739**
Baring Asset Management	125,250	62	(129,091)	3,779	**-**
Ruffer LLP	71,965	234,850	(235,285)	8,815	**80,345**
Goldman Sachs Asset Mngt	65,230	-	(16)	(1,088)	**64,126**
Legal & General Inv Mngt LDI	92,584	-	-	39,601	**132,185**
Legal & General Inv Mngt Liquidity Fund	-	120,675	(40,940)	301	**80,036**
Partners Group	-	37,500	(379)	379	**37,500**
Invesco Private Equity	6,024	-	(2,496)	2,270	**5,798**
Unigestion Private Equity	5,160	240	(1,672)	348	**4,076**
Sub-total	**748,998**	**522,741**	**(528,682)**	**105,597**	**848,654**
Cash Deposits	17,027			5	**15,410**
Other Investment Balances					
Investment Income due	752				**1,018**
Pending trade purchases	(2,425)			(8)	**(886)**
Pending trade sales	542			1	**585**
Totals	**764,894**	**522,741**	**(528,682)**	**105,595**	**864,781**

Transaction costs for 2014/15 have been accounted for as investment management expenses (disclosed in Note 8) for the first time.

The equivalent analysis for 2013/14 is provided below:

Fund Manager	**Value at 1 April 2013** £000	Purchases during the year and derivative payments £000	Sales during the year and deriative receipts £000	Change in market value during the year £000	**Value at 31 March 2014** £000
Majedie Asset Management	169,017	55,759	(55,301)	33,226	**202,701**
MFS International (UK) Ltd	169,995	55,855	(53,374)	7,608	**180,084**
Baring Asset Management	123,116	123	(560)	2,571	**125,250**
Ruffer LLP	72,406	29,464	(29,932)	27	**71,965**
Goldman Sachs Asset Mngt	62,916	-	(15)	2,329	**65,230**
Legal & General Inv Mngt	101,396	-	-	(8,812)	**92,584**
Invesco Private Equity	6,714	43	(1,084)	351	**6,024**
Unigestion Private Equity	5,973	325	(1,232)	94	**5,160**
Sub-total	**711,533**	**141,569**	**(141,498)**	**37,394**	**748,998**
Cash Deposits	12,909			(35)	**17,027**
Other Investment Balances					
Investment Income due	760			155	**752**
Pending trade purchases	(750)			7	**(2,425)**
Pending trade sales	1,223			(2)	**542**
TOTAL	**725,675**	**141,569**	**(141,498)**	**37,519**	**764,894**

Transaction costs are included in the cost of purchases and in sale proceeds. These include costs charged directly to the Fund, such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year total £486,770. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

NOTE 12. INVESTMENTS EXCEEDING 5% OF NET ASSETS

The table below shows the Fund investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent substantially less than 5%.

	2014/15	2014/15	2013/14	2013/14
	£000	%	£000	%
Legal & General LDI Bespoke Fund	132,185	15.2	92,584	12.1
Legal & General Sterling Liquidity Fund	80,036	9.2	-	-
Majedie UK Focus Fund	78,309	9.0	68,030	8.9
Goldman Sachs Libor plus 1 Fund	64,126	7.4	65,230	8.6
Baring Dynamic Asset Allocation Fund	-	-	125,250	16.4

NOTE 13. ANALYSIS OF DERIVATIVES

The Pension Fund investment managers use forward foreign exchange contracts to reduce currency risk when undertaking investment transactions in foreign currencies. This is in line with their investment management agreements with the Fund. The Fund held no other types of derivative at 31 March 2015 or 31 March 2014.

Open forward foreign exchange contracts at 31 March 2015

Settlement	Currency bought	Local value	Currency sold	Local value	Asset value	Liability value
		000		000	£000	£000
Up to one month	HKD	6,636	USD	(856)	1	(1)
Up to one month	GBP	470	USD	(700)		(1)
Up to one month	GBP	74	USD	(110)		-
Up to one month	HKD	864	GBP	(75)		-
Up to one month	HKD	2,347	USD	(303)	1	(1)
Up to one month	HKD	173	GBP	(15)		-
Up to one month	JPY	365,700	GBP	(2,055)		-
Up to one month	JPY	834,700	GBP	(4,712)		(22)
Up to one month	JPY	634,930	GBP	(3,603)		(36)
Up to one month	GBP	1,063	JPY	(192,240)		(17)
Up to one month	GBP	536	JPY	(98,740)		(19)
Up to one month	GBP	431	JPY	(78,770)		(12)
Up to one month	GBP	10,724	JPY	(1,916,500)		(45)
One to three months	GBP	22,567	USD	(34,280)		(532)
One to three months	USD	1,300	GBP	(862)	14	
One to three months	USD	3,020	GBP	(2,043)		(8)
One to three months	GBP	4,389	EUR	(6,100)		(31)
					16	(725)
Net forward foreign exchange contracts at 31 March 2015						**(709)**
Open forward foreign exchange contracts at 31 March 2014					260	(96)
Net forward foreign exchange contracts at 31 March 2014						**164**

NOTE 14a. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial assets and liabilities split by UK and Overseas, by category and net assets statement heading as at the balance sheet date. All investments are quoted unless stated.

	31st March 2015			31st March 2014		
	Designated at fair value through profit & loss	Loans and receivables	Financial Liabilities at amortised cost	Designated at fair value through profit & loss	Loans and receivables	Financial Liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
FINANCIAL ASSETS						
Index Linked Securities						
UK Public Sector	16,685			13,889		
Overseas Public Sector	15,238			12,397		
Equities						
UK	101,250			97,204		
North America	150,909			119,409		
Japan	14,856			11,672		
Europe (ex UK)	77,004			69,062		
Pacific	6,472			11,258		
Other	21,394			12,167		
Pooled Investment Vehicles						
UK Equity Funds	105,563			95,598		
LDI Bespoke Funds	132,185			92,584		
Absolute Return Bond Funds	64,126			65,230		
Absolute Return Funds	-			125,250		
Multi Asset Credit Funds (unquoted)	37,500			-		
Sterling Liquidity Funds	80,036			-		
Private Equity (unquoted)	9,874			11,184		
Other Managed Funds	13,731			10,040		
Commodities	2,540			1,890		
Derivative contracts - forward foreign exchange	16			260		
Other Investment Balances	1,603			1,294		
Cash deposits with managers		15,410			17,027	
Debtors		354			278	
Cash Balances		4,486			-	
	850,982	20,250	-	750,388	17,305	-
FINANCIAL LIABILITIES						
Derivative contracts - forward foreign exchange	(725)			(96)		
Other Investment Balances	(886)			(2,425)		
Creditors			(1,146)			(995)
Cash Balances			-			(1,348)
	(1,611)	-	(1,146)	(2,521)	-	(2,343)
GRAND TOTALS	**849,371**	**20,250**	**(1,146)**	**747,867**	**17,305**	**(2,343)**
			868,475			**762,829**

The carrying value is the same as the fair value for all financial instruments held by the Fund.

NOTE 14b. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

This table summarises the net gains and losses on financial instruments classified by type of instrument.

	2014/15	2013/14
	£000	£000
Financial Assets		
Designated at fair value through profit and loss	107,050	38,792
Loans and receivables	5	(35)
Financial Liabilities		
Designated at fair value through profit and loss	(1,460)	(1,238)
Financial Liabilities at amortised cost	-	-
	105,595	**37,519**

NOTE 14c. VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. The definitions of the levels are detailed below and the table showing the analysis is below.

Level 1 – Quoted market price
Fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities. Examples are quoted equities, quoted index linked securities and unit trusts. All level 1 investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2 – Using observable inputs
Quoted prices are not available for financial instruments at this level. The valuation techniques used to determine fair value use inputs that are based significantly on observable market data.

Level 3 – With significant unobservable inputs
Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data e.g. private equity investments.

The values of the private equity investments are based on valuations provided by the General Partners to the private equity funds. The multi credit asset fund is closed ended and therefore not tradeable. The valuation is based on market prices where available for some underlying assets and on estimates of prices in secondary markets for others.

	31st March 2015			31st March 2014		
	Quoted Market Price	Using observable inputs	With significant unobservable inputs	Quoted Market Price	Using observable inputs	With significant unobservable inputs
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	£000	£000	£000	£000	£000	£000
Financial Assets						
Designated at fair value through profit and loss	667,694	132,202	51,085	516,922	218,095	15,371
Loans and receivables	20,251	-	-	17,305	-	-
Total Financial Assets	**687,945**	**132,202**	**51,085**	**534,227**	**218,095**	**15,371**
Financial Liabilities						
Designated at fair value through profit and loss	(886)	(725)	-	(2,425)	(96)	-
Financial Liabilities at amortised cost	(1,146)	-	-	(2,343)	-	-
Total Financial Liabilities	**(2,032)**	**(725)**	**-**	**(4,768)**	**(96)**	**-**
Net Financial Assets	**685,913**	**131,477**	**51,085**	**529,459**	**217,999**	**15,371**
			868,475			762,829

NOTE 15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. The Fund's liabilities are sensitive to inflation through pension and pay increases, interest rates and mortality rates. The assets that would most closely match the liabilities are a combination of index-linked gilts, as the liabilities move in accordance with changes in the relevant gilt yields.

For this reason, the benchmark used during 2014/15 measured the estimated movement in liabilities. The "Liability Benchmark" is calculated based on the movement of a selection of index-linked gilts, which most closely match the Fund's liabilities as measured at the actuarial valuation, in the following proportions: 45% Index-Linked Treasury Gilt 1 1/4% 2017, 20% Index-Linked Treasury Gilt 1 1/4% 2027, 10% Index-Linked Treasury Gilt 1 1/8% 2037, 5% Index-Linked Treasury Gilt 0 3/4% 2047 and 20% Index-Linked Treasury Gilt 1 1/4% 2055.

NOTE 15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

The sub-committee maintains a Pension Fund risk register and reviews the risks and appropriate mitigating actions at every meeting.

a) Market Risk

The investment strategy of the Fund has been set so as to meet a return equivalent to the Liability Benchmark plus 2.2% p.a. The investment strategy aims to exceed this and targets a return of 2.5% in excess of the Liability Benchmark. To achieve this, the Fund's assets are invested in a broad range of asset classes in terms of geographical and industry sectors and individual securities which are expected to produce returns above the Liability Benchmark over the long term, albeit with greater volatility. This diversification reduces exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

The aim of the investment strategy is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. Responsibility for the Fund's investment strategy rests with the Pensions sub-committee and is reviewed on a regular basis.

Price Risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments (with the exception of the derivatives where the risk is currency related) is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

All assets with the exception of cash, forward foreign exchange contracts, other investment balances, debtors and creditors are exposed to price risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 10% higher or 10% lower.

Assets exposed to price risk

	Value £000	+ 10% £000	- 10% £000
At 31st March 2015	849,361	934,298	764,425
At 31st March 2014	748,833	823,716	673,950

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed Interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits.

Index linked gilts, cash and some elements of the pooled investment vehicles are exposed to interest rate risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if interest rates had been 1% higher or 1% lower.

Assets exposed to interest rate risk

	Value £000	+ 1% £000	- 1% £000
At 31st March 2015	365,666	369,323	362,010
At 31st March 2014	246,910	249,379	244,441

NOTE 15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than pounds sterling.

The Fund recognises that a strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

In order to mitigate the risk, one of the Fund's investment managers enters into forward foreign exchange contracts (accounted for as derivatives) to hedge the currency risk which arises from undertaking non sterling transactions. This reduces the overall currency risk the Fund is exposed to.

Overseas equities, overseas index linked securities, cash in foreign currencies, the value of the forward foreign exchange contracts and some elements of the pooled investment vehicles are exposed to currency risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if currencies had been 10% higher or 10% lower.

Assets exposed to currency risk

	Value	+ 10%	- 10%
	£000	£000	£000
At 31st March 2015	353,251	388,577	317,926
At 31st March 2014	379,706	417,677	341,736

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments. This will particularly be the case for cash to meet the pensioner payroll costs; and also cash to meet investment commitments. The Fund has immediate access to it's cash holdings.

The only assets in the Fund which cannot be liquidated within a month are the private equity assets which amounted to £9.87m at 31st March 2015 (£11.18m at 31st March 2014) and the Multi Credit Asset investment of £37.5m with Partners Group. The majority of the remaining investments can liquidated within a matter of days.

NOTE 16. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The Fund had the following commitments at the balance sheet date:

	31st March 2015	31st March 2014
	£000	£000
Invesco Partnership Fund V L.P.	1,173	1,045
Unicapital Investments V	42	255
Partners Group Multi Asset Credit Fund 2014	12,500	0
Standard Life Long Lease Property Fund	40,000	0
	53,715	**1,300**

The commitments to Partners Group and Standard Life are due to be paid in April and May 2015

NOTE 17. STOCK LENDING AGREEMENTS

The Fund did not participate in stock lending or underwriting.

NOTE 18. FUNDING ARRANGEMENTS

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 2013 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 28th March 2014 and this is available on the Council's website at the link below. This valuation set the employer contribution rates from 1st April 2014.

http://www.lbhf.gov.uk/Directory/Council_and_Democracy/Plans_performance_and_statistics/Statement_of_accounts/68526_Statement_of_accounts.asp#0

The 2013 valuation certified a common contribution rate of 21.9% of pensionable pay to be paid by each employing body participating in the Fund, based on a funding level of 83%. In addition, 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.

The actuary's smoothed market value of the scheme's assets at 31 March 2013 was £716m and the actuary assessed the present value of the funded obligation at £863m indicating a net liability of £147m.

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:
i. The rate of accumulation of income and capital on new investments over the long-term and the increase from time to time of income from existing investments.
ii. Future rises in pensionable pay due to inflation and pension increases.
iii. Withdrawals from membership due to mortality, ill health and ordinary retirement.
iv. Progression of pensionable pay due to promotion.

The contribution rate is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100% over a period of 22 years, as set out in the Funding Strategy Statement. It is set to be sufficient to meet the additional annual accrual of benefits allowing for future pay increases and increases to pension payments when these fall due, plus 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.

The next actuarial valuation of the Fund will be as at 31st March 2016 and will be published in 2017.

NOTE 19. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The table below shows the total net liability of the Fund as at 31st March 2015. The figures have been prepared by Barnett Waddingham, the Fund's actuary, only for the purposes of providing the 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.

	31st March 2015 £000	**31st March 2014 £000**
Present Value of Promised Retirement Benefits*	1,409,558	1,171,751
Fair Value of Scheme Assets (bid value)	(868,475)	(762,829)
Net Liability	**541,083**	**408,922**

*Present Value of Promised Retirement Benefits comprises of £1,271,900,000 (£1,124,662,000 in 2013/2014) and £137,658,000 (£47,089,000 in 2013/2014) in respect of vested benefits and non-vested benefits respectively as at 31 March 2015

As permitted under IAS26 Accounting and Reporting by Retirement Benefit Plans, the above table is a summary of the actuary's report and the full report is published alongside the financial statements.

NOTE 20. CURRENT ASSETS

		31st March 2015	**31st March 2014**
Debtors		**£000**	**£000**
	Contributions due - employers	195	181
	Contributions due - employees	71	63
	London Borough of Hammersmith and Fulham	88	-
	Sundry debtors	-	34
		354	**278**

NOTE 20. CURRENT ASSETS (cont'd)

	31st March 2015	31st March 2014
Analysis of debtors	**£000**	**£000**
Local authorities	88	34
Central government bodies	-	-
Other entities and individuals	266	244
	354	**278**

NOTE 21. CURRENT LIABILITIES

	31st March 2015	31st March 2014
Creditors	**£000**	**£000**
Unpaid Benefits	(8)	(277)
Management Expenses	(796)	(718)
HM Revenue and Customs	(342)	-
	(1,146)	**(995)**

	31st March 2015	31st March 2014
Analysis of creditors	**£000**	**£000**
Local authorities	-	-
Central government bodies	(342)	-
Other entities and individuals	(804)	(995)
	(1,146)	**(995)**

NOTE 22. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

The Fund’s AVC providers are Zurich Assurance and the Equitable Life Assurance Society. The table below shows information about these separately invested AVCs.

	2014/15	2013/14
Zurich Assurance		
Market Value at 31st March	£1,117,844	£1,033,490
Contributions during the year	£36,590	£42,869
Number of members at 31st March	50	63
Equitable Life Assurance		
Market Value at 31st March	£187,842	£223,020
Contributions during the year	£66	£66
Number of members at 31st March	32	34

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.

NOTE 23. RELATED PARTIES

London Borough of Hammersmith and Fulham
The Pension Fund is administered by the London Borough of Hammersmith and Fulham. The Council incurred costs of £428,198 in 2014/15 (£506,238 in 2013/14) in relation to the administration of the Fund and were reimbursed by the Fund for the expenses.

In the year the Council contributed £17,626k in employer contributions to the Fund (2013/14 £18,894k).

During 2014/2015 as a result of the day to day administration, the Pension Fund borrowed monies from the Council or invested some surplus monies with the Council. The Pension Fund paid £764 in interest to the Council during 2014/2015 (paid £346 in 2013/14). At 31st March 2015 the Council owed the Pension Fund

Governance Arrangements
One member of the Pensions sub-committee is a deferred member of the Hammersmith and Fulham Pension Fund. Members of the sub-committee are required to make a declaration of interests at the beginning of each meeting.

NOTE 23. RELATED PARTIES (cont'd)

Key management personnel
The Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7 (2) – (4) of The Accounts and Audit (England) Regulations 2011) satisfy the key management personnel disclosure requirements of IAS24. This applies in equal measure to the accounts of the Hammersmith and Fulham Pension Fund.

The disclosures required by Regulation 7 (2) – (4) of The Accounts and Audit (England) Regulations can be found in the main accounts of the London Borough of Hammersmith and Fulham.

Annual Governance Statement

The following is a draft Annual Governance Statement. It will be approved, updated as appropriate and signed by the Chief Executive and Leader of the Council in the audited accounts.

Introduction and purpose of the Annual Governance Statement.

This statement summarises key governance mechanisms and records the significant governance issues that need to be addressed over the coming year.

The purpose of the statement is to enable the Council to meet the requirements of the Accounts & Audit (England) Regulations 2015 to prepare such a statement.

A governance framework has been in place for the year ended 31 March 2015 and remained up to the date of approval of the Statement of Accounts.

The London Borough of Hammersmith & Fulham (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, properly accounted for and used economically, efficiently and effectively.

The Governance framework.

The governance framework and local code of corporate governance enables the Council to monitor the achievement of its strategic objectives. 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 can therefore only provide reasonable and not absolute assurance of effectiveness. In order to support good governance, reliance is placed on the Council's governance framework. Further information about transparency and openness in the Council can be found on the Council internet page "Transparency".

The annual revenue and capital budgets will be prepared by the Cabinet, consulted upon, reflected in the Forward Plan and then considered and approved by the full Council at the Budget Council meeting in February each year. This sets the level of Council Tax for the forthcoming Municipal Year (April - March).

The Constitution.

The conduct of the Council is defined by formal procedures and rules, which are set out in the Constitution. The Constitution explains the roles and responsibilities of the executive, non-executive, scrutiny and officer functions and the delegation arrangements that are in place. It also contains the Codes of Financial Management and Procurement and the Codes of Conduct for Members and Employees.

How do we know our arrangements are working?

To monitor the effectiveness of the Council's corporate governance systems, a review is undertaken each year of the governance framework, the basis of which is shown in the diagram below:

Corporate Governance

- Constitution (incl. statutory officers, scheme of delegation, financial management & procurement rules)
- Local Code of Corporate Governance
- Audit Pensions and Standards Committee
- Internal & external audit
- Independent external sources
- Scrutiny function
- Council, Cabinet & Panels
- Medium Term Financial Strategy
- Complaints system
- HR policies & procedures
- Whistleblowing & other countering fraud arrangements
- Risk management framework
- Performance management system
- Codes of conduct

Management Team

- The role of Chief Officers
- Delivery of Council's aims and objectives
- Corporate Planning
- Business, Financial and Commissioning Plans
- Officer codes of conduct
- Performance appraisal
- The role of the Chief Financial Officer
- The role of the Head of Internal Audit
- Roles & responsibilities of Members & Officers
- Timely production of a Statement of accounts
- External and Internal audit reports recommedations
- Review of Corporate Governance

Services are delivered economically, efficiently & effectively

- Management of risk
- Effectiveness of internal controls
- Democratic engagement & public accountability
- Budget & financial management arrangements
- Standards of conduct & behaviour
- Compliance with laws & regulations, internal policies & procedures
- Action plans dealing with significant issues are approved, actioned & reported on
- Local Government Ombudsman report
- Electoral Commission report
- Scrutiny reviews
- Effectiveness reviews of Audit Pensions and Standards Committee & Scrutiny Committees, Internal Audit
- Employee performance
- Budgetary control
- Compliance with the Code of Procurement
- Stakeholder engagement
- Evaluation of benefits gained from investments and projects

The Council.

The Council comprised 46 elected councillors representing 16 wards. The composition of the Council for the majority of 2014/15 (from 23 May 2014) was:

Labour: 26 Conservative: 20

How it works.

The 46 Councillors are elected every four years. All 46 Councillors meet to take the major decisions on the budgetary and policy framework. The Council is responsible for the administration of the election process at European, national and local level. No issues were raised about the conduct of those elections by either a candidate or an elector. All Councillors meet together as the Council. Meetings are normally open to the public. The conduct of the Council's business is defined by formal procedures and rules, which are set out in the Constitution.

Full Council meetings are scheduled to take place normally five times a year. Members of the public are welcome to ask public questions about Council business and policy at Council meetings. Further information about public questions can be found on the Council internet page "Taking part in the democratic process".

The Constitution requires the Council to appoint a Monitoring Officer who, in addition to leading an annual review of the Constitution to ensure it remains fit for purpose, also advises on compliance with the Constitution and ensures that decision making is lawful and fair. The Shared Services Director of Law has been appointed to this statutory post. The Shared Services Director of Law has been involved in the production of this statement from its early stages and is satisfied that the arrangements in place are working effectively and that no matters of significance have been omitted from this statement.

In October 2014, Nigel Pallace was appointed as the Interim Chief Executive taking over from Nicholas Holgate who was the Joint Chief Executive with Royal Borough of Kensington and Chelsea also on an interim basis.

Audit, Pensions and Standards Committee.

Seeking assurance.

The Audit, Pensions and Standards Committee has responsibility for receiving many reports that deal with issues that are key to good governance. It acts as the Council's audit committee.

Improved arrangements for risk management were noted by the Committee including monitoring of Enterprise Wide risks. The background to this has been the development of more formal collaborative working arrangements on risk, including sharing a Risk Manager with the Royal Borough of Kensington and Chelsea.

Centralised reporting from departments' own business, programme and project risks feed into regular reports to the Committee and has helped provide transparency. Risks are also examined in the areas of Finance, Information Management and Technology, Procurement, Counter Fraud, Health and Safety, Insurance and Business Continuity.

Other significant reviews were conducted by the Committee and included;

* noting continued performance improvements in responding to internal audit reports and recommendations across the Council, and delivery of the Internal Audit plans;

* scrutiny of the Council's Annual Governance Statement;

* review of Internal Audit compliance with the Public Sector Internal Audit Standards;

* approval of the 2013/14 year annual accounts.

When considering governance issues, the Audit, Pensions and Standards Committee raised a number of concerns about shortcomings in control systems and processes.

The most significant of these were:

* The delivery of the Managed Services programme;

* H&F measures to mitigate the threat of cyber terrorism;

Measures taken as a result:

• The Managed Services Programme Board commissioned a review of alternative options to go live during 2014/15 to enable further testing of the system and the managed service. The conclusion of this work was a recommendation that the go live date was reset to 1st April 2015.

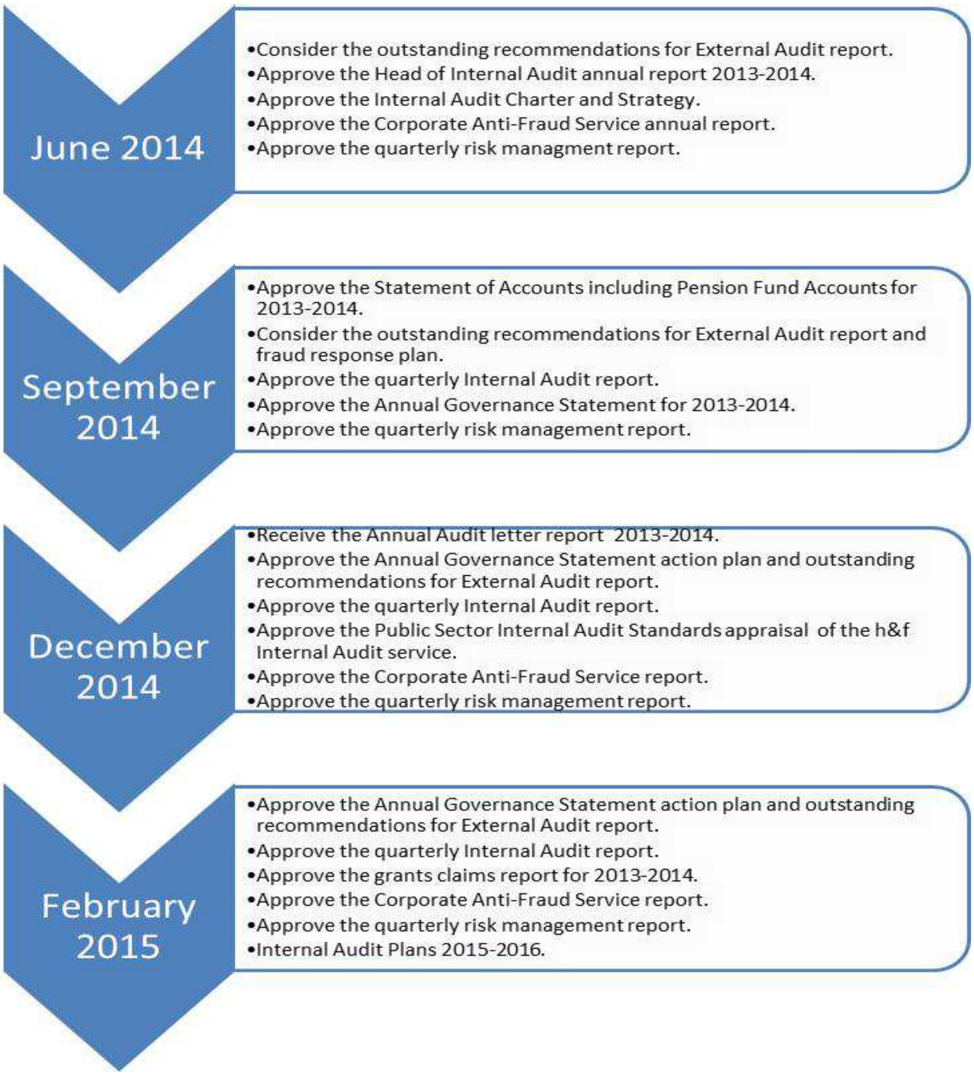
• A report outlining the counter measures in place to mitigate the threat of cyber terrorism was presented to the Audit Pensions and Standards Committee. The Council takes all the appropriate and proportionate measures needed to meet the threats facing it. It constantly stays abreast of changes in the world of technology and participates in relevant groups like the Information Security Forum for London which means that it can foresee or at least respond quickly to changes which may potentially compromise the council's information or services.

Managing finances.

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 3-4 year financial plan and a forum for challenging budget and service proposals, identifying and developing savings and efficiencies; and dealing with significant financial risks. The scale of the funding reductions requires the Council to have delivered £53 million in savings over the period 2014/15 to 2016/17, including £17.9 million in savings for 2014/15. This continues to be more challenging than the savings plans the Council has faced in the recent past. The route for delivering this scale of savings has been both as an individual authority and through the delivery of shared services.

The net under-spend on the General Fund was £8.6 million reflecting a 1.5 per cent underspending by departments after agreed carry forwards of budgets to 2014/15 of £5.4 million

Audit, Pensions and Standards Committee: Key Audit Business



Effectiveness review of Policy and Accountability Committees.

An effectiveness review of the Overview & Scrutiny Committees has been undertaken. It was important that Overview & Scrutiny Committees acted effectively as one of their key tasks was to review and challenge the policy decisions taken by Cabinet.

As part of the Council’s commitment to public engagement and working with residents in the developing policy development and strengthening the council’s decision-making process, in June 2014, five Policy and Accountability Committees (PAC) were established. The PACs work hand-in-hand with residents to shape the future of the borough.

At Hammersmith & Fulham, there were five main scrutiny committees during 2014/15:

* Children and Education Policy and Accountability Committee
* Community Safety, Environment and Residents Services Policy and Accountability Committee
* Economic Regeneration, Housing and the Arts Policy and Accountability Committee
* Finance & Delivery Policy & Accountability Committee
* Health, Adult Social Care and Social Inclusion Policy and Accountability Committee

The Committees had cross cutting remits designed to reflect the Council's key priorities and objectives. They each comprised five elected non-executive Members. Committees were also able to co-opt members who had a particular expertise or direct knowledge of the service user perspective to assist with their work. Co-optees were usually non-voting although the parent governor and diocesan representatives on the Education and Children's Services PAC are entitled to vote on education matters.

Each Committee received the list of Key Decisions (a rolling list of key decisions which the Cabinet planned to take in the coming months) at every meeting, which assists in the development of work programmes and the identification of forthcoming key executive decisions deserving closer scrutiny and input.

Policy and Accountability Committees also had a wider role in policy development, originating topics of interest and feeding views back to the Cabinet and individual Cabinet Members, Officers, external partners and service providers.

There is more information about scrutiny in Hammersmith & Fulham at www.lbhf.gov.uk/scrutiny

Managing key risks.

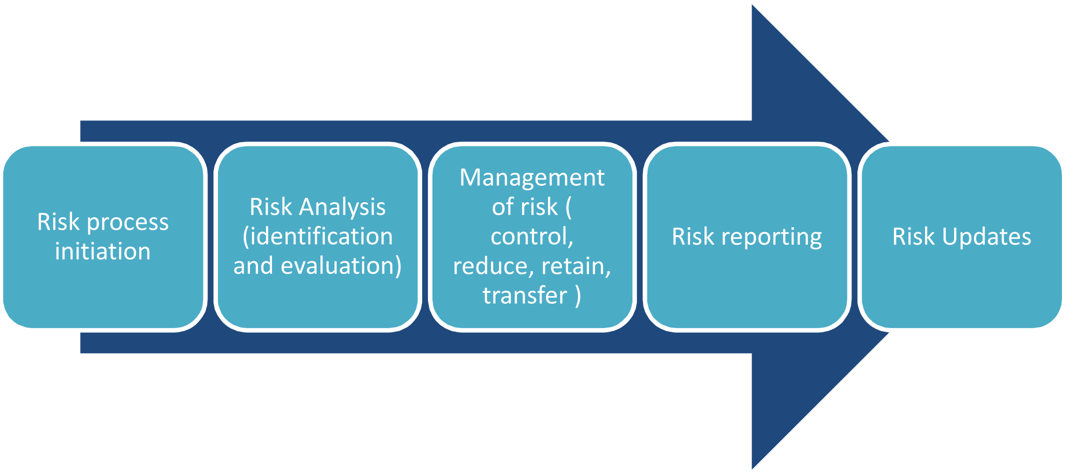
All Councillors and Managers are responsible for ensuring that risk implications are considered in the decisions they take.

Risk Management Strategy.

The Council has adopted a Shared Services risk management strategy. It was reviewed by the Audit, Pensions and Standards Committee and is independently audited annually to ensure it remains appropriate and reviewed to reflect the approach the Council wishes to take to the management of risk.

Risk analysis and management must follow a uniform process to ensure consistency and high quality.

The following diagram outlines the Council's approach to identifying and managing risk.



Risk review process.

It is recognised by the London Borough of Hammersmith & Fulham that risk management is an integral part of good governance. Services to whom substantial changes were made in 2015 resulted in a variety of business models being used across the three Councils.

The Risk Management Strategy Statement sets out the intended approach to risk management to be used for shared and sovereign services to respond to risk and opportunities in a consistent way to assist in the delivery of both strategic and operational objectives.

The aim of the Council is to ensure that:

• risk management becomes a natural component of its management and change processes;

• risks are identified, understood and managed to an acceptable level; and

• opportunities are seized.

This Strategy Statement is supported by a Risk Management Policy and its commitment to:

- raise awareness of the benefits of effective risk management;
- adopt and embed a risk aware culture; and
- establish and maintain a consistent and integrated framework that anticipates and meets the changing needs of the Councils over time and in doing so ensures that risk management arrangements are in accordance with established best practice.

Corporate Anti-Fraud Service.

The Council has a Corporate Anti-Fraud Service (CAFS), which is a specialist investigative unit established to investigate allegations of fraud and irregularities, including:

- housing and council tax benefit fraud until the 1st February 2015 when it became the responsibility of the Department of Work and Pensions;
- council tax discount fraud;
- housing tenancy fraud;
- procurement fraud;
- payroll and pension fraud;
- other kinds of internal fraud, bribery, corruption or money laundering activity.

CAFS's role is to assist the council in protecting the public purse through the facilitation of sound strategies, procedures and controls in the prevention, detection, investigation and deterrence of fraud, corruption and bribery. The staff in CAFS are either qualified Fraud Investigators and/or Financial Investigators or hold other professional qualifications.

The Council has a range of controls in place to prevent, detect and investigate all types of fraud. We also rely on the vigilance of the local community to help us detect the fraudsters.

Anyone wanting to report a suspected benefit fraud can contact the Council. All information given will be in confidence. One can:

- Use the online form to report the fraud;
- Call the anti-fraud hotline 020 8753 1273. Callers do not have to leave their names and all information will be treated confidentially; or
- Write to the Corporate Anti-Fraud Service at Hammersmith Town Hall, King Street, Hammersmith W6.

Managing the risk of fraud.

A Whistleblowing policy entitled "Reporting Your Concerns at Work", is in place. The policy is reviewed annually and updated as and when required to bring it in line with best practice. The Council is committed to the highest standards of quality, probity, openness and accountability.

As part of that commitment it encourages employees and others with serious concerns about any aspects of the Council's work to come forward and make those concerns known. Full details of how concerns are dealt with can be found on the Council's web pages.

Contact by telephone:

Staff can report concerns to management or to a more senior manager or to the Council's Corporate Anti-Fraud Service on 020 8753 2551. However, if staff feel unable to do that, they can also phone the whistleblowing independent helpline, Public Concern at Work, on 020 7404 6609 or by completing an e-form.

All information received is treated in confidence.

In 2014/2015, over 350 allegations of fraud were investigated, resulting in 135 positive outcomes. These included, eleven housing benefit prosecutions, two tenancy fraud prosecutions, 42 housing properties recovered and £158,000 confiscated using powers in accordance with the Proceeds of Crime Act.

Bribery.

Gifts and hospitality need to be dealt with in the appropriate way so that the Council and its staff are and are seen to be honest, fair and open at all times. All members of staff have a responsibility to declare any offer of a gift, hospitality, benefit or service, even if the offer is not accepted. Each Council department has a Nominated Representative who is responsible for recording all of the department's offers, both accepted and rejected. This process must take no longer than 28 days from the date the offer was received. When an offer is received, employees need to record this on a Declaration of Gifts and Hospitality form and submit this to their Line Manager. The manager and Department Executive Director need to authorise the declaration before you can accept it. It will then go to a Nominated representative for recording.

For more information about these revised procedures, please see the **Anti-Bribery Policy** and the **Codes of Conduct.**

Chief Financial Officer.

The Council has appointed a Chief Financial Officer. This is a statutory post, responsible for delivering and overseeing the financial management arrangements of the Council. The Executive Director of Finance and Corporate Governance was the Chief Financial Officer until 1st March 2015 when this role was transferred to the Bi-borough Director of Finance. The Bi-borough Director of Finance is the Chief Financial Officer, is a member of the Chief Officers' Management Team and also has the management responsibility for h&f Direct. Services provided by h&f Direct staff are council tax, parking permit issue and renewal, smart visitor permit issue, business rates, housing benefit, council tax benefit, collection of council property rents, free school meals, school clothing grants, recovery of debt, blue badges, freedom passes, taxi-cards, cashiering, and the contact centre. These have been brought together with a generic staff role to ensure that residents receive focused, joined up service delivery. Many of h&f Direct services are now online and accessible via 'My Account'. The Bi-borough Director of Finance also has management responsibility for Corporate Finance at the Council and with the Royal Borough of Kensington and Chelsea for one day a week.

The role conforms with the good practice requirements within the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Chief Financial Officer has been involved in reviewing our Corporate Governance arrangements and preparation of this Statement from its early stages. The Director is satisfied with the arrangements that are in place for managing finances.

Internal and External Audit assurance.

The Council receives a substantial amount of assurance from the work that is undertaken by the shared Internal Audit Service working in partnership with the Royal Borough of Kensington and Chelsea, Westminster City Council, Mazars and in 2014/15 Baker Tilley together with External Auditors KPMG.

Internal Audit.

The Audit Pensions and Standards Committee oversaw the introduction of the Public Sector Internal Audit Standards (PSIAS) in April 2013. These have been developed specifically for public sector organisations and should be followed. The Committee also approved an Internal Audit Charter – this sets out the internal audit role and its responsibilities and clarifies its independence.

Internal audit are required by regulation to review how they work each year. The Committee considered the review in June 2014 and decided that there were no significant issues of 'non-conformance' with the PSIAS that needed to be included in this statement.

An independent review conducted by one of the participating London Audit Group members is to be undertaken during 2015/16. This will identify any opportunities for further improving the service.

One of the key assurance statements the Council receives is the annual report and opinion of the Head of Internal Audit.

From the Internal Audit work undertaken in 2014/15, it is the opinion of Internal Audit that reasonable assurance can be provided that the system of internal control that has been in place at the London Borough of Hammersmith & Fulham for the year ended 31 March 2015 accords with proper practice, except for any details of significant internal control issues as documented in this Annual Governance Statement.

External Audit.

The External Auditor has concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

They issued an unqualified value for money (VFM) conclusion for 2013/14 on 30 September 2014. This means the External Auditor was satisfied that the Council has proper arrangements for securing financial resilience. To arrive at their conclusion KPMG looked at financial governance, financial planning and financial control processes, as well as how the Council are prioritising resources and improving efficiency and productivity.

Audit opinion.

An unqualified opinion was issued on the Council's financial statements on 19 September 2014. The Auditor therefore believes the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements include those of the pension fund.

Financial statements audit.

KPMG's audit of the financial statements identified two adjustments with a value of £137.9m which had a neutral effect on the income and expenditure accounts. The impact of these adjustments was to increase the net worth of the Authority as at 31 March 2014 by £137.9m. KPMG raised one recommendation in their ISA 260 report. These relate to the management of the Authority's approach to the year-end valuation of Property, Plant and Equipment.

Annual Governance Statement.

KPMG reviewed the 2013/14 Annual Governance Statement and concluded that it was consistent with their understanding.

Significant Governance Issues 2013-14.

The progress made on dealing with governance issues previously identified is shown below;

Adult Social Care risk management.

Management of risk is intrinsically important to the successful delivery of objectives. The department recognises the importance of a risk management process that are now embedded and integrated into business processes. These include consideration of a departmental risk register comprising strategic, business as usual and change risks that are measured, allocated, categorised and reviewed.

Public Health, financial accounting and charging.

As of the 1st April 2013 local authorities took on a key role in improving the health and wellbeing of their local population and working in partnership with clinical commissioning groups and other health institutions. This involves commissioning and collaborating on a range of public health services. A review of the financial accounting and charging arrangements set out by the Department of Health (DoH) established a limited assurance on expenditure made in accordance with the DoH grant conditions. The conditions cover how the grant may be spent and the activities on which it may be spent. The Business Partners, with the assistance of the Business Support Team, have made significant progress throughout the year satisfactorily addressing the issues raised in the audit.

Contracts Register.

The Council is required under its contract standing orders to record its outsourced contracts through a register as a basis for the planning, preparation and oversight of contracts. Furthermore it is required to keep proper records of all contracts awarded. Previously the London Councils Contracts Database was being used to record contracts where these have a total value of £50,000 and over. It was apparent that the register was incomplete. Following a review of the procurement process and contracts record management a new system, CapitalESourcing, was introduced and made mandatory for the recording of all contracts.

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 polices 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.

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.

AVAILABLE FOR SALE FINANCIAL INSTRUMENTS RESERVE
The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

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.

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
Capital financing is the process which occurs after capital expenditure has been incurred. There are a number of different sources of capital funding such as government capital / revenue grants, non-government grants, contributions from private developers, capital receipts and unsupported borrowing. Various funding sources are applied to capital spend to ensure that a project is fully financed from approved finance sources.

CAPITAL FINANCING REQUIREMENT (CFR)
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.

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.

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.

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 from 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.

NON-DOMESTIC RATES (NDR)

The rates paid by businesses. The amount paid is based on the rateable value set by the Valuation Office 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 shared between central and local government. The rates collected within Hammersmith and Fulham are shared as follows: Department for Communities and Local Government (50%), The London Borough of Hammersmith and Fulham (30%) and the Greater London Authority (20%).

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.

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. Changes introduced in 2013 mean an authority can retain an RTB receipt in its entirety when it can be demonstrated that it will be reinvested in a replacement home (known as the 1-4-1 scheme).

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. IAS37 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 officers.

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, Revenue Support Grant, 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.

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.

SERVICE REPORTING CODE OF PRACTICE (SERCOP)

SERCOP 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

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.

Summary of Reserves

Usable Reserves

The Council's usable reserves are explained below:

1. **General Fund Balances** - The General Fund includes any surplus after meeting net expenditure on Council Services.

2. **School Balances** - This balance is comprised of unspent 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.

3. **Earmarked Reserves** - Note 8 describes each Earmarked Reserve in detail.

4. **Capital Grants Unapplied** - These are capital grants with no payback conditions and have had no associated expenditure in 2012/13.

5. **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.

6. **Major Repairs Reserve** - The Major Repairs Reserve is available for financing major repairs to the Council's housing stock.

7. **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.

8. **Capital Reserves** - This is to hold retained capital receipts from the sale of assets.

Unusable Reserves

The Council's unusable reserves are explained below:

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

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

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

3. **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.

4. **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.

5. **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.

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

7. **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.

8. **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.