

# Wandsworth Council

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statement of accounts 2010 – 2011



**THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2011**

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## **FOREWORD TO THE ACCOUNTS**

### **GENERAL REVENUE**

The Council originally budgeted for £10.0 million in its General Fund balance. By the end of the year, this reserve had risen to £30.7 million. The outturn in 2009/10 was £4.9 million better than expected when calculating the Council Tax for 2010/11. General revenue budgets were reduced by £3.2 million during the year, but were then underspent by £2.3 million. This mainly reflected additional income resulting from the earlier recognition of revenue grants of £2.2 million under the introduction of International Financial Reporting Standards (IFRS). Within Adult Care and Health there were overspends on Physical Disabilities (£0.8 million) and Learning Disability services (£1.8 million). This was attributable to increasing needs of vulnerable service users and the full year cost effect of the transfer of funding agreed for young people respectively. These overspends were partly offset by an underspend on Supporting People budgets. Expenditure on Independent Placements within Education and Children's Services was less than budgeted (-£0.7 million) and income was greater than budgeted on both the Dedicated Schools Grant (-£0.5 million) and recoupment income (-£0.2 million). An overspend in the Planning and Resources service was largely attributable to severance payments across the Children's Services Department (£0.7 million), but this was offset by reductions in staffing and running expenses in the Young People and Learning Service which underspent by £1.4 million. Increased special guardianship and adoption orders and additional recruitment of foster carers resulted in a budget overspend (£0.5 million), but this was offset by a reduction in external placements (-£0.5 million). The reduction in the Building Schools for the Future programme contributed to the underspend on Standards and Schools service (-£0.5 million) due to fewer staff and consultants being required. Leisure Centres and Sports Services was underspent by £0.4 million, mainly as a result of the net effect of the termination of the Government's free swimming scheme. "Gate fees" charged by Western Riverside Waste Authority for disposal of waste were less than anticipated (-£0.3 million). Within General Services, increased income and reduced running expenses contributed to an underspend by the Administration Department (-£0.9 million) and, for the Finance Department, there was an underspend of -£1.0 million on project work that will now be undertaken in 2011/12. Homeless Prevention schemes were underspent during the year (-£0.3 million). Although there were overspends within Highways and Community Transport on winter maintenance (£0.2 million) and tree maintenance (£0.2 million), these were offset by additional income from Highway Regulatory Works (-£0.4 million), and Parking (-£0.9 million) as a result of both additional income and reduced running costs.

The General Fund balance was further boosted by the restatement of the opening balance to reflect the new accounting treatment of revenue grants under IFRS (-£2.3 million), and the use of specific reserves to meet the cost of services: the Renewals Fund (-£1.4 million); Finite Services Fund (-£0.8 million); Specific Grant Reserve (-£2.0 million); offset by a reduction in Area Based Grant after the Council Tax had been set (£1.6 million). As part of the triennial review of the pension fund, £9.6 million was returned from the Pensions Contribution Reserve to the General Fund. However, recognising the need to restructure services in the short-term due the substantial reductions in Government grants, a Service Transformation Reserve was established (£5.0m). In addition, further contributions to the General Fund balance resulted from the return of excess provisions set aside in previous years (£0.7 million).

Formula Grant increased by the minimum 1.5% to £150.2 million based on the Government's calculation of a like for like basis. Wandsworth remains significantly below the grant floor set by the Government and is, therefore, likely to remain at the 'floor' for the foreseeable future with annual grant increases unlikely to cover general inflationary pressures, implying continuing real-term reductions in Government support for Council services.

There was a very slight reduction in the Council's share of the council tax to £377.06 (£377.25 for the previous two years). The share for the Greater London Authority for 2010 also remained at £309.82, giving a combined average band D amount for 2010/11 of £686.88. The average council tax per dwelling of £657.70 remained the lowest in England and Wales and amounted to only 55% of the average £1,194.50 for England.

## **COUNCIL HOUSING**

Capital receipts from the disposal of housing assets amounted to £16.2 million compared with £17.2 million in the previous year. However £0.8 million of these receipts had to be paid to the Government. The total capital expenditure in the Housing Revenue Account of £32.7 million in 2010/11 was financed using capital reimbursements and grants of £11.5 million, capital receipts of £14.3 million and with £6.8 million from the Major Repairs Reserve. Standing at £78.5 million, an increase of £10.0 million over the previous year, the Major Repairs Reserve underpins the longer-term business plan for the housing stock. The balance on the HRA Reserve increased by £9.0 million to £90.7 million and was retained against the risk of future shortfalls. Due to a material change in the adjustment factors used in guidance for valuing social housing, a significant revaluation loss (-£278.8 million) was incurred in the value of Council Dwellings shown on the Balance Sheet. Whilst it is unlikely in the short-term that the Council will enter into long-term borrowing to finance major repairs and improvements to the housing stock, the Council is considering long-term borrowing through a bond issue to raise the finance necessary to 'buy-out' the stream of future annual housing subsidy payments to the Government.

## **GENERAL CAPITAL**

General capital spending, apart from council housing, was £46.7 million, £13.4 million higher than the previous year. The programme was financed through capital grants and reimbursements of £41.4 million, £2.9 million of capital receipts, and £2.4 million of revenue contributions. Included within these sums are grants provided by the Government for the funding of the initial stage of the Building Schools for the Future programme. In the medium term the general capital programme will continue to be financed using capital receipts, capital grants and through the realisation of investments which increased by £47.9 million during the year to £289.7 million. It is also unlikely in the short term that new long-term borrowing will be required for general capital spending, unless taken up specifically for an education spend-to-save scheme, which requires borrowing so that costs may be passed on to schools in accordance with the Government's school funding regulations.

## **PENSIONS**

The Council is legally obliged to offer guaranteed and inflation-proofed pension benefits to its employees other than teachers, who are covered by a similar Government scheme. The Pension Fund is maintained at a level to meet the Council's long-term liability for pension benefits, with Council contributions fixed accordingly. The Fund's net assets increased by £53.1 million (6.9%) to £822.1 million, reflecting the net return on both investment income and the change in market value of investments (£57.2 million), after net costs of £4.1 million from dealings with fund members. The Fund's investments returned an average +7.3% a year over the last three calendar years, better than the median return of +5.4%.

For balance sheet purposes, the Council's estimated liabilities for retirement benefits exceeded the assets in the relevant funds by £103.5 million (11.9%) at 31st March 2011. This is £237.7 million less than the net liabilities of £341.2 million twelve months earlier, chiefly as a result of the fall in the present value of liabilities coupled with the increase in the value of investments. As an authority providing statutory services backed by taxation, the Council can be more relaxed than private firms about including such volatile valuations in its balance sheet. The impact on council tax, however, is dependent on the actuarial valuation of the pension fund carried out every three years. The latest valuation, carried out in March 2010, using a revised Funding Strategy Statement, determined that there was a funding shortfall of £75 million, assuming the equity market out-performed gilt investments by 1.60% over a 20 year deficit recovery period. This compares with a deficit of £109 million if out-performance was 1.35% over a 15 year deficit period as used under the previous funding strategy. The Council previously set aside £51 million to offset the effects of the potential for increased employer contributions which could be required in the event of the fund under-performing. Having reviewed the risk based on the latest triennial valuation including the change to a stabilised funding solution, this reserve was reduced to £41.4 million and the Council's contribution was maintained at 19% of pay from 1st April 2011. Overall the Council's current funding level of 91% is the best of any of the 34 London Local Authority Pension funds, the average funding level being 75.4%.

## **CONCLUSION**

The Council's General Fund revenue, General capital and HRA financial positions remain sound, but the Council's policy of distinctively low tax remains under threat from the continuing real-terms decline in Government general grant.

## **STATEMENT OF RESPONSIBILITIES**

### **The Authority's Responsibilities**

The authority 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 authority, that officer is the chief financial officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

### **The Chief Financial Officer's Responsibilities**

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

In preparing this Statement of Accounts, the chief financial officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the local authority Code.
- The chief financial officer has also:
  - kept proper accounting records which were up to date
  - taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **CERTIFICATE**

I certify that the statement of accounts gives a true and fair view of the financial position of Wandsworth Council at the end of the period to which it relates and its income and expenditure for that period, including any material events occurring after the balance sheet date, until the date of this certificate.



**C Buss**

Director of Finance and Deputy Chief Executive  
8th September 2011



**Cllr M Heaster**

Chairman of the Audit Committee  
8th September 2011

## **ANNUAL GOVERNANCE STATEMENT 2010/11**

### **SCOPE OF RESPONSIBILITY**

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

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

Wandsworth Council has approved the revision of its code of corporate governance, to bring it in line with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

A copy of the code is available on the Council's website using the following link (<http://ww3.wandsworth.gov.uk/moderngov/mgConvert2PDF.aspx?ID=7174>) or can be obtained from the Head of Audit. This statement explains how Wandsworth Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

### **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

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

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

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

**Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users.** The Council's Corporate Business Plan and The Sustainable Community Strategy are the key documents that contain the vision, purpose and intended outcomes for citizens and service users. The Wandsworth Challenge sets out to deliver its vision whilst being innovative, radical and responsive to local need.

**Reviewing the authority's vision and its implications for the authority's governance arrangements.** The Corporate Business Plan is updated on an annual basis and the Sustainable Community Strategy has recently been reviewed and revised, whilst the Wandsworth Challenge was launched in 2010.

**Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources.** The Council has a strong performance management culture and system. It sets targets for achievement via its regime of Key Issues, top line performance indicators, policy items, and local and national performance indicators. Officer monitoring is rigorous with regular reviews of performance at both Departmental and Directors' Board level.

The overarching objective of a distinctively low Council tax is the main driver for value for money, together with the Council's procurement strategy that centres around the regular testing of the market place for services, supplies and works using, for the most part, the lowest price tender award criteria.

**Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.** The Council's Constitution includes all the specified requirements and is maintained up to date.

**Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.** The Council's Leadership sets the tone for the organisation via the demanding overarching objectives of high quality services and a distinctively low level of local Council Tax, the 'Wandsworth Way' and 'Wandsworth Challenge'. Both Member and Officer Codes of Conduct are robust and regularly updated. The Codes also set out clear and distinctive rules in relation to the giving and receiving of gifts and hospitality. Codes are made available to Members and Officers and are both maintained up to date and supplemented by further specific advice.

The Council currently has a local Standards Committee which is chaired by an independent member. Its role includes the promotion of high standards of conduct including proposing changes to the Members' code and reviewing any alleged breaches of the Code. In December 2010 the Localism Bill proposed the abolition of the current Standards regime which will mean that there is no longer a requirement for a Members' Code of Conduct or for a local Standards Committee. Following consultation with all Members proposals are being drafted for consideration by the Council regarding revised arrangements, when the Bill is enacted, to ensure that the current high level of standards is maintained.

**Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.** The Constitution, that contains the specified items, is for the most part maintained up to date. The prescribed items are regularly reviewed and updated. The local decision making process and scrutiny role are adequately documented and operated effectively including ensuring that there is input into reports from all corporate professionals including both legal and financial advice. The Council's Risk Management Strategy is effective and well embedded into corporate management processes.

**Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*.** The Audit Committee has reviewed its effectiveness against the CIPFA guidance entitled '*Audit Committees – Practical Guidance for Local Authorities*' and concluded that it was compliant. It meets 3 times a year and provides an independent assurance on the Council's governance arrangements.

**Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.** The Council has in place the key officers namely the Chief Executive, Director of Finance, the Borough Solicitor and Monitoring Officer, the Scrutiny Officer and their roles, responsibilities and reporting lines are sufficiently well defined within the Council's Constitution to allow them to deliver their respective functions in a satisfactory manner. The powers and responsibilities of the Director of Finance are in line with CIPFA's statement on 'The Role of the Chief Financial Officer'. In addition the organisation and deployment of their staff and report circulation protocols allow their respective services to be delivered effectively to all the relevant departments and services. Departments acquaint themselves with new legislation that impacts upon their services seeking advice from the Borough Solicitor as required.

**Whistle-blowing and for receiving and investigating complaints from the public.** The Whistleblowing Policy and Procedure was revised in March 2007 and remains effective in terms of reports of possible frauds or financial regularities. The Council's complaints system is effective with numbers of complaints and reasons for complaints monitored by Directors and reported to individual Overview and Scrutiny Committees, together with an Annual report to the Finance and Corporate Resources Overview and Scrutiny Committee.

**Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.** The development needs for Members are seen to be adequately addressed both in terms of induction training and focussed continuous training. Officer training needs are judged to be adequately identified and catered for, although currently and in the medium term succession planning is key to the continued level of service delivery.

**Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.** The Council has in place a robust participation strategy that clearly sets out what it will consult on with stakeholders. It operates an effective internet site, provides regular ward feedback meetings and publishes a monthly magazine and an annual report. The Council's internet pages and its monthly magazine are available in a number of formats and help is available for stakeholders' whose first language is not English. The Council has a commitment to holding open meetings.

**Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.** The Council introduced, in March 2007, a governance template which is to be used by Category 'A' partnerships.

Adult Social Services has recently undertaken a review of its Section 31 agreements with the Mental Health Trust and Primary Care Trust and where appropriate are now negotiating with the relevant body to enter into new Section 75 agreements or memoranda of undertakings.

## **REVIEW OF EFFECTIVENESS**

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

The Local Government and Public Involvement in Health Act 2007 required all English local authorities to reconsider the "executive arrangements" they have adopted for decision-making. For many years, Wandsworth has had in place the executive arrangement known as the "strong leader" model, i.e. a Leader who appoints the executive Members. Therefore, there was little substantive difference between the existing arrangements and the comparable model allowed under the 2007 Act. A recent consultation exercise had revealed continuing strong local support for the Leader and Cabinet governance arrangement.

**The Authority.** The Council's constitution sets out the committee structure adopted by the Council together with each Committee's Terms of Reference. It includes a definition of the roles and responsibilities of Councillors and a scheme of delegation to officers.

The rules of procedure for Council and committee meetings are set out and the constitution includes a number of the Council's key directives namely:-

- The Budget and Policy Framework;
- The Financial Regulations;
- The Code for the Procurement of Supplies, Works and Services;
- The Code of Conduct for Members; and
- Definitions of the roles of statutory officers.

There are protocols in place that regulate corporate officer input to committee reports and advice whereby all statutory officers, the Borough Solicitor and other professionals are provided with the opportunity to comment upon all detailed proposals and is for the most part operated properly in practice and this contributes to an effective decision making framework.

**The Executive.** We have approved the Council's Business Plan, which sets out the Council's strategic objectives and priorities for improvement; the medium term financial strategy; and three-year service improvement plans, and the Local Implementation Plan which will underpin the delivery of local transport improvements to 2013/14, including those funded by Transport for London.

We have endorsed the "Wandsworth Challenge" initiative which sets out to demonstrate how the Council can rise to the challenges presented by the Coalition Government's public sector reforms and make life better for all our residents. In so doing, it will reinforce the Council's leading role in the community.

We consistently review service performance through AQPR's thus ensuring that there the quality of Council services remains high and that there are effective measures in place to take remedial action where appropriate. We have seen the Council's role in the community grow, for example, through the transfer of Learning Disability Commissioning and Public Health functions from NHS Wandsworth to the Council.

In spite of the tough economic climate, we have considered proposals increasing investment in the local community that will enable the Council to have more control over its Housing stock through the buyout of the Housing Revenue Account subsidy scheme, to build capacity in our voluntary and community sector through the Big Society Fund, and to provide a small, socially inclusive neighbourhood school that assists the Council in meeting its Sustainable Community Strategy.

The Council froze its Council Tax for the fourth consecutive year and it remains the lowest rate in the United Kingdom for 2011/12. Robust financial systems of control and performance management regimes have enabled the Council to identify savings and enable it to take effective action to deal with the reduced level of funding from Central Government.

We conclude therefore that the Executive has been effective in contributing to the achievement of the Council's objectives.

**The Audit Committee.** The Audit Committee has considered a number of reports to ensure that the Council's governance arrangements including internal control are effective and operated robustly and that there are timely and effective action plans in place to address them. In particular it has carried out its annual review of the Council's risk Management Strategy and found it to be fit for purpose and operated robustly. It has approved the Council's Accounts for 2009/10 together with a report from the External Auditor. It has also considered the Audit Commission's Annual Audit and Inspection letter for 2009/10. The Committee has been able to place significant reliance upon the reports from both the External Auditors and the Audit Commission on the very strong comparative performance of the Council in achieving its objectives.

**The Overview and Scrutiny Function.** The model adopted by the Council, under the Local Government Act 2000, is for the scrutiny process to take place prior to the decision on proposed actions, thereby allowing Overview and Scrutiny Committees (OSC's) to carry out their role in advance of implementation. OSC's also receive progress reports updating them on the progress of all the Council's key initiatives, as well as AQPRs on performance over the year. OSC's can decide on any comments to be made that will then be conveyed to the Executive to consider.

**The Standards Committee.** The standard of conduct by Members at Wandsworth remains very high with only a small number of complaints in the last decade and none in 2010/11; it is anticipated that complaints will remain at a low level. The Committee has consulted on possible changes that might follow the implementation of the Localism Bill which envisages significant reform of the local government standards regime. The Council will be asked to decide upon the new framework to be put in place. The Committee is confident that the new arrangements will provide a more streamlined and proportionate, yet still fully effective, framework to ensure that high standards of conduct are maintained.

**Internal Audit.** On the basis of Internal Audit activity, the Council's governance arrangements including internal control are deemed to be generally sound and agreed action plans are in place with departments in order to address all the findings. Robust review mechanisms are in place that enable the Committee to take reasonable assurance that the Council's governance arrangements including internal control are effective and are operated vigorously. They contribute to the achievement of the Council's overarching objectives whilst nevertheless both identifying areas for improvement and monitoring the implementation of agreed corrective actions.

**The Director of Finance.** By law and under the Council's Constitution, the Director of Finance has a number of control responsibilities. During the past year, and continuing up to the date of publication of the 2010/11 accounts, these responsibilities have been properly exercised with the support of leading Members, other directors and staff of the Finance Department. The general role of the Finance Department is to be responsible for the proper administration of the financial affairs of the Council, and in particular to champion value-for-money and lower spending. The Council has maintained appropriate budget frameworks for its functions, providing control for expenditure and income, incentives for economy, and contexts for considering potential policy developments. Policy proposals have been appraised for value-for-money, and continuing activities have been subject to reviews to support the objective of maintaining distinctively low council tax. The Council's Constitution includes appropriate Financial Regulations that have been reviewed and kept up to date, and these are supported by a range of directives and guidance notes. Conformity with these has been monitored and promoted by suitably trained staff and auditors.

**The Council's Monitoring Officer.** There are no issues beyond those detailed in this statement that need to be specifically commented upon.

## **CONCLUSION**

The Council's governance arrangements including internal control are generally robust although there are some areas where further improvement needs to be made to ensure that the expected high standards the Council has set continue to be delivered. Directors have been notified of the key areas where improvement is required and action plans have been drafted to ensure recommendations are progressed within six months. The Council's review mechanisms are an effective framework for maintaining satisfactory governance arrangements including identifying any issues and for monitoring and securing their implementation.

The current governance arrangements have enabled the Council to continue to deliver high quality services and maintain the lowest Council Tax in the United Kingdom. The significant governance issues that could impact upon the Council's governance arrangements are shown in paragraphs (a) to (h) below.

## **CERTIFICATE**

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee (the report providing the detailed assurance this can be found using this link

<http://ww3.wandsworth.gov.uk/moderngov/mgConvert2PDF.aspx?ID=14653>), and action plans to address weaknesses and ensure continuous improvement of the system in place.

### **Significant governance issues**

#### **(a) ICT security and business continuity planning**

The ISO 27001 accreditation has now been achieved by 6 Departments with Adult Social Services having completed its gap analysis and will be assessed in September 2011. The accreditation is a benchmark for securing adequate control over security of sensitive personal data.

The Council's Business Contingency Planning, especially in relation to ICT systems, is in the process of being addressed. Departments are currently addressing their requirements within the Council's prioritisation procedure that can then be assimilated into a corporate BCP that recognises and dovetails the timescales for restoring both human and ICT resources in a manner that best satisfies the Council's needs. This will take into account increased ICT demand through the implementation of e-delivery of services as part of the Wandsworth Challenge.

An ICT investment programme has been approved for 2011-14 which will replace the data network and storage provision as well as strengthening the Council's the BCP through reciprocal back-up arrangements with Merton Council.

**(b) Recruitment and retention**

Directors highlighted a number of areas of risk in relation to the availability of key staff namely in the Finance, Adult Social Services and Technical Services Department.

Staff play a key role in the successful delivery of Council services and consequently as these areas have been flagged up as high risk they reflect a potential risk to the Council's achievement of its objectives.

**(c) Devolved management organisations**

The Council cannot regulate and direct such organisations to the same degree as its directly delivered or procured services because of their arm's length nature and their corporate legal position. However there have been a number of examples of poor control with either significant direct adverse outcomes or potential for significant adverse outcomes that need both focussed and robust departmental monitoring and regular audit coverage.

**(d) Vetting Procedures.**

There are continuing risks that key background checks are not carried out robustly including validation of previous employment, Criminal Record Checks and right to work in the United Kingdom. Those entrusted with carrying out such checks include, Council Departments, devolved organisations and contracted out providers. Effective monitoring arrangements need to be in place to ensure that those responsible for directly carrying out such checks do so consistently and in a timely manner.

**(e) Low Council Tax**

The Council Tax has been frozen for the 4<sup>th</sup> consecutive year and remains the lowest in the United Kingdom. This has been for many years and remains a future key Council objective. However, the reduction in central government grant and the potential change in local government funding from some localisation of business rates creates a key risk that will make this Council objective significantly more difficult to achieve.

Whilst this should not affect the requirement for innovative and rationalised service delivery by Directors, through the Wandsworth Challenge or otherwise, the potential effect on the Council's overall level of Council Tax is affected by the Council's high gearing ratio and this will need to be considered when setting its desired level of Council Tax.

**(f) Procurement**

Procurement plays a key role in the Council's service delivery and hence to the successful achievement of the Council's objectives. Recent legislative changes have both made it more complicated and more open to challenge. Whilst the Procurement Advisory Group are a compensating control, there is still scope for procurement exercises to be undertaken in both a manner that does not comply with procurement regulations and does not maximise the potential benefits and outcomes of procurement. In order to strengthen these controls a new Central Procurement Team has been set up which fully established should ensure compliance with legislation and maximisation of procurement solutions.

**(g) Personal Budgets**

Personal Budgets are a development of Direct Payments which were introduced in 1996 with the aim of enabling individuals to control their own care. It is national policy that vulnerable people are supported in exerting choice and control in determining how they would like their care needs to be met. Increasingly this means that people may choose to make their own arrangements and indeed directly employ people to provide them with their care. However, as with Devolved Management Organisations the services provided through personal budgets are not necessarily subject to the same regulatory regime as traditional care services. The national target is for all eligible service users to have a personal budget by 2013.

The Council has met the national target to have 30% of eligible service users to have a personal budget by April 2011. Since November 2010 all new service users and existing service users following a review are now allocated a personal budget. The national target set by the Department of Health is that all service users should be eligible for a personal budget by 2013 and is on track to achieve that national target. It is therefore important that the associated potential risks are managed and monitored through focussed and robust departmental monitoring with regular audit coverage to mitigate against the risks of potential fraud and abuse.

**(h) Housing Finance**

The proposed review of the Housing Revenue Account subsidy system with the consequential increase in debt creates a new risk which will need careful managing to ensure that the Council, over time receives the best value for money for the debt financing arrangements but does not over fetter itself in relation to future expenditure on maintaining and improving it's existing stock or in building new stock.



**Paul Martin**  
Chief Executive



**Councillor Ravi Govindia**  
Leader of the Council

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WANDSWORTH  
COUNCIL**

We have audited the financial statements of Wandsworth Council for the year ended 31 March 2011 which comprise the Comprehensive Income and Expenditure Account, the Movement in Reserves Statement, the Balance Sheet as at the end of the period, the Cash Flow Statement, Prior Period Adjustments, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund, and the related notes. The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom supported by the Best Value Accounting Code of Practice 2010/11.

***Respective responsibilities of the Director of Finance and Deputy Chief Executive and auditor***

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 5, the Director of Finance and Deputy Chief Executive is responsible for the preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice 2010/11 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.

This report, including the opinions, has been prepared for and only for Wandsworth Council Members as a body in accordance with the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

***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 Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

*Council's Accounts*

***Opinion on financial statements***

In our opinion the financial statements:

- give a true and fair view of the state of the Council's affairs as at 31 March 2011 and of the Council's income and expenditure and cash flows for the year then ended; and
- have been prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the Best Value Accounting Code of Practice 2010/11.

***Opinion on other matters***

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

***Matters on which we are required to report by exception***

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



Janet Dawson  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Appointed auditors  
London  
13 September 2011

**CONCLUSION ON COUNCIL'S ARRANGEMENTS FOR SECURING ECONOMY,  
EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES**

***Council's responsibilities***

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and 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 Council 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 Council 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

***Basis of conclusion***

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 2010, as to whether the Council 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 Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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 Council 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 2010, we are satisfied that, in all significant respects, Wandsworth Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

***Certificate***

We certify that we have completed the audit of the accounts of Wandsworth Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Janet Dawson  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Appointed auditors  
London  
13 September 2011

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE LOCAL  
GOVERNMENT PENSION SCHEME (LGPS) OF WANDSWORTH BOROUGH  
COUNCIL**

We have audited the pension fund accounting statements for the year ended 31 March 2011 which comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

***Respective responsibilities of the Director of Finance and Deputy Chief Executive and auditor***

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 5, the Director of Finance and Deputy Chief Executive is responsible for the preparation of the pension fund accounting statements in accordance with 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 pension fund accounts 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.

This report, including the opinions, has been prepared for and only for Wandsworth Council Members as a body in accordance with the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

***Scope of the audit of the pension fund accounts***

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 pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the pension fund; 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

***Opinion on the pension fund accounting statements***

In our opinion the pension fund's accounting statements:

- give a true and fair view, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, of the financial transactions of the Pension Fund during the year ended 31 March 2011, and the amount and disposition of the fund's assets and liabilities as at 31 March 2011, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

**Opinion on other matters**

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



Janet Dawson  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Appointed auditors  
London  
13 September 2011

## MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance £000s	Earmarked GF Reserves £000s	Housing Revenue Account £000s	Earmarked HRA Reserves £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £'000	Total Useable Reserves £000s	Unuseable Reserves £000s	Total Authority Reserves £000s
<b>Balance at 31 March 2009</b>	16,718	129,803	76,016	84,878	45,227	338	352,980	1,389,019	1,741,999
<b>Movement in reserves during 2009/10</b>									
Surplus or deficit on provision of services	-257		4,347				4,090		
Other comprehensive income and expenditure	-185,807						-185,807		
<b>Total Comprehensive Income and Expenditure</b>	-184,901		3,184				-181,717		
Adjustments between accounting basis and funding basis under regulations	187,828	0	2,407	-16,369	-16,784	165	157,247	-157,247	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	1,764	0	6,754	-16,369	-16,784	165	-24,470	-157,247	0
Transfers to/from earmarked reserves	3,884	-2,906	-978	0	0	0	0	-7	-7
<b>Increase/Decrease in year</b>	5,648	-2,906	5,776	-16,369	-16,784	165	-24,470	-157,254	-181,724
<b>Balance at 31 March 2010 carried forward</b>	22,366	126,897	81,792	68,509	28,443	503	328,510	1,231,765	1,560,275
<b>Movement in reserves during 2010/11</b>									
Surplus or deficit on provision of services	91,755		-248,975				-157,220		-157,220
Other comprehensive income and expenditure	112,084						112,084		112,084
<b>Total Comprehensive Income and Expenditure</b>	203,839		-248,975				-45,136		
Adjustments between accounting basis and funding basis under regulations	-207,469	0	258,901	9,971	6,854	56	68,313	-68,313	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	-3,630								
Transfers to/from earmarked reserves	11,946	-10,972	-974	0	0	0	0	38	38
<b>Increase/Decrease in year</b>	8,316	-10,972	8,952	9,971	6,854	56	23,177	-68,275	-45,098
<b>Balance at 31 March 2011 carried forward</b>	30,682	115,925	90,744	78,480	35,297	559	351,687	1,163,490	1,515,177

**COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT**

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.

	<u>31/03/2011</u>			<u>31/03/2010</u>		
	<u>Expenditure</u> £'000	<u>Income</u> £'000	<u>Net</u> £'000	<u>Expenditure</u> £'000	<u>Income</u> £'000	<u>Net</u> £'000
Central services to the public	18,287	(2,739)	<b>15,548</b>	14,639	(7,363)	7,276
Cultural, environmental, regulatory and planning services	65,856	(16,025)	<b>49,831</b>	55,520	(16,233)	39,287
Education and children's services	345,989	(261,343)	<b>84,646</b>	297,898	(236,548)	61,350
Highways and transport services	36,126	(29,630)	<b>6,496</b>	35,396	(28,632)	6,764
Local authority housing (HRA)	391,328	(116,873)	<b>274,455</b>	118,730	(117,075)	1,655
Other housing services	229,249	(211,043)	<b>18,206</b>	216,925	(213,925)	3,000
Adult social care	115,853	(30,184)	<b>85,669</b>	114,585	(30,566)	84,019
Corporate and democratic core	7,214	-	<b>7,214</b>	7,118	(13)	7,105
Non distributed costs	255	(111,307)	<b>(111,052)</b>	949	-	949
<b>Surplus/Deficit on Continuing Operations</b>	1,210,157	(779,144)	<b>431,013</b>	861,760	(650,355)	211,405
Other operating expenditure 6			<b>14,922</b>			12,669
Financing and investment income and expenditure 7			<b>(13,455)</b>			2,053
Taxation and non-specific grant income 8			<b>(275,260)</b>			(230,217)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>157,220</b>			(4,090)
Surplus or deficit on revaluation of fixed assets			<b>15,029</b>			(15,571)
Actuarial gains / losses on pension assets / liabilities			<b>(127,113)</b>			201,378
<b>Other Comprehensive Income and Expenditure</b>			<b>(112,084)</b>			185,807
<b>Total Comprehensive Income and Expenditure</b>			<b>45,136</b>			181,717

**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 is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

*Council's Accounts*

		<u>31st March 2011</u> £'000	<u>31st March 2010</u> £'000	<u>31st March 2009</u> £'000
	<u>Notes</u>			
Property, Plant and Equipment	9	<b>1,265,304</b>	1,583,235	1,560,712
Investment Property	10	<b>46,471</b>	43,200	40,874
Intangible Assets	11	<b>105</b>	54	-
Assets Held for Sale		-	-	209
Long-term Investments		-	-	156,178
Long-term Debtors		<b>964</b>	1,081	1,128
<b>Long-term Assets</b>		<b>1,312,844</b>	<b>1,627,570</b>	<b>1,759,101</b>
Short-term Investments		<b>284,670</b>	241,763	37,866
Inventories	12	<b>813</b>	1,236	1,454
Short-term Debtors and Payments in Advance	14	<b>56,467</b>	63,311	58,911
Cash and Cash Equivalents	15	<b>104,850</b>	89,216	142,677
Assets Held for Sale	16	<b>5,813</b>	1,004	4,975
<b>Current Assets</b>		<b>452,613</b>	<b>396,530</b>	<b>245,883</b>
Bank Overdraft		-	-	-
Short-term Borrowing		<b>470</b>	543	527
Short-term Creditors and Receipts in Advance	17	<b>95,992</b>	83,876	89,028
Provisions	18	<b>7,196</b>	8,293	10,098
<b>Current Liabilities</b>		<b>103,658</b>	<b>92,712</b>	<b>99,653</b>
Long-term Provisions	18	<b>4,970</b>	3,671	3,118
Long-term Borrowing		<b>6,449</b>	6,449	6,637
Net Pensions Liability	40	<b>108,573</b>	346,989	143,077
Other Long-term Liabilities		-	-	-
Capital Grants Receipts in Advance	33	<b>26,630</b>	14,004	10,501
<b>Long-term Liabilities</b>		<b>146,622</b>	<b>371,113</b>	<b>163,333</b>
<b>Net Assets</b>		<b>1,515,177</b>	<b>1,560,275</b>	<b>1,741,998</b>

**BALANCE SHEET (continued)**

		<u>31st March 2011</u> £'000	<u>31st March 2010</u> £'000	<u>31st March 2009</u> £'000
	<u>Notes</u>			
<b>Usable Reserves</b>				
General Fund Balance		<b>30,682</b>	22,366	16,718
Housing Revenue Account	46-52	<b>90,744</b>	81,792	76,016
Capital Receipts Reserve		<b>35,297</b>	28,443	45,227
Capital Grants Unapplied Account		<b>559</b>	503	337
Housing Major Repairs		<b>78,480</b>	68,509	84,878
Renewals Fund		<b>31,545</b>	34,381	38,083
Insurance Reserve		<b>9,271</b>	10,110	8,321
Specific Grant		<b>2,400</b>	4,400	4,400
Finite Services Fund		<b>57</b>	922	1,623
Employer's Pensions Contributions Reserve		<b>41,400</b>	51,000	51,000
Enhanced Pension Fund		<b>4,870</b>	5,626	6,345
Education Balances	32	<b>16,627</b>	15,115	14,646
Services Transformation Fund		<b>5,000</b>	-	-
Other Balances		<b>4,755</b>	5,343	5,385
<b>Unusable Reserves</b>				
<i><u>Revaluation balances</u></i>				
Revaluation reserve	20	<b>54,239</b>	71,067	59,966
Available for sale financial instruments reserve				
<i><u>Adjustment Accounts</u></i>				
Pensions Reserve	20	<b>(108,573)</b>	(346,989)	(143,077)
Capital Adjustment Account	20	<b>1,219,025</b>	1,510,828	1,473,437
Deferred Capital Receipts	20	<b>731</b>	856	890
Financial instruments Adjustment Account	20	<b>(23)</b>	(21)	(30)
Collection Fund Adjustment Account	20	<b>1,886</b>	1,201	2,035
Accumulating Absences Adjustment Account	20	<b>(3,795)</b>	(5,177)	(4,202)
<b>Total Reserves</b>		<b><u>1,515,177</u></b>	<b><u>1,560,275</u></b>	<b><u>1,741,998</u></b>

**CASH FLOW STATEMENT**

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

	<u>Notes</u>	<b><u>31st March 2011</u></b> £'000	<u>31st March 2010</u> £'000
Net (surplus) or deficit on the provision of services		<b>(157,220)</b>	4,090
Adjust net surplus or deficit on the provision of services for non-cash movements		<b>131,829</b>	(27,171)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21	<b><u>(1,806)</u></b>	<u>(2,340)</u>
Net cash flows from Operating Activities		<b><u>(27,197)</u></b>	<u>(25,421)</u>
Investing Activities	22	<b>16,635</b>	78,678
Financing Activities	23	<b><u>(72)</u></b>	<u>204</u>
		<b><u>16,563</u></b>	<u>78,882</u>
Net increase or decrease in cash and cash equivalents		<b><u><u>(10,634)</u></u></b>	<u><u>53,461</u></u>
Cash and cash equivalents at the beginning of the reporting period	15	<b>(89,216)</b>	(142,677)
<b>Cash and cash equivalents at the end of the reporting period</b>		<b><u>(99,850)</u></b>	<u>(89,216)</u>

**PRIOR PERIOD ADJUSTMENTS**

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

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

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

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

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

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

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

**Opening 1 April 2009 Balance Sheet**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Accruals	0	(4,202)
Accumulated Absences Account	0	4,202

**31 March 2010 Balance Sheet**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Accruals	0	(5,177)
Accumulated Absences Account	0	5,177

## 2009/10 Comprehensive Income and Expenditure Statement

### Cost of Services (Net)

	2009/10 Statements	Adjustments Made
	£'000	£'000
Central Services to the Public	6,185	(13)
Cultural, Environmental, Regulatory and Planning Services	50,356	(38)
Highways and Transport Services	4,374	(11)
HRA	19,212	(32)
Education/Children's Services	57,342	1,127
Other Housing Services	3,309	(17)
Corporate and Democratic Core	7,118	(13)
Adult Social Care	83,816	(28)

### 2. Government grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

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

The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

Grants were received in 2009/10 but not used. Previously, no income was recognised in respect of these grants, which were shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grants have been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:

**Opening 1 April 2009 Balance Sheet**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Government Grants Deferred Account	(97,943)	97,943
Capital Adjustment Account	1,374,417	(97,943)
Creditors, Receipts in Advance and Provisions	(111,167)	10,838
Capital Grants Receipts in Advance	0	(10387)
Capital Grants Unapplied Account	0	(451)

**31 March 2010 Balance Sheet**

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Government Grants Deferred Account	(106,456)	106,456
Creditors, Receipts in Advance and Provisions	(107,451)	16,532
Capital Grants Receipts in Advance	0	(13,906)
Capital Adjustment Account	1,381,106	(107,533)
Capital Grants Unapplied Account (reserves)	0	(503)

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

	<b>2009/10 Statements £'000</b>	<b>Adjustments Made £'000</b>
Taxation and non-specific Grant Income	0	(14,605)
Central Services to the public	6,185	(358)
Cultural, Environmental, Regulatory and Planning Services	50,356	382
Highways and Transport Services	4,374	2,646
HRA	19,212	2,018
Education/Children's Services	57,342	4,259
Adult Social Care	83,816	231

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and the current accounting policies.

### 3. Revenue Grants

Under the Code, revenue grants are recognised in full when they are received as long as they are unconditional. Under previous accounting policy, revenue grants were held in 'Creditors, Provisions and Receipts in Advance' and matched to expenditure when the expenditure occurred.

As a consequence, the financial statements have been amended. Balances for unconditional grants held on the balance sheet at 31 March 2009 have been transferred to the General Fund at that date, and adjustments relating to revenue grants previously included in the 2009/10 Comprehensive Income and Expenditure Statement have been reversed and input in line with the Code.

#### Opening 1 April 2009 Balance Sheet

	2009/10 Statements £'000	Adjustments Made £'000
Creditors, Receipts in Advance and Provisions	(111,167)	2,287
General Fund	(14,431)	(2,287)

#### 31 March 2010 Balance Sheet

	2009/10 Statements £'000	Adjustments Made £'000
Creditors, Receipts in Advance and Provisions	(107,451)	2,281
General Fund	(20,085)	(2,281)

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

	2009/10 Statements £'000	Adjustments Made £'000
Central Services to the public	0	(5)

## **NOTES TO THE ACCOUNTS**

### **1. Statement of accounting policies**

#### **1.1 General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, supported by International Financial Reporting Standards (IFRS).

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.

#### **1.2 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 Authority 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 Authority.
- Revenue from the provision of services is recognised when the Authority 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 Authority.
- 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 income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### **1.3 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 mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

## *Council's Accounts*

### 1.4 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 Authority'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.

### 1.5 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 Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the 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.

### 1.6 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 any non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. 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 Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the

Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 Authority are members of two separate pension schemes:

The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

The Local Government Pensions Scheme, administered by the Council.

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. 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

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

The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on the iBoxx AA rated over 15 year corporate bond index).

The assets of the pension fund 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.

### *Council's Accounts*

The change in the net pensions liability is analysed into seven components:

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 Authority 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.

### 1.7 Financial Assets

Financial assets are classified into two types:

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

## Loans and Receivables

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

However, the Authority has made a number of loans to small businesses, as part of the economic development of town centres, at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

### 1.8 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 Authority when there is reasonable assurance that:

- the Authority 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.

### *Council's Accounts*

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

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

### **Area Based Grant**

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

### 1.9 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority 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 Authority.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

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

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

### 1.10 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 weighted average costing formula.

### 1.11 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.

#### 1.12 Revenue Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provision but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amount charged in the Statement of Movement in Reserves on the General Fund Balance so there is no impact on the level of Council Tax

#### 1.13 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 Authority as Lessee**

##### Finance Leases

No finance leases are currently held

##### 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).

*Council's Accounts*  
**The Authority as Lessor**

Finance Leases

No finance leases are currently provided.

Operating Leases

Where the Authority 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.

1.14 Overheads and Support Services

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

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

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

1.15 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 Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years.

The Council's freehold and leasehold properties have been valued by the external valuers identified below.

- Valuations of Housing Revenue Account dwellings, garages and hostel accommodation have been carried out by members of the Royal Institute of Chartered Surveyors employed by Lambeth Smith Hampton in accordance with the advice set out in the "Guidance on Stock Valuation for Resource Accounting".
- Valuations of other operational and investment properties were carried out by members of the Royal Institute of Chartered Surveyors employed by Lambeth Smith Hampton in accordance with the "Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors". Not all the properties were inspected as this was neither practicable nor considered by the Borough Valuer to be necessary for the purpose of the valuations.
- The valuation dates and the stock composition dates for the exercise were as follows:

<u>Portfolio</u>	<u>Valuation Dates</u>	<u>Stock Composition Date</u>
Operational	1st April 2010	31st March 2011
Surplus	31st March 2010	31st March 2011
Residential	31st March 2010	31st March 2011
Investment	1st April 2010	31st March 2011

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. 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)

### *Council's Accounts*

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

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

### Impairment

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

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

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

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

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for 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). Depreciation is not charged in the year of acquisition, and where an asset's net book value falls below £25,000, the remaining depreciation is charged to the Comprehensive Income and Expenditure Account and the item is removed from the Balance Sheet.

Depreciation is calculated on the following bases:

- Operational property assets – the major components of each operational property has been assessed with each component being depreciated reflecting the expected life of the component.
- Housing Revenue Account Assets – the Major Repairs Allowance (MRA) is used as a proxy for depreciation
- vehicles, plant and equipment – reducing balance method (vehicles 20% p.a., plant and equipment 25% p.a.), reflecting the expected life of the asset.
- infrastructure – straight-line allocation over 20years.

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

Adjustment Account.

## Disposals and Non-current Assets Held for Sale

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority'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.

## 1.16 Provisions, Contingent Liabilities and Contingent Assets

### Provisions

Provisions are made where an event has taken place that gives the Authority 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.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority 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.

### *Council's Accounts*

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 authority settles the obligation.

### Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

### Contingent Assets

A contingent asset arises where an event has taken place that gives the authority 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 authority.

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

### 1.17 Reserves

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

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

### 1.18 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 Authority 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.

### 1.19 VAT

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

## **2. Critical Judgements in applying accounting policies**

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

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government.

However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to reduce levels of service provision.

## **3. 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 Authority 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.

There is just one item in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

### **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. Firms of consulting actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a one year increase in life expectancy would result in an increase in the pension liability of £22.7 million. However, the assumptions interact in complex ways. During 2010/11, the Authority's actuaries advised that the net pensions liability had decreased by £237.7 million as a result of estimates being corrected as a result of experience and updating of the assumptions.

## **4. Adjustments between Accounting Basis and Funding Basis under Regulation**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority 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.

*Council's Accounts*

<b><u>2010/11</u></b>	<b>General Fund Balance</b>	<b>Housing Revenue Account</b>	<b>Capital Receipts Reserve</b>	<b>Major Repairs Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	40,812	278,846		436		(320,094)
Revaluation losses on Property Plant and Equipment	15,029					(15,029)
Movements in the market value of Investment Properties	(5,552)					5,552
Amortisation of intangible assets	9					(9)
Capital grants and contributions applied	(41,489)	(11,491)			52,980	0
Revenue expenditure funded from capital under statute	16,203	3,649				(19,852)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	18,356	4,654				(23,010)
Transfer of disposal costs to the Capital Adjustment Account						-
Transfer of unattached receipts to the Capital Adjustment Account						-
						-
						-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Voluntary provision for the financing of capital investment		(1,000)				1,000
Capital expenditure charged against the General Fund and HRA balances	(2,356)					2,356
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement						
Application of grants to capital financing transferred to the Capital Adjustment Account					(52,924)	52,924
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,278)	(15,544)	23,822			
Use of the Capital Receipts Reserve to finance new capital expenditure	-		(17,187)			17,187
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		29	(29)			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	824		(824)			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			284			(284)
Transfer of unattached capital receipt to the Capital Receipts Reserve	(191)	(597)	788			

**Adjustments primarily involving the  
Deferred Capital Receipts Reserve:**

Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

**Adjustment primarily involving the Major  
Repairs Reserve:**

Reversal of Major Repairs Allowance credited to the HRA

16,374 (16,374)

Use of the Major Repairs Reserve to finance new capital expenditure

(6,839) 6,839

**Adjustment primarily involving the  
Financial Instruments Adjustment  
Account:**

Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements

2 (2)

**Adjustments primarily involving the  
Pensions Reserve:**

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement

(111,304) 1 111,303

Employer's pensions contributions and direct payments to pensioners payable in the year

-

**Adjustments primarily involving the  
Collection Fund Adjustment Account:**

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

(685) 685

**Adjustment primarily involving the  
Accumulated Absences Account:**

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

(1,736) 354 1,382

Actuarial pension effects charged to the Comprehensive Income and Expenditure Account

(127,113) 127,113

**Total Adjustments**

(207,469)	258,901	6,854	9,971	56	(68,313)
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*Council's Accounts*

	<b>General Fund Balance £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Capital Receipts Reserve £'000</b>	<b>Major Repairs Reserve £'000</b>	<b>Capital Grants Unapplied £'000</b>	<b>Movement in Unusable Reserves £'000</b>
<b>2009/10</b>						
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	14,303	5,881		299		(20,483)
Revaluation losses on Property Plant and Equipment	(15,571)					15,571
Movements in the market value of Investment Properties	(2,030)					2,030
Amortisation of intangible assets						
Capital grants and contributions applied	(15,887)	(1,970)			17,857	-
Revenue expenditure funded from capital under statute	5,284	2,659				(7,943)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	396	13,609				(14,005)
Transfer of disposal costs to the Capital Adjustment Account						
Transfer of unattached receipts to the Capital Adjustment Account						
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Voluntary provision for the financing of capital investment		(1,000)				1,000
Capital expenditure charged against the General Fund and HRA balances	(4,934)					4,934
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement						-
Application of grants to capital financing transferred to the Capital Adjustment Account					(17,692)	17,692
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,004)	(16,069)	17,073			
Use of the Capital Receipts Reserve to finance new capital expenditure			(33,259)			33,259
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals						
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2,121		(2,121)			-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			249			(249)
Transfer of unattached capital receipt to the Capital Receipts Reserve	(292)	(973)	1,274			(9)

**Adjustments primarily involving the  
Deferred Capital Receipts Reserve:**

Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

**Adjustment primarily involving the Major**

**Repairs Reserve:**

Reversal of Major Repairs Allowance credited to the HRA

15,872

(15,872)

Use of the Major Repairs Reserve to finance new capital expenditure

(32,540)

32,540

**Adjustment primarily involving the**

**Financial Instruments Adjustment**

**Account:**

Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements

(9)

9

**Adjustments primarily involving the**

**Pensions Reserve:**

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement

2,232

302

(2,534)

Employer's pensions contributions and direct payments to pensioners payable in the year

**Adjustments primarily involving the**

**Collection Fund Adjustment Account:**

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

834

(834)

**Adjustment primarily involving the**

**Accumulated Absences Account:**

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

1,007

(32)

(975)

**Actuarial pension effects charged to the  
Comprehensive Income and Expenditure Account**

201,378

(201,378)

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**Total Adjustments**

**187,828**

**2,407**

**(16,784)**

**(16,369)**

**165**

**(157,247)**

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## 5. 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 2011/12.

	<u>Balance</u> <u>1st April</u>	<u>Transfers</u> <u>Out</u>	<u>Transfers</u> <u>In</u>	<u>Balance</u> <u>31st March</u>	<u>Transfers</u> <u>Out</u>	<u>Transfers</u> <u>In</u>	<u>Balance</u> <u>31st March</u>
	2009	2009/10	2009/10	2010	2010/11	2010/11	2011
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund:</b>							
General Fund Balance	16,718	274,550	280,198	22,366	424,852	433,168	30,682
Renewals Fund	38,083	6,565	2,863	34,381	3,585	749	31,545
Specific Grant Reserve	4,400	-	-	4,400	2,000	-	2,400
Insurance Reserve	8,321	840	2,629	10,110	840	1	9,271
Finite Services Fund	1,623	701	-	922	865	-	57
Employer's Pensions							
Contributions Reserve	51,000	-	-	51,000	9,600	-	41,400
Enhanced Pension Fund	6,345	775	56	5,626	774	18	4,870
Services Transformation Fund	-	-	-	-	-	5,000	5,000
Education Balances	14,646	14,162	14,631	15,115	15,780	17,292	16,627
Capital Grants Unapplied	337	-	166	503	-	56	559
Other Balances	5,385	42	-	5,343	588	-	4,755
<b>Total</b>	<b>146,858</b>	<b>297,635</b>	<b>300,543</b>	<b>149,766</b>	<b>458,884</b>	<b>456,284</b>	<b>147,166</b>
<b>HRA:</b>							
Housing Revenue Account	76,016	-	5,776	81,792	-	8,952	90,744
Housing Major Repairs Reserve	84,878	32,540	16,171	68,509	6,840	16,811	78,480
<b>Total</b>	<b>160,894</b>	<b>32,540</b>	<b>21,947</b>	<b>150,301</b>	<b>6,840</b>	<b>25,763</b>	<b>169,224</b>

## 6. Other Operating Expenditure

	<u>2010/11</u> <u>£'000</u>	<u>2009/10</u> <u>£'000</u>
Levies	<b>14,911</b>	13,614
Payments to the Government Housing Capital Receipts Pool	<b>824</b>	2,121
Gains on the disposal of non-current assets	<b>(813)</b>	(3,066)
<b>Total</b>	<b>14,922</b>	<b>12,669</b>

**7. Financing and Investment Income and Expenditure**

	<u>2010/11</u> £'000	2009/10 £'000
Interest payable and similar charges	605	625
Pensions interest cost and expected return on pensions assets	472	13,353
Interest receivable and similar income	(5,355)	(6,176)
Income and expenditure in relation to investment properties and changes in their fair value	(9,502)	(5,904)
Other investment income	2	(9)
Net deficit on trading activities	15	(368)
Appropriation of trading fund balances	389	490
Revenue movement of other balances	(81)	42
<b>Total</b>	<u>(13,455)</u>	<u>2,053</u>

**8. Taxation and Non Specific Grant Incomes**

	<u>2010/11</u> £'000	2009/10 £'000
Council tax income	48,667	47,879
Non domestic rates	131,159	120,255
Non-ringfenced government grants	42,455	44,226
Capital grants and contributions	52,979	17,857
<b>Total</b>	<u>275,260</u>	<u>230,217</u>

## 9. Property, Plant and Equipment

	<b>Council Dwellings</b> £'000	<b>Other Land and Buildings</b> £'000	<b>Vehicles, Plant and Equipment</b> £'000	<b>Infra- structure Assets</b> £'000	<b>Comm- unity Assets</b> £'000	<b>Surplus Assets</b> £'000	<b>Total PP&amp;E</b> £'000
<b>Cost or valuation at 1 April 2009</b>	1,205,121	282,305	24,850	101,448	17,997	4,257	1,635,978
Additions	25,904	18,027	1,514	6,960	1,030	-	53,435
Revaluation increases/decreases recognised in Revaluation Reserve	(522)	-	-	-	-	-	(522)
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	(5,960)	-	-	-	-	-	(5,960)
Derecognition - disposals	(9,824)	-	-	-	-	-	(9,824)
Derecognition - other Reclassifications	-	-	-	-	-	-	-
	-	3,216	-	-	-	(3,762)	(546)
<b>at 31 March 2010</b>	<b>1,214,719</b>	<b>303,548</b>	<b>26,364</b>	<b>108,408</b>	<b>19,027</b>	<b>495</b>	<b>1,672,561</b>
<b>Accumulated Depn &amp; Impairment at 1 April 2009</b>	-	(16,323)	(12,429)	(46,322)	-	(193)	(75,267)
Depreciation charge	(16,171)	(5,915)	(3,101)	(5,021)	-	(22)	(30,230)
Depreciation written out to Revaluation Reserve	16,171	-	-	-	-	-	16,171
Impairment losses/reversals recognised in Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/reversals recognised in Surplus/Deficit on Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	-	-	-	-	-	-	-
Derecognition - other	-	-	-	-	-	-	-
Reclassifications	-	(175)	-	-	-	175	-
<b>at 31 March 2010</b>	<b>-</b>	<b>(22,413)</b>	<b>(15,530)</b>	<b>(51,343)</b>	<b>-</b>	<b>(40)</b>	<b>(89,326)</b>
Net Book Value							
At 31 March 2010	1,214,719	281,135	10,834	57,065	19,027	455	1,583,235
At 31 March 2009	1,205,121	265,982	12,421	55,126	17,997	4,064	1,560,711

*Council's Accounts*

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infra- structure Assets £'000	Comm- unity Assets £'000	Surplus Assets £'000	Total PP&E £'000
<b>Cost or valuation at 1 April 2010</b>	<b>1,214,719</b>	<b>303,548</b>	<b>26,364</b>	<b>108,408</b>	<b>19,027</b>	<b>495</b>	<b>1,672,561</b>
Additions	29,003	21,767	626	7,706	-	-	59,102
Revaluation increases/decreases recognised in Revaluation Reserve	(66,468)	7,415				213	(58,840)
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	(278,846)	(27,806)					(306,652)
Derecognition - disposals	(4,431)	-					(4,431)
Derecognition - other	-	(13,456)					(13,456)
Reclassifications	(532)	(9,879)	(257)			2,940	(7,728)
<b>at 31 March 2011</b>	<b>893,445</b>	<b>281,589</b>	<b>26,733</b>	<b>116,114</b>	<b>19,027</b>	<b>3,648</b>	<b>1,340,556</b>
<b>Accumulated Depn &amp; Impairment at 1 April 2010</b>	<b>-</b>	<b>(22,413)</b>	<b>(15,530)</b>	<b>(51,343)</b>	<b>-</b>	<b>(40)</b>	<b>(89,326)</b>
Depreciation charge	(16,811)	(4,618)	(3,011)	(5,368)	-	(7)	(29,815)
Depreciation written out to Revaluation Reserve	16,811	26,902	-	-	-	98	43,811
Impairment losses/reversals recognised in Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/reversals recognised in Surplus/Deficit on Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	-	-	-	-	-	-	-
Derecognition - other	-	-	-	-	-	-	-
Reclassifications	-	129	-	-	-	(51)	78
<b>at 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>(18,541)</b>	<b>(56,711)</b>	<b>-</b>	<b>-</b>	<b>(75,252)</b>
Net Book Value							
At 31 March 2010	<b>893,445</b>	<b>281,589</b>	<b>8,192</b>	<b>59,403</b>	<b>19,027</b>	<b>3,648</b>	<b>1,265,304</b>
At 31 March 2009	<b>1,214,719</b>	<b>281,135</b>	<b>10,834</b>	<b>57,065</b>	<b>19,027</b>	<b>455</b>	<b>1,583,235</b>

Notional disposal costs have been deducted from the valuations. These amount to £6.2m for Council Dwellings, £2.8m for operational land and buildings, and £0.8m for investment properties.

## 10. Investment Properties

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

	<u>2010/11</u>	<u>2009/10</u>
	£'000	£'000
Rental income from investment property	4,068	3,978
Direct operating expenses arising from investment property	(118)	(104)
<b>Net gain/(loss)</b>	<b>3,950</b>	<b>3,874</b>

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

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

	<u>2010/11</u>	<u>2009/10</u>
	£'000	£'000
Balance at start of the year	43,200	40,873
Additions:		
Purchases	-	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	(4,576)	-
Net gains/losses from fair value adjustments	5,552	2,079
Transfers:		
to/from Inventories	-	-
to/from Property, Plant and Equipment	2,295	248
Other changes	-	-
<b>Balance at end of the year</b>	<b>46,471</b>	<b>43,200</b>

## 11. Intangible Assets

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

All software is given a finite useful life, usually 4 or 5 years, based on assessments of the period that the software is expected to be of use to the Authority.

## 12. Inventories

	<u>Consumable</u>		<u>Work in</u>	
	<u>Stores</u>		<u>Progress</u>	
	<u>2010/11</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2009/10</u>
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	555	523	681	895
Purchases	2,322	2,565	-	-
Recognised as an expense in the year	(2,273)	(2,515)	(493)	(214)
Written off balances	-	(18)	-	-
Reversals of write-offs in previous years	21	-	-	-
<b>Balance outstanding at year-end</b>	<b>625</b>	<b>555</b>	<b>188</b>	<b>681</b>

### 13. Construction Contracts

The Council has authorised expenditure in future years of £175.0 million under its capital programme, of which £88.3 million has been contractually committed on larger schemes for 2011/12 and future years.

The most significant individual contractually committed schemes are:

	<u>£'000</u>
(i) Burntwood School - Building Schools for the Future	39,075
(ii) Southfields Community College - Building Schools for the Future	27,231
(iii) Burntwood/Southfields BSF ICT Contract	5,206
(iv) Rollo hidden homes	3,578
(v) St Michael's Primary	2,806
(vi) Kitchens & Bathrooms phase 2 Boroughwide	2,327
(vii) Hotham Primary	1,984
(viii) Belleville, Forthbridge Road Site - additional primary school places	1,845
(ix) Doddington Estate heating phase 2	895
(x) Ashburton South heating replacement PH3	795
(xi) Boroughwide Integrated Reception Systems phase 8	751
(xii) Battersea Park Rd 77-99, 103-125 refurbishment	686
(xiii) Doddington Estate hidden homes	595
(xiv) 27 Inner Park Road - Remodelling	522

**14. Debtors**

	<b><u>31st March 2011</u></b>		<b><u>31st March 2010</u></b>	
	<b>£'000</b>		<b>£'000</b>	
Central government bodies		<b>7,833</b>		25,566
Other local authorities		<b>22,205</b>		17,794
Leaseholders' service charges		<b>7,446</b>		6,169
Housing rents, heating and hot water charges		<b>5,673</b>		6,011
Housing Benefits		<b>12,055</b>		12,611
Council Tax		<b>3,703</b>		4,575
NHS bodies		<b>1,748</b>		1,952
Other entities and individuals		<b>16,258</b>		13,116
		<b>76,921</b>		87,794
<b>Less provisions for doubtful debts</b>	<b>Provisions</b>	<b>Provisions</b>		
	<b><u>Made</u></b>	<b><u>Used</u></b>		
	<b>£'000</b>	<b>£'000</b>		
Central government bodies	-	2,162	-	2,162
Other local authorities	-	-	<b>80</b>	80
Leaseholders' service charges	20	-	<b>1,830</b>	1,810
Housing rents, heating and hot water charges	496	826	<b>3,191</b>	3,521
Housing Benefits	-	506	<b>10,899</b>	11,405
Council Tax	3,477	4,122	<b>2,977</b>	3,622
NHS bodies	-	-	-	-
Other entities and individuals	911	1,083	<b>3,115</b>	3,287
			<b>22,092</b>	25,887
Debtors less provisions			<b>54,829</b>	61,907
Payments in advance			<b>1,638</b>	1,404
<b>Total</b>			<b>56,467</b>	63,311

**15. Cash and Cash Equivalents**

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

	<b><u>31st March 2011</u></b>		<b><u>31st March 2010</u></b>	
	<b>£'000</b>		<b>£'000</b>	
Cash held by the Authority		<b>1,890</b>		1,700
Bank current accounts		<b>(7,526)</b>		(90)
Short-term deposits with building societies		<b>110,486</b>		87,606
<b>Total Cash and Cash Equivalents</b>		<b>104,850</b>		89,216

**16. Assets Held for Sale**

	<u>Current</u>		<u>Non-current</u>	
	<u>2010/11</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2009/10</u>
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	<b>1,004</b>	4,975	-	209
Assets newly classified as held for sale:				
Property, Plant and Equipment	<b>5,355</b>	546	-	-
Intangible Assets	-	-	-	-
Other assets/liabilities in disposal groups	-	-	-	-
Revaluation losses	-	(297)	-	-
Revaluation gains	-	-	-	-
Impairment losses	-	-	-	-
Assets declassified as held for sale:	-	-	-	-
Property, Plant and Equipment	-	(247)	-	-
Intangible Assets	-	-	-	-
Other assets/liabilities in disposal groups	-	-	-	-
Assets sold	<b>(546)</b>	(4,182)	-	-
Transfers from non-current to current [Other movements]	-	209	-	(209)
	-	-	-	-
<b>Balance outstanding at year-end</b>	<b>5,813</b>	1,004	-	-

**17. Creditors**

	<u>31st March 2011</u>	<u>31st March 2010</u>
	£'000	£'000
Central government bodies	<b>14,372</b>	13,776
Other local authorities	<b>11,636</b>	5,689
NHS bodies	<b>305</b>	1,312
Other entities and individuals	<b>60,105</b>	53,583
	<b>86,418</b>	74,360
Receipts in advance	<b>9,574</b>	9,516
<b>Total</b>	<b>95,992</b>	83,876

**18. Provisions**

		<u>Provisions</u> <u>Made</u>	<u>Provisions</u> <u>Used</u>	<u>31st March 2011</u>	<u>31st March 2010</u>
	<u>Notes</u>	£'000	£'000	£'000	£'000
Insurance Fund	(i)	3,616	3,209	<b>3,860</b>	3,453
Tree root claims	(ii)	560	433	<b>2,760</b>	2,633
LPFA	(iii)	1,045	4	<b>1,629</b>	588
Accumulating absences	(iv)	-	1,382	<b>3,795</b>	5,177
Other provisions		13	5	<b>121</b>	113
		<b>5,234</b>	<b>5,033</b>	<b>12,165</b>	<b>11,964</b>

**Notes:**

- (i) The Council does not have external insurance for all potential risks and accordingly has established an insurance provision mainly to meet liability claims currently up to £500,000 and property claims up to £50,000 of each loss. The level of provision is mainly based on advice from the Council's insurers. The timing of payment is uncertain as liability claims, in particular, can take many years to be settled.
- (ii) The Council provides for claims resulting from damage caused by Council trees on the highway. Claims can take several years to settle and the balance on the provision is to meet the cost of outstanding claims.
- (iii) In order to recover the deficit on their pension fund, the London Pension Fund Authority (LPFA) notified the Council of a fixed rate charge to be levied in 2009/10 in addition to the previously increased Employer's contribution rate. The Council has challenged the basis of the charge but a provision has been made to cover the cost should this become necessary.
- (iv) Under IFRS, the Council is required to provide for short term employee benefits – short term compensated absences. This consists of the value of annual leave and flexi-time which employees have earned by 31st March 2011 but have not yet taken.

**19. Usable Reserves**

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 4.

## 20. Unusable Reserves

	<u>31st March</u> <u>2011</u> £'000	<u>31st March</u> <u>2010</u> £'000
Revaluation Reserve	54,239	71,067
Capital Adjustment Account	1,219,025	1,510,828
Financial Instruments Adjustment Account	(23)	(21)
Deferred Capital Receipts Reserve	731	856
Pensions Reserve	(108,573)	(346,989)
Collection Fund Adjustment Account	1,886	1,201
Accumulated Absences Adjustment Account	(3,795)	(5,177)
<b>Total Unusable Reserves</b>	<u>1,163,490</u>	<u>1,231,765</u>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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 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.

	<u>2010/11</u> £'000	<u>2009/10</u> £'000	£'000	£'000
Balance at 1 April		71,067		59,966
Upward revaluation of assets	48,231		25,956	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	<u>(63,260)</u>		(10,385)	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(15,029)		15,571
Difference between fair value depreciation and historical cost depreciation	(1,525)		(754)	
Accumulated gains on assets sold or scrapped	<u>(274)</u>		<u>(3,716)</u>	
Amount written off to the Capital Adjustment Account		(1,799)		(4,470)
<b>Balance at 31 March</b>		<u>54,239</u>		<u>71,067</u>

## **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 Authority 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 Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 4 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
<b>Balance at 1 April</b>	<b>1,510,828</b>	1,473,437
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>		
Charges for depreciation and impairment of noncurrent assets	<b>(336,466)</b>	(36,408)
Revaluation losses on Property, Plant and Equipment	-	-
Amortisation of intangible assets	<b>(9)</b>	-
Revenue expenditure funded from capital under statute	<b>(19,853)</b>	(7,943)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>(23,009)</b>	(14,007)
	<b>(379,337)</b>	(58,358)
Adjusting amounts written out of the Revaluation Reserve	<b>1,799</b>	4,470
Net written out amount of the cost of non-current assets consumed in the year	<b>(377,538)</b>	(53,888)
<b>Capital financing applied in the year:</b>		
Use of the Capital Receipts Reserve to finance new capital expenditure	<b>17,064</b>	33,034
Use of the Major Repairs Reserve to finance new capital expenditure	<b>6,839</b>	32,540
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	<b>52,980</b>	17,857
Application of grants to capital financing from the Capital Grants Unapplied Account	<b>(56)</b>	(165)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	<b>1,000</b>	1,000
Capital expenditure charged against the General Fund and HRA balances	<b>2,356</b>	4,934
	<b>80,183</b>	89,200
Movements in the market value of Investment	<b>5,552</b>	2,079
<b>Balance at 31 March</b>	<b>1,219,025</b>	1,510,828

**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.

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
Balance at 1 April	(21)	(30)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	-
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-	-
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(2)	9
<b>Balance at 31 March</b>	<u>(23)</u>	<u>(21)</u>

### 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 Authority 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 Authority 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 Authority 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.

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
Balance at 1 April	(346,989)	(143,077)
Actuarial gains or losses on pensions assets and liabilities	127,113	(201,377)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	111,303	(2,535)
<b>Balance at 31 March</b>	<b>(108,573)</b>	<b>(346,989)</b>

### 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 Authority 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.

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
Balance at 1 April	856	889
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	159	215
Transfer to the Capital Receipts Reserve upon receipt of cash	(284)	(248)
<b>Balance at 31 March</b>	<b>731</b>	<b>856</b>

**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.

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
Balance at 1 April	1,201	2,035
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	685	(834)
<b>Balance at 31 March</b>	<u>1,886</u>	<u>1,201</u>

**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.

	<u>2010/11</u> £'000	<u>2009/10</u> £'000	<u>2009/10</u> £'000
Balance at 1 April		5,177	4,202
Settlement or cancellation of accrual made at the end of the preceding year	(5,177)		(4,202)
Amounts accrued at the end of the current year	<u>3,795</u>		<u>5,177</u>
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1,382)	975
<b>Balance at 31 March</b>		<u>3,795</u>	<u>5,177</u>

### 21. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
Interest received	(2,411)	(2,965)
Interest paid	605	625
	<u>(1,806)</u>	<u>(2,340)</u>

### 22. Cash Flow Statement – Investing Activities

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
Purchase of property, plant and equipment, investment property and intangible assets	59,101	61,432
Purchase of short-term and long-term investments	62,500	52,347
Other payments for investing activities	20,279	975
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(24,586)	(18,435)
Proceeds from short-term and long-term investments	(2,801)	(4,628)
Other receipts from investing activities	(97,858)	(13,013)
<b>Net cash flows from investing activities</b>	<u>16,635</u>	<u>78,678</u>

### 23. Cash Flow Statement – Financing Activities

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
Cash receipts of short- and long-term borrowing	(72)	-
Other receipts from financing activities	-	-
Repayments of short- and long-term borrowing	-	188
Other payments for financing activities	-	16
<b>Net cash flows from financing activities</b>	<u>(72)</u>	<u>204</u>

## 24. Amounts Reported for Resource Allocation

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

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

The income and expenditure of the Authority's committee services recorded in the budget reports for the year is as follows:

Council's Accounts

**2009/10 Objective Reconciliation**

	<u>Committee Analysis</u>			<u>I/E ACCOUNT</u>			<u>Reconciling Items</u>		
	<u>GF</u>	<u>HRA</u>	<u>Total</u>	<u>GF</u>	<u>HRA</u>	<u>Total</u>	<u>GF</u>	<u>HRA</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Original Analysis	206,083	(5,840)	200,243	212,914	19,212	232,126	6,831	25,052	31,883
IFRS Adjustments	(5,199)	1,986	(3,213)	(5,199)	(18,421)	(23,620)	-	(20,407)	(20,407)
IFRS Adjusted analysis	200,884	(3,854)	197,030	207,715	791	208,506	6,831	4,645	11,476
Further IFRS adjs beyond Net Cost of Services						(209,662)			(209,662)
						(1,156)			(198,186)

**Reconciliation**

Amounts not included in the segmental analysis but included in the Comprehensive Income and Expenditure Statement

	<u>Gen Fund</u>	<u>HRA</u>	<u>Total</u>
	£'000	£'000	£'000
Depreciation and impairment of assets	14,058	26,587	40,645
Pension costs on FRS17 basis	(9,155)	(1,664)	(10,819)
Deferred Charges written off	5,284	2,659	7,943
Government Grants Deferred amortisation	(7,161)	(2,018)	(9,179)
Sundry creditors unused provision	(593)	-	(593)
CDC transfer to HRA	1,214	(1,214)	-
Reserves accounting adjustments	1,190	-	1,190
Unattached receipts	(292)	-	(292)
Reduction in insurance provision	(2,629)	-	(2,629)
Trading services accounting adjustments	(122)	-	(122)
HRA Impairment under IFS	-	(20,407)	(20,407)
Other balances	7	1,801	1,808
	<u>7</u>	<u>(1)</u>	<u>6</u>
		3,942	5,743

Amounts included in the segmental analysis but not included in the Comprehensive Income and Expenditure Statement

	£'000	£'000	£'000
External interest paid	(625)		(625)
General grants	1,182		1,182
Capital Financing Costs	-	(2,005)	(2,005)
Investment interest	3,468	2,708	6,176
Interest paid to the HRA	1,005	5,030	6,035
		703	1,005
		6,831	11,476

Presentational Changes

Levies now included as Other Operating Expenditure	13,614
Inclusion of Taxation and Non-specific Grant Income	(212,360)
Treatment of Capital Grants under IFRS	(14,605)
Treatment of Revenue Grants under IFRS	14
Treatment of losses on disposal of assets under IFRS	(3,281)
Treatment of pooled receipts and losses on disposals under IFRS	306
Treatment of interest payable and similar charges under IFRS	6,650
	<u>(198,186)</u>

**2009/10 Reconciliation to the Subjective Analysis**

	Directorate analysis	Services and support services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of recharges	Cost of services	Corporate amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>General Fund Accounts</b>								
Fees, charges and other service income	(553,774)	(414)						(554,188)
Surplus/deficit on associates and joint ventures								
Interest and investment income							4,473	4,473
Income from council tax								
Government grants and contributions							(5,979)	(5,979)
Rent received								
<b>Total Income</b>	<b>(553,774)</b>	<b>(414)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,506)</b>	<b>(555,694)</b>
Employee expenses	234,977		(9,639)					225,338
Other service expenses	519,681		4,960					524,641
Support service recharges								0
Depreciation, amortisation and impairment			14,058					14,058
Interest payments							(625)	(625)
Precepts and levies								
Payments to Housing Capital								
Receipts Pool								0
Gain or loss on disposal on Fixed Assets							(3)	(3)
Housing benefit paid								
Negative HRA subsidy								
<b>Total Expenditure</b>	<b>754,658</b>	<b>0</b>	<b>9,379</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(628)</b>	<b>763,409</b>
Surplus or deficit on the provision of services	<b>200,884</b>	<b>(414)</b>	<b>9,379</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,134)</b>	<b>207,715</b>
<b>Housing Revenue Account</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Supervision, Management & Maintenance								
Repairs & Maintenance	24,278							24,278
General Management	31,405		(220)					31,185
Special Services	12,004							12,004
Cost of Rent Rebates	6,911							6,911
Capital Financing Costs	2,005							2,005
Other Expenses	1,007		6,180					7,187
HRA Subsidy Payable	37,165						(2,018)	35,147
<b>Total Expenditure</b>	<b>114,775</b>	<b>0</b>	<b>5,960</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,018)</b>	<b>118,717</b>
Presentational Changes	95,411							95,411
Gross Rents – Non-Dwellings	3,468							3,468
Mortgage Interest	26							26
Leaseholder Service Charges	12,170							12,170
Other Income	7,554						(703)	6,851
<b>Total Income</b>	<b>118,629</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(703)</b>	<b>117,926</b>
<b>Net expenditure</b>	<b>(3,854)</b>	<b>0</b>	<b>5,960</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,315)</b>	<b>791</b>

Council's Accounts

2010/11 Objective Reconciliation

	Committee Analysis			I/E ACCOUNT			Reconciling Items		
	GF	HRA	Total	GF	HRA	Total	GF	HRA	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Original Analysis	223,483	(9,153)	214,330	(203,838)	248,974	45,136	(427,321)	258,127	(169,194)
IFRS Adjustments	0	0	0	0	0	0	0	0	0
IFRS Adjusted analysis	223,483	(9,153)	214,330	(203,838)	248,974	45,136	(427,321)	258,127	(169,194)
Further IFRS adjs beyond	0		0	0	0	0			
Net Cost of Services						0			0
						45,136			(169,194)

**Reconciliation**

Amounts not included in the segmental analysis but included in the Comprehensive Income and Expenditure Statement

	<u>Gen Fund</u>	<u>HRA</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Depreciation and impairment of assets	50,287	279,284	329,571
Pension costs on IAS19 basis	(111,724)	(51)	(111,775)
Deferred Charges written off	16,204	3,678	19,882
Sundry creditors unused provision	(713)	0	(713)
CDC transfer to HRA	1,212	(1,212)	0
Profit/loss on the sale of fixed assets	10,078	(10,891)	(813)
General grants and council tax income	(222,281)	0	(222,281)
Actuarial pension changes	(127,113)	0	(127,113)
Capital grants and contributions	(41,489)	(11,491)	(52,980)
Other balances	(2,638)	(190)	(2,828)
	<u>(428,177)</u>	<u>(190)</u>	<u>259,127</u>
			(169,050)

Amounts included in the segmental analysis but not included in the Comprehensive Income and Expenditure Statement

	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Minimum Revenue Provision	0	(1,000)	(1,000)
Interest paid to the HRA	856	0	856
	<u>(427,321)</u>	<u>258,127</u>	<u>(169,194)</u>
			(144)
			(169,194)

**2010/11 Reconciliation to the Subjective Analysis**

	Directorate analysis £'000	Services and support services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Allocation of recharges £'000	Cost of services £'000	Corporate amounts £'000	Total £'000
<b>General Fund Accounts</b>								
Fees, charges and other service income	(558,706)	(191)						(558,897)
Surplus/deficit on associates and joint ventures								
Interest and investment income							856	856
Income from council tax			(48,668)					(48,668)
Government grants and contributions							(215,102)	(215,102)
Rent received								
<b>Total Income</b>	<b>(558,706)</b>	<b>(191)</b>	<b>(48,668)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(214,246)</b>	<b>(821,811)</b>
Employee expenses	239,588		(240,574)					(986)
Other service expenses	542,601		14,144					556,745
Support service recharges								
Depreciation, amortisation and impairment			50,287					50,287
Interest payments							1,025	1,025
Precepts and levies								
Payments to Housing Capital								
Receipts Pool			824					824
Gain or loss on disposal on Fixed Assets							10,078	10,078
Housing benefit paid								
Negative HRA subsidy								
<b>Total Expenditure</b>	<b>782,189</b>	<b>0</b>	<b>(175,319)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,103</b>	<b>617,973</b>
Surplus or deficit on the provision of services	223,483	(191)	(223,987)	0	0	0	(203,143)	(203,838)
<b>Housing Revenue Account</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Supervision, Management & Maintenance								
Repairs & Maintenance	24,702							24,702
General Management	29,306	(597)	303					29,012
Special Services	11,394							11,394
Cost of Rent Rebates	4,001							4,001
Capital Financing Costs	1,856							1,856
Other Expenses	874		280,752				52	281,678
HRA Subsidy Payable	39,026							39,026
<b>Total Expenditure</b>	<b>111,159</b>	<b>(597)</b>	<b>281,055</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>52</b>	<b>391,669</b>
Presentational Changes								
Gross Rents – Dwellings	93,595							93,595
Gross Rents – Non-Dwellings	3,564							3,564
Mortgage Interest	20							20
Leaseholder Service Charges	12,366							12,366
Other Income	10,767						22,382	33,149
<b>Total Income</b>	<b>120,312</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,382</b>	<b>142,694</b>
<b>Net expenditure</b>	<b>(9,153)</b>	<b>(597)</b>	<b>281,055</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(22,330)</b>	<b>248,975</b>

## 25. Trading Operations

The following activities operate on a trading account basis:

	Notes	<u>Turnover</u> <u>2010/11</u> £'000	<u>Surplus/</u> <u>(Deficit)</u> <u>2010/11</u> £'000	<u>Turnover</u> <u>2009/10</u> £'000	<u>Surplus/</u> <u>(Deficit)</u> <u>2009/10</u> £'000
Housing Management Services	(i)	n/a	n/a	13,571	(255)
Building Maintenance	(ii)	11,308	(56)	9,506	73
Transport Operations	(iii)	6,011	(400)	5,817	(36)
Engineering Services	(iv)	11,008	487	13,057	102
Building Control		1,307	25	1,612	89
Design Service		3,088	96	3,318	152
Street Trading		277	(14)	286	23
Land Charges	(v)	596	260	676	245
<b>Adult care providers</b>	(vi)				
Home Care		1,484	1	1,738	(239)
Meals on Wheels and Frozen Meals		n/a	n/a	295	1
People with Learning Disabilities (PLD)		n/a	n/a	75	-
Atheldene and PLD Day Care		3,385	(414)	3,521	210
Adult Placement Service		n/a	n/a	128	3
		<b>38,464</b>	<b>(15)</b>	53,600	368

During the year, trading accounts incurred a net deficit of £15,000, of which £404,000 was charged to revenue accounts, and net surpluses of £389,000 were carried forward.

- (i) The Housing Management Direct Service Organisation (DSO) provides a range of management services for the Council's housing stock. Functions include rent collection, dealing with leaseholder service charges, estate services, repairs, management of the cleaning and grounds maintenance contracts, anti-social behaviour management and tenancy support. In 2010 the Executive agreed that due to the lack of a well developed competitive market the retendering of the Housing Management Services was not advisable until such time that the external market had improved significantly for outsourcing to again be considered. Therefore under the BVACOP definitions this service is no longer classified as a trading account.
- (ii) The Council runs a building maintenance operation principally to repair and refurbish residential properties and Council operational buildings. The trading objective is to provide cost effective services to the Council and make a reasonable trading surplus to finance future plant and equipment investments.
- (iii) The Council bids for transport contracts on an ad hoc basis depending on the availability of spare capacity at any given time. The trading objective is to provide cost effective services to the Council, in particular the Children's Services and Adult Social Services departments while minimising downtime on employees and vehicles.

- (iv) The Council provides a full range of blue and white collar engineering services, including scheme design and implementation and winter maintenance. The trading objective is to provide cost effective services for the Council and the DSO has a commitment to reduce service costs year on year in real terms.
- (v) The Land Charges trading account was established on 1st April 2009 as a result of Local Authorities (Charges for Property Searches) Regulations 2008. The Regulations effectively require that the Local Land Charges function is operated as a statutory trading account and that over the course of any period of three consecutive financial years, a break-even position is achieved. Where a surplus or deficit is made in any given financial year, this will have to be taken into account when setting the fees in future years.
- (vi) Adult Care providers are the Council's in-house services, which supplement the services commissioned from external providers that are required for people with learning and physical disabilities, and for older people requiring home care and re-enablement services. The main in-house service for people with learning disabilities and physical disabilities is a day care service that can provide appropriate care and support for both those with highly complex needs, and for those adults who need less intensive care but still require support to help them stay safe and lead active lives.

During 2010/11 the Meals on Wheels and Frozen Meals service, People with Learning Disabilities and Adult Placement Services no longer operate as Adult Care providers but services are commissioned externally.

The Adult Care provider trading accounts incurred a net deficit of £413,000. The net brought forward surplus on these accounts was £108,000. Of the closing net deficit of £413,000 a net deficit of £414,000 was charged to revenue accounts, and net surpluses of £1,000 were carried forward.

**26. Central support services**

Net expenditure on central support services before recharging to various customers is as follows:

	<u>2010/11</u>	<u>2009/10</u>
	£'000	£'000
<b>Administration Department</b>		
Staff Training Centre/I.T. Training	174	234
Valuers	412	340
Policy Unit	756	789
Press Office	476	498
Central Personnel	1,602	1,631
General Office/Directorate	1,153	1,337
Supplies Advisory Unit	99	98
Legal	1,876	1,998
Despatch Services	614	525
Graphics and Printing	713	803
Property Audit Team	106	109
Professional Services – Clientside	332	335
Website	137	118
Administrative Buildings	4,657	4,286
Democratic Representation	2,808	2,539
Information Technology Services	4,574	4,548
<b>Finance Department</b>		
Finance Directorate and General Services	551	688
Treasury and Capital Management	255	258
Accountancy	817	917
Audit	1,669	1,096
Financial Control	894	947
Cashiers/Reception Services	388	551
Mortgages	61	109
Payroll	912	908
Income Collection Service	620	559
Pensions	480	498
Support Services	383	420
Bank Charges	126	102
External Audit Fees	307	348
Finance Consultants	59	55
Rent Collection Services	1,606	1,644
Property Accounts	228	221
Business Support Unit	1,334	1,398
Customer Services	2,194	2,251
	<u>33,373</u>	<u>33,158</u>

## 27. Road Charging Schemes under the Transport Act 2000

During 2010/11 the General Purposes Committee (Paper No. 10-770) proposed to introduce a parking charge of £35 per month (£15 in 2010/11 rising to £25 in 2011/12 and £35 in 2012/13) with effect from 1st November 2010 to all those who currently receive free parking and are not essential car users, numbering approximately 320. These staff are based at the Town Hall and other Council establishments in the Borough, including depots. Charges for car parking are paid via direct deduction from the employee's salary and in 2010/11 this income totalled £28,017.

## 28. Pooled Budgets

### Pooled Fund Schemes

Pooled Funding Schemes are administered by Joint Commissioning Bodies (JCBs), whose purpose is to agree and monitor the funding and expenditure of each pooled budget area. This includes agreeing funding budgets each year and monitoring the expenditure against these quarterly, as well as agreeing appropriate service policies and actions, and reporting on outturn positions. Representatives from each partner organisation attend the JCBs and reports are provided for discussion/information.

During 2010/11 the Council continued to operate only the Integrated Community Equipment pooled budget with Health organisations. The previous Learning Disability pooled budget ceased due to the agreement of the Learning Disability transfer of the commissioning budgets from Health to the Council, and the previous Mental Health pooled budget ceased due to the Council taking back responsibility for invoice payments and budget monitoring for social care services.

### Integrated Community Equipment Service

A scheme was established on 1st April 2005 to create an integrated service for the provision of community based equipment for people with disabilities.

	<u>2010/11</u>	<u>2009/10</u>
	£'000	£'000
<b>Funding</b>		
Wandsworth Teaching Primary Care Trust	881	695
Wandsworth Borough Council	434	511
	<u>1,315</u>	<u>1,206</u>
<b>Expenditure</b>		
Wandsworth Teaching Primary Care Trust	883	647
Wandsworth Borough Council	605	614
	<u>1,488</u>	<u>1,261</u>
<b>Net surplus/(deficit)</b>	<u>(173)</u>	<u>(55)</u>

Of the net deficit in 2010/11 of £173,000 the Council had a deficit of £171,000 and Wandsworth Teaching Primary Care Trust had a deficit of £2,000 which they have carried forward into 2011/12 accounts.

*Council's Accounts*

**29. Members' Allowances**

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

	<u>2010/11</u> £	<u>2009/10</u> £
Members' Allowances	<b>1,090,533</b>	1,122,007

### 30. Officers' Remuneration

The following table shows the number of staff whose total pay was in the relevant £5,000 range.

	<u>2010/11</u>		<u>2009/10</u>			<u>2010/11</u>		<u>2009/10</u>	
	Officers	Schools	Officers	Schools		Officers	Schools	Officers	Schools
£ 50,000 - £ 54,999	51	179	55	148	£140,000 - £144,999	-	1	2	-
£ 55,000 - £ 59,999	60	69	69	58	£145,000 - £149,999	1	-	-	-
£ 60,000 - £ 64,999	37	37	35	33	£150,000 - £154,999	-	-	-	1
£ 65,000 - £ 69,999	12	28	14	33	£155,000 - £159,999	1	1	1	-
£ 70,000 - £ 74,999	9	28	10	16	£160,000 - £164,999	-	1	1	-
£ 75,000 - £ 79,999	15	17	14	11	£165,000 - £169,999	2	-	2	-
£ 80,000 - £ 84,999	4	3	2	11	£175,000 - £179,999	3	-	1	-
£ 85,000 - £ 89,999	5	11	4	4	£180,000 - £184,999	-	-	1	1
£ 90,000 - £ 94,999	5	2	4	3	£190,000 - £194,999	1	-	-	-
£ 95,000 - £ 99,999	5	3	8	1	£210,000 - £214,999	-	-	1	-
£100,000 - £104,999	4	2	1	2					
£105,000 - £109,999	2	2	7	0	£295,000 - £299,999	-	-	1	-
£110,000 - £114,999	8	2	3	1					
£115,000 - £119,999	2		1	1					
£120,000 - £124,999	1	2	1	1					
£125,000 - £129,999	1	1	3	0					
£130,000 - £134,999	2		2	1					
£135,000 - £139,999	2	1	2	1					

The table on the next page sets out the remuneration disclosures for Senior Officers whose salary is £50,000 or more per year. Senior Officers whose salaries exceed £150,000 are named, in accordance with statute.

Senior, non school-based, Council staff remuneration is market-related and is revised annually using comparative information supplied by Hay management consultants. Salary progression for those staff is totally determined by performance level and there is no automatic incremental progression. The latest review in June 2010 indicated that on average the salaries were approximately 17% below the Hay market assessment. Higher graded posts were over 40% below the market median assessment.

*Council's Accounts*

<b>2010/11 Post Holder</b>	<b>Notes</b>	<b>Salary (including fees and allowances) £</b>	<b>Bonuses £</b>	<b>Expense Allowances - Medical Insurance £</b>	<b>Remuneration excluding pension contributions 2010/11 £</b>	<b>Employers pension contribution £</b>	<b>Remuneration including pension contributions 2010/11 £</b>
Chief Executive and Director of Administration - Mr G. Jones	1	170,414	18,232	2,476	<b>191,122</b>	36,299	<b>227,420</b>
Director of Children's Services - Mr P. Robinson		161,890	14,520	2,109	<b>178,519</b>	33,902	<b>212,420</b>
Assistant Director of Administration (Professional Services) - Mr N. Powlson		139,426	34,831	2,868	<b>177,125</b>	33,628	<b>210,753</b>
Director of Finance and Deputy Chief Executive - Mr C. Buss		174,271	-	1,954	<b>176,224</b>	33,483	<b>209,707</b>
Director of Leisure and Amenity Services - Mr P. Brennan		152,521	13,464	2,295	<b>168,280</b>	31,973	<b>200,253</b>
Director of Housing - Mr R. Evans		152,273	13,564	2,109	<b>167,946</b>	31,910	<b>199,856</b>
Director of Adult Social Services - Ms D. Warwick		146,111	12,655	674	<b>159,440</b>	30,290	<b>189,730</b>
Borough Solicitor		134,868	10,357	2,031	<b>147,256</b>	27,979	<b>175,234</b>
Assistant Director of Administration (Support and Democratic Services)		118,027	10,424	2,683	<b>131,133</b>	24,915	<b>156,049</b>
Director of Technical Services	2	108,294	7,381	1,874	<b>117,548</b>	22,334	<b>139,883</b>
Economic Development Officer		102,912	8,233	2,295	<b>113,440</b>	21,554	<b>134,994</b>
Director of Technical Services - Mr W. Myers	3	88,810	21,022	1,299	<b>111,132</b>	21,115	<b>132,247</b>
Assistant Director of Technical Services (Environmental Services and Community Safety)		103,492	7,573	-	<b>111,065</b>	21,102	<b>132,168</b>
Head of IT and Business Communications		106,807	-	1,639	<b>108,446</b>	20,605	<b>129,051</b>
Borough Valuer and Estates Surveyor		93,892	7,227	1,997	<b>103,117</b>	19,592	<b>122,709</b>
Head of Policy		93,958	7,261	-	<b>101,219</b>	19,232	<b>120,451</b>
Head of Corporate Human Resources		89,676	7,624	2,146	<b>99,446</b>	18,895	<b>118,340</b>
Chief Executive and Director of Administration - Mr P. Martin	4	88,401	-	786	<b>89,187</b>	16,945	<b>106,132</b>
Assistant Director of Technical Services (Planning Services)	5	9,176	-	-	<b>9,176</b>	1,743	<b>10,919</b>

Note 1 - This officer retired on December 20th 2010. His annualised remuneration was £229,150.

Note 2 - This officer was promoted into the post in October 2010. The annualised remuneration in the new post was £120,290.

Note 3 - This officer retired in October 2010. The annualised remuneration prior to retirement was £162,746.

Note 4 - This officer joined the Council on October 19th 2010. The annualised remuneration is £189,019.

Note 5 - This officer joined the Council in March 2011. The annualised remuneration is £110,110.

<b>2009/10 Holder</b>	<b>Post</b>	<b>Notes</b>	<b>Salary (including fees and allowances) £</b>	<b>Bonuses £</b>	<b>Expense Allowances - Medical Insurance £</b>	<b>Remuneration excluding pension contributions 2009/10 £</b>	<b>Employers pension contribution £</b>	<b>Remuneration including pension contributions 2009/10 £</b>
Chief Executive and Director of Administration - Mr G. Jones		Note 1	242,617	54,702	2,606	<b>299,925</b>	56,966	<b>356,891</b>
Director of Finance and Deputy Chief Executive - Mr C. Buss		Note 1	172,441	38,000	1,475	<b>211,916</b>	40,264	<b>252,180</b>
Director of Technical Services - Mr W. Myers			167,059	14,840	1,903	<b>183,801</b>	34,922	<b>218,724</b>
Director of Children's Services - Mr P. Robinson			164,153	13,902	1,599	<b>179,654</b>	34,134	<b>213,788</b>
Director of Leisure and Amenity Services - Mr P. Brennan			151,796	12,580	1,665	<b>166,042</b>	31,548	<b>197,589</b>
Director of Housing - Mr R. Evans			151,561	12,756	1,599	<b>165,916</b>	31,524	<b>197,440</b>
Assistant Director of Administration (Professional Services)			143,117	17,639	2,082	<b>162,838</b>	30,913	<b>193,751</b>
Director of Adult Social Services			145,520	12,551	518	<b>158,589</b>	30,132	<b>188,721</b>
Assistant Director of Administration (Support and Democratic Services)			117,494	9,910	1,934	<b>129,338</b>	24,574	<b>153,912</b>
Economic Development Officer			105,639	7,948	1,665	<b>115,253</b>	21,898	<b>137,151</b>
Assistant Director of Technical Services (Environmental Services and Community Safety)			102,792	4,925	0	<b>107,717</b>	20,466	<b>128,184</b>
Head of Policy			100,149	6,750	0	<b>106,899</b>	20,311	<b>127,210</b>
Assistant Director of Technical Services (Planning Services)			98,276	6,940	1,378	<b>106,594</b>	20,253	<b>126,847</b>
Head of Corporate Human Resources			88,980	7,353	1,547	<b>97,880</b>	18,597	<b>116,478</b>
Borough Valuer and Estates Surveyor			92,858	3,849	1,860	<b>98,567</b>	18,728	<b>117,295</b>
Head of IT and Business Communications		Note 3	44,206	0	333	<b>44,539</b>	8,462	<b>53,001</b>

Note 1 - The Performance Review Sub-Committee determined the performance related element of pay for these two officers for 2009/10 in advance of the usual timetable, due to the pending

retirement of one of the officers. As a result the bonuses paid to these officers for 2009/10 includes, exceptionally, the performance element of pay for both 2008/09 and 2009/10. Also included within the salary is an allowance for the duties undertaken by the officers on behalf of the Western Riverside Waste Authority.

Note 3 - The Head of IT and Business communications started in November 2009. His annualised salary is £106,807.

### 31. External Audit Costs

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

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditors	236	288
Fees payable to the Audit Commission in respect of statutory inspection	20	20
Fees payable to the Audit Commission for the certification of grant claims and returns, by the appointed auditors	86	78
Fees payable in respect of other services provided by the appointed auditors	-	-
Fees payable to the Audit Commission in respect of the National Fraud Initiative	2	-
<b>Total</b>	<u>344</u>	<u>386</u>

### 32. Dedicated Schools Grant

#### Disclosure of Deployment of Dedicated Schools Grant 2010/11

	<u>Central</u> <u>Expenditure</u> £'000	<u>2010/11</u> <u>Schools</u> <u>Budget</u> £'000	<u>Total</u> £'000
Final DSG for 2010/11			153,898
Brought forward from 2009/10			(27)
Carry forward to 2011/12 agreed in advance			(388)
<b>Agreed Budgeted Distribution</b>			
<b>2010/11</b>	6,856	146,627	153,483
Actual Central Expenditure	5,340		
Actual ISB deployed to schools		(146,627)	
Local authority contribution 2010/11	-	-	-
Carry forward to 2011/12	<u>1,516</u>	<u>-</u>	<u>1,516</u>

The Council's expenditure on schools is part funded by grant monies provided by the Department for Education - the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an Authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. The Council is able to supplement the Schools Budget from its own resources but no supplement was made in 2010/11.

Education balances, including Dedicated Schools Grant (DSG), Standards Fund Grant, LAA Grant and school loan expenditure amounted to £16.627 million at 31st March 2011, compared with £15.115 million a year earlier. Individual school balances at 31st March 2011 ranged from a deficit of £449,182 to a surplus of £1,843,946. These balances are committed to be spent by the schools concerned and are not available to the Council for general use.

### **Education Balances**

	<b>2010/11</b>	Movement	2009/10
	<b>£'000</b>	£'000	£'000
Individual School Balances	<b>15,111</b>	459	14,652
School Loans	<b>(653)</b>	6	(659)
Non-Delegated	<b>2,169</b>	1,537	632
LAA Grant		(490)	490
<b>Total</b>	<b>16,627</b>	1,512	15,115

School loans previously included in the General Fund have now been included in Education Balances.

### 33. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	<u>2010/11</u>	<u>2009/10</u>
	£'000	£'000
<b>Credited to Taxation and Non Specific Grant</b>		
Revenue Support Grant	19,045	27,757
Area Based Grant	23,399	13,868
LAA Reward Grant	11	1,419
Housing and Planning Delivery Grant	-	782
Business Growth Incentive	-	400
Capital Grants and Contributions	52,979	17,857
National Non-Domestic Rates	131,159	120,255
<b>Total</b>	<b>226,593</b>	<b>182,338</b>
	<u>2010/11</u>	<u>2009/10</u>
	£'000	£'000
<b>Credited to Services</b>		
Dedicated Schools Grant	153,871	146,461
Rent Allowance Subsidy	124,216	112,026
Rent Rebate Subsidy	62,246	58,404
Housing Benefit Admin Subsidy	3,216	3,371
Council Tax Benefit Subsidy	11,300	10,413
Learning and Skills Council	29,622	17,128
Education Standards Fund	23,920	18,410
Surestart Integrated Services	10,625	8,902
Schools Standards Grant	5,783	6,425
Social Care Reform Grant	1,373	1,051
Drug Interventions Programme	902	-
Non-HRA Rent Rebate Subsidy	841	406
Bed and Breakfast Unit Grant	731	355
Supporting People	653	11,177
AIDS support	421	357
Asylum Seekers	296	245
Connexions	99	86
Other	6,587	2,565
	<b>436,701</b>	<b>397,783</b>

The Authority 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 as follows:

	<u>31st March 2011</u>
	£'000
Building Schools for the Future	6,148
Basic Needs Safety Valve	3,870
NDS Devolved (Formula Capital for Schools)	3,398
Targeted Capital Funds - Standards & Diversity	2,080
Integrated Children's Centres/Sure Start	48
Extended Schools Grant	1,363
Rollo Estate Hidden Homes	1,305
Primary Capital Programme	3,132
Section 106 Chelsea Bridge Wharf (Affordable Housing)	1,000
Modernisation	1,487
Free Swimming	516
Targeted Capital Funds - Kitchens	449
City Learning Centres	329
Targeted Capital Funds -School Travel Plans	309
British Rail Channel Tunnel Noise	272
Specialist Schools Capital	132
Other	792
<b>Total</b>	<u><u>26,630</u></u>

### **34. Related Parties**

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

#### **Declarations by Members and Chief Officers**

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

This disclosure note has been prepared based on declarations made by Members and Chief Officers in respect of related party transactions, and using the Council's register of Members' declarations of interest.

There are no declarable related party transactions with Chief Officers, Members, or their related parties with the exceptions of the following:

#### **Central Government**

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with Government departments are set out in a note to the Cash Flow Statement.

#### **Pension Fund**

During the financial year, the Pension Fund had an average balance of £2,288,180 of surplus cash deposited with the Council. The Council paid the Fund a total for interest of £7,987 on these deposits. The Council charged the Fund £598,790 for expenses incurred in administering the Fund.

#### **North East Surrey Crematorium Board**

The Board was composed of 10 councillors of three London borough councils: Merton, Sutton and Wandsworth. Four councillors were appointed by the Council, but a number of changes were required during the course of the year. The Council was represented by Councillors Mrs A Graham, Mrs J Cooper, Maddan, Mrs Stokes, Mrs Sutters and Farebrother. Mr MJ Hall (Deputy Chief Accountant) was Treasurer to the Board, while Mr PG Robinson (Assistant Director of Leisure and Amenity Services) was Surveyor to the Board. Mr P Read (Head of Audit) was Auditor to the Board until July 2010 and was succeeded by Mr P Guillotti (incumbent Head of Audit). The Board has regular transactions with the Council, and interim payments were made to the Council to reimburse costs incurred on the Board's behalf, resulting in £58,892.57 owed to the Council at the year-end. At the year-end the Council had a £315,000 7-day notice loan outstanding from the Board, making interest payments on similar loans of £510.17 during the year.

### **Western Riverside Waste Authority (WRWA)**

The Authority was composed of eight members from four London borough councils: Hammersmith and Fulham, Kensington and Chelsea, Lambeth and Wandsworth. Councillors McDermott and Senior were appointed by the Council. Mr GK Jones (Chief Executive) was Clerk to the Authority until December 2010, when he was succeeded by Mr P Martin (incumbent Chief Executive). Mr C Buss (Director of Finance) was Treasurer to the Authority. Mr P Read (Head of Audit) was Auditor to the Authority until July 2010, when he was succeeded by Mr P Guillotti (incumbent Head of Audit). Ms K Burston was Deputy Treasurer. During the year there were levy payments of £10,748,676 and commercial waste charge payments of £42,885 to the WRWA.

### **Greater London Authority**

The Greater London Authority (GLA) has responsibility for Transport for London, London Development Agency, Metropolitan Police Authority and the London Fire and Emergency Planning Authority (LFEPA). Councillor Heaster was a member of the LFEPA. Collection Fund payments were made to the GLA of £39,425,293. Grant and reimbursement income of £5,629,618 was received from Transport for London.

### **London Councils Grants Committee**

The Committee was composed of 33 members from London borough councils and the Corporation of London. Councillor Martin D Johnson was appointed by the Council. During the year payments totalling £981,354 were made to the Committee.

### **London Councils**

London Councils is formed largely of members from the London borough councils. Councillor Lister represents Wandsworth Council on the Leadership Committee of London Councils. During the year, subscriptions totalling £232,363 were paid by the Council.

### **Voluntary Organisations**

Some members have made declarations of their non-pecuniary interests in voluntary organisations, which form part of publicly available documents.

### 35. 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
<b>Opening Capital Financing Requirement</b>	<b>51,861</b>	79,607
<b>Capital investment*</b>		
Property, Plant and Equipment	<b>59,102</b>	53,435
Investment Properties	-	-
Intangible Assets	<b>60</b>	54
Revenue Expenditure Funded from Capital under Statute	<b>20,145</b>	8,285
<b>Sources of finance</b>		
Capital receipts	<b>(17,188)</b>	(33,353)
Government grants and other contributions	<b>(52,923)</b>	(17,692)
Sums set aside from revenue:	<b>(9,196)</b>	(10,729)
Direct revenue contributions	-	-
[MRP/loans fund principal]	<b>(1,000)</b>	(27,746)
<b>Closing Capital Financing Requirement</b>	<b>50,861</b>	51,861
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (supported by government financial assistance)	-	-
Increase in underlying need to borrowing (unsupported by government financial assistance)	<b>(1,000)</b>	(27,746)
Assets acquired under finance leases	-	-
Assets acquired under PFI/PPP contracts	-	-
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(1,000)</b>	(27,746)

**36. Leases****Authority as Lessee****Operating Leases**

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

	<u>2011/12</u> £'000
Not later than 1 year	359
Later than 1 year and not later than 5 years	683
Later than 5 years	31
<b>Total payments in 2011/12</b>	<u>1,073</u>

The expenditure charged to the Comprehensive Income and Expenditure Account during the year in relation to these leases was £915,000 and the outstanding undischarged obligations are estimated to be £4.5 million.

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
Vehicles	<b>334</b>	322
Office equipment	-	140
Automatic Public Conveniences	<b>209</b>	59
Land and Buildings	<b>372</b>	-
<b>Total</b>	<u><b>915</b></u>	<u>521</u>

**37. Authority as Lessor**

Assets valued at £46.5 million (£43.2 million in 2009/10) are held for use in operating leases, for which rent of £4.0 million was receivable during 2010/11 (£3.6 million in 2009/10). These assets are investment properties which are not subject to depreciation.

### **38. Revaluation Losses**

Due to a material change in the adjustment factors used in guidance for valuing social housing, significant revaluation loss was incurred in the value of Council Dwellings (see Note 51). This relates to the review of the additional risk and liability of public sector landlords undertake when compared with private sector investors. In London, the discount applied to “beacon values” when calculating Existing Use Value Social Housing decreased from 37% to 25% of beacon value.

### **39. Termination Benefits**

During the year 53 members of staff (including 3 teachers) left the Council's service for reasons of redundancy, receiving termination benefits of £756,000.

### **40. Defined Benefit Pension Schemes**

#### **Retirement benefits**

The Council participates in three statutory defined benefit final salary pension schemes:

The teachers' scheme is unfunded and administered by Teachers' Pensions, part of the Capita Group. The pension cost charged to the accounts is the contribution rate set by the Department for Education on the basis of a notional fund.

Some statutorily transferred staff are in the London Pension Fund Authority (LPFA) Scheme, administered under the Local Government Pension Scheme Regulations.

Other employees, subject to certain qualifying criteria, are eligible to join the Council's own funded scheme also administered under the Local Government Pension Scheme Regulations.

The accounts include an Enhanced Pension Fund reserve designated to cover the teachers' pension liabilities which fall outside the statutory pension schemes for Council employees.

#### **Transactions Relating to Retirement Benefits**

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 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:

*Council's Accounts*

	<u>Year to 31st March 2011</u>			<u>Year to 31st March 2010</u>		
	<u>Council</u>	<u>LPFA</u>	<u>Total</u>	<u>Council</u>	<u>LPFA</u>	<u>Total</u>
<b><i>Income and Expenditure Account</i></b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	£'000	£'000	£'000
<i>Net cost of services:</i>						
Current service cost	<b>24,052</b>	<b>491</b>	<b>24,543</b>	13,309	323	13,632
Past service costs	<b>(106,821)</b>	<b>(4,690)</b>	<b>(111,511)</b>	369	-	369
Curtailement and settlements	<b>204</b>	<b>-</b>	<b>204</b>	108	7	115
	<b>(82,565)</b>	<b>(4,199)</b>	<b>(86,764)</b>	13,786	330	14,116
<i>Net operating expenditure:</i>						
Expected return on employer assets	<b>56,868</b>	<b>2,438</b>	<b>59,306</b>	35,921	1,696	37,617
Interest on pension scheme liabilities	<b>(56,344)</b>	<b>(3,434)</b>	<b>(59,778)</b>	(47,640)	(3,331)	(50,971)
	<b>524</b>	<b>(996)</b>	<b>(472)</b>	(11,719)	(1,635)	(13,354)
Net (Charge)/Income to the Income and Expenditure Account	<b>(83,089)</b>	<b>(3,203)</b>	<b>(86,292)</b>	25,505	1,965	27,470
<i>Statement of Movement on the General Fund Balance</i>						
Reversal of net charges made for retirement benefits in line with FRS17	<b>83,089</b>	<b>3,203</b>	<b>86,292</b>	(25,505)	(1,965)	(27,470)
<i>Actual amount charged against the General Fund Balance for pensions</i>						
Employers' contributions payable to scheme	<b>24,601</b>	<b>410</b>	<b>25,011</b>	24,412	524	24,936

The cumulative amount of actuarial loss recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2011 is a loss of £62.6 million.

*Council's Accounts*

**Assets and Liabilities in Relation to Retirement Benefits**

Reconciliation of the present value of the scheme liabilities

	<u>Council</u>		<u>LPFA</u>		<u>Total</u>	
	<u>2010/11</u> £'000	<u>2009/10</u> £'000	<u>2010/11</u> £'000	<u>2009/10</u> £'000	<u>2010/11</u> £'000	<u>2009/10</u> £'000
1st April	<b>1,108,599</b>	694,707	<b>73,553</b>	49,331	<b>1,182,152</b>	744,038
Current service cost	<b>24,052</b>	13,309	<b>491</b>	323	<b>24,543</b>	13,632
Interest cost	<b>56,344</b>	47,640	<b>3,434</b>	3,331	<b>59,778</b>	50,971
Member contributions	<b>8,305</b>	8,274	<b>119</b>	143	<b>8,424</b>	8,417
Actuarial (gains) and losses	<b>(133,330)</b>	374,951	<b>(10,941)</b>	23,023	<b>(144,271)</b>	397,974
Losses on curtailments	<b>204</b>	108	-	7	<b>204</b>	115
Past service costs	<b>(106,821)</b>	369	<b>(4,690)</b>	-	<b>(111,511)</b>	369
Benefits paid	<b>(35,770)</b>	(30,759)	<b>(8,952)</b>	(2,605)	<b>(44,722)</b>	(33,364)
<b>31st March</b>	<b>921,583</b>	1,108,599	<b>53,014</b>	73,553	<b>974,597</b>	1,182,152

Reconciliation of fair value of scheme assets

	<u>Council</u>		<u>LPFA</u>		<u>Total</u>	
	<u>2010/11</u> £'000	<u>2009/10</u> £'000	<u>2010/11</u> £'000	<u>2009/10</u> £'000	<u>2010/11</u> £'000	<u>2009/10</u> £'000
1st April	<b>791,855</b>	560,371	<b>43,308</b>	40,589	<b>835,163</b>	600,960
Expected rate of return	<b>56,868</b>	35,921	<b>2,438</b>	1,696	<b>59,306</b>	37,617
Actuarial gains and (losses)	<b>(26,010)</b>	193,636	<b>8,852</b>	2,961	<b>(17,158)</b>	196,597
Employer contributions	<b>24,601</b>	24,412	<b>410</b>	524	<b>25,011</b>	24,936
Member contributions	<b>8,305</b>	8,274	<b>119</b>	143	<b>8,424</b>	8,417
Benefits paid	<b>(35,770)</b>	(30,759)	<b>(8,952)</b>	(2,605)	<b>(44,722)</b>	(33,364)
<b>31st March</b>	<b>819,849</b>	791,855	<b>46,175</b>	43,308	<b>866,024</b>	835,163

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. The actual return on scheme assets for the year was a gain of £42.1 million compared with a gain of £234.2 million in 2009/10.

**Scheme history**

	<u>2010/11</u>	<u>2009/10</u>	<u>2008/09</u>	<u>2007/08</u>	<u>2006/07</u>
	£'000	£'000	£'000	£'000	£'000
				As restated in 2008/09	As restated in 2008/09
Present value of liabilities:					
- Council	<b>(908,760)</b>	(1,094,382)	(683,542)	(694,838)	(808,700)
- LPFA	<b>(53,014)</b>	(73,553)	(49,331)	(51,679)	(57,549)
- Enhanced Pension Fund	<b>(12,823)</b>	(14,217)	(11,164)	(11,601)	(11,600)
Fair value of assets in the Local Government Pension Scheme	<b>871,090</b>	840,964	607,356	736,269	765,149
<b>Total</b>	<b>(103,507)</b>	(341,188)	(136,681)	(21,849)	(112,700)
Surplus/(deficit) in the scheme:					
- Council	<b>(88,911)</b>	(302,527)	(123,171)	(11,538)	(95,123)
- LPFA	<b>(6,839)</b>	(30,245)	(8,742)	(5,186)	(12,949)
- Enhanced Pension Fund	<b>(7,757)</b>	(8,416)	(4,768)	(5,125)	(4,628)
<b>Total</b>	<b>(103,507)</b>	(341,188)	(136,681)	(21,849)	(112,700)

The accounts include an Enhanced Pension Fund reserve designated to cover the teachers' pension liabilities which fall outside the statutory pension schemes for Council employees.

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £103.5 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in an overall balance of £1.515 million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31st March 2012 is £23.0 million.

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Council scheme and LPFA scheme have been assessed by Hymans Robertson and Barnett Waddingham respectively, independent firms of actuaries, based upon the latest triennial valuation, at 31st March 2007. The main assumptions used in the calculations are:

	<b><u>Council Fund</u></b>		<b><u>LPFA Fund</u></b>	
	<b>2010/11</b>	2009/10	<b>2010/11</b>	2009/10
Long-term rate of return expected on scheme assets:				
Equity investments	<b>7.5%</b>	7.8%	<b>7.2%</b>	7.3%
Bonds	<b>4.9%</b>	5.0%	-	-
Property	<b>5.5%</b>	5.8%	-	-
Target return portfolio	-	-	<b>5.0%</b>	5.0%
Cashflow matching	-	-	<b>4.4%</b>	4.5%
Cash	<b>4.6%</b>	4.8%	<b>3.0%</b>	3.0%
Mortality assumptions:				
Longevity at 65 for current pensioners:				
- Men	<b>21.9</b>	20.8	<b>19.8</b>	21.0
- Women	<b>23.4</b>	24.1	<b>23.1</b>	23.4
Longevity at 65 for future pensioners:				
- Men	<b>23.8</b>	22.3	<b>21.8</b>	22.0
- Women	<b>25.7</b>	25.7	<b>25.0</b>	24.2
Rate of inflation**	<b>2.8%</b>	3.8%	<b>2.7%</b>	3.9%
Rate of increase in salaries	<b>5.1%</b>	5.3%	<b>4.5%</b>	5.4%
Rate of increase in pensions	<b>2.8%</b>	3.8%	<b>2.7%</b>	3.9%
Rate for discounting scheme liabilities	<b>5.5%</b>	5.5%	<b>5.5%</b>	5.5%
Take-up of option to convert annual pension into retirement lump sum	<b>50.0%*</b>	50.0%*	<b>50.0%</b>	50.0%

\* with 75% for membership post 1st April 2008

\*\*following the Budget Statement in March 2011 the assumed pension increase inflation rate changed from Retail Prices Inflation (RPI) to Consumer Prices Inflation (CPI) with effect from 2010/11.

Assets are valued at market value and consist of the following categories, by proportion of the total assets held, at 31st March:

	<u>Council Fund</u>		<u>LPFA Fund</u>		<u>Enhanced Pension Fund</u>	
	2011 %	2010 %	2011 %	2010 %	2011 %	2010 %
Equities	70	76	12	11	-	-
Bonds	22	13	-	-	-	-
Property	3	4	-	-	-	-
Target return portfolio	-	-	54	54	-	-
Cashflow matching	-	-	35	38	-	-
Cash	5	7	(1)	(3)	100	100
	<b>100</b>	100	<b>100</b>	100	<b>100</b>	100

### History of experience gains and losses

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

	<u>2010/11</u> %	<u>2009/10</u> %	<u>2008/09</u> %	<u>2007/08</u> % As restated in 2008/09	<u>2006/07</u> % As restated in 2008/09
Differences between the expected and actual return on assets	(1.9)	23.5	(30.1)	(10.7)	0.2
Experience gains and losses on liabilities	(5.5)	0.0	0.0	3.9	0.0

### 41. Contingent Liabilities

The Council has no contingent liabilities.

### 42. Contingent Assets

The Council has no contingent assets.

### **43. Nature and Extent of Risks Arising from Financial Instruments**

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

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the council in the annual treasury management strategy.

#### **Credit risk**

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

#### **Deposits**

This risk is minimised through the Council's Treasury Management Policy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Treasury Management Policy also imposes a maximum sum to be invested with a financial institution located within each category. During the year, treasury management has been under regular review, at Financial Planning meetings of the Finance Directorate. The policy was as follows:

- (a) up to £40 million with UK institutions with a Fitch credit rating of at least F1+ short-term, AA long-term, and a short-term outlook that is not negative (or equivalent under Moody's or Standard and Poor's), where generally no more than £20 million is placed for periods longer than 6 months;
- (b) up to £50 million with UK institutions with a Fitch credit rating of at least F1+ short-term, and a short-term outlook that is not negative, (or equivalent under Moody's or Standard and Poor's), where the institution is one of the institutions that were eligible for the Government credit guarantee scheme, and where generally no more than £20 million is placed for periods longer than 6 months. These institutions comprise: Santander UK ; Barclays; Lloyds Banking Group; HSBC; Nationwide BS; Royal Bank of Scotland; and Standard Chartered Bank;
- (c) up to £30 million with institutions with a Fitch credit rating of at least F1+ short-term, AA long-term, and a short-term outlook that is not negative (or equivalent under Moody's or Standard and Poor's), where the institution is from a country whose sovereign Fitch credit rating is at least AA+ (or equivalent under Moody's or Standard and Poor's), and where generally no more than £15 million is placed for periods longer than 6 months;

- (d) up to £5 million with institutions with a Fitch credit rating of at least F1+ short-term, A+ long-term, and a short-term outlook that is not negative (or equivalent under Moody's or Standard and Poor's), where the institution is from a country whose sovereign Fitch credit rating is at least AA+ (or equivalent under Moody's or Standard and Poor's).
- (e) up to £50 million with other UK local authorities, or in deposits with UK institutions falling within paragraph (b) above where such deposits are secured on loans made to other UK local authorities. These deposits will not be included when assessing compliance with the maximum levels in paragraph (b) above.
- (f) up to £10 million with UK institutions with a Fitch credit rating of at least F1 short-term, A+ long-term, and a short-term outlook that is not negative (or equivalent under Moody's or Standard and Poor's); and
- (g) up to £5 million with UK building societies with a Fitch credit rating of at least F1 short-term, A long-term, and a short-term outlook that is not negative (or equivalent under Moody's or Standard and Poor's), or with an institution with a negative short-term outlook but otherwise satisfying the criteria for £10 million or £40 million investments.

The credit ratings from Fitch, Moody's and Standard and Poor's were reviewed on a monthly basis, and the lowest of the three used.

### **Other counterparty debtors**

Counterparties are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council. The Council has no material long-term debtors. The Council manages the risk of non-payment through the use of specific provisions against categories of debtors.

### **Liquidity risk**

The Council's net current assets amount to £349 million (£304 million at 31st March 2010). The Council therefore does not consider that it is exposed to a significant liquidity risk.

### **Interest rate risk**

Given the low level of external debt, movements in interest rates are not deemed to materially affect borrowings. The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Changes in interest receivable on variable rate investments will be posted to the Comprehensive Income and Expenditure Account and affect the General Fund Balance. The treasury management team has an active strategy for assessing interest rate exposure that is used to update the budget during the year and take into account any adverse changes.

### **Financial Instrument Adjustment Account**

This account provides for differences in relation to soft loans between amounts to be recognised under the Code of Practice, and amounts that are not required by statute to be met from the General Fund. A soft loan is a loan at less than market rate of interest. The amount represents the future interest foregone for soft loans given by the Council.

**COLLECTION FUND**

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.

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

**INCOME AND EXPENDITURE ACCOUNT**

	<u>Notes</u>	<u>2010/11</u>		<u>2009/10</u>	
		£'000	£'000	£'000	£'000
<b>Income</b>					
<b>Council Tax:</b>					
Income from council taxpayers		78,101		77,293	
Council tax benefit		<u>11,057</u>		<u>10,821</u>	
			<b>89,158</b>		88,114
Income from non-domestic ratepayers					
NNDR			<b>88,033</b>		88,770
Business Rate Supplement			<u>2,774</u>		<u>-</u>
<b>Total income</b>			<b><u>179,965</u></b>		<b><u>176,884</u></b>
 <b>Expenditure</b>					
<b>Precepts and Demands:</b>					
Wandsworth Borough Council		47,117		46,176	
Greater London Authority		<u>38,714</u>		<u>37,922</u>	
			<b>85,831</b>		84,098
Non-Domestic Rates					
Payment to National Pool		87,515		88,243	
Cost of collection allowance		<u>518</u>		<u>527</u>	
			<b>88,033</b>		88,770
Business Rate Supplement					
Payment to Greater London Authority		2,717		-	
Cost of collection allowance		<u>57</u>		<u>-</u>	
			<b>2,774</b>		-
Write offs		1,675		1,733	
Provisions		<u>(1,174)</u>		<u>(818)</u>	
			<b>501</b>		915
<b>Distribution of Estimated Fund</b>					
<b>Surplus for previous year</b>					
Wandsworth Borough Council		866		2,537	
Greater London Authority		<u>711</u>		<u>2,084</u>	
			<b>1,577</b>		4,621
<b>Total expenditure</b>			<b><u>178,716</u></b>		<b><u>178,404</u></b>
Surplus/(deficit) for the year			<b>1,249</b>		(1,520)
Surplus at start of year			<b>2,187</b>		3,707
<b>Surplus at end of year</b>			<b><u>3,436</u></b>		<b><u>2,187</u></b>

## Surplus on Collection Fund

The surplus on the Collection Fund is attributable to the Council and the Greater London Authority as follows:

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
Wandsworth Borough Council	1,886	1,201
Greater London Authority	1,550	986
<b>Total</b>	<u>3,436</u>	<u>2,187</u>

## NOTES TO THE COLLECTION FUND

### 44. Tax levels

	<u>2010/11</u>	<u>2009/10</u>
<b>Council tax amount for band D properties</b>		
Wandsworth Council	377.06	£377.25
Greater London Authority	309.82	£309.82
<b>Total</b>	<u>686.88</u>	<u>£687.07</u>
<b>Business rate per £ value</b>		
Standard rating multiplier	41.4p	48.5p
Small business rating multiplier	40.7p	48.1p

**45. Tax bases**

The 132,616 domestic properties provided a tax base equivalent to 124,957 band D properties:

<u>Band</u>	<u>No. of properties after discounts and exemptions</u>	<u>Ratio</u>	<u>Equivalent no. of band D properties</u>
A	4,992.00	6/9	3,328
B	10,085.25	7/9	7,844
C	31,014.25	8/9	27,568
D	28,018.75	9/9	28,019
E	18,463.00	11/9	22,566
F	12,771.75	13/9	18,448
G	11,081.00	15/9	18,468
H	2,232.25	18/9	4,465
Total	<hr/> 118,658.25		<hr/> 130,706
Less adjustment for collection rate			(5,882)
Plus armed forces accommodation			133
<b>Council tax base for 2010/11</b>			<hr/> 124,957
Rateable value of non-domestic properties at 31st March			270,086,625

**HOUSING REVENUE ACCOUNT**

This account is maintained in accordance with the provisions of the Local Government and Housing Act 1989 to show all expenditure and income relating to the Council's responsibilities as landlord of dwellings and associated property. The expected outturn on this account is regularly reviewed to ensure it will not have a deficit balance. Average weekly rents, excluding service charges, for dwellings at the end of 2010/11 were £104.64, a decrease of £3.43 or 3.2% over the previous levels. Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. About 71% of the Council's tenants receive some help. Council tenants' rent arrears and provision for doubtful debts are shown in Note 14. Former tenants' arrears written off during the year amounted to £826,437 (2009/10 £823,802).

**INCOME AND EXPENDITURE ACCOUNT**

	<u>2010/11</u>	<u>2009/10</u>
	<u>£'000</u>	<u>£'000</u>
<u>Notes</u>		
<b>Expenditure</b>		
Repairs and maintenance	(24,702)	(24,278)
Supervision and management	(43,443)	(43,190)
Rents, rates, taxes and other charges	(333)	(117)
Rent Rebate Subsidy Limitation	(4,001)	(6,911)
Negative HRA Subsidy payable	(22,652)	(21,293)
Depreciation and impairment of non-current assets		-
- Operational assets - Dwellings	(16,374)	(15,872)
- Operational assets - Other land and buildings	(436)	(299)
- Non operational assets	-	-
- Impairment	(278,847)	(5,881)
Debt management costs	-	-
Movement in the allowance for bad debts (not specified by the Code)	(540)	(889)
Sums directed by the Secretary of State that are expenditure in accordance with the Code	-	-
<b>Total Expenditure</b>	<b>(391,328)</b>	<b>(118,730)</b>
<b>Income</b>		
Dwelling rents	93,595	95,411
Non-dwelling rents	3,564	3,468
Charges for services and facilities	20,911	19,060
Contributions towards expenditure	-	-
HRA Subsidy receivable	-	-
Sums directed by the Secretary of State that are income in accordance with proper practices	-	-
<b>Total Income</b>	<b>118,070</b>	<b>117,939</b>
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(273,258)	(791)
HRA services' share of Corporate and Democratic Core	(1,211)	(1,212)
HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services	-	-
<b>Net Income from/(Cost of) HRA Services</b>	<b>(274,469)</b>	<b>(2,003)</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
Gain or (loss) on sale of HRA non-current assets	10,892	2,457
Interest payable and similar charges	(856)	(1,005)
Interest and investment income	2,213	2,708
Pensions interest cost and expected return on pensions assets	(52)	(1,966)
Capital grants and contributions receivable	11,490	1,970
Other income/(expenditure)	597	973
<b>Surplus or (deficit) for the year on HRA services</b>	<b>(250,185)</b>	<b>3,134</b>

**MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT**

	<u>2010/11</u>	<u>2009/10</u>
<u>Notes</u>	<u>£'000</u>	<u>£'000</u>
Balance on the HRA at the end of the previous year	<b>81,792</b>	76,016
Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	<b>(250,185)</b>	3,134
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	-	-
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	<b>(11,731)</b>	(2,977)
Gain or loss on sale of HRA non-current assets	<b>(10,892)</b>	(2,457)
HRA share of contributions to or from the Pensions Reserve	<b>1</b>	302
Revenue funded by Capital under Statute	<b>3,678</b>	2,659
Sums directed by the Secretary of State to be debited or credited to the HRA that are not expenditure or income in accordance with the Code	-	-
<b>Adjustments between accounting basis and funding basis under statute</b>	<b>(18,944)</b>	(2,473)
<b>Net increase or (decrease) before transfers to or from reserves</b>	<b>(269,129)</b>	661
Transfer to/from the Major Repairs Reserve	-	-
Transfer to/from the Capital Adjustment Account	<b>277,847</b>	4,881
Transfer to/from Housing Repairs Account	-	-
Transfers (to) or from Insurance Reserve	<b>234</b>	234
<b>Increase or (decrease) in year on the HRA</b>	<b>8,952</b>	5,776
<b>Balance on the HRA at the end of the current year</b>	<b>90,744</b>	81,792

**NOTES TO THE HOUSING REVENUE ACCOUNT****46. Analysis of Council housing stock**

	<u>31st March 2011</u>			<u>31st March 2010</u>		
	<u>Flats</u>	<u>Houses</u>	<u>Total</u>	<u>Flats</u>	<u>Houses</u>	<u>Total</u>
Secure tenancies	14,453	2,609	17,062	14,650	2,497	17,147
Equity share tenancies	36	58	94	37	60	97
Shared dwellings	265	-	265	205	-	205
Long-lease sold	15,805	40	15,845	15,819	39	15,858
	<b>30,559</b>	<b>2,707</b>	<b>33,266</b>	30,711	2,596	33,307

**47. Housing Major Repairs Reserve**

	<u>2010/11</u>	<u>2009/10</u>
	£'000	£'000
Balance at beginning of year	68,509	84,878
Capital expenditure charged to Reserve	(6,839)	(32,540)
Depreciation		
- on dwellings	16,374	15,872
- on other assets	436	299
<b>Balance at end of year</b>	<b>78,480</b>	<b>68,509</b>

**48. Housing Revenue Account subsidy receivable/payable**

	<u>2010/11</u>	<u>2009/10</u>
	£'000	£'000
Allowance for management	17,720	17,652
Allowance for maintenance	25,015	24,178
Allowance for major repairs	16,374	15,872
Charges for capital	2,333	2,033
Assumed rents	(84,070)	(80,983)
Interest on receipts	(24)	(45)
<b>Subsidy owed for year</b>	<b>(22,652)</b>	<b>(21,293)</b>

**49. Housing Revenue Account share of contributions to the Pension Reserve**

The apportioned effects on the Housing Revenue Account are as follows:

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
Charge included within net cost of services	(51)	(1,664)
Pension interest cost and returns on assets	52	1,966
Transfer from Pension Reserve	(1)	(302)
<b>Net cost to the HRA</b>	<u>0</u>	<u>0</u>

Transactions Relating to Retirement Benefits

The cost of retirement benefits is recognised in the Net Cost of HRA Services when they are earned by employees, but the charge against the HRA is based on cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the HRA Balance.

**50. Financing of Capital Expenditure in the HRA**

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
Capital Reimbursements and grants	11,490	2,248
Major Repairs Reserve	6,839	32,540
Housing capital receipts applied	14,322	20,521
Internal borrowing	-	(26,746)
<b>Total</b>	<u>32,651</u>	<u>28,563</u>

Total Capital expenditure includes £3,678 million of expenditure properly classified as revenue expenditure but which is funded by capital under statute.

**51. Balance Sheet Value of HRA Operational Assets**

	<b>Balance Sheet Value 31st March 2011 £'000</b>	Balance Sheet Value 31st March 2010 £'000
<b>Operational Assets</b>		
Dwellings	<b>860,409</b>	1,192,610
Other land and buildings	<b>33,036</b>	22,109
<b>Total</b>	<b><u>893,445</u></b>	<u>1,214,719</u>

The vacant possession value of dwellings within the HRA at 1st April 2010 was £3.450 million. The balance sheet value is lower because nearly all the dwellings are occupied and because the rents for secure tenancies are below market value.

**Impairment**

Impairment was identified in HRA dwellings between the valuation dates of April 2009 and March 2010, which was applied uniformly to individual dwellings across the stock. HRA dwellings were revalued during 2010/11 and revealed that some classes had appreciated in value, with others falling in value. The total impairment charge was calculated to be £342 million of which £279 million is shown as a cost in the Income and Expenditure statement and £63 million has been debited to the Revaluation Reserve to reverse previous upward revaluations. These numbers are incorporated into the table in note 9 and further detail is provided in Note 38.

**52. Capital Receipts from Disposal of HRA assets**

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
Land	-	-
Houses	<b>15,304</b>	12,433
Other	<b>935</b>	4,750
<b>Total</b>	<b><u>16,239</u></b>	<u>17,183</u>

## PENSION FUND

The Local Government Pension Scheme (LGPS) is a defined benefit occupational pension scheme. The scheme is controlled by the LGPS Regulations 2008, which are made under the Superannuation Act 1972. The scheme is for all non teaching employees employed by the Council; in addition staff in scheduled bodies (note 53) are also permitted to contribute.

### **Pension Fund membership at 31st March is as follows:**

	<u>2011</u>	<u>2010</u>
Employees	<b>5,079</b>	5,063
Former employee pensioners	<b>3,871</b>	3,774
Dependant pensioners	<b>743</b>	760
Former employees with deferred benefits	<b>6,522</b>	6,229
	<hr/> <b>16,215</b> <hr/>	<hr/> 15,826 <hr/>

Pension benefits are based on length of employment and final salary. To meet these statutory obligations the Council maintains the Pension Fund which is run separately from the rest of the Council's finances. The Fund is managed by expert fund managers; who have discretion to invest in the UK and overseas in shares, bonds and property units. The Fund pays pensions to retired employees and dependents, and makes lump sum grants on retirement and death in service. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the year end.

The Council's Pensions Committee is responsible for the monitoring and review of the Fund and to decide on the investment policies most suitable to meet the liabilities of the Pension Fund. They report as necessary to the Council, which has ultimate responsibility for investment strategy.

The Committee obtain and consider advice from the Council's Director of Finance and finance staff, from the Fund actuary, Fund advisor and the investment managers. The Fund actuary undertakes the triennial valuation of the Fund. The advisor provides investment management advice. Both the actuary and advisor are appointed on two separate contracts following a competitive tendering process.

The Committee have delegated the management of the Fund's investments to professional investment managers, appointed in accordance with the LGPS regulations, whose activities are specified in detailed investment management agreements and regularly monitored.

During the year the Pension Fund disinvested funds from Aberdeen Asset Management who had an actively managed balanced mandate and re-invested those funds with: Rogge for an enhanced Bond mandate; Longview and RCM for Global Equity mandates and River and Mercantile for a UK Equity mandate. Funds with UBS Global Asset Management were reallocated between passively and actively managed mandates. Aberdeen Asset Management continue to manage pooled funds with Rreef in respect of property and during the year a redemption request was served but the funds have not been received yet. The Custody arrangements for the Fund also changed during the year with two Custodians, JP Morgan and State Street replaced with a single Global Custodian, Northern Trust. The management of the transition of assets was performed by Nomura. All new appointments were made following competitive tender.

Within agreed parameters, investment management firms operate on a discretionary basis. Their activities and performance are reviewed by the Director of Finance and overall supervision is carried out by the Pensions Committee, which usually meets four times per annum. Assets under management were as follows: -

	<u>2010/11</u>	<u>2009/10</u>
	£'m	£'m
<b>Manager – Asset Class</b>		
UBS Global Asset Management – Active Multi Asset	<b>219.6</b>	395.4
UBS Global Asset Management – Passive Multi Asset	<b>142.9</b>	-
UBS Global Asset Management – Active Property	<b>9.5</b>	-
Aberdeen Asset Management - Active Multi Asset	<b>16.7</b>	371.2
Rogge – Active Bonds	<b>117.0</b>	-
River and Mercantile – Active UK Equity	<b>103.5</b>	-
Longview – Active Global Equity	<b>106.9</b>	-
RCM – Active Global Equity	<b>106.5</b>	-
<b>Total</b>	<b>822.6</b>	<b>766.6</b>

The statement of investment principles adopted by the Council can be seen on the Council's website [www.wandsworth.gov.uk/pensions](http://www.wandsworth.gov.uk/pensions), or it is available from:

Head of Pensions, Payments and Support  
Wandsworth Council  
Finance Department  
The Town Hall  
Wandsworth  
LONDON, SW18 2PU

**Fund Account**

	Notes	<u>2010/11</u>		<u>2009/10</u>	
		£'000	£'000	£'000	£'000
<b>Contributions and Benefits</b>					
Contributions receivable					
Employees - Normal	(53)	<b>8,366</b>		8,341	
Employers	(53)				
- Normal		<b>19,344</b>		19,252	
- Deficit		<b>3,771</b>		3,754	
- Augmentation		<b>772</b>		938	
Transfers in		<b>4,585</b>		4,728	
			<b>36,838</b>		37,013
<b>Benefits</b>					
Pensions	(55)	<b>26,887</b>		25,399	
Lump sum benefits:					
- Commutation of pensions and lump sums		<b>8,841</b>		6,345	
- Death benefits		<b>810</b>		649	
<b>Payments to and on account of leavers</b>					
Refunds of contributions	(56)	<b>13</b>		13	
Transfers out		<b>3,838</b>		4,270	
Administrative expenses	(57)	<b>597</b>		609	
			<b>40,986</b>		37,285
<b>Net withdrawals from dealings with members</b>			<b>(4,148)</b>		(272)
<b>Returns on Investments</b>					
Investment income	(59)	<b>13,178</b>		15,509	
Change in market value of investments		<b>46,300</b>		210,466	
Investment management expenses	(60)	<b>(2,265)</b>		(2,424)	
<b>Net returns on investments</b>			<b>57,213</b>		223,551
<b>Net increase in the Fund</b>			<b>53,065</b>		223,279
Net assets at start of year			<b>769,037</b>		545,758
<b>Net assets at end of year</b>			<b>822,102</b>		769,037

**Net Asset Statement**

	Notes	<u>2010/11</u>		<u>2009/10</u>	
		£'000	£'000	£'000	£'000
<b>Investment assets</b>	(61)				
Fixed interest securities		105,548		56,785	
Index-linked securities		24,938		10,246	
Equities including convertible shares		434,641		414,489	
Pooled Investment Vehicles					
- Property		25,973		30,594	
- Other		197,691		193,857	
Cash deposits		28,587		60,739	
Accrued Income		3,213			
Other		2,089			
Derivatives	(62)		986		-
<b>Investment Liabilities</b>					
Derivatives	(62)		(775)		-
Other			(236)		-
<b>Total investments</b>			<u>822,655</u>		<u>766,710</u>
- Current assets	(63)	3,020		2,503	
- Current liabilities		<u>(3,573)</u>		<u>(176)</u>	
			(553)		2,327
<b>Net assets at end of year</b>			<u><u>822,102</u></u>		<u><u>769,037</u></u>

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Council. They do not take account of obligations to pay pensions and benefits that fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in a statement prepared by the Actuary, which is on page 119. The financial statements should be read in conjunction with the Actuary's statement.

## **ACCOUNTING POLICIES**

The Fund's accounts are compiled in accordance with the principles set out in the CIPFA *Code of practice on local authority accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards*. The main accounting policies adopted by the Council are set out on page 31. Specific policies are set out below.

### **Basis of Preparation**

In accordance with the Code, the accounts have been prepared on an accruals basis, with the exception of transfer values which are accounted for on a cash basis.

### **Contributions**

Normal contributions, (both from members and from employers) are accounted for in the payroll month to which they relate at rates specified in the rates and adjustments certificate.

Additional contributions from the employer are accounted for in accordance with the agreement under which they are paid, or in the absence of such as agreement, on a receipts basis.

### **Benefits payable**

Lump sum retirement pensions are accounted for at the later of the date of retirement and the date on which any option is communicated to the Fund.

### **Administration and Processing Expenses**

Administration and processing expenses are in respect of support service costs that are allocated to the Pension Fund by the Council. The main bases for allocation are floor area for administrative buildings and estimated staff time for central services. Where service level agreements apply, charges have been made on the basis agreed between users and providers.

### **Investment Management Expenses**

Investment management fees are accounted for on an accruals basis. Irrecoverable VAT is included within the cost to which it applies.

### **Investment Valuation**

Market value for equities is determined by Stock Exchange prices on the balance sheet date. Other quoted securities have been valued at their bid price on 31st March 2011.

Pooled investment vehicles have been included at either the bid price where a bid price exists, or on the single unit price on 31st March 2011 as valued by the Investment Manager responsible.

Property investments are included in pooled investment vehicles rather than direct investments in property. Property investments in pooled investment vehicles have been included at either the bid price where a bid price exists, or on the single unit price on 31st March 2011 as valued by the Investment Manager responsible.

Derivative contracts are valued at fair value. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices.

Derivative contracts' changes in fair value are included in change in market value.

Futures contracts' fair value is determined using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid or offer market quoted price of the contract. Amounts due from the broker represent the amounts outstanding in respect of the initial margin (representing collateral on the contracts) and any variation margin which is due to or from the broker. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts.

The fair value of the forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

### **Foreign Exchange**

Foreign currency assets and liabilities are converted into sterling at the closing middle rates of exchange at the year end. Gains and losses on foreign exchange investment and cash balances are calculated for in aggregate within changes in market value.

Overseas income is converted at spot rates of exchange ruling when remitted.

### **Investment Income**

Income from equities and any pooled investment vehicles which distribute income, is accounted for on an accruals basis on the date stocks are quoted ex-dividend/ interest.

Income from fixed interest and index-linked securities, cash and short-term deposits are accounted for on an accruals basis.

In the case of pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is re-invested in the fund.

**NOTES TO THE PENSION FUND**

**53. Pension Fund contributions receivable**

Total contributions receivable are shown on the following table and the bodies are listed below:

	<u>Employees</u>	<u>Employers</u>	<u>Total</u>
	£'000	£'000	£'000
Wandsworth Council	8,307	22,939	31,246
Scheduled bodies	59	176	235
	<u>8,366</u>	<u>23,115</u>	<u>31,481</u>

There are 2 scheduled and 1 admitted bodies (i.e. outside organisations) that are permitted under the regulations to contribute to the fund.

The scheduled bodies are the North East Surrey Crematorium Board and Ashcroft Technology Academy. The North East Surrey Crematorium Board has no direct employees and therefore is currently making no contributions. The Careers Development Group is permitted to contribute under an admission agreement but does not do so currently.

The contribution rate payable by each employing authority is 19% of pensionable salary. For the year ended 31st March 2011 this comprised a normal contribution rate of 15.9% in respect of future accrual and an additional rate of 3.1% required to repay the deficit.

Employers' contributions includes £772,000 (£938,000 in 2009/10), which represents the capitalised cost to the Council of discretionary early retirements during the year.

Additional voluntary contributions are disclosed in note 66.

**54. Pension Fund transfer values**

There were £4.2 million (£4.3 million in 2009/10) potential transfer value receipts and £3.8 million (£3.1 million in 2009/10) potential transfer value payments under negotiation at 31st March 2011.

**55. Pension Fund benefits payable**

Pensions include £1.9 million (£2.0 million in 2009/10) relating to members for whom the Fund had taken on fully funded liability for added years and associated cost of early payment of pensions.

Total benefits payable are analysed, as follows:

	<u>Pensions</u>	<u>Commutation of Pensions and Lump Sums</u>	<u>Death Grants</u>	<u>Total</u>
	£'000	£'000	£'000	£'000
Wandsworth Council	26,706	8,802	810	36,318
North East Surrey Crematorium Board (Scheduled Body)	101	-	-	101
Ashcroft Technology Academy (Scheduled Body)	14	-	-	14
Admitted Bodies	66	39	-	105
	<u>26,887</u>	<u>8,841</u>	<u>810</u>	<u>36,538</u>

**56. Refunds of contributions**

Refunds of contributions of £14,960 were paid. State scheme premiums of £1,759 were received from HM Revenue and Customs.

**57. Administrative expenses**

	<u>2010/11</u>	<u>2009/10</u>
	£'000	£'000
Administration and processing	<b>562</b>	571
Audit fee	<b>35</b>	38
<b>Total</b>	<u><b>597</b></u>	<u>609</u>

**58. Investment performance**

Performance is measured on both a quarterly and an annual basis, and for the year to 31st March 2011 the Fund had a return of +8.6% (compared with a return of +8.1% for the WM Local Authority Universe – the benchmark), and ranked at the 44th percentile. The rolling three year return for the Fund is +7.3% compared with the benchmark return of +5.4% and ranked at the 13th percentile

**59. Investment income**

Investment income is shown net of £1.0 million tax on UK dividends (£0.9 million in 2009/10), which the Fund has been unable to reclaim since July 1997, when tax credits were abolished for pension funds. Investment income is also shown net of £0.6 million irrecoverable overseas withholding tax (£0.2 million in 2009/10).

Investment income is broken down into the following categories:

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
Interest from fixed interest securities	2,424	2,413
Dividends from equities	8,936	12,008
Income from index-linked securities	186	188
Income from pooled investment vehicles	1,086	741
Interest on cash deposits	543	109
Other income	3	50
<b>Total investment income</b>	<u><u>13,178</u></u>	<u><u>15,509</u></u>

**60. Investment management expenses**

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
Management and custody	1,680	1,704
Manager performance fee	514	600
Performance measurement services	11	10
Consultancy fees	60	110
<b>Total</b>	<u><u>2,265</u></u>	<u><u>2,424</u></u>

**61. Investment assets**

Reconciliation between opening and closing value of investments

	<u>Value at</u> <u>31/03/2010</u> £000	<u>Purchases</u> <u>at cost</u> £000	<u>Sales</u> <u>proceeds</u> £000	<u>Change</u> <u>in</u> <u>market</u> <u>value</u> £000	<u>Value at</u> <u>31/03/2011</u> £000
Fixed interest securities	56,785	151,754	(100,494)	(2,497)	<b>105,548</b>
Equities	414,489	414,945	(424,219)	29,426	<b>434,641</b>
Index-linked securities	10,246	29,155	(15,141)	678	<b>24,938</b>
Pooled Investment Vehicles	224,451	174,813	(194,815)	19,215	<b>223,664</b>
Derivatives Futures	-	306	(134)	(167)	<b>5</b>
Derivatives Contract excl Futures	-	2,342	(1,781)	(355)	<b>206</b>
	<u>705,971</u>	<u>773,315</u>	<u>(736,584)</u>	<u>46,300</u>	<u><b>789,002</b></u>
Cash deposits	60,739				<b>28,587</b>
Accrued Income	-				<b>3,213</b>
Other	-				<b>1,853</b>
	<u><b>766,710</b></u>	<u><b>773,315</b></u>	<u><b>(736,584)</b></u>	<u><b>46,300</b></u>	<u><b>822,655</b></u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. These gains are included in the Fund account under the heading of "change in market value".

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £1,090,000 (£586,000 in 2009/10). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

*Council's Accounts*

The following is an analysis of relevant asset classes between UK and Foreign, and between listed/unlisted and Pooled Investment Vehicles:

	<u>2010/11</u>	<u>2009/10</u>
	£'000	£'000
<b>Fixed interest securities</b>		
Public sector		
UK - listed	33,646	51,284
Foreign - listed	3,290	4,086
<b>Corporate</b>		
UK - listed	22,251	-
Foreign - listed	46,361	1,415
	<u>105,548</u>	<u>56,785</u>
<b>Public Sector</b>		
<b>Index-linked securities</b>		
UK - listed	24,449	9,464
Foreign - listed -	489	782
	<u>24,938</u>	<u>10,246</u>
<b>Equities</b>		
UK - listed	193,875	242,759
UK - unlisted	-	35
Foreign - listed	240,766	171,695
	<u>434,641</u>	<u>414,489</u>
<b>Pooled Investment Vehicles</b>		
Property UK	<u>25,973</u>	<u>30,594</u>
<b>Pooled Investment Vehicles - Other</b>		
UK	158,738	92,814
Foreign	38,953	101,043
	<u>197,691</u>	<u>193,857</u>

All fund managers operating the pooled investment vehicles are registered in the United Kingdom.

**Property**

Property investments in Pooled Investment Vehicles are as follows:

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
Rreef UK Core Property Fund A	15,101	14,640
Rreef UK Property Fund No. 2	182	232
Rreef UK Property Ventures No. 3	1,239	1,241
UBS Life Triton Property A units	-	6,329
UBS Life Triton Property B units	9,451	8,152
<b>Total</b>	<u><u>25,973</u></u>	<u><u>30,594</u></u>

Realisation of these assets would require a request with the manager to redeem and the fund would be required to wait until the fund has either found a matched buyer or sold relevant assets to meet the redemption request. A redemption request has been issued for the Rreef investments which are managed by Aberdeen Asset Management.

**62. Derivatives**

	<u>Asset</u> £'000	<u>Liabilities</u> £'000	<u>Net</u> £'000
Futures	165	(160)	5
Forward foreign exchange contracts	821	(615)	206
	<u><u>986</u></u>	<u><u>(775)</u></u>	<u><u>211</u></u>

**Futures**

<u>Type of Contract</u>	<u>Expiration</u>	<u>Market Value</u>		
		<u>Asset</u> £'000	<u>Liability</u> £'000	<u>Net</u> £'000
Futures & Margined Options contract				
Overseas Fixed Income Derivatives - Futures	3 months	33	(160)	(127)
UK Fixed Income Derivatives - Futures	3 months	132	0	132
Total Futures & Margined Options contracts at 31st March 2011.		165	(160)	5
Total Futures & Margined Options contracts at 31st March 2010.		-	-	-

**Forward Foreign Currency contracts**

<u>No of Contracts</u>	<u>Settlement Date</u>	<u>Currency Bought</u>	<u>Nominal</u>	<u>Currency Sold</u>	<u>Nominal</u>	<u>Asset</u> 2010/11 £'000	<u>Liability</u> 2010/11 £'000
10	Less than 1 Month	GBP	7,100	AUD	(11,406)	-	(251)
12	Less than 1 Month	GBP	5,170	CAD	(8,136)	-	(47)
14	Less than 1 Month	GBP	12,979	EUR	(14,784)	-	(108)
25	Less than 1 Month	GBP	22,624	GBP	(22,619)	5	-
12	Less than 1 Month	GBP	6,923	JPY	(900,542)	144	-
2	Less than 1 Month	GBP	6,112	NOK	(55,209)	-	(112)
31	Less than 1 Month	GBP	35,912	USD	(56,756)	501	-
5	2 months	GBP	2,463	AUD	(3,905)	-	(37)
3	2 months	GBP	367	CAD	(574)	-	(1)
5	2 months	GBP	8,804	EUR	(9,998)	-	(44)
6	2 months	GBP	1,051	GBP	(1,049)	1	-
3	2 months	GBP	4,336	JPY	(564,636)	80	-
1	2 months	GBP	1,271	NOK	(11,434)	-	(15)
12	2 months	GBP	28,155	USD	(44,945)	90	-
Total forward foreign exchange contracts at 31 March 2011						821	(615)
Total forward foreign exchange contracts at 31 March 2010						-	-

**Derivative Cash Flows**

The cash flows relating to derivatives are recognised in the investment table as follows:

**Futures** – on close out or expiry of the futures contract the variation margin balances held in respect of unrealised gains or losses are recognised as cash receipts or payments, depending on whether there is a gain or loss.

**Forward foreign exchange** – the forward foreign exchange trades settled during the period.

**63. Current assets and current liabilities**

	<u>2010/11</u>		<u>2009/10</u>	
	£'000	£'000	£'000	£'000
<b>Current Assets</b>				
Cash	1,947		-	
Accrued Income	-		2104	
Tax recoverable	186		399	
Amounts due from Council	887		-	
<b>Total</b>		<b>3,020</b>		<b>2,503</b>
<b>Current Liabilities</b>				
Unpaid benefits	(880)		(101)	
Fund Managers' fees	(817)		(67)	
Custody Fees	(46)		-	
Audit Fee	(35)		(8)	
Amounts due to Council	(1,795)		-	
<b>Total</b>		<b>(3,573)</b>		<b>(176)</b>

In 2009/10 £78,251 cash held directly at the Council was included within Investment Assets. Current year accrued dividends, interest and recoverable tax relating to investments held by the Fund have been included within Investment Assets.

**64. Stock lending**

Stock lending is prohibited by the Fund's Statement of Investment Principles.

**65. Individual holdings**

The following individual investment exceeded 5% of the net assets of the Fund.

	<u>2010/11</u>
	£'000
UBS Life UK Equity Tracker Fund	107,430

## 66. Additional voluntary contributions

Individuals hold assets which are invested separately from the main fund to secure money purchase benefits in respect of participating members who opt to pay additional voluntary contributions (AVCs). Members participating in this arrangement each receive an annual statement made up to 31 March confirming the amounts held to their account and the movements in the year. AVCs collected from payroll are passed to the Prudential Assurance Company. Prudential offer a range of different types of investment across the risk spectrum. These AVCs are not included in the Pension Fund accounts in accordance with the regulation 5 (2) (c) of the Pension Scheme (Management and Investment of Funds) Regulation 1998.

The aggregate movement in these policies during the year and the aggregate value is disclosed below:

	<u>2010/11</u> £'000	<u>2009/10</u> £'000
Contributions received during the year	777	885
Investments purchased with AVCs	777	853
Changes in the value of AVCs (investment income and changes in the market value of investments)	1,728	120
Sales of investments to settle benefits due to members	826	675
Aggregate market value	<b>10,110</b>	6,363

## **Adequacy of the Pension Fund**

### **Actuarial Statement for 2010/11**

This statement has been prepared in accordance with Regulation 34(1) of the Local Government Pension Scheme (Administration) Regulations 2008, and Chapter 6 of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK 2010/11.

### **Description of Funding Policy**

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated January 2011. In summary, the key funding principles are as follows:

- to ensure that sufficient resources are available to meet all liabilities as they fall due;
- to maximise the returns from investments within reasonable risk limits;
- to have regard to the desirability of maintaining as nearly constant employer contribution rates as possible; and
- to enable and assist participating employers to manage their liabilities effectively.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised below the theoretical rate required to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still a sufficiently high chance that the Fund will return to full funding over 21 years

### **Funding Position as at the last formal funding valuation**

The most recent actuarial valuation carried out under Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 was as at 31 March 2010. This valuation revealed that the Fund's assets, which at 31 March 2010 were valued at £769 million, were sufficient to meet 91% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2010 valuation was £75 million.

Individual employers' contributions for the period 1 April 2011 to 31 March 2014 were set in accordance with the Fund's funding policy as set out in its FSS.

### **Principal Actuarial Assumptions and Method used to value the liabilities**

Full details of the methods and assumptions used are described in the valuation report dated 31 March 2011.

**METHOD**

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

**ASSUMPTIONS**

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2010 valuation were as follows:

<b>Financial assumptions</b>	<b>31 March 2010</b>	
	<b>% p.a. Nominal</b>	<b>% p.a. Real</b>
Discount rate	6.1%	2.7%
Pay increases *	5.3%	0.8%
Price inflation/Pension increases	3.3%	-

\* plus an allowance for promotional pay increases. Short term pay growth was assumed to be 1% p.a. for 2010/11 and 2011/12, reverting to 5.3% p.a. thereafter.

The key demographic assumption was the allowance made for longevity. As a member of Club Vita, the baseline longevity assumptions adopted at this valuation were a bespoke set of VitaCurves that were specifically tailored to fit the membership profile of the Fund. Longevity improvements were in line with standard PXA92 year of birth mortality tables, with medium cohort projections and a minimum improvement of 1% p.a. effective from 2007. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	<b>Males</b>	<b>Females</b>
Current Pensioners	21.9 years	23.4 years
Future Pensioners	23.8 years	25.7 years

Copies of the 2010 valuation report and Funding Strategy Statement are available on request from Wandsworth Council, administering authority to the Fund.



**John Wright**

Fellow of the Institute and Faculty of Actuaries  
For and on behalf of Hymans Robertson LLP  
17 June 2011

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## Pension Fund Accounts Reporting Requirement

CIPFA's Code of Practice on Local Authority Accounting 2010/11 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. That statement follows:-

### Pension Fund Accounts Reporting Requirement

#### **Introduction**

CIPFA's Code of Practice on Local Authority Accounting 2010/11 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. This change is one of many which are being adopted by employers reporting under CIPFA guidance in the financial year 2010/11.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;

as a note to the accounts; or

by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

In order for the Administering Authority to comply, I have provided the information required below.

#### **Assumptions**

The assumptions used are those adopted for the Administering Authority's FRS17/IAS19 reports at each year end as required by the Code of Practice. These can be found at the end of this paper.

#### **Balance sheet**

<b>Year ended</b>	<b>31 Mar 2011</b>	<b>31 Mar 2010</b>
	<b>£m</b>	<b>£m</b>
Present Value of Promised Retirement Benefits	923	985

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2010. I estimate this liability at 31 March 2011 comprises £429m in respect of employee members, £164m in respect of deferred pensioners and £330m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

**Financial assumptions**

My recommended financial assumptions are summarised below:

Year Ended:	31 Mar 2011 % p.a.	31 Mar 2010 % p.a.
Inflation / Pension Increase Rate	2.8%	3.8%
Salary Increase Rate*	5.1%	5.3%
Discount Rate	5.5%	5.5%

\*Salary increases are 1% p.a. nominal for the year to 31 March 2011 and the year to 31 March 2012 reverting to 5.1% thereafter.

**Mortality**

As discussed in the accompanying report, my life expectancy is based on the Fund's VitaCurves with improvements from 2007 in line with Medium Cohort and a 1% p.a. underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.9 years	23.4 years
Future Pensioners*	23.8 years	25.7 years

\*Future pensioners are assumed to be currently aged 45

**Historic mortality**

Life expectancies for the below year ends are based on the PFA92 and PMA92 tables. The allowance for future life expectancies are shown in the table below.

Year Ended	Prospective Pensioners	Pensioners
31 March 2010	year of birth, medium cohort and 1% p.a. minimum improvements from 2007	year of birth, medium cohort and 1% p.a. minimum improvements from 2007

Age ratings and loadings are applied to the above tables based on membership profile.

**Commutation**

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash 2008 service.



John Wright FFA  
17 June 2011

## **GLOSSARY OF TERMS USED IN THE ACCOUNTS**

### **Accruals**

Sums included in the final accounts to cover income and expenditure attributable to the financial year, but for which payments had not been received or made as at 31st March.

### **Capital Expenditure**

The statutory definition extends to:

- the acquisition, reclamation, enhancement or laying out of land, exclusive of roads, buildings and other structures;
- the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- the acquisition, installation or replacement of movable or immovable plant, machinery and apparatus and vehicles and vessels;
- the making of advances, grants or other financial assistance to any person towards expenditure incurred or to be incurred by him on matters mentioned in the three categories above or in the acquisition of investments;
- the acquisition of share or loan capital in any body corporate.

### **Capital Financing Costs**

Charges made to services for the capital employed in their delivery.

### **Capital Receipts**

Income from the sale of capital assets, mainly council dwellings, but including all sales of land, building and plant.

### **Central Support Services**

Support services are activities which are not statutory local authority services in their own right, but give technical, organisational and administrative support to those services.

### **Council Tax**

The local taxes on property, set by the charging authority and the precepting authorities in order to collect sufficient revenue to meet their demand on the Collection Fund. It is based on the value of the property and the number of residents. The Valuation Office Agency assesses the properties in each district and assigns each property to one of eight valuation bands, A to H. The tax is calculated on the basis of the weighted number of properties, equated to Band D. Tax levels for dwellings in other bands are then set relative to the Band D amount.

### **Direct Service Organisation (DSO)**

A group of council employees operating on an arms-length quasi-contractual footing, to provide work on services won in competition with private sector firms.

### **General Fund**

The fund within which most transactions of a local authority take place. Although strictly it includes the Housing Revenue Account, it commonly refers only to items outside that Account. Other funds held by a local authority may include a Collection Fund, Pension Fund and trust funds held for charitable purposes.

**Housing Benefit**

Financial help given to local authority or private tenants whose income falls below prescribed amounts.

**Housing Revenue Account (HRA)**

A local authority statutory account, legally within the General Fund, but commonly regarded as distinct covering current income and expenditure relating to its own housing stock.

**Long Term Debtors**

These debtors represent the capital income still to be received where sales of assets have taken place and deferred receipts, such as mortgages, have been agreed.

**Major Precepting Authority**

The Greater London Authority makes a precept on the Collection Fund, as county councils do elsewhere.

**Non-domestic Rates**

A national tax on businesses, according to the rental value of the properties they occupy. Prior to 1990/91, rate poundages were set by local authorities and so varied from authority to authority, but from 1st April 1990, a single national poundage has been set by the Government. Since April 2005, a Small Business rate poundage has also applied. The proceeds collected by all local authorities are pooled nationally.

**Precept**

The amount required from the Collection Fund to finance the expenditure of a major precepting authority.

**Provisions**

Amounts set aside generally as estimates of liabilities or losses already incurred but whose exact amount will be determined in the future e.g. bad debts.

**Reserves**

Revenue account reserves can be amounts for general contingencies and to provide working balances, or they can be earmarked to specific future expenditure.

**Revenue Expenditure**

In a general sense, expenditure on recurring items including the running of services, interest, and annual debt repayments.

**Trading Accounts**

The accounts which summarise the revenue transactions of those services operating on a "trading" basis which are financed by charges made to recipients of the services.

**Transfer Value**

A payment made by one pension scheme to another when a member changes employment to enable the receiving pension scheme to give benefits for service in the paying pension scheme.

**ABBREVIATIONS USED IN THE ACCOUNTS**

ABG	Area Based Grant
AQPR	Annual Quality and Performance Review
AVC	Additional Voluntary Contribution
BCP	Business Contingency Planning
BVACOP	Best Value Accounting Code of Practice
CAA	Capital Adjustment Account
CDC	Corporate and Democratic Core
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
DSG	Dedicated Schools Grant
DSO	Direct Service Organisation
FRS	Financial Reporting Standard
GF	General Fund
GLA	Greater London Authority
HRA	Housing Revenue Account
ICT	Information Communication Technology
IFRS	International Financial Reporting Standard
ISB	Individual Schools Budget
IT	Information Technology
JCB	Joint Commissioning Bodies
LAA	Local Area Agreement
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LFEP	London Fire and Emergency Planning Authority
LGPS	Local Government Pension Scheme
LPFA	London Pension Fund Authority
MRP	Minimum Revenue Provision
NHS	National Health Service
OSC	Overview and Scrutiny Committee
PLD	People with Learning Disabilities
PPE	Property, Plant and Equipment
RR	Revaluation Reserve
SDPS	Surplus or Deficit on the Provision of Services
SOLACE	Society of Local Authority Chief Executives
WRWA	Western Riverside Waste Authority



If you have questions about this booklet, please call  
the Head of Corporate Finance (020) 8871 6406

If you need it in an alternative format  
(eg. large print, Braille or audio tape)

please call (020) 8871 7588

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