LONDON BOROUGH OF CAMDEN

ANNUAL FINANCIAL REPORT

2011/12

Contents

EXPLANATORY FOREWORD
By The Director of Finance and Responsible Financial Officer

Michael O'Donnell
Director of Finance and Responsible Chief Finance Officer

As Director of Finance, I am pleased to present the Council's 2011/12 Annual Financial Report.

The purpose of this foreword is to provide a guide to the most significant matters reported in the Council's accounts. Camden's financial statements for 2011/12 have been prepared in accordance with the standard format for local authority accounts recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Statement of Accounts in 2011/12 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 based on International Financial Reporting Standards.

Prior to this financial year, the entire document was known as the Statement of Accounts. However, following clarifications from CIPFA's Local Authority Accounting Panel this document is now known as the Annual Financial Report.
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To aid interpretation of the Council's accounts, the foreword is in two sections:

- Commentary and review of the services provided by the council during 2011/12.
- Commentary on the major elements of the statement of accounts and a comparison to those statements presented in 2010/11.

Commentary and review of the services provided by the council during 2011/12.

1.0 Review of the Year

2011/12 marked the first year of the large reductions in government funding that are expected to continue for several years. Camden conducted a detailed and comprehensive review of all its services in order to agree a 3 year programme to deliver the £83m of revenue savings necessary to present balanced budgets over the medium term. This strategic and proactive approach has meant that while 2011/12 has been a challenging year involving many difficult decisions, the Council successfully completed 69 service review projects covering 2,146 staff, and delivered some £41m of revenue savings. This represents 49% of the overall £83m per annum that the Council needs to make by 2013/14, with just over £6m of savings delivered ahead of target.

The three year savings programme features over 80 individual strands, each designed to deliver efficiencies while focusing on the Council's key priorities. Full Equality Impact Assessments have been produced for each savings strand to ensure that any adverse impacts on equality groups have been anticipated and wherever possible mitigated. Although some reductions to front-line services have been inevitable due to the scale of the budget reductions, the savings programme has aimed to minimise these, with over half the total savings (£43.5m) coming from back-office efficiencies.

The Council has sought innovative solutions to ensure service delivery is maintained within constrained funding arrangements, including the provision on three community run libraries from April 2012 and the transfer of two Children's centres to VCS partners. The successful delivery of the remainder of the programme will mean that Camden is well placed to present balanced budgets in 2013/14 and 2014/15.

The Council has also faced challenges in developing a funded Capital Programme over the next five years following reductions in Building Schools for the Future grants. It has embarked on the Community Investment Programme to invest money in schools, homes and community facilities by selling under used and out of date public properties or by regenerating existing land. This brings together a range of work considering how best to use the Council's assets to improve, shape and transform key places and services within Camden, whilst simultaneously addressing a critical capital funding gap.

The Council has made a significant commitment about its long term accommodation need during 2011/12. Following a Cabinet decision in January 2011 to approve acquisition of the King's Cross B3 building for a community leisure facility, a new library, a customer access centre and Council office space the Council has made progress on developing the project. During 2011/12 the Council has acquired a 999-year head-lease for the site and for the construction of a new public building, obtained planning consent and Cabinet has agreed to purchase the two remaining floors of the B3 building which were not originally part of the agreement. This will reduce the Council's core office portfolio holding (excluding depots) from approximately 379,000 sq.ft to approximately 235,000 sq.ft. and from 14 principal corporate office locations to two main locations (B3 and the Town Hall). The Council completed the 999-year lease for the B3 development on 16th March 2012 and construction is now underway with a projected completion by summer 2014. The total capital cost of the project is now £123.9m funded by £85.3m net capital receipts and £38.6m borrowing. The programme will generate a net annual saving of £2.4m from premises and consolidation of administration and back office functions across the accommodation portfolio.

Further developments in the Capital Programme in 2011/12 involved approval for estate regeneration projects at Chester/Balmore and Holly Lodge (phase 2) costing £30m which will create 96 new homes.

Towards the end of 2011/12 the Cabinet approved the broad ambition and five strategic objectives that will form the basis of the Camden Plan. The development of the Plan will enable the Council to develop its financial strategy to ensure that it sets balanced budgets over the medium term. The Community Investment programme will make an important contribution to the delivery of the Camden Plan, particularly the strategic objective of investing in our communities to ensure sustainable neighbourhoods.

Collection rates on Council Tax and Business rates have remained high despite the continuing bleak economic outlook, while benefits processing rates have also remained high despite the recession.

The Council recognises that the economic challenges are likely to continue throughout the decade. The Council knows there are funding reductions until at least 2016/17 and the macro economic outlook that drives the government's austerity programme remains uncertain. There are a number of policy changes scheduled for April 2013 which mean that significant further risks will be assumed by the Council in particular in relation to the government's plans for business rates retention and for localised support for Council Tax schemes.

The Council will continue to focus on delivering excellent financial management in order to ensure that the wider organisation is best placed to deliver the core strategic aims established in the Camden Plan.

2.0 The 2011/12 General Fund Revenue Outturn

The Council produced a final General Fund revenue outturn underspend of £6.0m. This was in line with forecasts and reflects the approach taken by finance and service management to the reductions in central funding, with an on-going commitment to drive down costs and deliver savings earlier than planned where possible.

The Council's actual spend compared with its updated budget for 2011/12 is set out below:

	Final Updated Budget 2011/12 £m	**Final Spend £m**
Departmental Costs	303.423	297.548
Non-departmental Costs	(44.532)	(48.719)
Revenue funding of capital expenditure	19.885	19.885
Contributions into and out of Earmarked Reserves and General Balances	7.679	11.729
Total Spend	**286.455**	**280.443**
Council Funding	(286.455)	(286.455)
Net Under Spend on Revenue Account	**0**	**(6.012)**

Along with the around £5m of now redundant earmarked reserves, the Council has been able to utilise the revenue underspend to manage future pressures and reconsider the corporate approach to risk management in light of the continuing difficult economic situation and forthcoming changes to Council funding through the Resource Review.

General balances stood at £12.44m, in line with a commitment at the February 2011 Cabinet to hold the lowest agreed level of General Balances under the Council's longstanding policy. This has been increased by £1.2m after a consideration of overall corporate risk and the levels of increased risk envisaged by Business Rate Retention. This remains towards the lower end of balances held by boroughs across London.

During the year allocations were made to Earmarked Reserves. In particular an allocation of £19m was made to support future years expenditure in the Capital Programme. Further additions were made to support the implementation of the Pay Modernisation programme (£2.5m); to support the implementation of the corporate Camden Plan (£2m); and to cash-flow the Accommodation strategy (£3.8m).
Fig.1

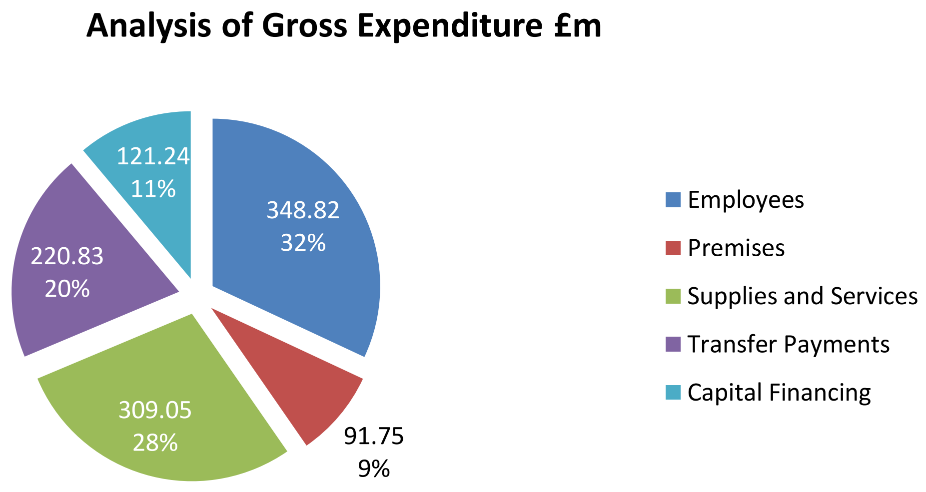
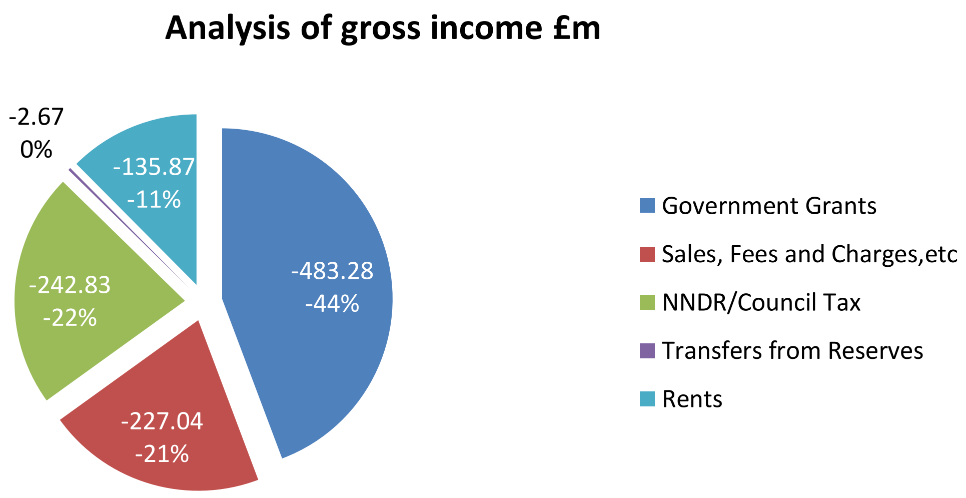


Fig. 2



Balances held by schools at 31 March 2012 totalled £12.180m.

3.0 The 2011/12 Capital Outturn

The Council has a large capital programme with planned expenditure running through to 2015/16. The programme consists of a number of major initiatives to enhance or replace assets alongside large programmes to deal with backlog maintenance. The funding for the programme comes from a variety of sources but remains heavily dependent on central government funding and capital receipts from the sale of fixed assets. Actual capital spend in the year was £146.3m, compared with a revised budget of £150.1m. The main areas of investment were Housing and Adult Social Care which spent £67.1m largely on the Better Homes programme and the Corporate Landlord which spent £43.8m largely on the new Kings Cross building which when completed in 2014 will house a leisure and swimming pool complex, a library, a customer services centre and council offices.

The council has current borrowing facilities with the Public Works Loan Board (PWLB) and with the Cooperative Bank. In addition to new capital resources available in future years from capital receipts, grants and from revenue contributions, the council has at 31 March 2012 revenue contributions of £28.9m (non-HRA) and £14.2m (HRA), and capital receipts of £87.3m in hand to meet the future capital programme's projected expenditure of approximately £712m over the next five years.

During the year, the major non-current asset acquisition was the site for the new building in Kings Cross and in respect of disposals there were 4 properties where the capital receipt exceeded £1m.

4.0 Internal and External Sources of Funding

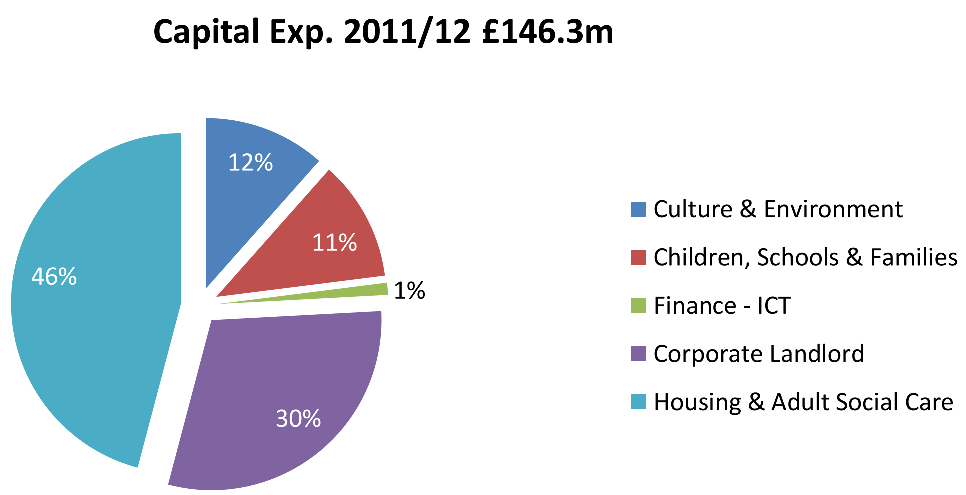
During the year, the council spent £1,091.69m on providing council services and this covered both General Fund and HRA. The source of funding for these services is as follows:

	2011/12		
	General Fund £m	HRA £m	**Total £m**
Transfers from Reserves	1.05	(3.72)	**(2.67)**
NNDR/ Council Tax	(242.83)	0.00	**(242.83)**
Government Grants	(469.80)	(13.49)	**(483.28)**
Rents	(14.81)	(121.06)	**(135.87)**
Sales, Fees and Charges	(154.52)	(72.52)	**(227.04)**
Total Funding	**(880.91)**	**(210.79)**	**(1,091.70)**

4.1 Capital

The total capital spend of £146.3m in 2011/12 (£124.4m in 2010/11) was financed from a number of sources including £47.9m from capital grants, £26.6m from revenue contributions, £44.7m from prudential borrowing, £10m from supported borrowing, £9m from leaseholders' contributions, £6.1m from Section 106 contributions and £1.2m from capital receipts. The capital spending in 2011/12 is analysed by department in the following graph (Fig 3).

Fig. 3



4.2 Private Finance Initiative

The Council has two completed Private Finance Initiative projects; Haverstock School and Chalcot Housing Estate renovation. The revenue costs are met from on-going base budgets.

A further project, the new UCL Academy secondary school and the Swiss Cottage special school co-located at Adelaide Road is under construction.

4.3 Housing

The council is the main provider of rented accommodation in Camden with 23,699 units at 31 March 2012. In 2011/12 average council rents excluding service charges were £91.96 per week, an increase of £6.35, or 7.4%, over the 2010/11 level of £85.61 per week. The HRA in 2011/12 had a planned net deficit of £3.8m, which when taken from its existing reserves of £63.2m resulted in £59.4m being carried forward at 31 March 2012. This reduction was due to a planned use of revenue contributions to the capital programme in the year. From 1 April 2012 the national housing subsidy system that supported the HRA is replaced by self-financing. Although exposed to more risks it gives the Council more control of the HRA finances including long term planning and investment.

5.0 Material Assets Acquired or Liabilities Incurred

As of the 1st April 2012, the financing of the council’s social housing provision will fundamentally change in that it will no longer receive government support and will become self-financing.

Up to 2011/12, the cost of building the council’s social housing was, in the main, met by the council taking out loans from the Public Works Loans Board, a government agency. Under the self-financing regime:

- There has to be an equitable debt portfolio in relation to the assets held, and
- The costs associated with the on-going housing management service, as determined by the 30-year self-financing business plan, have to be met from on-going rental income.

To aid the achievement of the above, the government agreed to reduce the debt held by the council and meet associated debt premium costs. Consequently, prior to the 31st March 2012, the government reduced the council’s debt by £42.006m and met the associated debt premium costs of £13.590m.

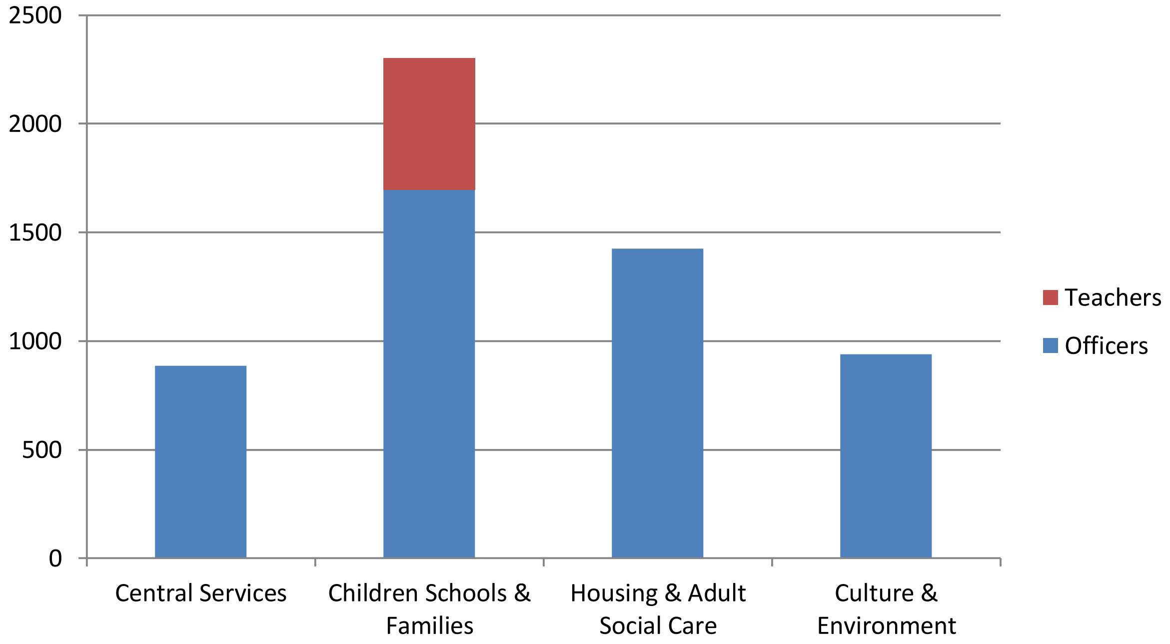
6.0 Changes in Statutory Functions

There were no changes in statutory functions in 2011/12.

7.0 Trend in staffing number over recent years

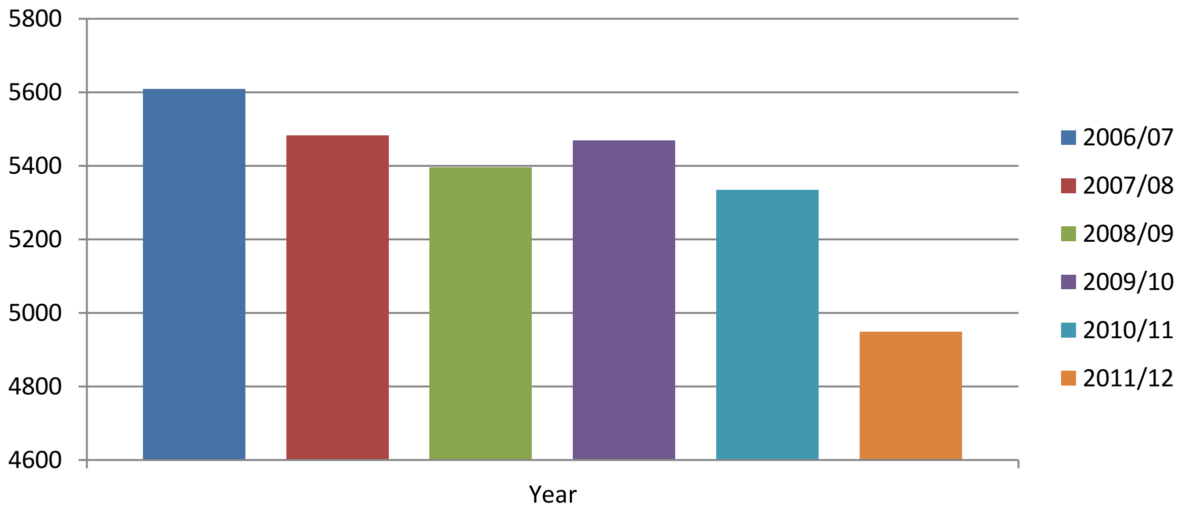
The following graph (Fig 4) shows Camden’s staff numbers in 2011/12 for each directorate, expressed in terms of the number of full-time equivalents in post in each category of employment at 31 March 2011. The figures include staff providing services to housing tenants but exclude voluntary aided schools.

Fig. 4



The following graph (Fig 5) shows how Camden staff numbers have changed over recent years. Total FTE staffing decreased by 386 (7.8%) between 2010/11 and 2011/12.

Fig. 5



Commentary on the major elements of the statement of accounts and a comparison to those statements presented in 2011/12.

8.0 International Financial Reporting Standards

The council is required to report its financial position based on the requirements of International Financial Reporting Standards (IFRS) and is encapsulated within the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

9.0 Statement of Accounting Policies

The accounting polices applicable to the 2011/12 statement of accounts are much the same as those that were applied to the 2010/11 accounts. The only changes to this year's accounting policies are in respect of Heritage Assets.

The purpose of now reporting Heritage Assets is so that the Councils balance sheet can reflect those assets that are held and maintained by the council principally for their contribution to knowledge and culture. Such assets can have historical, artistic, scientific, geophysical or environmental qualities.

10.0 True and Fair View Override

As required by the Accounts and Audit Regulations 2011, paragraph 8.2, the Responsible Financial Officer is required to certify that the statement of accounts presents a true and fair view of the financial position of the council. However, as a consequence of IFRS, this has introduced the principle of the "true and fair view over-ride". This means, where the Responsible Financial Officer considers that to give a true and fair view would actually require the council to provide misleading information i.e. to provide an actual outturn figure would actually show to the reader an unexpected financial position, the Responsible Financial Officer is permitted to provide alternative figures providing such divergence from the "true and fair view" is appropriately acknowledged in the notes to the accounts. For 2011/12, the Responsible Financial Officer has not had to use the "true and fair view override".

11.0 Changes to the Statement of Accounts

In the main, the 2011/12 Statement of Accounts is very similar to those of 2010/11. However, there have been some minor changes and these are noted below:

Comprehensive Income and Expenditure Statement

- Service Analysis

  Prior to 2011/12, local government reported its service costs within the requirements of the CIPFA Best Value Code of Practice (BVACOP); for 2011/12 this has been replaced by the CIPFA Service Analysis Code of Practice (SerCOP). Service Analysis Code of Practice (SerCOP).

  SerCOP, supported by further requirements of CIPFA LAAP Guidance Note 93, requires the council to provide a greater degree of disclosure within the Comprehensive Income and Expenditure Statement than previously required by the BVACOP service category "cultural, environmental, regulatory and planning services"; this category is now broken down into:

- Culture and related services
- Environment and regulatory services
- Planning services

➢ Carbon Reduction Commitment (CRC) Energy Efficiency Scheme
CIPFA LAAP Guidance Note 91 requires the council to include an estimate of the costs in respect of purchasing carbon allowances for 2011/12; this is the first year that this commitment has been required.

The estimated cost is charged to services and a short-term provision is established to meet the payment that is expected to be made in early summer of 2012/13. The cost to the council in respect of 2011/12 is £0.335m.

Balance Sheet

➢ Heritage Assets
As noted at paragraph 9.0, the council is now required to report any Heritage Assets that it holds. The assets that is has classified as Heritage include the Tollgate House (Building), Mayoral Regalia & Silverware, Art Collection and Public Sculpture; these assets are held at either valuation or insurance cost. As at the 31st March 2012, the value of Heritage Assets is £0.916m

➢ Grants Receipts in Advance
Previously, both capital and revenue short-term grants (i.e. those expected to be applied within a year of the balance sheet date) were held within Short Term Creditors. The council is now required to report these separately in a new heading within the balance sheet entitled “Grants Receipts in Advance”; including a further disclosure between revenue and capital grants. As at the 31st March 2012, the value of each grant type is £4.429m and £32.153m respectively.

➢ Finance Lease and PFI Liabilities
Previously, the cost of Finance Leases and PFI Liabilities were held within both Short Term Borrowing and Long Term Borrowing (dependent on whether the asset realisation was within or beyond one year of the balance sheet date). These balances have now been transferred to Short Term Creditors and Other Long Term Liabilities. As at the 31st March 2012, the value for each liability type is £3.026m (Finance Leases) and £53.125m (PFI) respectively.

Disclosure Notes

Where necessary, new or revised disclosure notes will be included with the Statement of Accounts to reflect the items listed above for both the Comprehensive Income and Expenditure Account and the Balance Sheet. However, there is a further disclosure required in respect of Exit Packages. This note will detail, in bands of £20,000 up to £100,000 and then bands of £50,000 thereafter, the number of packages given to employees who have had their employment terminated.

12.0 Material Events After the Reporting Date

There have not been any material events after the reporting date.

Further Information

Further information about the accounts is available from the:

Head of Financial Services
Town Hall Extension, Argyle Street, London WC1H 8NG

Under the Audit Commission Act 1998, sections 15 – 16, and the Accounts and Audit Regulations 2011 Regulations 9, 10 & 11, members of the public have a statutory right to inspect the Accounts before the audit is completed. The period of availability of the Accounts for inspection is advertised in the local press and anyone wishing to do so may make objection to any item of account to the council's auditor.

DRAFT INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF LONDON BOROUGH OF CAMDEN

Opinion on the Authority financial statements

I have audited the financial statements of London Borough of Camden for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of London Borough of Camden in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and Responsible Financial Officer and auditor

As explained more fully in the Statement of Responsibilities for the Accounts, the Director of Finance and Responsible Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My 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 me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the 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 Director of Finance and Responsible Financial Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of London Borough of Camden as at 31 March 2012 and of its expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Opinion on the pension fund financial statements

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of London Borough of Camden in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and Responsible Financial Officer and auditor

As explained more fully in the Statement of Responsibilities for the Accounts, the Director of Finance and Responsible Financial Officer is responsible for the preparation of the Council’s Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My 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 me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the 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 fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Responsible Financial Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, 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 my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Respective responsibilities of the Council and auditor

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

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

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, 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 me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, London Borough of Camden put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Delay in certification of completion of the audit

I also cannot formally conclude the audit and issue an audit certificate until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements or a significant impact on my value for money conclusion.

Philip Johnstone
District Auditor

1st Floor, Millbank Tower
Millbank
London
SW1P 4HQ

20th September 2012

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

The Council's Responsibilities

The council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Director of Finance and Responsible Financial Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Annual Financial Report, incorporating the Statement of Accounts.

The Director of Finance and Responsible Financial Officer's Responsibilities

The Director of Finance and Responsible Financial Officer is responsible for the preparation of the council's Annual Financial Report, which incorporates the Statement of Accounts, and of its pension fund 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 2011/12.

In preparing this Annual Financial Report, the Director of Finance and Responsible 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 Director of Finance and Responsible 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.

In accordance with regulation 8(2) and 8(3) of the Accounts and Audit Regulations 2011, issued under the Audit Commission Act 1988, and where specifically stated, in accordance with all recognised statutory requirements and codes of practice applicable to local authorities; I hereby certify that the Annual Financial Report, incorporating the Statement of Accounts, gives a true and fair view of the financial position of the authority and its income and expenditure for the year ended 31 March 2012.

Michael O'Donnell, CPFA
Director of Finance and Responsible Financial Officer
17th September 2012

CHAIR'S APPROVAL OF STATEMENT OF ACCOUNTS

This is the Annual Financial Report, incorporating the Statement of Accounts with all audit activities completed. The Audit and Corporate Governance Committee of the London Borough of Camden at its meeting on 17th September 2012 delegated authority to the Chair to approve the Statement of Accounts.

Councillor Peter Brayshaw
Chair, Audit and Corporate Governance Committee
17th September 2012

CORE STATEMENTS

Movement in Reserves Statement for the year ended 31 March 2012

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.

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants unapplied Account £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
					2011/12				
Balance at 31 March 2011 brought forward	**(12,440)**	**(98,347)**	**(63,255)**	**0**	**0**	**(3,326)**	**(177,368)**	**(2,070,675)**	**(2,248,043)**
Movement in reserves during 2011/12									
Surplus or deficit on provision of services	(15,645)	0	(60,997)	0	0	0	(76,642)	0	(76,642)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	40,132	40,132
Total Comprehensive Expenditure and Income	**(15,645)**	**0**	**(60,997)**	**0**	**0**	**0**	**(76,642)**	**40,132**	**(36,510)**
Adjustments between accounting basis & funding basis under regulations (note 7)	(2,096)	0	64,850	0	0	(68)	62,686	(62,686)	0
Net (Increase)/ Decrease before transfers to Earmarked Reserves	**(17,741)**	**0**	**3,853**	**0**	**0**	**(68)**	**(13,956)**	**(22,554)**	**(36,510)**
Transfers to/from Earmarked Reserves (note 8)	16,558	(16,686)	0	0	0	0	(128)	128	0
(Increase)/ Decrease in Year	**(1,183)**	**(16,686)**	**3,853**	**0**	**0**	**(68)**	**(14,084)**	**(22,426)**	**(36,510)**
Balance at 31 March 2012 carried forward	**(13,623)**	**(115,033)**	**(59,402)**	**0**	**0**	**(3,394)**	**(191,452)**	**(2,093,100)**	**(2,284,552)**

2010/11

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants unapplied Account £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2010 brought forward	**(12,854)**	**(93,903)**	**(69,520)**	**(3,098)**	**0**	**(2,192)**	**(181,567)**	**(2,134,581)**	**(2,316,148)**
Movement in reserves during 2010/11									
Surplus or deficit on provision of services	(151,318)	0	491,117	0	0	0	339,799	0	339,799
Other Comprehensive Expenditure and Income	326	0	57	0	0	0	383	(272,077)	(271,694)
Total Comprehensive Expenditure and Income	**(150,992)**	**0**	**491,174**	**0**	**0**	**0**	**340,182**	**(272,077)**	**68,105**
Adjustments between accounting basis & funding basis under regulations (note 7)	146,050	0	(484,909)	3,098	0	(1,134)	(336,895)	336,895	0
Net (Increase) /Decrease before Transfers to Earmarked Reserves	**(4,942)**	**0**	**6,265**	**3,098**	**0**	**(1,134)**	**3,287**	**64,818**	**68,105**
Transfers to/from Earmarked Reserves (note 8)	5,356	(4,444)	0	0	0	0	912	(912)	0
(Increase)/ Decrease in Year	**414**	**(4,444)**	**6,265**	**3,098**	**0**	**(1,134)**	**4,199**	**63,906**	**68,105**
Balance at 31 March 2011 carried forward	**(12,440)**	**(98,347)**	**(63,255)**	**0**	**0**	**(3,326)**	**(177,368)**	**(2,070,675)**	**(2,248,043)**

Comprehensive Income And Expenditure Statement for the year ended 31 March 2012

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.

Comprehensive Income and Expenditure Statement

2010/11 (Restated)				2011/12		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
109,439	(20,101)	89,338	Adult Social Care	115,503	(21,450)	94,053
43,051	(30,516)	12,535	Central Services	40,570	(28,922)	11,648
303,021	(233,348)	69,673	Children's and Education Services	289,724	(208,330)	81,394
28,100	(5,893)	22,207	Cultural and Related Services	42,249	(4,422)	37,827
52,498	(12,942)	39,556	Environmental and Regulatory Services	55,493	(13,429)	42,064
43,205	(41,515)	1,690	Highways and Transport Services	39,900	(41,940)	(2,040)
			Housing Services:			
619,012	(132,222)	486,790	- Local Authority Housing (HRA)	76,640	(107,925)	(31,285)
255,702	(211,512)	44,190	- Other Housing Services	237,730	(218,677)	19,053
29,524	(13,896)	15,628	Planning Services	22,474	(12,810)	9,664
6,613	(152)	6,461	Corporate and democratic core	6,923	(464)	6,459
(137,980)	0	(137,980)	Non distributed costs	3,102	0	3,102
1,352,185	**(702,097)**	**650,088**	**Cost Of Services**	**930,308**	**(658,369)**	**271,939**
8,937	(5,131)	3,806	Other Operating Expenditure (note 9)	10,957	(1)	10,956
50,292	(30,538)	19,754	Financing and Investment Income and Expenditure (note 10)*	51,202	(18,096)	33,106
0	(333,849)	(333,849)	Taxation and Non-Specific Grant Income (note 11)*	0	(392,643)	(392,643)
		339,799	**(Surplus) or Deficit on Provision of Services**			**(76,642)**
		(6,707)	Surplus or deficit on revaluation of Property, Plant and Equipment			(36,607)
		(265,370)	Actuarial gains / losses on pension assets / liabilities			76,867
		383	Other gains and losses			(128)
		(271,694)	**Other Comprehensive Income and Expenditure**			**40,132**
		68,105	**Total Comprehensive Income and Expenditure**			**(36,510)**

***** This includes an adjustment in respect of the debt settlement, and associated debt-premium that occurred prior to the end of the financial year in preparation to HRA self-financing from the 1st April 2012. Further disclosure is made in Note 5 to the Core Statements and within the HRA section of the accounts.

Balance Sheet
for the year ended 31 March 2012

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'.

Balance Sheet

1 April 2010 (Restated) £000	**31 March 2011 (Restated) £000**		**Note**	**31 March 2012 £000**
3,187,226	2,751,150	Property, Plant & Equipment	12	2,830,399
516	752	Heritage Assets	13	917
182,618	195,665	Investment Property	14	193,119
1,538	4,294	Intangible Assets	15	3,957
59,480	0	Long Term Investments	16	0
3,550	3,297	Long Term Debtors	16	2,984
3,434,928	**2,955,158**	**Long Term Assets**		**3,031,376**
119,935	202,392	Short Term Investments	16	113,352
377	673	Assets held for sale (less than a year)	20	16,947
274	283	Inventories	17	264
82,753	53,945	Short Term Debtors	18	57,401
40,221	12,585	Cash and Cash Equivalents	19	94,634
243,560	**269,878**	**Current Assets**		**282,598**
(22,142)	(43,901)	Short Term Borrowing	16	(35,046)
(159,281)	(127,002)	Short Term Creditors	21	(154,485)
		Grants Receipts in Advance:		
(21,155)	(18,324)	- Revenue	37	(4,429)
(9,592)	(19,158)	- Capital	37	(32,153)
0	(1,446)	Provisions	22	(3,195)
(212,170)	**(209,831)**	**Current Liabilities**		**(229,308)**
(9,990)	(9,266)	Provisions	22	(10,852)
(363,697)	(372,658)	Long Term Borrowing	16	(330,241)
(58,963)	(55,680)	Other Long Term Liabilities	16	(51,907)
		Grants Receipts in Advance:		
0	0	- Revenue	37	0
(16,724)	(21,547)	- Capital	37	(26,290)
(700,796)	(308,011)	Net Pensions Liability	45	(380,824)
(1,150,170)	**(767,162)**	**Long Term Liabilities**		**(800,114)**
2,316,148	**2,248,043**	**Net Assets**		**2,284,552**

Balance Sheet

1 April 2010 (Restated) £000	31 March 2011 (Restated) £000		Note	31 March 2012 £000
181,567	177,368	**Usable reserves**	23	191,452
2,134,581	2,070,675	**Unusable Reserves**	24	2,093,100
2,316,148	**2,248,043**	**Total Reserves**		**2,284,552**

Michael O'Donnell, CPFA

Director of Finance and Responsible Financial Officer
17th September 2012

These financial statements replace the unaudited financial statements certified by Michael O'Donnell (Director of Finance and Chief Finance Officer) on the 29th June 2012.

Cash Flow Statement
for the year ended 31 March 2012

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.

31 March 2011 £000		**31 March 2012 £000**
76,381	Net cash flow from operating activities (note 25)	(224,098)
94,611	Net cash flows from investing activities (note 26)	51,756
(143,356)	Net cash flows from financing activities (note 27)	90,293
27,636	**Net (increase) or decrease in cash and cash equivalents**	**(82,049)**
40,221	Cash and cash equivalents at the beginning of the reporting period	12,585
12,585	Cash and cash equivalents at the end of the reporting period (note 19)	94,634
27,636	**Net (increase) or decrease in cash and cash equivalents**	**(82,049)**

NOTES TO THE CORE STATEMENTS

Note 1. Accounting Policies

Concepts and Principles

General Principles

The Statement of Accounts summarises the council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets.

The Accounts have been designed to present a "true and fair" view of the financial position of the Council and comparative figures for the previous financial year are provided.

The accounting concepts of 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements' have been considered in the application of accounting policies. In this regard the:

- **materiality** concept means that information is included where the information is of such significance as to justify its inclusion.
- **accruals** concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which the cash is paid or received.
- **going concern** concept assumes that the Council will continue in operational existence for the foreseeable future.
- **primacy of legislative requirement** requires that where an accounting treatment is prescribed by law, then it will be applied, even if it contradicts one or other of the accounting concepts outlined above.

Some elements of expenditure are accounted for on a cash basis, for example on-going service contracts. However this divergence from accounting practice does not have a material impact on the accounts.

Grants and Contributions (IAS 20)

All Grants and Contributions relating to capital and revenue expenditure shall:

- not be recognised until there is reasonable assurance that:
  - ➢ the council will comply with the condition attached to the grant, and
  - ➢ the grants or contributions will be received.
- be accounted for on an accruals basis, and recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the authority has not satisfied.

Revenue

In respect of general revenue grants and contributions e.g. Revenue Support Grant, NNDR redistribution, Area Based Grant, these are credited to the face of the Comprehensive Income and Expenditure Statement after net operating expenditure.

Where a repayment of grants or contributions becomes repayable where the grant or contribution has previously been recognised in the Comprehensive Income and Expenditure Statement the repayment is recognised as an expense in the Comprehensive Income and Expenditure Statement.

Capital

In respect of capital grants and contributions:

- where conditions initially remain outstanding at the Balance Sheet date, the grant or contribution will be recognised as part of the Capital Grant: Receipts in Advance (CGRA). Once the condition has been met, the grant or contribution will be transferred from the CGRA and recognised *as income* in the Comprehensive Income and Expenditure Statement.

- where no conditions remain outstanding and the capital grant *or* contribution (or part thereof) has been recognised in the Comprehensive Income and Expenditure Statement and the expenditure has been incurred at the Balance Sheet date, the grant or contribution shall be transferred from the General Fund (or HRA) to the Capital Adjustment Account reflecting the application of capital resources to finance expenditure (this transfer will be reported in the Movement in Reserves Statement)

- where no conditions remain and the capital grant *or* contribution (or part thereof) has been recognised in the Comprehensive Income and Expenditure Statement but the expenditure to be financed from the grant or contribution has not been incurred at the Balance Sheet Date, the grant or contribution shall be transferred to the Capital Grants Unapplied Accounts *within the Usable Reserves section of the Balance Sheet,* thus reflecting *the status as a* capital resources *available* to finance expenditure. This transfer shall be reported in the Movement in Reserves Statement.

- where a repayment of capital grants or contributions become repayable where the grant or contribution has previously been recognised:

    - as part of the Capital Grant: Receipts in Advance, the repayment shall be applied against the Capital Grants Receipts in Advance directly.

    - as income in the Comprehensive Income and Expenditure Statement (or to the extent that the repayment exceeds the balance in respect of the specific grant or contribution in the Capital Grants Receipts in Advance), the repayment is recognised as an expense in the Comprehensive Income and Expenditure Statement. However, as required under statutory regulation, the repayment of grants and financial assistance for capital purposes is to be categorised as capital expenditure and will therefore be transferred from the General Fund (or the HRA) to the Capital Adjustment Account, with the transfer being reported in the Movement in Reserves Statement.

Grants and contributions may be received subject to a condition that it is returned to the transferor if a specified future event does or does not occur. A return obligation does not arise until such time as it is expected that the condition will be breached and a liability is not recognised until that time. Such conditions do not prevent the grant, contribution or donated asset being recognised as income in the Comprehensive Income and Expenditure Statement

Revenue Recognition
(IAS 18 Revenue, IPSAS 9 Revenue from Exchange Transactions, IPSAS 23 Revenue from Non-Exchange transactions, SIC 31 Barter Transactions involving Advertising Services)

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

Revenue shall be measured at the fair value of the consideration received or receivable except for a financial asset that is measured under Financial Instruments. In most cases, the consideration receivable is in the form of cash and cash equivalents and the amount of revenue is the amount of cash and cash equivalents receivable. Revenue shall be recognised by the following events:

- **the sale of goods.** Revenue shall be recognised when all of the following conditions have been satisfied:
  - The significant risks and rewards of ownership of the goods have been transferred to the purchaser.
  - Neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold is retained.
  - The amount of revenue can be measured reliably.
  - It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
  - The costs incurred or to be incurred in respect of the transaction can be measured reliably.

- **the rendering of services.** When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the percentage of completion method at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
  - The amount of revenue can be measured reliably.
  - It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
  - The stage of completion of the transaction (using the percentage of completion method) at the reporting date can be measured reliably.
  - The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

  When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue should be recognised only to the extent of the expenses recognised that are recoverable.

  - interest, royalties and dividends. Revenue shall be recognised when
    - it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and
    - the amount of the revenue can be measured reliably.

  Where the above recognition criteria have been met:

a) interest should be recognised using the effective interest method
b) royalties should be recognised as they are earned in accordance with the substance of the relevant agreement, and
c) dividends or their equivalents should be recognised when the authority's right to receive payment is established.

- **Non-exchange transactions:** revenue shall be recognised when:

a) it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and
b) the amount of the revenue can be measured reliably.

- **Where previously a liability had been recognised (i.e. creditor) on satisfying the revenue recognition criteria:** in the event that a liability had been recognised, revenue shall be recognised equal to the reduction of the carrying amount of a liability when the relevant revenue recognition criteria have been met.

  In the event that the consideration is received but the revenue does not meet the recognition criteria above, an authority shall recognise a creditor (i.e. receipt in advance) in respect of that inflow of resources

  In the event that revenue meets the recognition criteria, but the consideration has not been received, an authority shall recognise a debtor in respect of that inflow of resources

  Revenue is recognised only when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense (i.e. impairment of financial assets), rather than as an adjustment of the amount of revenue originally recognised in the Comprehensive Income and Expenditure Statement.

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:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.

- 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 stocks on the Balance Sheet.

- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.

- Interest payable on borrowings and receivable on investments is accounted for 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 income and expenditure has 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- Some elements of expenditure are accounted for on a cash basis, for example on-going service contracts. However this divergence from accounting practice does not have a material impact on the accounts.

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 Service Reporting Code of Practice for Local Authorities 2011/12 (SerCoP). The total absorption costing principle is used, with the full cost of overheads and support services shared between users in proportion to the benefits received (the main bases for apportionment are actual usage, adjusted gross expenditure and headcount), with the exception of:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

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

Charges to Revenue in respect of Capital

Service revenue accounts, the Housing Revenue Account and central support services are charged with a capital charge for all capital assets used in the provision of services. The charge consists of the annual provision for:

- depreciation attributable to the assets used by the relevant service
- impairment losses on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off (any losses are first applied to the accumulated gains in the Revaluation Reserve in respect of that asset and residual losses if any are then charged to the Comprehensive Income and Expenditure Statement)
- amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute 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 known as the Minimum Revenue Provision. The Minimum Revenue Provision is a proper charge to the General Fund, but does not appear in the Comprehensive Income and Expenditure Statement. Such amounts shall be transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement. The amounts of Minimum Revenue Provision to be charged to the General Fund for the year are set out in the appropriate regulations and statutory guidance.

Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

A charge is also made to the HRA from the General Fund equivalent to statutory capital financing charges. It is calculated in a manner determined by the Secretary of State in accordance with the provisions of Item 8 of part II of Schedule 4 to the Local Government and Housing Act 1989 (the Item 8 determination).

Capital charges have a neutral impact on the amounts required to be raised from local taxation, as they are reversed out in the Movement in Reserves Statement and replaced by the statutory Minimum Revenue Provisions for debt repayment.

The latter figure is calculated on a prudent basis in accordance with statutory guidance and the provisions of part 6 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, and the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. The principal repayment is 4% of the Capital Financing Requirement at the start of the financial year for non-housing advances. The HRA is no longer required to make a minimum revenue provision.

Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies, in addition departments are permitted to carry forward amounts but only in specific circumstances. Reserves are created by appropriating amounts in the Movement in Reserves Statement.

Revenue Reserves
When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits that do not represent usable resources for the council – these reserves are explained elsewhere within these accounting policies.

Capital Reserves
There are three capital reserves in the balance sheet:

- the Revaluation Reserve records unrealised net gains (if any) from revaluation thus accounting for amounts where the current net book value of an asset is above its depreciated historic cost. It represents the accumulated gains on revaluations less amounts written off owing to depreciation, revaluation losses and impairment losses recognised in the reserve. When an asset is disposed of any revaluation reserve balance in respect of that asset is transferred to the Capital Adjustment Account.

- the Capital Adjustment Account, which comprises the write-down of the historical cost of fixed assets as they are consumed by depreciation and impairment or written off on disposal, and resources that have been set aside to finance capital expenditure. The balance on the account represents timing differences between historical cost that has been consumed and the amount that has been financed.

- the Usable Capital Receipts Reserve, which represents receipts from disposals of non-current assets available for financing capital schemes. Receipts are used in the year the income is received and any balance remaining on the Reserve is carried forward to finance capital expenditure in a future accounting period.

With the exception of the Usable Capital Receipts Reserve these accounts do not constitute a funding resource available to the Council; rather they are balanced within the Balance Sheet by fixed assets.

Investment Income

Income from investments placed with external cash managers has been taken into account in the General Fund. All monies placed with these managers has been accounted for in line with the requirements of the 'accrued interest' rules.

Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

Foreign Currency Translations
(IAS 21)

All income or expenditure arising from a transaction denominated in a foreign currency will be expensed through the Comprehensive Income and Expenditure Statement. Such transactions will be translated into sterling (£) using the exchange rate in operation on the day on which the transaction occurred.

All foreign currency cash balances held at the balance sheet date will be translated into sterling (£) and any aggregate gains or losses will be expensed through the Comprehensive Income and Expenditure Statement.

Events After the Balance Sheet Date

When events have occurred, favourable and unfavourable, after the balance sheet date:

- The Statement of Accounts is adjusted to reflect such events only where there is evidence that the conditions existed at the balance sheet date (adjusting event)
- The amounts included in the accounts will not be adjusted if the events are indicative of or there is evidence that the conditions arose after the balance sheet date (non-adjusting event). However, the nature of the event and an estimate of the financial effect on the statements, providing that such an estimate can be made reliably, shall be disclosed.

It is considered that events will only become 'adjusting events' where their value exceeds £10.0m.

Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Non-Current Assets

Property, Plant & Equipment
(IAS 16)
Property, Plant & Equipment are non-current assets that have physical substance and are held for use in the provision of services, for administrative purposes or to yield benefits to the authority for a period of more than one year.

❖ **Recognition**

The cost of an item of property, plant and equipment shall be recognised and hence capitalised if:

- it is probable that the future economic benefits or service potential associated with the item will flow to the authority, and
- the costs of the item can be measured reliably.

Costs that meet the recognition principle include:

- initial costs of acquisition and construction, and
- costs incurred subsequently to enhance, replace part of, or service the asset.

Costs arising from day-to-day servicing of the asset and repairs and maintenance costs (i.e. expenditure that secures but does not extend the previously assessed standard of performance of the asset) is charged to revenue as it is incurred.

Qualifying expenditure:

- is capitalised on an accruals basis. This includes assets held under finance leases, which have been capitalised and included in the Balance Sheet on the basis of the outstanding obligation to make future rental payments. Schemes that cost less than £10,000 are classified as de minimis and these schemes are classed as revenue rather than capital expenditure.

- will be recognised on the balance sheet from the date that the asset became operational or the completion date of the project except in the following cases:

  - for HRA Dwellings projects, the completion date will be deemed to be 31st March;
  - for Infrastructure projects, the completion date will be deemed to be 31st March.

❖ **Measurement**

Assets are initially measured at cost, comprising purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction (excluding investment property) shall be measured at historical cost.
- All other assets shall be valued at fair value. If there is no market-based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold, the estimate for fair value may be depreciated replacement cost (DRC). Schools will fall into this category.

- For council dwellings, the fair value shall be measured at existing use value-social housing (EUV-SH).

- Non-property assets such as vehicles, plant & equipment shall be measured at fair value. Assets that have short useful lives, i.e. less than 7 years, or low values, i.e. less than £50,000 or both, depreciated historical cost (DHC) will be used as a proxy for fair value,

Where an assets fair value can be measured reliably, it shall be carried at the re-valued amount – being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment. When a revaluation has taken place, any accumulated depreciation and impairment at the date of valuation shall be eliminated against the gross carrying amount of the asset and the net amount restated to the re-valued amount of the asset.

Where the carrying amount of property, plant and equipment is:

- increased as a result of revaluation, the increase shall be recognised in the Revaluation Reserve, unless the increase is reversing a previous revaluation decrease or impairment loss charged to the Surplus or Deficit on the Provision of Services on the same asset

- decreased as a result of revaluation, i.e., a significant decline in an asset's carrying amount during the period that is not specific to the asset, the decrease shall be recognised in the Revaluation Reserve up to the credit balance existing in respect of the asset (i.e. up to its historical cost) and thereafter in Surplus or Deficit on the Provision of Services.

Assets included on the Balance Sheet at fair value are valued on a rolling 5-year programme or when there has been a material change in the value. Where there has been a market condition affecting property values, indexation will be applied only if the change in values is found to be material. This will apply to all properties, except Council Dwellings. The materiality level for this purpose will be deemed to be +/- 3% of current gross value, when the appropriate adjustments will be made.

With respect to:

- Investment Properties, these are reviewed annually to establish if there is a major change in market conditions that may affect the value of the properties. Where indexation is required, the +/- 3% policy noted above will be applied.

- Council dwellings, these are reviewed annually and indexation is applied as advised by a Qualified Valuer irrespective of the size of the change.

Residual values will be nil, unless otherwise stated.

❖ **<u>Componentisation</u>**

Componentisation is a method, used for accounting and financial reporting purposes, to ensure assets are accurately included on the Balance Sheet and that the consumption of economic benefit of these assets is accurately reflected over their individual useful lives through depreciation charges.

The Code requires the separate recognition of two or more significant components of an asset for depreciation purposes – i.e. as if each component was a separate asset in its own right.

The Authority will follow these requirements where significant components of material items of assets have been identified.

A component is defined as such part of an item of property, plant and equipment (PPE) with a cost that is significant in relation to the total cost of the item, if the value of the component is 25% or more of the total gross carrying value of the building.

Even if the cost of a component is significant in relation to the total cost of an item of PPE, from an accounting perspective, it is not necessary to identify the value of that component if its useful life and required method of depreciation is in line with the overall asset.

Where there is more than one significant part of the same asset which has the same useful life and depreciation method such parts will be grouped in determining the depreciation charge.

Componentisation will not be applied retrospectively and will be considered only for new revaluations carried out after 1st April 2011 and when enhancement and/or acquisition expenditure is incurred after that date.

Component accounting will only be considered and applied in cases where the omission to recognise and depreciate a separate component may result in material differences in the statement of accounts.

Componentisation will not be applied to items of PPE where the depreciation of the item as a single asset is unlikely to result in a material misstatement of either the depreciation charges or the carrying amount of the PPE.

The council recognises two primary components of a property asset which will be accounted for separately namely:

- Land, and
- Buildings

Componentisation is not applicable to land as land is non-depreciable and is considered to have infinite life.

The Council has determined that any building with a gross carry amount of less than £1.0m, useful economic life of less than 15 years or both will not be considered for component accounting on the grounds of materiality.

The council also recognises three secondary components of the Buildings primary component; namely:

- Structure (e.g. walls, roofs, floors etc.)
- Mechanical & Electrical (e.g. plant, lifts, air conditioning, wiring etc.)
- Fixtures & Fittings (e.g. windows, kitchens, toilets etc.)

Specialist assets such as sports facilities, gardens etc. are to be treated as follows:

- Sports grounds, play areas special sports surface, paving and tarmac covering in parks and playgrounds etc. will be regarded as building structure.
- Play or specialist sports equipment, if material (i.e. with a cost that forms a significant part of the asset value) will be regarded as fixtures & fittings.

At revaluation the basis for componentisation is fair value (EUV) for the relevant asset class. The secondary components noted above are considered to have the following

EUV's unless otherwise advised by a qualified specialist (Valuer or quantity surveyor) due to the specific building features:

- **Structure**: (Foundations, walls, roofs, floors & ceilings etc.) The structure of a non-specialised building would be assumed to represent – 65% of the total building value (cost)

- **Electrical & Mechanical** (air conditioning, ventilation, heating, electrical installations, lifts, cabling infrastructure etc.) – 25% of the total building value;

- **Fixtures & Fittings** (windows, bathrooms, kitchens, office fittings etc.) - 10%

Where a component is replaced or restored on a property, plant or equipment of £1.0m (the threshold) or above (i.e. enhancement), the carrying amount of the old component shall be derecognised before reflecting the enhancement (applicable from 1st April 2010). Where the enhancing expenditure is less than 25% of the total gross carrying value of the PPE asset, this will be added to the carrying value of the asset as any change in depreciation will be assumed to be immaterial.

Non Council Dwellings
Considering materiality and based on gross carrying values, componentisation for secondary components will only be undertaken where the building value exceeds the de minimis level of £1,000,000, and when the triggers for componentisation are present – i.e. revaluation or enhancement expenditure incurred after 1st April 2010.

Council Dwellings
The DCLG "Stock Valuation for Resources Accounting – Guidance for valuers 2010" notes issued in January 2010 have confirmed that valuation is to be carried out in line with the beacon principle.

In no respect shall componentisation for financial reporting purposes impact on the decision making regarding asset enhancement (capitalisation) of works carried out on the HRA dwellings portfolio.

❖ **Depreciation**
Land and buildings are separate assets even if acquired together. Depreciation applies to all property, plant and equipment except:

- land, as this is considered to have an infinite useful life;
- investment properties carried at fair value;
- assets held for sale;
- assets where it can be demonstrated that the asset has unlimited useful life.

An asset shall not be depreciated:
- until it is available for use.
- when the residual value of an asset is equal or greater than the asset's carrying amount.

Where assets are being enhanced (from capital expenditure) depreciation will be calculated on the carrying value up to the date of the completion of the capital works and on the new, enhanced value after de-recognition of the relevant component, from the completion date. Depreciation will not be omitted unless the whole asset is taken out of use/service while the works are being undertaken (re-building, major refurbishment)

For all assets depreciation is calculated on straight line bases over the following terms:

- HRA dwellings depreciation is based on the weighted average of useful lives of the beacons (i.e. individual properties) comprising the portfolio. The depreciation therefore will continue to be calculated on this basis as it is recognised that componentisation of dwellings will not ultimately result in material misstatement of the carrying value of the stock. Currently it is allocated over 51 years but this figure will need to be reviewed pending the HRA Stock revaluation as at 1st April 2010 and Valuers advice. The depreciation for the HRA dwellings will be calculated as a single asset depreciation.

- other buildings –allocation based on an individual asset's life

- vehicles, plant and equipment – allocation over 10 years unless otherwise advised by a responsible qualified officer.

- information technology assets – allocation over 5 years unless otherwise advised by ICT.

- infrastructure – allocation over 40 years.

The component accounting methodology will have an effect on calculation of the depreciation for a number of assets.

Componentisation for depreciation purposes will only be applied for assets that have been revalued or enhanced after 1st April 2011 and will not be applied retrospectively.

The Council has determined that any building with a gross carry amount of less than £1.0m, useful economic life of less than 15 years or both will not be considered for component accounting on the grounds of materiality. The depreciation for such buildings will be calculated based on the buildings life.

For items of PPE above the threshold componentisation will not be applied where the depreciation of the item as a single asset is unlikely to result in a material misstatement of either the depreciation charges or the carrying amount of the PPE.

Where there is more than one significant parts of the same asset which have the same or similar useful life such parts will be grouped in determining the depreciation charge and the longest life will be used a proxy for the life of the group.

Individual components lives will be assumed to be no longer that the useful economic life of the building as a whole. In any such instances the depreciation charge will be calculated based on the building's life.

For components that are a mix of transferred and existing assets where the assets lives are similar the life of the new asset will be used as a proxy for the life of the full component.

Where components lives are significantly different (i.e. they have a difference exceeding 30%) components will be combined and a weighted average approach will be taken.

General Fund depreciation:

Depreciation charged to the Surplus or Deficit on the Provision of Services is not a proper charge to the General Fund; such amounts shall be transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. On a re-valued asset, a transfer between the Revaluation Reserve and Capital Adjustment Account shall be carried out which represents the difference between depreciation based on the re-valued carrying amount of the asset and the depreciation based on the asset's historical cost.

Housing Revenue Accounts depreciation:

Depreciation for HRA non-dwellings charged to Surplus or Deficit on the Provision of Services are not proper charges to the Housing Revenue Account, such amounts shall be transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Depreciation charges for HRA dwellings are real charges to the HRA since the Major Repairs Allowance is likely to constitute a reasonable estimate of depreciation for HRA dwellings. Where the depreciation for HRA dwellings is less than the Major Repairs Allowance (MRA), an amount equal to the difference shall be transferred from the Housing Revenue Account to the Major Repairs Reserve and reported in the Movement in Reserves Statement. Conversely where depreciation charges for HRA dwellings are greater than the MRA, an amount equal to the difference shall be transferred to the Housing Revenue Account from the Major Repairs Reserve and reported in the Movement in Reserves Statement (see part 2 of Appendix B for the legislative basis).

❖ **De-recognition**

The carrying amount of an item of property, plant and equipment (or component), shall be derecognised and removed from the Balance Sheet:

- on disposal.
- when no future economic benefit or service potential are expected from its use or disposal.

Where capital expenditure is incurred on the replacement, renewal or enhancement of a part of a component or item of PPE where appropriate and necessary the carrying amount of the replaced part will be de-recognised prior to recognition of the new component.

Where it is not possible to determine the carrying amount of a replaced component the cost of the new part will be used to estimate the cost of the replaced part at the time of acquisition/construction adjusted for revaluation and impairment where necessary. In such cases the reduction for inflation (the discounting for present value) will be assumed to be 4%. The life of the new part will be used as a proxy for the life of the old one where information on the date of acquisition/construction is not available.

It should be noted that not all capital expenditure will result in de-recognition of an old component. Where internal remodelling, partitioning and fitting of existing buildings structures is carried out this should be considered separately and such expenditure added to the asset as "acquisition" on the bases of creating new, adding to or enhancing service potential. (Example: remodelling existing building layout by partitioning, installation of new fixtures and fittings to create new office space/reception desk/one-stop-shop; creation of a disabled toilet where there was none previously; building an extension to an existing building, installation of an additional boiler, generator, air conditioning units, extension to existing electrical circuit etc. to increase capacity).

For enhancement work on HRA dwellings the full amount of enhancements will be netted off against the indexation increase of the value of the stock effectively reducing the increase, or recording an impairment where the expenditure is higher than the valuation increase. Hence de-recognition of the old component will not be applied except in rare individual cases where omission to de-recognise the old asset will lead to material misstatement.

Enhancements of Infrastructure assets will be treated as new assets with a completion date of 31st March and no de-recognition will be applied. This policy will be updated in line with the forthcoming Transport Infrastructure Asset Management Plan to be adopted in 2012.

The gain or loss arising from de-recognition shall be the difference between the net disposal proceeds and the carrying amount. The gain or loss arising shall be included in the Surplus or Deficit on the Provision of Services when the item is derecognised; this also applies to component replacement or restoration,

The consideration receivable on disposal of an asset is recognised initially at its fair value. If payment is deferred the consideration received is recognised initially at the cash price equivalent (the discounted amount) and the difference between this amount and the total payments received is recognised as interest revenue in the Surplus or Deficit on the Provision of Services. In addition, there is a deferred credit (i.e. a balance on the donated assets account for the asset concerned), this should be recognised in the Surplus or Deficit on the Provision of Services.

Donated Assets (IAS 20)

Where an asset is donated for:

- nil consideration, it shall be recognised at fair value as an asset on the Balance Sheet. The asset shall be recognised in the Comprehensive Income and Expenditure Statement as income, to the extent that the transfer has condition(s) that has/have not been satisfied. For the element of the asset where conditions have not been met, the asset is credited to the Donated Assets Accounts and recognised in the Comprehensive Income and Expenditure Statement once the condition(s) has/have been satisfied

- less than fair value (a non-exchange transaction), the difference between the fair value of the asset and the consideration paid shall be recognised immediately in the Comprehensive Income and Expenditure Statement as income, or in the event that the transfer has a condition(s) that has/have been met. The measurement at fair value of an asset, acquired for no consideration or for less than fair value, does not constitute a revaluation.

A donated asset may be received subject to a condition that it be returned to the transferor if a specified future event does or does not occur. A return obligation does not arise until such time as it is expected that the condition will be breached and a liability is not recognised until that time. Such conditions do not prevent the grant, contribution or donated asset being recognised as income in the Comprehensive Income and Expenditure Statement.

Lease and Lease Type Transactions
The transition to IFRS necessitates the review of the existing lease arrangements and consideration of the classification and accounting treatment of leases.

Two types of leases are recognised:

- Finance leases: a lease that transfers substantially all the risks and rewards incidental to ownership of an asset – whether the title may or may not eventually be transferred.
- Operating lease: lease other than finance.

❖ **Leases Review and Classification**

In the review of existing leases the council applies the following tests:

1) Does the lease transfer ownership of the asset to the lessee by the end of the lease term?
2) Does the lessee have the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised?
3) Is the lease term for the major part of the useful economic life of the asset?
4) Does the present value of the minimum lease payments amount to at least substantially all (determined as 85%) of the fair value of the leased asset?, and
5) Are the leased assets of such a specialised nature that only the lessee can use them without major modifications?

An answer "yes" to the above main questions individually or in combination will usually indicate a finance lease. However, this rule is not "sacrosanct" because if it is clear from other features that the lease does not transfer substantially all of the risks and rewards incidental to ownership, the lease will be classified as an operating lease. The following questions, if answered positively individually or in combination will denote an operating lease:

1) Are there full repairing and insuring covenants in the lease and clauses to ensure the asset is reinstated, at the expense of the tenant, to its original condition at the end of the lease (dilapidations clauses)?
2) Does the lease provide for significant contingent rent variations during the term by reference to an open market or turnover? (e.g. market rent reviews but not if the lease were to provide for fixed increases or increases linked to a non-property)
3) Were the initial passing rent and other aspects of the lease set at prevailing market rates?
4) Is the lease free of contractual terms that might oblige the lessor to continue the lease at substantially less than normal market terms?
5) Is lessee default the only grounds on which the lease would revert to the lessor?
6) If the lessee wishes to sublet or sell (or assign) their lease rights, are there terms in the lease that allow the lessor to control the key terms of the sublet / sale?

After detailed examination of the leases where the authority is the lessor it is determined that:

1) the land and building element of a lease are considered separately for the purposes of lease classification;

2) the land element of leases is deemed to be an operating lease (any rental receivable in respect of the land of a finance is deemed to be ground rent and accounted for as income in the comprehensive income and expenditure statement)
3) the building element of finance leases is recorded on the balance sheet at nominal (residual) value to recognise the residual interest of the council in the property.
4) property leases with a lease term of less than 15 years are classified as operating;
5) under the current rules and delegated authority officers are only allowed to enter in operating type of leases arrangements on investment/commercial properties.

❖ **Accounting for Leases**

The Council as a Lessor:

- **Finance Leases**
  The authority will recognise assets held under a finance lease by an external party (lessee) as a receivable at an amount equal to the net investment in the lease. The lease payment receivable will be treated as repayment of principal and finance income. The finance income will be calculated so as to produce a constant periodic rate of return on the net investment – approximation will be used where necessary.

- **Operating Lease**
  All assets subject to operating leases will be presented on the balance sheet according to the nature of the asset. Costs, including depreciation are recognised as an expense. Income from operating leases is recognised in the comprehensive Income and Expenditure Statement.

The Council as a Lessee:

- **Finance Leases**
  The authority as a lessee recognises finance leases as assets and liabilities on the balance sheet at amounts equal to the lower of fair value or the present value of the minimum lease payments. The discount rate used is the rate implicit in the lease, or the authority's incremental borrowing rate - whichever is more practicable.

  Rentals payable are apportioned between:
  - finance charge (interest). The finance charge is debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement as the rent becomes payable; and
  - the reduction of the outstanding liability - the liability is written down as the rent becomes payable.

  Assets recognised under finance leases are accounted for using the policies applied generally to property items of PPE, the depreciation and revaluation of assets recognised under finance leases is consistent with the policy for owned assets, subject to depreciation being charged over the shorter of the lease term and the asset's estimated useful life. After initial recognition, such assets are subject to revaluation in the same way as any other asset.

- **Operating Leases**
  Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

Private Finance Initiative (PFI)
(IFRIC 12)

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

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

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

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

1. fair value of the services received during the year. This is debited to the relevant service in the Comprehensive Income and Expenditure Statement.
2. finance cost, being an interest charge of 8.42% for Haverstock and 11.01% for Chalcots PFI schemes on the outstanding Balance Sheet liability. This is debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement.
3. contingent rent, being increases in the amount to be paid for the property arising during the contract. This is debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement.
4. payment towards liability, being amounts applied to write down the Balance Sheet liability towards the PFI operator
5. lifecycle replacement costs, recognised as fixed assets on the Balance Sheet.

Investment Properties
(IAS 40; IPSAS 16)

An investment property is a property, land or a building or both, that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation is accounted for as property, plant and equipment.

Owner–occupied property, held by the owner or by a lessee under a finance lease for the use in the delivery of services or production of goods or for administrative purposes will be accounted for as PPE.

Investment property shall be measured initially at cost. The cost of an investment property includes its purchase price, construction costs and directly attributable expenditure necessary to bring the asset into use. Where an investment property is acquired:

- through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition. The initial cost of a lease interest classified as an investment property shall be as prescribed for a finance lease.
- for a non-monetary asset, the cost of the investment property is its fair value at the time of the exchange, or, where this cannot be reliably determined, the carrying amount of the asset given up.

After initial recognition, investment property shall be measured at fair value. A gain or loss arising from a change in the fair value of investment property shall be recognised in Surplus or Deficit on the Provision of Services for the period in which it arises. The fair value of investment property shall reflect market conditions at the Balance Sheet date; this means that a periodic revaluation approach may only be used where the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date. An investment property under construction shall be measured at fair value once an authority is able to measure reliably the fair value of the investment property, and at cost before that date. Investment properties held at fair value are not depreciated. Gains or losses on fair value debited or credited to Surplus or Deficit on the Provision of Services are not proper charges to the General Fund . Such amounts shall be transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Where an asset is transferred from PPE to Investment property the asset is re-valued to fair value on transfer and the gain or loss is recognised in the Revaluation Reserve, for losses – up to the available accumulated gain on the reserve in respect of that asset with any excess charged to the comprehensive income and expenditure statement. Any balance on the revaluation reserve in respect of the transferred asset is then retained (frozen) until the investment property is derecognised (i.e. sold or subsequently transferred back to PPE). Future gains or losses on revaluation are charged to the comprehensive income & expenditure statement. This treatment will be applied from 1st April 2009 and will not be applied prior to this date.

Component accounting is applicable to investment properties in respect of enhancements, where the old component is de-recognised and the new one reflected in the carrying amount. Component accounting is applicable for 1st April 2010 and will not be applied retrospectively.

An investment property shall be derecognised on disposal (by sale or by entering into a finance lease) or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be recognised in Surplus or Deficit on the Provision of Services in the period of the retirement or disposal. Statute and proper practice restrict the use of capital receipts, and prescribe the charges that can be made to the General Fund. Any gain or loss on de-recognition of an investment property shall be reversed out of the General Fund. The General Fund shall be debited (gain) or credited (loss) with an amount equal to the gain or loss on de-recognition of the investment property (excluding any costs of disposal which are a proper charges to the General Fund). Opposite entries are a credit to the Capital Receipts Reserve of an amount equal to the disposal proceeds and a debit to the Capital Adjustment Account equal to the carrying amount of the investment property (less any balance transferred from the Government Grants Deferred Account). All such entries will be reflected in the Movement in Reserves Statement.

Compensation from third parties for investment property that becomes impaired, lost or is given up is recognised in Surplus or Deficit on the Provision of Services when it becomes receivable.

Intangible Assets
(IAS 38)

An intangible asset is an identifiable non-monetary asset without physical substance controlled by the authority as a result of past events, and future economic or service benefits are expected to flow from the intangible asset to the authority (computer systems, software licences etc.)

An intangible fixed asset shall be recognised if it is probable that the expected future benefits attributable to the asset will flow to the authority. An intangible asset shall be measured initially at cost. An intangible asset shall only be recognised providing it meets the criteria set out above.

The generation of the asset is classified into a research phase and a development phase. The cost of an internally generated intangible asset is the sum of expenditure incurred in the development phase of the project, only after it has become probable that the expected future benefits attributable to the asset will flow to the authority.

For internally generate intangible assets to be recognised strict criteria need to be met. These criteria are met where the authority can demonstrate:

- the technical feasibility of completing the asset so it will be available for use or sale;
- its intention to complete the asset;
- its ability to use or sell the asset;
- how the asset will generate future economic benefits or deliver service benefits (either by demonstrating a market for the asset or the usefulness of the asset);
- the availability of adequate resources to complete the asset, and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The development of a website for internal or external use creates an intangible asset where the recognition criteria for internally generated intangible assets are met.

However, expenditure on an intangible item that was initially recognised (i.e. in a prior year) as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

Subsequent expenditure where it meets the recognition criteria in the Code will be recognised in the carrying amount of the intangible asset.

The depreciable amount of an intangible asset with a finite useful life shall be amortised on a systematic basis over its useful life, beginning when the intangible asset is available for use. The residual value of an intangible asset is deemed to be zero.

Intangible assets will be amortised on straight line bases over their useful life.

The useful life of an intangible is set at 3 years unless otherwise advised by qualified professional. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of these rights.

The amortisation period and method shall be reviewed at each financial year-end, and the amortisation amended where required.

An asset shall be derecognised on disposal or when no future economic benefits are expected from the asset. The gain or loss arising from the de-recognition of an intangible asset is the difference between the net disposal proceeds (if any) and the carrying amount of the asset. This gain or loss will be recognised in Surplus or Deficit on the Provision of Services when the asset is derecognised.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions 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, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Movement in Reserves Statement so there is no impact on the level of council tax or revenue outturn.

Impairment of Assets
(IAS 36)

Assets are not to be carried at no more than their recoverable amount. An asset is said to be carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and an impairment loss must be recognised.

Downward revaluation resulting from changes in market values does not constitute impairment. An impairment is specific to an asset i.e. as a consequence of loss of service potential, obsolescence, physical damage or such similar occurrence and is not reversible unless there is on-going repairs and reinstatement. This is in contrast to a valuation reduction which is due to changes in market values due to conditions and prices which may be reversible and are not permanent in nature.

At the end of each reporting period an assessment shall take place as to whether there is any indication that an asset or class of assets may be impaired. If any indication exists, the recoverable amount shall be estimated having regard to the application of the concept of materiality in identifying whether the recoverable amount of an asset needs to be estimated. If no indication of an impairment loss is present, there will be no requirement for a formal estimate of the recoverable amount for property, plant and equipment.

❖ **Recognition**

An impairment loss on a re-valued asset shall be recognised in the Revaluation Reserve (these entries will be reflected in the Movement in Reserves Statement) to the extent that the impairment does not exceed the amount in the Revaluation Reserve for the same asset (i.e. up to the historical cost of the asset) and thereafter in Surplus or Deficit on the Provision of Services. An impairment loss on a non-revalued asset (i.e. an asset with a carrying value based on historical cost) shall be recognised in Surplus or Deficit on the Provision of Services.

❖ **Reversing an Impairment**

At the end of each reporting period an assessment shall take place as to whether there is any indication that an impairment loss recognised in earlier periods for an asset may no longer exist or have decreased. If any such indication exists, authorities shall estimate the recoverable amount of that asset.

The reversal of an impairment loss of an asset (previously recognised in Surplus or Deficit on the Provision of Services) is only permitted to be recognised if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal of an impairment loss previously recognised in Surplus or Deficit on the Provision of Services shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Any excess above the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years shall be treated as a revaluation gain and charged to the Revaluation Reserve.

Impairment loss and reversal of impairment loss charged to Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts shall be transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Borrowing Costs
(IAS 23)

The council has chosen not to capitalise the costs of borrowing of funds i.e. interest and other borrowing related costs that are directly related to a qualifying asset. Such costs will be expensed through the Comprehensive Income and Expenditure Statement at the time the expense is incurred.

Non-Current Assets Held for Sale and Discontinued Operations
(IFRS 5)

Assets held for sale will be:

- measured at the lower of carrying amount and fair value less costs to sell, and depreciation on those assets should cease, and
- presented separately, on the face of the Balance Sheet, and the results of discontinued operations should be presented separately in Surplus or Deficit on the Provision of Services and Balance Sheet.

❖ **<u>Classification</u>**

Non-current asset (or disposal groups) are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continued use.

The following criteria will have been met before an asset can be classified as held for sale under:

- The asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.

- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

❖ **Measurement**

A non-current asset classified as held for sale at the lower of its carrying value and fair value less costs to sell at initial reclassification and at the end of each reporting date (i.e. 31 March), subject to recognising any gains.

❖ **Depreciation**

A non-current asset (or disposal group) classified as held for sale shall not be depreciated (or amortised in relation to intangible assets).

❖ **De-recognition**

A revaluation gain or loss not previously recognised in the carrying amount of a non-current asset by the date of sale shall be recognised in the Surplus or Deficit on the Provision of Services as part of the gain or loss on disposal at the date of de-recognition. The requirements relating to de-recognition including accounting for gains or losses on disposal are shown within the accounting policy relating to property, plant and equipment and to intangible assets.

❖ **Presentation of discontinued operations**

Where a transaction meets the definition of a discontinued Operation (see glossary), this will be present separately on the face of the Comprehensive Income and Expenditure Statement and Balance Sheet; with respective adjustments to Prior Periods. Where an authority ceases to classify a transaction as a discontinued operation, the transaction, including prior periods, shall be reclassified as continued operations.

❖ **Re-measurement of carrying amounts**

In some instances General Fund accounts, central support services, trading accounts and the Housing Revenue Account shall be charged with the re-measurement of an asset's carrying amount (i.e. before or subsequent to classification as held for sale and changes to a plan of sale).

Adjustments to the carrying amount of an asset that have been charged to Surplus or Deficit on the Provision of Services are not proper charges to the General Fund. Such amounts shall be transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Heritage Assets
(FRS 30)

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)

Heritage Assets are those that are held and maintained by the council principally for their contribution to knowledge and culture. Such assets can have historical, artistic, scientific, geophysical or environmental qualities.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

The Authority's Heritage assets are accounted for as follows:

- **<u>Buildings</u>**

It is rare that a building will be recognised as Heritage Asset. However, where building is recognised as Heritage Asset because it is held, preserved and maintained principally for its contribution to culture and knowledge and it is not used by the Authority for any other purpose or in the provision of services, it will be recognised at valuation and will be depreciated over the life of the building in line with the Authority's policy on Property, Plant and Equipment.

The Authority holds one historical building that is preserved principally for its contribution to culture and knowledge. The Tollgate House in Hampstead is a listed building and under protection order by English Heritage.

- **<u>Mayoral Regalia and Silverware</u>**

The Mayoral Regalia and Silverware includes a Mace; Badge's and Chain's of Office and various Silverware items such as Chalice, Cups, Candelabrum, Trays, Keys and Badges.

These items are reported in the Balance Sheet at insurance valuation and are based on market values. It should be noted that there is no phased basis of valuation. These assets are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

The collection is relatively static (the chains of office are used for "official" business, and the assets are kept in the vault at Camden Town Hall. It is not expected that there will be any acquisitions in the medium term and donations are rare. If the council was to receive a donation, this would be recognised at insurance valuation.

- **<u>Art Collection</u>**

The Council has an art collection consisting of paintings, drawings, prints, sculptures and other art objects.

The collection is reported in the Balance Sheet at valuation prepared by Bonham's. The Authority considers that obtaining annual valuations for the collection in its entirety would involve a disproportionate cost in comparison to the benefits to the users of the Authority's financial statements. Where Auctioneer's valuation is obtained the collection will be included at the lower estimated value.

The assets within the art collection are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation.

Any future art acquisitions are expected to be either by purchase or donation. Acquisitions will initially be recognised at cost. Donations will be recognised by valuation made by any method that is appropriate and relevant.

- **<u>Heritage Assets – General</u>**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment.

Current Assets

Inventories
(IAS 2)

Issues from the Council's stores have been mainly charged on the basis of the current cost of goods in store. Stock in hand at the year-end is mainly shown at latest purchase price. Although stocks should be shown at the lower of cost and net realisable value, full compliance would not materially affect the value of the Council's assets.

If however, it was established that in any given year that there was an unexpected increase in stocks held, then the valuation approach would be reviewed to ensure that there was no material impact on the stock valuation.

Employee Benefits

Benefits Payable During Employment
(IAS 19; IPSAS 25)

Benefits payable during employment include:

a. Shorter-term employee benefits, which are those that are due to be settled within 12 months after the year-end in that the employee rendered the services, include:
   - wages, salaries and social security contributions.
   - short-term compensated absences
   - bonuses and similar payments
   - non-monetary benefits

All such benefits will be estimated at cost to the council. The council has undertaken this work based on an estimate.

b. Other longer-term employee benefits which are those that do not fall due wholly within 12 months after the end of the period in that the employee rendered the services, include:
   - long term compensated absences (long service or sabbatical leave)
   - long-service benefits
   - long-term disability benefits
   - bonuses payable 12 months or more
   - deferred compensation paid 12 months or more

All gains & losses and past service costs will be recognised in the Surplus or Deficit on the Provision of Services.

Termination Benefits
(IAS 19)

Termination Benefits are payable as a result of either:

a. an employer's decision to terminate an employee's employment before the normal retirement date, or
b. an employee's decision to accept voluntary redundancy in exchange for benefits.

Termination benefits shall be recognised as a liability, and only as an expense when the council is committed to either terminate the employment of an employee before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary termination of employment.

Post-Employment Benefits
(IAS 19)

Employees of the council are members of three separate pension schemes:

a. The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF). The employer's pension cost charged to the accounts is fixed by the contribution rate set by the DCSF on the basis of a notional fund. This is unchanged from last year.

b. Ex ILEA – This is a funded scheme administered by the London Pensions Fund Authority (LPFA). The amount paid to LPFA is fixed by the contribution rate set by their actuaries in accordance with the Local Government Pension Scheme.

c. Other Employees – Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The amounts paid to the fund are fixed by a rate set by the Council's actuary at the triennial valuation.

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the education service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

<u>The Local Government Pension Scheme</u>
The Local Government Scheme is accounted for as a defined benefits scheme:

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

2. Liabilities are discounted to their value at current prices, using a range of financial assumptions as determined by the council's actuary.

3. The assets of the Camden pension fund and the London Pension Fund Authority (LPFA) attributable to the council are included in the Balance Sheet at their fair value:

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

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

- current service cost, being the increase in liabilities as result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- past service cost, being the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- interest cost, being the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is debited to (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- expected return on assets, being the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return. This is credited to (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- gains/losses on settlements and curtailments, being the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- actuarial gains and losses, being 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. This is debited to Other Comprehensive Income and Expenditure.
- contributions paid to the Camden pension fund and LPFA, being cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance 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 any amounts payable to the fund but unpaid at the year-end.

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

Financial Instruments

Accounting for Financial Liabilities After Initial Recognition

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

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

Accounting for Financial Assets After Initial Recognition

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 initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the council has a few loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement 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 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 Statement of Movement in Reserves.

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 Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

❖ **Available-for-sale Assets**

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in "other comprehensive income and expenditure statement". The exception is where impairment losses have been incurred – these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in "other comprehensive income and expenditure statement".

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

❖ **Instruments Entered Into Before 1 April 2006**

The council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed.

Liabilities

Contingent Liabilities

Contingent liabilities are possible obligations that may require a payment or a transfer of economic benefit but for which there is no certainty regarding amount or date of settlement (unlike Provisions). They are disclosed in the notes to the accounts and accruals are not made for contingent liabilities and no adjustments are included within the accounting statements.

Provisions
(IAS 36)

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account. Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

Provisions are presented on the face of the Balance Sheet as either current or non-current liabilities; dependent on when it is estimated when their will be a transfer of economic benefit.

The council maintains two provisions, one regarding self-insurance and another regarding industrial leases.

Interests in Companies and Other Entities
(IAS 3, IAS 27, IAS 28, IAS 31, SIC 12, SIC 13)

The Council has fully reviewed the various IFRS standards relating to group relationships and after consideration of all the criteria the Council has determined that the consolidation of all related organisations would not have a material effect on the Council's financial position. Consequently, no group accounts have been prepared.

However, there will be annual review of this policy to ensure that it is still fully reflective of the operations of the council.

Note 2. Accounting Standards that have been issued but have not yet been adopted

For 2011/12 the only accounting policy change that needs to be reported relates to amendments to IFRS 7 Financial Instruments: Disclosures (transfers of financial assets). At this time it is not expected that any further accounting policy will be required in respect of Financial Instruments and the disclosure of such financial assets as the council does not hold applicable assets.

Note 3. 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:

- The government has announced a significant reduction in funding for local government over the term of this parliament which has introduced a high degree of uncertainty about future levels of service provision. At the present time, the Council has identified the services where cuts in provision are likely over the period (currently estimated as £83.4m) but these are subject to consultation (in some cases) and are not finally ratified until the budget is agreed on an annual basis.

  It is anticipated that as consultations close and annual budget decisions are finalised it is probable that there will be an impact on how the council utilises its asset portfolio. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication of which assets might become impaired as a result of a need to close facilities due to a reduction in service provision.

- The council has a 10% share (£0.500m) in a company entitled the Camden Schools Project Ltd (The LEP). The objectives of this company are to:

  - Develop and deliver the Building Schools for the Future (BSF) Sample Schools Programme, comprising both PFI and non-PFI investment.
  - Develop and deliver facilities management services.
  - Develop and deliver the BSF ICT investment programme in parallel with the above schools programme.
  - Develop future business opportunities for the business.

  The council has treated this company as an investment and it is held on the balance sheet.

- The only PFI schemes that the council considers fall within the requirements of “service concessions” are those of the Chalcots Council Dwellings Refurbishment and Haverstock School development, both of which are fully disclosed later in the statement of accounts. The net book value of the assets held, as at the 31st March 2012 are £33.693m and £16.250m respectively (£31.913m and £16.700m respectively; 2010/11).

  The council has entered into a PFI contract to develop two schools at Adelaide Road; UCL Academy and Swiss Cottage special school. As at 31st March 2012 these assets are unavailable for use so the respective assets and liabilities have not been recognised on the balance sheet.

- The council, in the main, does not include Voluntary Aided schools (land and buildings) within its asset register because the title deeds for these schools name either the respective Diocesan Board or the Trustees as the legal owners of the title. However, the council does own parts of the property assets of 5 voluntary aided schools which are included in the councils asset register; and are valued as follows:

2010/11 £m		2011/12 £m
16.062	Land	15.317
1.162	Buildings	1.026

- In line with the Code of Practice on local authority accounting in the United Kingdom 2011/12, based on International Financial Reporting Standards, the council has not charged depreciation on land, investment properties, community assets, assets held for sale and assets under construction. For all these assets, the total value for 2011/12 for land is £33.666m and Buildings (NBV) is £224.608m (land is £10.807m and Buildings (NBV) is £196.607m; 2010/11).

- For 2011/12 the council has not included any valuations based on depreciated replacement cost (DRC).

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

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

The items 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:

Item	*Uncertainties*	*Effect if actual results differ from assumptions*
Arrears	At 31 March 2012, the Authority had a sundry debtors balance of £89.250m (£87.508m; 2010/11). This balance is the aggregate of a number of various debtor balances, including HRA rents and service charges and various General Fund services, which include revenues, commercial rents and social services. During the past year the council has reviewed the Impairments Policies applied to its debts (formerly known as Bad Debt Provision Policies). It should be noted that the council does not have one single policy for all debt types but a range of policies that enable it to: • remain flexible in light of the current economic conditions,	Considering the current economic climate and the introduction of universal benefits in the near future, the one area where the current bad debt provision impairment could be too low is in relation to council tenant rents. If council tenant debt were to increase by 25%, the council estimates that an additional £1.105m would need to be set aside as a further bad debt provision impairment.

Item	Uncertainties	Effect if actual results differ from assumptions
	• reflective of the risks associated with the type of debt, and • appropriately robust to ensure that debts are reflective of "recoverability". By way of example, the current policies range from those that are: • High risk debts (e.g. 100% of all debt relating to Bed and Breakfast accommodation for homeless) to • Lower risk debts (e.g. 5% for debts up to 6 months, 25% up to 1 year and 100% thereafter for debts relating to the Sales Ledger). The impairment for receivables for 2011/12 represents 41% (£36.448m) of the debt outstanding (43%, £37.587m; 2010/11).	
Creditors	At 31 March 2012, the council had a creditor balance of £154.485m (£127.002m; Restated 2010/11). This balance is the aggregate of a number of various creditor balances, including employees and trade creditors. Of this balance, 30% (£46.767m) (37%, £47.334m; Restated 2010/11) relates to accruals for goods and services that has been received but had not been paid for.	If the estimations for accruals in March 2012 turn out to be higher than the actual payments received, then expenditure will have been overstated in 11/12 and will be understated in 12/13.
Grant Claims yet to be Certified	Over any given year the council receives a number of grants from central government. Most of these grants are awarded based on an agreed amount and are then subject to audit certification. However, Housing Benefit and Council Tax Benefit Subsidy (subsidy) is paid on account, in that an estimate is made at the start of the year of the amount of benefit that will be awarded during the financial year and then the council receives funding in relation to that estimate. At the end of the financial year, the actual amount due is then	During 2011/12, the council estimated that it would require £218.055m (£213.266m; 2010/11) in subsidy, but the total claim was for £215.579m (£208.785m; 2010/11), thus the council owes central government £2.476m, which represents 1.1% of the original estimate (£4.481m, 2.1%; 2010/11). However, to ensure an effective and timely closure of the accounts, the council has included a creditor of £2.434m for over claimed subsidy, this represents 1.1% (£3.635m, 1.7%; 2010/11) of the original

Item	Uncertainties	Effect if actual results differ from assumptions
	calculated and an amount is calculated that is owed to the council by government or vice-a-versa.	estimate. Considering the current economic climate, if the actual amount of benefit claims had increased by only 5%, this would have resulted in a total subsidy claimable of £226.358m (£219.225m; 2010/11), thus exceeding that estimated by £8.303m (£5.959m; 2010/11).
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries has been engaged to provide the Authority with expert advice about the assumptions to be applied for both the: • London Borough of Camden Pension Fund, and • London Borough of Camden pension element of the London Pension Fund Authority	The effects on the net pensions liability of changes in individual assumptions can be measured, for instance, a: • 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £119.393m (£108.950m; 2010/11). • 1 year increase in the member life expectancy would result in an increase in the pension liability of £38.498m (£34.645m; 2010/11). However, it should be noted that, in reality, the assumptions interact in complex ways.
Property, Plant and Equipment **(Depreciation)**	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Although the council has a capital programme that is well managed, proactively monitored and reported to management, the current economic climate makes it uncertain that the council will be able to sustain its current spending on repairs and maintenance over the medium term, thus bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. Although the council has a broad range of property assets, it is estimated that the annual depreciation charge for buildings would increase by £5.486m (£5.134m; 2010/11) for every year that useful lives had to be reduced. It should be recognised that: • the margin of error in a change in depreciation due to a change in useful lives is not considered to be material.

Item	Uncertainties	Effect if actual results differ from assumptions
		• there are a range of other factors that might also result in a change in the estimate for depreciation.
Property Plant & Equipment **(HRA Valuation)**	In England, the Housing Revenue Account (Accounting Practices) Direction 2007 requires authorities to use the specific bases and methods of valuation set out in the *Guidance on Stock Valuation for Resource Accounting* (updated guidance published by the Department for Communities and Local Government (DCLG) in January 2011). EUV–SH is to be arrived at using beacon properties to assess the vacant possession value for properties, adjusted to reflect their occupation by a secure tenant. The adjustment is considered to reflect the additional risk and liability the public sector landlords undertake when compared with private sector investors. The adjustment factor is set by the DCLG and is applied to the total vacant possession valuation based on the beacon valuation. The DCLG has set revised adjustment factors and for London this is 25% - a 12% reduction in the adjustment factor from 2005 levels (37%).	The fair value of the housing dwellings stock as at 31st March 2012 was estimated at £7.218b. Applying the adjustment factor results in a balance sheet value of £1.805b (25% of fair value). Had the adjustment factor stayed at 2005 levels the balance sheet value would have been £2.671b (at 37% of fair value), the difference between adjustment factors is £866m.
Provisions (excluding Impairment for Receivables)	The Authority has an overall provision of £14.046m (£10.712m; 2010/11) within its balance sheet. The two most significant provisions are for the: • “self-insurance” provision, which totals £10.438m (£8.729m; 2010/11), for the settlement of claims made against the council where allegations of negligence or breach of duty have been made and the council may have to make a payment; including where: ▪ liability has been admitted and the council will have to pay,	The insurance provision is a snapshot of claims activity at the end of each financial year. It is often volatile from year to year as it depends on actual claims activity for that year. In 2011/12 the total number of outstanding known claims at year end was 668 (737; 2010/11) with a total outstanding value of £10.438m (£8.729m; 2010/11). This gives an

Item	Uncertainties	Effect if actual results differ from assumptions
	▪ claims where investigations are under way but have not been completed (these claims may or may not end up being paid), and ▪ claims where liability has been denied and the decision is either being challenged or are being held open for a period of time in the event that the liability decision may be challenged.	average of £15,626 per claim (£11,844; 2010/11). If the number of claims increased by 10%, this would result in an increase of 67 claims (74 claims; 2010/11) and would give an increase in the provision of £1.047m (£0.876m; 2010/11). It should be recognised that claims differ in value because: ▪ there is no consistent claim value. ▪ outstanding estimates change to reflect changes in circumstances.
	All claims relating to this period will not have been received as there is often a lag between incidents occurring and the claim being submitted. This aspect is provided for under the (incurred but not yet reported) IBNR part of the Insurance Reserve.	Outstanding reserves also reduce if claim payments are made during the year. If the increase in claim numbers consisted of small low value claims then the increase may not be as large or the provision could actually reduce in value.
		Depending on claims activity during the year compared to the last year end figures, if a number of large claims closed during the year then claim numbers could increase but the provision could decrease. Equally, if mainly low value claims closed during the year with new claims being larger and of higher value then the increase in the provision would be higher than the average.
	• termination benefits provision, which totals £2.049m (£1.446m; 2010/11). This provision will meet the cost of redundancies that are expected to occur during 2012/13. The redundancy payment is based on an estimate but the amount actually payable will be dependent on an individual's age and length of local government service.	If the costs of actual terminations were increased by 20%, then the additional cost to be met by services would equate to £0.409m (£0.289m; 2010/11).

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

Note 5. Material Items of Income and Expense

The primary purpose of this note is to disclose those material items of income and expenditure that are not part of the ordinary course of business or events of the council (i.e. extraordinary). During 2011/12 no such items of income or expenditure were incurred (2010/11; nil).

Although not "extraordinary" in nature, it should be noted that the Council has, as part of the government's introduction of HRA self-financing from the 1st April 2012, settled £42.006m of its debt. This settlement, as well as the associated debt premium (£13.590m), was met by government grant. This is discussed further in Note 9 to the Housing Revenue Account.

Note 6. Events after the Balance Sheet Date

The Annual Financial Report, incorporating the Statement of Accounts, was authorised for issue by the Director of Finance on 29th June 2012. Events taking place after this date are not reflected in the financial statements or notes. There have not been any events taking place before this date that have required any material adjustment to the information included within the statement of accounts.

The financial statements and notes have not been adjusted for events which took place after 31 March 2012.

Note 7. Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations

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

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. However, it should be noted that as the Council is a housing authority, the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve, which controls the application of the Major Repairs Allowance (MRA). The MRA is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the MRA that has yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2011/12	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(19,528)	(26,263)	0	0	0	45,791
Revaluation losses on Property, Plant and Equipment	(20,143)	4,257	0	0	0	15,886
Capital grants and contributions applied	16,593	7,503	0	0	0	(24,096)
HRA Debt Settlement: Use of Capital Receipt to Finance Debt	0	0	42,006	0	0	(42,006)
Revenue expenditure funded from capital under statute	(541)	(135)	0	0	0	676
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	(2,973)	(5,644)	0	0	0	8,617
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	3,369	2,797	0	0	0	(6,166)
Capital expenditure charged against the General Fund and HRA balances	19,888	15,700	0	0	0	(35,588)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,576	0	0	0	(1,576)	0

2011/12	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	1,508	(1,508)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfers of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	(15,663)	0	0	15,663
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	14,707	0	0	(14,707)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(956)	0	956	0	0	0
HRA Debt Settlement: Recognition of Government Contribution as a Capital Receipt (in respect of Debt)	0	42,006	(42,006)	0	0	0
HRA Debt Settlement: Recognition of Government Contribution as a Capital Receipt (in respect of Premium)	0	13,590	(13,590)	0	0	0
HRA Debt Settlement: Financing of Premium	0	(13,590)	13,590	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	23,944	0	0	0	(23,944)

2011/12	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments 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	450	46	0	0	0	(496)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see note 44)	(28,858)	(4,055)	0	0	0	32,913
Employer's pensions contributions and direct payments to pensioners payable in the year	32,303	4,664	0	0	0	(36,967)
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 the council tax income calculated for the year in accordance with statutory requirements	(3,476)	0	0	0	0	3,476

2011/12	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	200	30	0	0	0	(230)
Total Adjustments	**(2,096)**	**64,850**	**0**	**0**	**(68)**	**(62,686)**

2010/11 Comparative Figures **(Restated)**	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(19,373)	(26,350)	0	0	0	45,723
Revaluation losses on Property, Plant and Equipment	(517)	(501,059)	0	0	0	501,576
Movements in the market value of investment properties	1,137	11,425	0	0	0	(12,562)
Capital grants and contributions applied	17,163	5,285	0	0	(1,134)	(21,314)
Revenue expenditure funded from capital under statute	(2,895)	(65)	0	0	0	2,960
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	2,604	2,527	(10,333)	0	0	5,202
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	1,476	2,604	0	0	0	(4,080)
Capital expenditure charged against the General Fund and HRA balances	16,098	14,492	0	0	0	(30,590)
Adjustments primarily involving the Capital Receipts Reserve:						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	11,316	0	0	(11,316)

2010/11 Comparative Figures (Restated)	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2,115)	0	2,115	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	8,065	0	(8,065)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	8,065	0	(8,065)
Adjustments 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	250	0	0	0	0	(250)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see note 44)	97,798	(6,944)	0	0	0	(90,854)
Employer's pensions contributions and direct payments to pensioners payable in the year	31,456	5,105	0	0	0	(36,561)

2010/11 Comparative Figures (Restated)	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	1,757	0	0	0	0	(1,757)
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	1,211	6	0	0	0	(1,217)
Total Adjustments	**146,050**	**(484,909)**	**3,098**	**0**	**(1,134)**	**336,895**

Note 8. Movement in Reserves Statement – Transfers to/from Earmarked Reserves

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

	Balance at 31 March 2010	Transfers Out	Transfers In	Balance at 31 March 2011	Transfers Out	Transfers In	Balance at 31 March 2012	Purpose of Reserve
		2010/11			2011/12			
	£000	£000	£000	£000	£000	£000	£000	
Reserves to support on-going revenue activity								
Carbon Reduction Commitment	259	(259)	0	0	0	0	0	A
Mental Health Aftercare Reserve	450	0	0	450	(150)	0	300	B
Dedicated Schools Grant	1,124	0	2,910	4,034	0	3,205	7,239	C
Support for Schools in Difficulty	0	0	0	0	0	742	742	D
Parking Reserve	3,656	0	0	3,656	0	0	3,656	E
Homes for Older People Reserve	5,248	0	3,200	8,448	0	0	8,448	F
Schools Budgets (delegated)	7,586	0	1,506	9,092	0	3,089	12,181	G
The Camden Peoples Fund	0	0	700	700	0	1,616	2,316	H
Multi Year Budget Reserve	2,458	0	976	3,434	(1,291)	4,145	6,288	I
Education Commission	0	0	0	0	0	2,000	2,000	J
Grant for various initiatives	3,419	(1,444)	912	2,887	(33)	6,070	8,924	K
	24,200	**(1,703)**	**10,204**	**32,701**	**(1,474)**	**20,867**	**52,094**	
Reserves to support the council's service remodelling programme								
Corporate Initiatives	1,032	(396)	0	636	(260)	0	376	L
National Efficiency Reserve	3,946	(3,946)	0	0	0	0	0	M
Pay Modernisation	1,221	(210)	0	1,011	0	2,500	3,511	N
Workforce Remodelling/ Cost of Change	5,970	0	3,210	9,180	(5,349)	461	4,292	O
Camden Plan	0	0	0	0	0	2,000	2,000	P
Recovery Fund	3,470	(3,003)	0	467	(326)	0	141	Q
	15,639	**(7,555)**	**3,210**	**11,294**	**(5,935)**	**4,961**	**10,320**	
Reserves to support on-going capital activity and asset management								
Future Capital Schemes	30,532	(16,100)	14,906	29,338	(20,049)	19,595	28,884	R
Commercial and other property	2,517	0	0	2,517	(541)	0	1,976	S
Haverstock School PFI Reserve	7,209	(130)	0	7,079	(4,671)	0	2,408	T
Building Schools for the Future	3,133	(1,194)	0	1,939	0	0	1,939	U
Accommodation Strategy	0	0	1,075	1,075	0	4,128	5,203	V
	43,391	**(17,424)**	**15,981**	**41,948**	**(25,261)**	**23,723**	**40,410**	

	Balance at 31 March 2010	Transfers Out	Transfers In	Balance at 31 March 2011	Transfers Out	Transfers In	Balance at 31 March 2012	Purpose of Reserve
		2010/11			2011/12			
	£000	£000	£000	£000	£000	£000	£000	
Reserves to mitigate future service risk								
Self-Insurance Reserve	10,651	0	1,731	12,382	(195)	0	12,187	W
	10,651	**0**	**1,731**	**12,382**	**(195)**	**0**	**12,187**	
Reserves to support charitable activity								
Mayors Charity Reserve	22	0	0	22	0	0	22	X
	22	**0**	**0**	**22**	**0**	**0**	**22**	
Total General Fund Earmarked Reserves	**93,903**	**(26,682)**	**31,126**	**98,347**	**(32,865)**	**49,551**	**115,033**	
Total transfers out		**(26,682)**			**(32,865)**			
Total transfers in			**31,126**			**49,551**		
Net Movement in Earmarked Reserves		**4,444**			**16,686**			

Purpose of Reserve

A	Carbon Reduction Commitment	To provide funding for carbon reduction initiatives.
B	Mental Health Aftercare Reserve	To meet the repayment of mental health aftercare charges under Section 117 of the Mental Health Act 1983.
C	Dedicated Schools Grant	To hold unspent Dedicated Schools Grant which is reserved for the schools budget and which may be carried forward over to future years.
D	Support for Schools in Difficulty	To provide funding to schools should they find themselves in financial difficulties.
E	Parking Reserve	To hold balances resulting from parking activities.
F	Homes for Older People Reserve	To fund preparatory work on the Homes for Older People programme
G	Schools Budgets (delegated)	Reserve budgets held by the council on behalf of its schools.
H	Camden People’s Fund	To soften the blow on Camden residents as the impact of the reductions in services and national changes to welfare start to take effect
I	Multi Year Budget Reserve	To fund allocations in future years as part of multi-year budgeting.
J	Education Commission	To provide funding to help implement proposals to guide education in the borough

K	Grant for various initiatives	To hold various unspent grant monies that do not have conditions on its use.
L	Corporate Initiatives	To provide funding for corporate initiatives.
M	National Efficiency Reserve	To provide funding to assist the council in meeting the national efficiency savings targets announced by the new government.
N	Pay Modernisation Reserve	To provide funding from unspent budget provisions in 2009/10 and earlier years for the on-going pay and grading review
O	Workforce Remodelling and Efficiency Projects	To fund costs that may arise from workforce remodelling and efficiency projects under the councils Better and Cheaper agenda.
P	Camden Plan	To provide funding to implement projects that support the plan's key priorities.
Q	Recovery Fund	To provide funding to enable the council to respond to effects of the recession within the community.
R	Future Capital Schemes	To provide funding to support the councils costs associated with various capital schemes.
S	Commercial and other property	To provide funding to meet the cost associated with dilapidations and other payments in respect of commercial and other property.
T	Haverstock School PFI Reserve	To hold the balance of funding in respect of the Haverstock School PFI project.
U	Building Schools for the Future	To provide funding for the preparatory work on the Building Schools for the Future Programme
V	Accommodation Strategy	To provide funding to facilitate the office accommodation strategy.
W	Self-Insurance Reserve	In addition to the provision for reported claims, the council has a reserve to cover against the cost of claims that have been incurred but not yet reported to the council. This includes claims that are either partially or fully self-insured by the council as well as claims that are uninsured for both the council and the HRA. The reserve also includes provision made for the possible claw back of claims paid on policies taken out before 1 April 1993 by the council with Municipal Mutual Insurance (MMI). MMI went into run off in September 1992 and is subject to a scheme of arrangement whereby any claims paid since January 1994 may be subject to partial or total claw back in the event of insolvency.
X	Mayors Charity Reserve	To hold donations to the Mayor’s Charity.

Note 9. Comprehensive Income and Expenditure Statement - Other Operating Expenditure

2010/11 £000		2011/12 £000
6,822	Levies	7,027
2,115	Payments to the Government Housing Capital Receipts Pool	956
(5,131)	(Gains)/losses on the disposal of non-current assets	(370)
0	De-recognition of PPE *	3,343
3,806	**Total**	**10,956**

* This is in respect of the demolition of a school prior to a PFI redevelopment. By de-recognising the asset, the asset is not directly attributable to a service and is held by the council corporately; hence the cost of de-recognition is charged outside of the Net Cost of Service.

Note 10. Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

2010/11 £000		2011/12 £000
30,129	Interest payable and similar charges	44,209
18,193	Pensions interest cost and expected return on pensions assets	4,618
(3,892)	Interest receivable and similar income	(2,732)
(24,886)	Changes in the fair value of investment properties .	(12,868)
210	(Gains)/losses on trading operations (note 29)	0
0	Other investment income	(121)
19,754	**Total**	**33,106**

Note 11. Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Income

2010/11 £000		2011/12 £000
(98,111)	Council Tax Income (Precept & Prior Year Collection Fund (surplus)/deficit)	(98,212)
(146,047)	Contributions from NNDR Pool	(141,140)
(67,243)	Non-ring fenced government grants	(71,576)
(22,448)	Capital grants and contributions	(81,715)
(333,849)	**Total**	**(392,643)**

Note 12. Property, Plant and Equipment

Movement on Balances – 2011/12:

	Council Dwellings £000	Other Land and Building £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in Property, Plant and Equipment £000
Cost or Valuation:									
At 1 April 2011	**1,801,665**	**764,246**	**19,004**	**220,631**	**19,191**	**1**	**11,061**	**2,835,799**	**52,094**
Additions	54,244	45,271	2,571	15,618	375	0	19,855	**137,934**	198
Reclassification (movement between asset groups)	(4,696)	(11,100)	0	0	0	0	(2,148)	**(17,944)**	0
Accumulated Dep. Written off on revaluation to gross book value	(25,346)	(10,206)	0	0	0	0	0	**(35,552)**	(1,756)
Revaluation increases/(decreases) recognised in the revaluation reserve	1,742	34,776	0	0	0	0	0	**36,518**	0
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	4,257	(20,104)	0	0	0	0	0	**(15,847)**	2,524
De-recognition – disposals	(544)	(2,576)	0	0	0	0	0	**(3,120)**	0
De-recognition – other	(11,299)	(3,899)	(1,360)	0	0	0	0	**(16,558)**	0
At 31 March 2012	**1,820,023**	**796,408**	**20,215**	**236,249**	**19,566**	**1**	**28,768**	**2,921,230**	**53,060**

	Council Dwellings £000	Other Land and Building £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in Property, Plant and Equipment £000
Accumulated Deprecation and Impairment:									
At 1 April 2011	**(1,712)**	**(35,478)**	**(9,856)**	**(37,596)**	**(7)**	**0**	**0**	**(84,649)**	**(3,481)**
Depreciation charge	(24,459)	(11,686)	(2,759)	(5,036)	(119)	0	0	**(44,059)**	(1,393)
Accumulated Dep. Written off on revaluation to gross book value	25,346	10,206	0	0	0	0	0	**35,552**	1,756
Depreciation written out to the revaluation reserve	0	48	0	0	0	0	0	**48**	0
De-recognition – disposal	2	131	0	0	0	0	0	**133**	0
De-recognition – other	233	542	1,360	0	0	0	0	**2,135**	0
Eliminated on reclassification to assets held for sale	0	0	0	0	0	0	0	**0**	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	**0**	0
At 31 March 2012	**(590)**	**(36,237)**	**(11,255)**	**(42,632)**	**(126)**	**0**	**0**	**(90,840)**	**(3,118)**
Net Book Value									
At 31 March 2012	**1,819,433**	**760,171**	**8,960**	**193,617**	**19,440**	**1**	**28,768**	**2,830,390**	**49,942**
At 31 March 2011	**1,799,953**	**728,768**	**9,148**	**183,035**	**19,184**	**1**	**11,061**	**2,751,150**	**48,613**

Comparative Movements in 2010/11:

	Council Dwellings £000	Other Land and Building £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in Property, Plant and Equipment £000
Cost or Valuation:									
At 1 April 2010	**2,255,890**	**741,657**	**13,879**	**205,665**	**15,996**	**1**	**31,006**	**3,264,094**	**85,750**
Additions	72,303	7,858	3,069	14,816	567	0	9,169	**107,782**	15
Donations	0	0	0	0	0	0	0	0	0
Reclassification (movement between asset groups)	0	23,823	2,056	150	2,628	0	(29,114)	**(457)**	39,744
Revaluation increases/(decreases) recognised in the revaluation reserve	319	5,549	0	0	0	0	0	**5,868**	0
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(525,495)	(10,582)	0	0	0	0	0	**(536,077)**	(73,415)
De-recognition – disposals	(1,352)	(3,323)	0	0	0	0	0	**(4,675)**	0
De-recognition – other	0	(736)	0	0	0	0	0	**(736)**	0
Other movements in cost or valuation	0	0	0	0	0	0	0	**0**	0
At 31 March 2011	**1,801,665**	**764,246**	**19,004**	**220,631**	**19,191**	**1**	**11,061**	**2,835,799**	**52,094**

	Council Dwellings £000	Other Land and Building £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in Property, Plant and Equipment £000
Accumulated Deprecation and Impairment:									
At 1 April 2010	**(10,164)**	**(25,692)**	**(8,072)**	**(32,933)**	**(6)**	**0**	**0**	**(76,867)**	**(5,951)**
Depreciation charge	(24,640)	(13,226)	(1,784)	(4,663)	(1)	0	0	**(44,314)**	(1,281)
Depreciation written out to the revaluation reserve	556	1,622	0	0	0	0	0	**2,178**	0
Depreciation written out to the surplus/deficit on the provision of services	30,982	1,453	0	0	0	0	0	**32,435**	3,751
De-recognition – disposal	7	151	0	0	0	0	0	**158**	0
De-recognition – other	1,547	96	0	0	0	0	0	**1,643**	0
Eliminated on reclassification to assets held for sale	0	118	0	0	0	0	0	**118**	0
At 31 March 2011	**(1,712)**	**(35,478)**	**(9,856)**	**(37,596)**	**(7)**	**0**	**0**	**(84,649)**	**(3,481)**
Net Book Value									
At 31 March 2011	**1,799,953**	**728,768**	**9,148**	**183,035**	**19,184**	**1**	**11,061**	**2,751,150**	**48,613**
At 31 March 2010	**2,245,726**	**715,965**	**5,807**	**172,732**	**15,990**	**1**	**31,005**	**3,187,226**	**79,799**

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

- Council Dwellings – 50 years
- Other Land and Buildings – 10–50 years
- Vehicles, Plant, Furniture & Equipment – 3-15 years (includes components)
- Infrastructure – 40 years

Capital Commitments
The Council has authorised capital expenditure of £712m to be incurred in the years 2012/13 to 2017/18.

At 31 March 2012, the authority has entered into a number of contracts for the construction or enhancements of property, plant and equipment. In 2012/13 and future years, budgeted costs are £223.926m. Similar commitments at 31 March 2011 were £110.626m. The major commitments are:

Scheme	£000
Central St. Giles	2,239
Frank Barnes / Edith Neville School	8,654
South Camden Community School	14,573
New Council Offices (including swimming pool)	80,202
Abbey Road estate regeneration	2,010
Holly Loge phase 2 regeneration	6,651
Chester Balmore regeneration	10,080
Decent Homes Programme	15,047
Mechanical & Electrical Programme	6,060
Reducing CO2 emissions through heat monitoring	2,182
Decent Homes Partnering contract – internal & external works	19,112
Gospel Oak combined heat & power	5,845
Highgate New Town – heating	2,300
Long Term Care Strategy – Older People	19,169
Charlie Ratchford Centre	7,660
Mount Pleasant Hostel development	4,440
Total	**206,224**

Revaluations
The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. In the main, valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The significant assumptions applied in estimating the fair values are:

- Operational Properties
  All of the buildings classed as Operational Properties are assumed to be in operational use and non-specialised. Therefore, the valuations have been prepared on the basis of existing use value (EUV) in accordance with the RICS appraisal and valuation standards.

- Non-Operational Properties
  These buildings are assumed to be in non-operational use and therefore, the valuations are being prepared on the basis of Fair market value (FMV) in accordance with the RICS Appraisal and Valuation standards.

- In general terms, properties are assumed to be currently in their existing use and valuations have been arrived at by consideration of comparable property transactions.

- The valuations are based on the market conditions prevailing at the valuation date and relevant adjustments to values have been made following an Impairment Review. No further adjustments have been made for any fall in value, which may have taken place since this date or for the prospects of future growth.

- No formal title investigations have been carried out as part of these valuations and it has been assumed that there are no onerous conditions or restrictions, which might adversely affect the valuations. No structural surveys have been undertaken or provided and assumption has been made as to the general condition of the properties. No investigation of contaminated land, use or presence of deleterious materials and construction techniques has been undertaken.

- The following work was undertaken in the period to 31 March 2012.

	Council Dwellings £000	**Other Land and Building £000**	**Vehicles, Plant, Furniture and Equipment £000**	**Surplus Assets £000**	**Total £000**
Carried at historical cost	0	213,057	8,960	0	**222,017**
Valued at fair value as at:					
• 31 March 2012	1,804,594	149,582	0	0	**1,954,176**
• 31 March 2011	14,839	30,122	0	1	**44,962**
• 31 March 2010	0	121,595	0	0	**121,595**
• 31 March 2009	0	450,694	0	0	**450,694**
• 31 March 2008	0	8,178	0	0	**8,178**
Total Cost or Valuation	**1,819,433**	**973,228**	**8,960**	**1**	**2,801,622**

Note 13. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority

	Buildings £000	Mayoral Regalia & Silverware £000	Art Collection £000	Public Sculptures £,000	Total Assets £000
Cost or Valuation:					
At 1 April 2011	**15**	**382**	**335**	**20**	**752**
Additions	77	0	0	0	**77**
Disposals	0	0	0	0	**0**
Revaluations	0	0	88	0	**88**
Depreciation	(1)	0	0	0	**(1)**
At 31 March 2012	**91**	**382**	**423**	**20**	**916**
Cost or Valuation:					
At 1 April 2010	**15**	**382**	**99**	**20**	**516**
Revaluations	0	0	236	0	**236**
Depreciation	0	0	0	0	**0**
At 31 March 2011	**15**	**382**	**335**	**20**	**752**

Buildings
The only building that the Council has that is a Heritage Asset is the Tollgate House, Hampstead, see the link below:

Link to Website Regarding Tollgate House, Hampstead -
www.britishlistedbuildings.co.uk/en-199078-toll-gate-house-hampstead

Tollgate House is a Grade 2 listed building and marks the spot where the road entered the Bishop of London's estate; it has previously won a Civic Trust Award. The council's valuers have previously valued this asset at £15,000; but "weatherproofing" works were carried out by the Council in 2011/12 at the cost of £76,960. The building will be recognised at the enhanced value and will be depreciated over the life of the building.

Mayoral Regalia & Silverware
The Council has a substantial collection of Mayoral Regalia and Silverware. This collection has been accumulated from regalia held by Councils that following the 1960's pan-London local government reorganisation that came together to form the London Borough of Camden and other regalia and silverware that the Council has itself accumulated since the 1960's.

The Regalia & Silverware was reviewed and valued in 2011 for insurance purposes, the total valuation was £0.382m. It is kept in the Mayor's vault and is used occasionally in the performance of official ceremonies.

Art Collection
The Council has an extensive Art Collection but only parts of it are on display at any given time. The collection totals around 1,000 pieces and includes various paintings, drawings, prints sculptures and other art objects. The link below shows some of the collection:

Link to London Borough of Camden Art Collection – http://www.camden.gov.uk/ccm/content/leisure/arts-music--culture/arts-and-tourism-service/arts-projects-and-programmes/swiss-cottage-gallery

The collection has come together over many years; mainly from either the amalgamation of the collections held by pre-London Borough of Camden councils or from donations. The collection includes a small number of substantial items. The works were catalogued and valued by Sotherby's in 1986. A further valuation was undertaken by Sotherby's in October 2010 of 18 pieces considered more valuable, that gave a total valuation of £334,690. In March 2012 Bonham's carried out valuation of the collection which came to £423,499 – the minimum value achievable in auction. This valuation has been applied to the financial accounts. For illustrative purposes, shown below are those items where their estimated value is over £10,000:

Asset Type	Title of Asset	Artist	Description of Asset	Value (max. price) £
Painting	Yellow Movement	Sir Terry Frost	Oil on board; 1952	100,000
Painting	Head of a Greek Sailor	John Caxton	Oil on board; 1946	80,000
Painting	Composition - Black and While Ochre	Adrian Heath	Oil on canvas; 1951	50,000
Painting	Manhole I	Prunella Clough	Oil on board	50,000
Painting	Washbowl	John Bratby	Oil on board; 1965	25,000
Painting	Still Life with Cucumber	Robert MacBryde	Oil on canvas; 1969	25,000
Painting	Abstract	Sandra Blow	Oil on board; 1965	18,000
Painting	Composition	Sandra Blow	Oil	15,000

Additions and Disposals of Heritage Assets

There have not been any additions to the Heritage Assets portfolio during 2011/12.
There have not been any recorded disposals of Heritage Assets during 2011/12. However, the Council is currently reviewing its current Art Collection and developing a strategy for its continued holding, maintenance or disposal.

Note 14. Investment Properties

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

2010/11 £000		2011/12 £000
(14,084)	Rental income from investment property	(15,243)
2,355	Direct operating expenses arising from investment property	1,808
(11,729)	**Net (gain)/loss**	**(13,435)**

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:

2010/11 £000		2011/12 £000
182,618	**Balance at start of year**	**195,665**
	Additions:	
353	• subsequent expenditure	0
(406)	Disposals	(3,112)
13,047	Net gains/(losses) from fair value adjustments	(39)
	Transfers:	
53	• to/from property, plant and equipment	1,351
0	Other changes	(746)
195,665	**Balance at end of year**	**193,119**

Note 15. 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 items of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the authority are:

	Internally Generated Assets	Other Assets
3 years	The Camden website and the virtual reality projects have been fully depreciated	Info Social Care and Software & Licences
		Integrated Children Services
5 years		Libraries Radio Frequency Identity project

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1.609m for 2011/12 (£1.409m; 2010/11) was charged to revenue (the IT administration cost centre) and then absorbed as an overhead across all the service headings in the net expenditure of services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on intangible asset balances during the year is as follows:

2010/11				2011/12		
Internally Generated Assets £000	**Other Assets £000**	**Total £000**		**Internally Generated Assets £000**	**Other Assets £000**	**Total £000**
			Balance at start of year:			
398	3,613	4,011	• gross carrying amounts	398	7,778	8,176
(398)	(2,075)	(2,473)	• accumulated amortisation	(398)	(3,484)	(3,882)
0	**1,538**	**1,538**	**Net carrying amount at start of year**	**0**	**4,294**	**4,294**
			Additions:			
0	4,165	4,165	• purchases	0	1,271	1,271
0	0	0	Other disposals	0	(1,246)	(1,246)
0	(1,409)	(1,409)	Amortisation for the period	0	(1,609)	(1,609)
0	0	0	Other charges	0	1,247	1,247
0	**4,294**	**4,294**	**Net carrying amount at end of year**	**0**	**3,957**	**3,957**
			Comprising:			
398	7,778	8,176	• gross carrying amounts	398	7,804	8,202
(398)	(3,484)	(3,882)	• accumulated amortisation	(398)	(3,847)	(4,245)
0	**4,294**	**4,294**		**0**	**3,957**	**3,957**

There is one item of capitalised software that is individually material to the financial statements.

	Carrying Amount		**Remaining Amortisation Period**
	2010/11 £000	**2011/12 £000**	
Libraries Radio Frequency Identity project	1,244	1,195	5 years

Note 16. Financial Instruments

(Restated)

Categories of Financial Instruments

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

	Long-Term			Current		
	1 April 2010 £000	31 March 2011 £000	**31 March 2012 £000**	1 April 2010 £000	31 March 2011 £000	**31 March 2012 £000**
Investments						
Loans and receivables	59,480	0	**0**	159,602	214,977	**207,986**
Total investments	59,480	0	**0**	159,602	214,977	**207,986**
Debtors						
Loans and receivables	3,550	3,297	**2,984**			
Financial assets carried at contract amounts				17,030	17,128	**16,417**
Total included in debtors	3,550	3,297	**2,984**	17,030	17,128	**16,417**
Borrowings						
Financial liabilities at amortised cost	363,697	372,658	**330,241**	271	21,977	**6,423**
Other borrowing	0	0	**0**	21,869	0	**0**
Total included in borrowings	363,697	372,658	**330,241**	22,140	21,977	**6,423**
Other Long Term Liabilities						
PFI and finance lease liabilities	58,050	54,879	**51,277**			
Other Long Term Liabilities	913	801	**630**			
Total other long term liabilities	58,963	55,680	**51,907**			
Creditors						
Financial liabilities at amortised cost	0	0	**0**	0	0	**0**
Financial liabilities carried at contract amount	0	0	**0**	55,642	32,455	**34,716**
Total included in creditors	0	0	**0**	55,642	32,455	**34,716**

Soft loans made by the authority

The Council has carried out an assessment of its soft loans (car loans, cycle loans and season ticket loans), and, based on estimates using a range of different effective interest rates to assess the impact, the estimated loss from these soft loans is immaterial.

Income, Expense, Gains and Losses

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

2011/12	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for-sale assets	Assets and Liabilities at Fair value through P&L	Total
	£,000	**£,000**	**£,000**	**£,000**	**£,000**
Interest expense	(24,130)	0	0	0	(24,130)
Interest income	0	2,723	0	0	2,723
Net gain/(loss) for the year	**(24,130)**	**2,723**	**0**	**0**	**(21,407)**
Comparative figures for 2010/11					
Interest expense	(23,459)	0	0	0	(23,459)
Interest income	0	4,025	0	0	4,025
Net gain/(loss) for the year	**(23,459)**	**4,025**	**0**	**0**	**(19,434)**

Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost.

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31 March:

- For PWLB debt valuation calculation, the discount factor used was the new borrowing rate.
- Since the carrying value included in the balance sheet includes accrued interest, this is also included in the fair value calculations.
- 2012 is a leap year and the additional day has been reflected in the accrued interest calculation for non-PWLB financial instruments.
- No early repayment or impairment is recognised.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

31 March 2011 Carrying amount £000	31 March 2011 Fair value £000		31 March 2012 Carrying amount £000	31 March 2012 Fair value £000
262,771	277,645	PWLB – maturity	205,245	236,731
1,596	2,063	PWLB – annuity	1,190	1,370
130,269	145,431	LOBOs	130,229	133,959
394,636	**425,139**	**Financial liabilities**	**336,664**	**372,060**
0	**0**	**Long-term creditors**	**0**	**0**

The fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

31 March 2011 Carrying amount £000	31 March 2011 Fair value £000		31 March 2012 Carrying amount £000	31 March 2012 Fair value £000
12,585	12,585	Cash	94,634	94,634
202,392	202,509	Deposits with banks and building societies	113,352	113,355
214,977	**215,094**	**Financial assets**	**207,986**	**207,989**
3,297	**3,297**	**Long-term debtors**	**2,984**	**2,984**

The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate investments where the interest rate is receivable is higher than the rates available for similar loans at the Balance Sheet date.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 17. Inventories

	Consumable Stores 2010/11 £000	Consumable Stores 2011/12 £000	Maintenance Materials 2010/11 £000	Maintenance Materials 2011/12 £000	Total 2010/11 £000	Total 2011/12 £000
Balance outstanding at start of year	**50**	**45**	**224**	**238**	**274**	**283**
Purchases	28	0	742	851	770	851
Recognised as an expense in the year	(33)	(7)	(728)	(896)	(761)	(903)
Written on/(off) balances	0	0	0	33	0	33
Balance outstanding at year-end	**45**	**38**	**238**	**226**	**283**	**264**

Note 18. Short-Term Debtors

31 March 2011 (Restated) £000		31 March 2012 £000
	Government and Public Bodies	
12,799	Central Government Bodies	21,253
10,847	Other Local Authorities	6,167
3,946	NHS Bodies	3,027
0	Public Corporations and Trading Funds	88
27,592	**Government and Public Bodies (net)**	**30,535**
	Other entities and individuals	
3,823	- Rent Arrears	4,418
10,515	- Council Tax Payers	9,122
43,170	Gross Other entities and individual	45,175
(37,587)	Less Impairment Allowance	(36,448)
19,921	**Other entities and individuals (net)**	**22,267**
47,513	**Total Debtors**	**52,802**
6,432	Payments in Advance	4,599
53,945	**Total Short-Term Debtors**	**57,401**

Note 19. Cash Flow Statement – Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

31 March 2011 £000		31 March 2012 £000
99	Cash held by the authority	96
12,486	Bank current accounts	15,451
0	Money Market Funds	79,087
12,585	**Total cash and cash equivalents**	**94,634**

Note 20. Assets Held for Sale

Current	**2010/11** £000	**2011/12** £000
Balance outstanding at start of year	**377**	**673**
Assets newly classified as held for sale:		
- property, plant and equipment	0	19,275
Assets sold	(281)	(3,013)
Enhancements	577	12
Balance outstanding at year-end	**673**	**16,947**

Note 21. Creditors

31 March 2010 (Restated) £000	31 March 2011 (Restated) £000		31 March 2012 £000
13,809	15,695	Central government bodies	55,857
2,599	4,380	Other local authorities	6,848
344	570	NHS bodies	4,829
0	212	Public corporations and trading funds	86
142,529	106,145	Other entities and individuals	86,865
159,281	**127,002**	**Total creditors**	**154,485**

As a consequence of changes noted within the 2011/12 Code of Practice in respect of a separate objective categorisation for Receipts in Advance, the above supplier categorisation has been restated.

Note 22. Provisions

2011/12	**Short Term Provision**			**Long Term Provision**				**Total**
	Termination Benefits	**Coroners**	**Carbon Reduction Commitment**	**Self-Insurance**	**Industrial Leases**	**Miscella-neous**	**Coroners**	
Explanation:	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(2)**	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2011	**1,446**	**0**	**0**	**8,729**	**380**	**157**	**0**	**10,712**
Additional provisions made in 2011/12	2,050	810	335	4,451	0	0	251	7,897
	3,496	**810**	**335**	**13,180**	**380**	**157**	**251**	**18,609**
Amounts used in 2011/12	(984)	0	0	(2,036)	(4)	(90)	0	(3,114)
Unused amounts reversed in 2011/12	(462)	0	0	(706)	(280)	0	0	(1,448)
Balance at 31 March 2012	**2,050**	**810**	**335**	**10,438**	**96**	**67**	**251**	**14,047**
	3,195			**10,852**				**14,047**

1. Termination Benefits

Provision has been made to meet the estimated costs of staff rationalisation associated with change management within the council over the forthcoming year.

2. Coroners

The Council is part of the Inner North London Coroner's District; which also includes the London Boroughs of Hackney, Islington and Tower Hamlets (Statutory Instrument 1985 No. 1933). The Council is the designated "Relevant Council" (in affect, the Lead Borough for Coroner Services) and under this arrangement, Coroner costs are divided equally between the four Councils. This provision is the Councils share of the total estimated costs in respect of the Litvinenko Coroners Inquest.

3. Carbon Reduction Commitment

The carbon reduction commitment is a mandatory carbon trading scheme and aims to incentivise carbon emissions reductions in large public and private sector organisations by focusing in their energy efficiency. The provision arises at the point at which the energy is consumed and carbon dioxide emitted. This obligation will need to be recognised on the basis of the participating authority's liability to purchase and surrender the allowances. It is based on the best estimate of the expenditure required to settle the present obligation at the reporting date.

4. Self Insurance

General
Since 1993, the Council has been self-insuring various property, liabilities and motor losses, with the current level of self-insurance at £0.5m. Annual aggregate limits of £1.2m, £4.0m, and £0.4m apply respectively.

Contributions in the form of internal premiums charged to departments and the HRA are made to the provision. The balance of the provision shown as at the 31 March 2012 represents an estimate of the Councils insurance fund exposure to risks on reported claims.

Tree Root
Since January 2010 the council has added tree root liability cover to its main liability insurance programme with an excess of £1.0m; prior to this the Council self-insured. Claims within the excess continue to be funded via the Council's insurance provision.

5. Industrial Leases

Provision has also been made for pending litigations from past events that would lead to probable transfer of economic benefits. The provision is the estimate of any amount to be settled.

6. Miscellaneous Provision

Provision has also been made for pending litigations from past events that would lead to a probable transfer of economic benefits. The provision is the estimate of any amount to be settled.

Note 23. Balance Sheet – Usable Reserves

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

Note 24. Balance Sheet – Unusable Reserves

2010/11 1 April 2010 (Restated) £000	2010/11 31 March 2011 (Restated) £000		2011/12 31 March 2012 £000
85,461	88,169	Revaluation reserve	118,055
2,762,075	2,299,452	Capital adjustment account	2,367,555
(5,919)	(5,670)	Financial instruments adjustment account	(5,174)
(700,796)	(308,011)	Pensions reserve	(380,824)
944	2,702	Collection fund adjustment account	(774)
(7,184)	(5,967)	Accumulating absences account	(5,738)
2,134,581	**2,070,675**	**Total Unusable Reserves**	**2,093,100**

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 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2010/11 1 April 2010 (Restated) £000	2010/11 31 March 2011 (Restated) £000		2011/12 31 March 2012 £000
58,139	**85,461**	**Balance at 1 April**	**88,169**
31,081	11,003	Upward revaluation of assets recognised in the Revaluation Reserve	36,976
0	(4,292)	Downward revaluation of assets and impairment losses charged to the Revaluation Reserve	(370)
31,081	**6,711**	**Surplus or deficit on revaluation of non-current assets posted to the Revaluation Reserve**	**36,606**
(2,421)	(2,534)	Difference between fair value depreciation and historical cost depreciation	(2,375)
(1,338)	(1,469)	Accumulated gains on assets sold or scrapped	(4,345)
(3,759)	**(4,003)**	Amount written off to the capital adjustment account	**(6,720)**
85,461	**88,169**	**Balance at 31 March**	**118,055**

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

Restated 2010/11 £000		**2011/12 £000**
2,762,075	**Balance at 1 April**	**2,299,452**
	Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement:	
(44,313)	- charges for depreciation and impairment of non-current assets	(59,217)
(501,576)	- revaluation losses on property, plant and equipment	(15,847)
(1,409)	- amortisation of intangible assets	(1,609)
(2,960)	- revenue expenditure funded from capital under statute	(676)
(5,202)	- 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	(9,243)
4,002	- adjusting amounts written out of the revaluation reserve	6,720
(551,458)	**Net written out amount of the cost of non-current assets consumed in the year**	**(79,872)**
	Capital financing applied in the year:	
11,314	- use of capital receipts reserve to finance new capital expenditure	14,707
8,064	- use of the major repairs reserve to finance new capital expenditure	23,945
20,805	- capital grants and contributions credited to the comprehensive income and expenditure statements that have been applied to capital financing	24,096
1,420	- application of grants to capital financing from the capital grants unapplied account	1,508
4,080	- statutory provision for the financing of capital investment charged against the general fund and HRA balances	6,166
30,590	- capital expenditure charged against the general fund and HRA balances	35,586
76,273		**106,008**
12,562	Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement	(39)
0	HRA settlement applied to repayment of debt	42,006
2,299,452	**Balance at 31 March**	**2,367,555**

The 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.

2010/11 £000		2011/12 £000
(5,919)	**Balance at 1 April**	**(5,670)**
249	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	496
(5,670)	**Balance at 31 March**	**(5,174)**

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's 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.

2010/11 £000		2011/12 £000
(700,796)	**Balance at 1 April**	**(308,011)**
265,370	Actuarial gains or losses on pensions assets and liabilities	(76,867)
90,854	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	(32,913)
36,561	Employer's pensions contributions and direct payments to pensioners payable in the year	36,967
(308,011)	**Balance at 31 March**	**(380,824)**

Collection Fund Adjustment Account

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

2010/11 £000		2011/12 £000
944	**Balance at 1 April**	**2,702**
1,758	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	(3,476)
2,702	**Balance at 31 March**	**(774)**

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. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2010/11 £000		2011/12 £000
(7,184)	**Balance at 1 April**	**(5,967)**
7,184	Settlement or cancellation of accrual made at the end of the preceding year	5,967
(5,967)	Amounts accrued at the end of the current year	(5,738)
1,217	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	**230**
(5,967)	**Balance at 31 March**	**(5,738)**

Note 25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2010/11 £000		2011/12 £000
(9,777)	Interest received	(4,880)
32,153	Interest paid	38,052
54,005	Other net operating income & expenditure	(257,270)
76,381	**Net cash flows from operating activities.**	**(224,098)**

Note 26. Cash Flow Statement – Investing Activities

2010/11 £000		2011/12 £000
117,600	Purchase of property, plant and equipment, investment property and intangible assets	140,143
(10,331)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(15,663)
(12,658)	Other receipts from investing activities	(72,724)
94,611	**Net cash flows from investing activities**	**51,756**

Note 27. Cash Flow Statement – Financing Activities

2010/11 £000		2011/12 £000
(79,750)	Cash receipts of short-term and long-term borrowings	(15,180)
(178,127)	Other receipts from financing activities	74,991
114,521	Repayments of short-term and long-term borrowing	30,482
(143,356)	**Net cash flows from financing activities**	**90,293**

Note 28. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the CIPFA Service Reporting Code of Practice for Local Authorities 2011/12. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across 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 (whereas depreciation, impairment losses 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

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

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

Service Income and Expenditure 2011/12	**Children's Services**	**Housing and Adult Social Care**	**Culture and Environment**	**Central Services**	**Housing Revenue Account**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other services income	(40,402)	(54,146)	(87,922)	(119,932)	(205,753)	(508,155)
Government grants	(181,363)	(8,200)	(1,568)	(207,089)	(13,486)	(411,706)
Total Income	**(221,765)**	**(62,346)**	**(89,490)**	**(327,021)**	**(219,239)**	**(919,861)**
Employee expenses	181,122	36,732	48,109	49,706	32,953	348,622
Other support expenses	111,099	128,142	75,341	268,037	170,816	753,435
Support service expenses	16,164	20,139	43,078	17,764	19,323	116,468
Total Expenditure	**308,385**	**185,013**	**166,528**	**335,507**	**223,092**	**1,218,525**
Net Expenditure 2011/12	**86,620**	**122,667**	**77,038**	**8,486**	**3,853**	**298,664**

Service Income and Expenditure 2010/11	**Children's Services**	**Housing and Adult Social Care**	**Culture and Environment**	**Central Services**	**Housing Revenue Account**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other services income	(49,386)	(59,989)	(96,438)	(101,496)	(180,880)	(488,189)
Government grants	(204,672)	(17,274)	(3,649)	(204,399)	(6,879)	(436,873)
Total Income	**(254,058)**	**(77,263)**	**(100,087)**	**(305,895)**	**(187,759)**	**(925,062)**
Employee expenses	185,760	44,852	52,578	49,614	38,510	371,314
Other support expenses	128,594	135,457	84,315	245,207	618,801	1,212,374
Support service expenses	14,337	38,840	35,082	19,395	17,240	124,894
Total Expenditure	**328,691**	**219,149**	**171,975**	**314,216**	**674,551**	**1,708,582**
Net Expenditure 2010/11	**74,633**	**141,886**	**71,888**	**8,321**	**486,792**	**783,520**

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

This reconciliation shows how the figures in the analysis of services income and expenditure relates to the amounts included in the comprehensive income and expenditure statement.

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	**2010/11**	**2011/12**
	£000	**£000**
Cost of Services in Service Analysis	**783,520**	**298,664**
Add services not included in main analysis	(133,432)	(29,743)
Add amounts not reported to management	0	3,018
Net Cost of Services in Comprehensive Income and Expenditure Statement	**650,088**	**271,939**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Service income and expenditure relate to a subjective analysis of the surplus or deficit on the provision of services included in the comprehensive income and expenditure statement.

2011/12

Reconciliation to Subjective Analysis (Single Entity)	Service Analysis £000	Services not in Analysis £000	Not reported to mgmt £000	Not included in CIES £000	Allocation of Recharges £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(451,429)	0	0	0	0	**(451,429)**	0	**(451,429)**
Interest and investment income	0	0	0	0	0	**0**	(15,621)	**(15,621)**
Income from council tax	0	0	0	0	0	**0**	(239,353)	**(239,353)**
Government grants and contributions	(404,203)	0	0	0	0	**(404,203)**	(153,390)	**(557,593)**
Total Income	**(855,632)**	**0**	**0**	**0**	**0**	**(855,632)**	**(408,364)**	**(1,263,996)**
Employee expenses	347,035	0	0	0	0	**347,035**	0	**347,035**
Other service expenses	609,864	5,396	3,018	0	0	**618,278**	0	**618,278**
Support Service recharges	116,468	0	0	0	0	**116,468**	0	**116,468**
Depreciation, amortisation and impairment	0	0	45,790	0	0	**45,790**	0	**45,790**
Interest and investment expenditure	0	0	0	0	0	**0**	48,826	**48,826**
Precepts & Levies	0	0	0	0	0	**0**	7,028	**7,028**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	956	**956**
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	**0**	2,973	**2,973**
Total operating expenses	**1,073,367**	**5,396**	**48,808**	**0**	**0**	**1,127,571**	**59,783**	**1,187,354**
(Surplus) or deficit on the provision of services	**217,735**	**5,396**	**48,808**	**0**	**0**	**271,939**	**(348,581)**	**(76,642)**

2010/11

Reconciliation to Subjective Analysis (Single Entity)	Service Analysis £000	Services not in Analysis £000	Not reported to mgmt £000	Not included in CIES £000	Allocation of Recharges £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(488,189)	(142,504)	0	0	0	**(630,693)**	0	**(630,693)**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	**0**	210	**210**
Interest and investment income	0	6,272	0	0	0	**6,272**	(24,292)	**(18,020)**
Income from council tax	0	0	0	0	0	**0**	(98,111)	**(98,111)**
Government grants and contributions	(436,873)	0	0	0	0	**(436,873)**	(235,737)	**(672,610)**
Total Income	**(925,062)**	**(136,232)**	**0**	**0**	**0**	**(1,061,294)**	**(357,930)**	**(1,419,224)**
Employee expenses	371,314	2,800	0	0	0	**374,114**	0	**374,114**
Other service expenses	1,212,374	0	0	0	0	**1,212,374**	(595)	**1,211,779**
Support Service recharges	124,894	0	0	0	0	**124,894**	0	**124,894**
Interest and investment expenditure	0	0	0	0	0	**0**	44,431	**44,431**
Precepts & Levies	0	0	0	0	0	**0**	6,821	**6,821**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	2,115	**2,115**
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	**0**	(5,131)	**(5,131)**
Total operating expenses	**1,708,582**	**2,800**	**0**	**0**	**0**	**1,711,382**	**47,641**	**1,759,023**
(Surplus) or deficit on the provision of services	**783,520**	**(133,432)**	**0**	**0**	**0**	**650,088**	**(310,289)**	**339,799**

Note 29. Acquired and Discontinued Operations

There are no acquired or discontinued operations during 2011/12 (2010/11; nil).

Note 30. Trading Operations

The Authority has established various trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of those units in 2011/12 are as follows:

2010/11 £000		2011/12 £000
	Camden Building Maintenance Camden Building Maintenance are part of the housing repairs service and are the Council's in-house building maintenance contractor, carrying out repairs and improvements work. They are responsible for: • work to tenants' homes in Gospel Oak, Camden Town and Kentish Town. • work to void properties (empty homes) in the South area, which covers Kentish Town, Camden Town and Holborn. • occupational therapy aids and adaptations work.	
(12,580)	Turnover	(12,170)
12,580	Expenditure	12,305
0	**(Surplus)/Deficit**	**135**
	Building Control Service The Local Authority Building Control Regulations (included within Cultural, Environmental and Planning Service) require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement shows the total cost of operating the building control unit for chargeable activities.	
(1,407)	Turnover	(1,305)
1,120	Expenditure	917
(287)	**(Surplus)/Deficit**	**(388)**

Commercial Waste Service

As a Statutory Waste Collection Authority Camden has a duty under Section 45(1) of the Environmental Protection Act 1990 to provide collections of commercial waste and recycling where requested.

Camden's Commercial Waste Service is a trading operation offering the collection of commercial waste and recycling services to all businesses within Camden. Local businesses and organisations have a huge role to play in making Camden a greener place, and can reap real benefits from improving their environmental performance. Camden's commercial waste service supports businesses by providing cost effective waste and recycling options. This is in line with policy objectives of encouraging businesses and institutions to play a leading role in reducing carbon emissions and waste as set out in "Green Action for Change" (Camden's environmental sustainability plan 2011-2020).

(8,938)	Turnover	(7,072)
6,981	Expenditure	2,487
(1,957)	**(Surplus)/Deficit**	**(4,585)**

Street Markets

Under laws governing the operation of these markets, income from fees and charges may be applied only to expenditure on the maintenance of the markets. Income from all licence holders, both annual and temporary, has been brought into account.

(748)	Turnover	(978)
1,000	Expenditure	640
252	**(Surplus)/Deficit**	**(338)**

On-Street Parking

The surplus arising from on street parking facilities is used to defray expenditure on qualifying costs incurred by the Council. Under the legislation the application of any surplus is limited to meeting the cost of providing and maintaining parking facilities, highway improvement schemes, highway maintenance and public passenger transport services. Any amount not so used may be carried forward in a parking reserve account to the next financial year.

(36,116)	Turnover	(37,204)
15,688	Expenditure	12,946
(20,428)	**(Surplus)/Deficit**	**(24,258)**

Camden Transport Services

Camden Transport Services are part of the Environment & Transport section with in C&E and are the council's in-house transport provider of relation to passenger transport and fleet management.

Statutory passenger transport is provided to CSF for children with special education needs and to HASC for adults with disabilities. Passenger transport is also provided to a range of schools across the borough for curricular activity, mainly wet and dry sports activity.

Statutory fleet management is undertaken on behalf of the council for both its goods and passenger operator's licences and supplies vehicles to all departments within the council. The council's vehicle fleet is kept safe, secure and conforms to compliance in carrying out its functions.

(391)	Turnover	(206)
241	Expenditure	211
(150)	**(Surplus)/Deficit**	**5**

Other Trading Operations

The consolidated results of the other council's trading operations are:

(260)	Turnover	0
470	Expenditure	0
210	**(Surplus)/Deficit**	**0**
(22,360)	**Net (surplus)/deficit on trading operations**	**(29,429)**

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public, whilst others are support services to the Authority's services to the public. The expenditure of these operations is allocated or recharged to headings in the net operating expenditure of continuing operations. Only a residual amount of the net surplus on trading operations is charged to Financing and Investment Income and Expenditure (note 10).

2010/11 £000		2011/12 £000
(60,441)	**Turnover credited to the Cost of Services**	**(58,935)**
35,222	Cost debited to the Cost of Services	27,388
2,649	Support services recharge to Expenditure of Continuing operations *	2,118
(22,570)	**Net surplus on trading operations to the Cost of Services**	**(29,429)**
210	**Net services credited to Financing and Investment Income and Expenditure** (note 10)	**0**
(22,360)	**Net surplus on trading operations**	**(29,429)**

* The support services that have been shown here are in respect of central departmental recharges e.g. Finance; departmental recharges have not be separately identified as they represent direct departmental costs.

Note 31. Agency Services

Camden provides various services for the North London Waste Authority (NLWA) under SLA agreements. The services provided include Finance, Human Resources and Information Technology and the council received in 2011/12 a net payment from the NLWA of £1.723m (£1.670m in 2010/11).

In addition, the council provides payroll and personnel services for both Camden Age Concern and the Local Government Information Unit. The amount of income received for both agencies was £3,668 (£6,926 in 2010/11)

Note 32. Pooled Budgets

The Authority has entered into a pooled budget arrangement with Camden Primary Care Trust (CPCT) for the provision of services relating to the Integrated Community Equipment Store (ICES).

This includes the costs of purchasing new equipment and managing the distribution of equipment across the borough of Camden. The local authority holds the pooled budget.

The pooled budget is hosted by the London Borough of Camden on behalf of the two partners to the agreement.

If at the end of any financial year there is an under spend in relation to Pooled Funds, the Partners shall identify the reasons for the under spend. The under spend shall be apportioned in a just and equitable manner, taking into account the circumstances of and reasons for the under spend and the Partners shall make such payments to each other as may be required to reflect this allocation.

	2010/11 (Restated) £000		2011/12 £000	
Funding provided to the pooled budget:				
• the Authority	(775)		(660)	
• the Trust	(371)		(383)	
		(1,146)		(1,043)
Expenditure met from the pooled budget:				
• the Authority	534		723	
• the Trust	371		383	
		905		1,106
Net (surplus)/deficit arising on the pooled budget during the year		**(241)**		**63**
Authority share of 100% of the net (surplus)/deficit arising on the pooled budget		**(241)**		**63**

The council has an arrangement with the Camden and Islington Mental Health Social Care Trust (C&IMHSCT) where the council has delegated its budget to C&IMHSCT for the provision of some mental health services within the borough of Camden. C&IMHSCT is an organisation jointly funded with Camden PCT, Islington PCT and Islington Adult Social Care Services. This is not a formal pooled budget arrangement.

In 2011/12 the local authority transferred £4,514m gross to C&IMHSCT and received £2.416m from C&IMHSCT as a contribution towards its joint services.

Note 33. Members Allowance

2010/11 £000		2011/12 £000
944	Allowances	942
0	Expenses	0
944	**Total**	**942**

Note 34. Officers' Remuneration

The number of staff receiving annual remuneration in excess of £50,000 is shown below. This excludes employer's pension contributions but includes benefits in kind, so far as they are chargeable to UK income tax. Also included are compensation payments for loss of office and other payments receivable on the termination of employment, even where these are not taxable.

2011/12	**Non-Schools**		**Schools**		
Pay band £	Left before 31.03.12	Employed at 31.03.12	Left before 31.03.12	Employed at 31.03.12	**Total**
50,000 to 54,999	14	65	0	103	**182**
55,000 to 59,999	8	39	3	61	**111**
60,000 to 64,999	2	25	1	30	**58**
65,000 to 69,999	2	34	1	27	**64**
70,000 to 74,999	2	15	1	10	**28**
75,000 to 79,999	2	2	0	4	**8**
80,000 to 84,999	2	1	0	5	**8**
85,000 to 89,999	0	4	0	5	**9**
90,000 to 94,999	0	4	0	2	**6**
95,000 to 99,999	0	3	0	1	**4**
100,000 to 104,999	0	4	0	1	**5**
105,000 to 109,999	0	6	0	1	**7**
110,000 to 114,999	0	2	0	2	**4**
145,000 to 149,999	1	0	0	0	**1**
150,000 to 154,999	0	3	0	0	**3**
Total	**33**	**207**	**6**	**252**	**498**

2010/11	**Non-Schools**		**Schools**		
Pay band £	Left before 31.03.11	Employed at 31.03.11	Left before 31.03.11	Employed at 31.03.11	**Total**
50,000 to 54,999	6	89	1	97	**193**
55,000 to 59,999	5	38	1	62	**106**
60,000 to 64,999	4	41	1	25	**71**
65,000 to 69,999	1	27	0	19	**47**
70,000 to 74,999	1	10	0	13	**24**
75,000 to 79,999	0	3	0	3	**6**
80,000 to 84,999	2	2	0	5	**9**
85,000 to 89,999	2	1	0	2	**5**
90,000 to 94,999	0	3	0	3	**6**
95,000 to 99,999	0	4	0	0	**4**
100,000 to 104,999	1	5	0	0	**6**
105,000 to 109,999	0	7	0	2	**9**
110,000 to 114,999	0	1	0	1	**2**
130,000 to 134,999	0	0	0	1	**1**
150,000 to 154,999	0	1	0	0	**1**
155,000 to 159,999	0	3	0	0	**3**
175,000 to 179,999	1	0	0	0	**1**
200,000 to 204,999	0	1	0	0	**1**
Total	**23**	**236**	**3**	**233**	**495**

2011/12

Senior Officers whose salary is £150,000 or more per year:

No.	Name	Job Title	Salary £	Variable Pay * £	Fees & Allowances £	Total Remuneration excluding pension contributions £	Employers Pension £
1	Gibb M	Chief Executive (Note 1)	149,970			149,970	22,937
2	Cooke M	Chief Executive (Note 2)	140,000		10,125	150,125	22,338
3	Stopard R	Director - Culture and Environment	154,010	5,500		159,510	22,579
4	Baxter A	Director - Children, Schools and Families (Note 3)	114,259	2,000		116,259	16,792
5	O'Donnell M	Director – Finance	150,535	4,500		155,035	23,174

Senior Officers with Salary between £50,000 and £150,000 per year:

No.	Job Title	Notes	Salary £	Variable Pay * £	Fees & Allowances £	Total Remuneration excluding pension contributions £	Employers Pension £
1	Assistant Director - Strategy and Resources, Children Schools and Families		105,300	3,500		108,800	15,378
2	Assistant Director - Education Access and Inclusion		105,050	4,200		109,250	15,343
3	Assistant Director - Adult Social Care		105,050	3,500	2,505	111,055	15,698
4	Assistant Director of Finance and Head of Property Services		104,938	3,000		107,938	15,327
5	Assistant Director - Culture and Customers		104,821	4,200		109,021	15,452
6	Assistant Director - Housing Needs & Resources		103,991	3,500	2,728	110,219	15,580
7	Assistant Director - Corporate ICT		101,476	1,500		102,976	14,835

No.	Job Title	Notes	Salary £	Variable Pay * £	Fees & Allowances £	Total Remuneration excluding pension contributions £	Employers Pension £
8	Head of Legal Services (Now Borough Solicitor)		105,326	3,500	7,585	116,411	17,526
9	Assistant Director - Strategic Planning & Joint Commissioning		100,033	3,000		103,033	14,559
10	Assistant Director - Achievement, Children Schools and Families		99,450			99,450	14,689
11	Deputy Director of Finance		98,202	3,500	9,820	111,522	15,836
12	Assistant Director – Communities		97,003	4,200		101,203	14,342
13	Assistant Director - Children's Social Care (Now Assistant Director, Family Support & Social Work)		95,516	1,500		97,016	13,989
14	Assistant Director – Revenues		94,635	3,000		97,635	13,793
15	Assistant Director- Housing Management		92,268	3,000		95,268	13,528
16	Assistant Director - Regeneration and Planning		92,070	3,500		95,570	13,500
17	Chief Procurement Officer	Note 4	91,233	3,000		94,233	12,955
18	Assistant Director - Environment and Transport		89,000	3,500		92,500	13,064
19	Assistant Director - Housing Repairs and Improvement		89,000	3,500	74	92,574	13,003
20	Assistant Director - Human Resources	Note 5	76,000	1,800	11,000	88,800	12,696

Notes

***** One off non-consolidated payment based on performance

Note 1 In post from 1.4.11 to 31.12.11. Annualised salary of £199,961.

Note 2 In post of Director - Housing & Adult Social Care 1.4.11 to 31.12.11. Annualised salary of £135,000.
In post of Chief Executive from 1.1.12 to 31.3.12. Annualised salary of £155,000.

Note 3 Took period of unpaid leave. Annualised salary of £152,110.

Note 4 Commenced in post 4.4.11. Annualised salary of £92,000.

Note 5 Acted up to Assistant Director - Human Resources from 1.4.11 to 29.2.12 and appointed to role on permanent basis on 1.3.12.

Annualised salary of £87,000.

2010/11

Senior Officers whose salary is £150,000 or more per year:

No.	Name	Job Title	Salary £	Variable Pay * £	Fees & Allowances £	Total Remuneration excluding pension contributions £	Employers Pension £
1	Gibb M	Chief Executive	199,961	5,000	0	204,961	31,908
2	Stopard R A	Director of Culture and Environment	154,010	5,000	0	159,010	23,378
3	Baxter A	Director - Children, Schools and Families	152,110	4,000	0	156,110	22,864
4	O'Donnell M	Director - Finance	150,535	4,500	0	155,035	23,995

Senior Officers with Salary between £50,000 and £150,000 per year:

No.	Job Title	Notes	Salary £	Variable Pay * £	Fees & Allowances £	Total Remuneration excluding pension contributions £	Employers Pension £
1	Director - Housing and Adult Social Care and Deputy Chief Executive (Employee A)	Note 1	133,903	5,000	13,391	152,294	22,350
2	Assistant Director - Strategy and Resources, Children Schools and Families		105,300	3,000		108,300	16,074
3	Assistant Director - Education Access and Inclusion		105,050	3,000		108,050	15,751
4	Assistant Director - Adult Social Care		105,050	3,000		108,050	15,946
5	Assistant Director of Finance and Head of Property Services		104,938	3,000		107,938	15,924
6	Assistant Director - Culture and Sport (Now Assistant Director, Culture and Customers)		104,821	4,000		108,821	15,618
7	Assistant Director - Finance and Resources, Housing and Adult Social Care (Now Assistant Director, Housing Needs and Resources, Housing and Adult Social Care)		103,991	3,000		106,991	15,498
8	Assistant Director - Corporate ICT		101,476	3,000		104,476	15,263
9	Head of Legal Services		101,135	3,500	10,114	114,749	17,497
10	Assistant Director -		100,033	2,500		102,533	15,040

No.	Job Title	Notes	Salary £	Variable Pay * £	Fees & Allowances £	Total Remuneration excluding pension contributions £	Employers Pension £
11	Strategic Planning & Joint Commissioning Assistant Director - Achievement, Children Schools and Families		99,451	4,000		103,451	14,814
12	Deputy Director of Finance		98,202	3,500	9,820	111,522	16,165
13	Assistant Director - Strategy & Resources, Culture and Environment (Now Assistant Director, Communities)		97,003	4,000		101,003	14,565
14	Assistant Chief Executive	Note 2	100,682		6,655	177,146**	15,624
15	Assistant Director - Children's Social Care		95,516	3,000		98,516	14,338
16	Assistant Director - Revenues		94,635	2,500		97,135	14,100
17	Assistant Director- Housing Management		92,268	3,000		95,268	13,744
18	Assistant Director - Planning and Public Protection (Now Assistant Director, Regeneration and Planning)		92,070	3,000		95,070	13,582
19	Assistant Director - Public Realm and Sustainability (Now Assistant Director, Environment and Transport) (Employee C)	Note 3	73,320	3,000	12,277	88,597	12,421
20	Head of Human Resources Development (Acting up to Assistant Director of Human Resources	Note 4	78,749			78,749	12,127
21	Assistant Director - Housing Repairs and Improvement	Note 5	64,871	2,500	2,500	69,871	12,559
22	Assistant Director - Public Realm and Sustainability (Employee D)	Note 3	32,392			32,392	5,319
23	Assistant Director - Community Safety	Note 6	43,185			43,185	6,132
24	Director - Housing and Adult Social Care (Employee B)	Note 1	49,677			49,677	2,368
25	Assistant Director, Regeneration & Partnerships	Note 7	8,848		885	9,733	1,382

Notes

***** One off non-consolidated payment based on performance

Note 1 Employee A in post of Director of Organisation Development from 1/4/10 to 16/5/10 and in post of Director of HASC from 17/5/10 to 31/3/11
Employee B in post from 1/4/10 and left organisation on 16/5/10. Annualised salary of £132,000.

Note 2	On secondment to Department of Communities and Local Government (DCLG) from 1/4/10 to 11/2/11. Annualised salary of £108,014. Includes re-imbursement of salary from DCLG. ** Includes compensation payment for loss of office of £69,809.
Note 3	Employee C acted up to Assistant Director - Public Realm and Sustainability from 1/4/10 to 30/9/10 and appointed to role on permanent basis on 1/10/10. Annualised salary of £89,000 Employee D left organisation on 30/9/10.
Note 4	Director of Organisation Development (including Human Resources division) moved to post of Director of HASC (see Note 1). Head of Human Resources Development currently acting up into interim role of Assistant Director of Human Resources. Annualised salary of £74,000
Note 5	Acted up to Assistant Director, Housing Repairs & Improvement from 5/7/10 to 30/9/10 and appointed to role on permanent basis on 1/10/10. Annualised salary of £89,000
Note 6	In post from 1/4/10 to 3/10/10. Responsibility for community safety now comes under remit of Assistant Director, Communities.
Note 7	In post from 1/4/10 to 30/4/10

Note 35. 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:

2010/11 £000		2011/12 £000
373	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	361
94	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	65
18	Fees payable in respect of other services provided by Deloitte & Touche LLP during the year	26
485	**Total**	**452**

The fees in respect of others services payable in 2010/11 and 2011/12 relates to work undertaken by Deloitte Touche LLP on objections made on the council’s accounts when they were the appointed auditor.

Note 36. Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2011/12 are as follows:

2010/11 Capital Expenditure £000	2010/11 ISB £000	2010/11 Total £000		2011/12 Capital Expenditure £000	2011/12 ISB £000	2011/12 Total £000
		(134,074)	Final DSG for the financial year			**(154,951)**
		(1,029)	Brought forward from the previous year			(4,034)
		(95)	Budget share clawed back, brought forward from previous year			0
		0	Carry forward to next financial year agreed in advance			4,034
(25,490)	**(109,708)**	**(135,198)**	Agreed budgeted distribution in the year	**(25,961)**	**(128,990)**	**(154,951)**
0	0	0	In year adjustments	1,070	(1,070)	0
(25,490)	**(109,708)**	**(135,198)**	Final budget distribution for year	**(24,891)**	**(130,060)**	**(154,951)**
21,456	0	21,456	Actual central expenditure	21,686	0	21,686
0	109,708	109,708	Actual ISB deployed to schools	0	130,060	130,060
(4,034)	0	(4,034)	Carry forward to DSG in next financial year	(3,205)	0	(7,239)
		0	Budget share clawed back from schools to be reallocated in next financial year			0
		(4,034)	**Total DSG carry forward**			**(7,239)**

Note 37. Grant Income

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statements in 2011/12.

2010/11 (Restated) £000		2011/12 £000
	Credited to taxation and non-specific grant income	
146,047	Non domestic rates	141,140
44,290	Area Based Grant	0
21,207	Revenue Support Grant	43,627
0	Early Intervention Grant	13,022
0	Housing and Council Tax Benefits Administration Grant *	3,061
0	Learning Disability and Health Reform	3,478
0	Council Tax Freeze Grant	2,468
0	Preventing Homelessness	2,225
0	New Homes Bonus	1,767
0	PFI grant *	1,717
0	Other grants and contributions	211
211,544	**Total**	**212,716**

* The local government finance settlement for 2011/12 redesignated these grants as unringfenced for 2011/12 and therefore not charged to the Net Cost of Services as had been in previous years

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	Credited to Services	
	Capital Grants & Contributions Applied	
4,740	Transport for London	5,274
485	Scottish and Southern	7
357	Sure Start Children's Centres	0
1,128	Target Funding	1,751
337	Social Care/Mental Health	0
2,106	Standards Fund Capital	9
1,034	IT Demonstrator Grant	260
2,809	Homes & Communities Agency	2,913
5,428	BSF	8,170
601	Other small grants & Contributions	441
0	S106 from UKCMRI recognised in I&E	1,840
1,428	Other S106 Recognised in I&E	3,089
352	Other Contributions	342

	Capital - Grants & Contributions Unapplied	
69	Housing & Planning Deliver Grant - Capital	0
471	Social Care/Mental Health Grants	653
1,102	Contractors & third parties Contributions (Unapplied)	923
22,447	**Total Capital Grants**	**25,672**
233,991	**Total**	**238,388**

	Credited to Services	
179,370	Housing Benefit Subsidy	185,887
6,391	HRA Subsidy	13,486
26,809	Council Tax Benefit Subsidy	26,566
1,166	Asylum Seekers	638
8,471	Childcare Development	758
1,192	Revenue related grants	1,182
134,074	Dedicated Schools Grant	154,961
1,701	Homelessness Strategy Implementation Grant	0
28,260	Young People's Learning Agency (previously Learning & Skills Council)	17,423
740	London Pay Grant	0
0	Pupil Premium Grant	3,545
5,496	School Standards Grant	0
20,773	Standards Fund	1,317
2,262	Sure Start	0
985	Transport for London	414
51	Connexions	0
0	Supporting People *	9,450
3,660	Housing and Council Tax Benefits Administration Grant	0
1,717	PFI grant	0
6,818	Other grants	4,375
429,936	**Total**	**420,002**

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:

2010/11 £000	2010/11 £000		2011/12 £000	2011/12 £000
		Capital Grant Receipts in Advance		
		Included in Short Term Liabilities		
7,543		Target Funding	5,925	
4,508		Standards Fund	8,875	
1,112		IT Demonstrator Grant	853	
1,700		Homes and Communities Agency	0	
3,504		BSF	15,774	
720		Other grants	578	
71	19,158	Other contributions	148	32,153
		Including in Long Term Liabilities		
21,349		Section 106	26,224	
198	21,547	Fire-ins	66	26,290
	40,705	**Total**		**58,443**

2010/11 (Restated) £000		2011/12 £000
	Revenue Grant Receipts in Advance	
	Included in Short Term Liabilities	
3,123	Social Care Reform Grant	2,454
451	Young People's Learning Agency (previously Learning & Skills Council)	261
0	NHS Contributions	243
0	Social Work Support Programme	272
0	New Homes Bonus	235
9,450	Supporting People *	0
2,243	Childcare Development	0
1,677	Education Standards Fund	0
256	Sure Start	0
1,124	Other grants	964
18,324	**Total**	**4,429**

* As at 31st March 2011, the Council held £9.450m in Income Received in Advance relating to historic funding for Supporting People. Due to the fact that this grant no longer has conditions attached to it, this was applied through the Comprehensive Income and Expenditure Statement in 11/12.

Note 38. Related Parties

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

Central government

Central government has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in a note relating to the Cash Flow Statement. In addition, a number of transactions with related parties are disclosed elsewhere in the notes to these accounts.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 33.

With regard to the 2011/12 related party disclosures received from members and a review of the register of interests, there are organisations that members have declared an interest in but also where Camden has provided financial support to or the organisation has provided services to the council. The Council's transactions with these organisations in 2011/12 are as follows:

	2011/12 £000	2010/11 £000
Corporate relationships (where the Councillor serves as a representative of the Council)	7,813	11,356
Personal relationships (i.e. where the Councillor or a close relative serves in their own right)	5,284	8,007
Organisations which have both corporate and personal relationships	168	381
Total	**13,265**	**19,744**

Further details of the Members' Register of Interests are available on the Camden website: http://camden.gov.uk/ccm/navigation/council-and-democracy

At 31st March 2012 the Council held £18k in debtor balances with related parties (£17k estimated, 31 March 2011) and £673k in creditor balances (£nil, 31 March 2011)

There were no debts with related parties written off during 2011/12 (£nil, 31 March 2011).

Officers

With regard to the 2011/12 related party disclosures received from officers, those officers have not declared any interests outside the responsibilities in respect of the North London Waste Authority (NLWA) and London Pension Fund Authority (LPFA) disclosed later in this note**.**

Local Health Trusts

Adult Social Care received £13.706m from local Health Trusts during the year for the provision of combined health and community care services. This comprised:

2010/11 £000		**2011/12 £000**
8,820	Camden Primary Care Trust	11,066
264	Other Primary Care Trusts	224
3,178	Camden & Islington Mental NHS Foundation Trust (Mental Health & Social Care)	2,416
12,262	**Total**	**13,706**

North London Waste Authority (NLWA)

In respect of NLWA, the council acts as lead borough. In this respect, the:

- Chief Executive (Michael Cooke) acts as clerk
- Director of Finance (Michael O'Donnell) acts as financial advisor
- Head of Legal Services (Andrew Maughan) acts as legal advisor

It should be noted that the NLWA has seven participating boroughs and each borough can appoint up to two members to the board.

In 2011/12 the council paid £8.235m (£8.339m; 2010/11) to the NLWA and received £0.923m (£0.560m; 2010/11). The council held £28.491m on behalf of NLWA at 31 March 2012 (£21.741m; 31 March 2011) and this is included in the cash at bank balances and as temporary loans to the council in the accounts.

Further disclosures in respect of NLWA are shown in note 31 on agency services.

London Pension Fund Authority (LPFA)

In respect of the LPFA, the Director of Finance (Michael O'Donnell) is a Non-Executive Board Member.

London Committee for Action Against Fraud (LCAAF) and the London Ecology Unit (LEU)

The council is the lead borough for the London Committee for Action Against Fraud (LCAAF) and the London Ecology Unit (LEU). In respect of LCAAF and LEU, the council held £0.048m on its behalf at 31 March 2012 (£0.047m at 31 March 2011) and is included in the cash at bank balances and as temporary loans to the council in the accounts.

Note 39. 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 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.

2010/11 £000		2011/12 £000
525,242	***Opening capital financing requirement***	**569,778**
0	*Prior Year Adjustment*	(495)
525,242	***Revised opening capital financing requirement***	**569,283**
	Capital investment:	
	From Capital Expenditure:	
109,040	Property, plant and equipment	136,277
0	Assets Held for Sale	2,842
83	Investment properties	93
3,447	Intangible assets	1,271
11,803	Revenue expenditure funded from capital under statute	5,784
	Other Investments:	
4,259	PFI Assets	22,381
1,095	Finance Leases	1,626
129,727		**170,274**
	Sources of finance	
36,716	Capital receipts	1,179
48,641	Government grants and other contributions	63,762
	Sums set aside from revenue:	
21,156	- direct revenue contributions	26,580
(25,401)	Pre-application of capital receipts	13,528
0	HRA self-financing settlement repayment of debt	42,006
(1)	Special repayment of debt - housing assoc loans	0
320	- MRP	1,729
2,905	- MRP in relation to PFI	3,180
855	- MRP in relation to Finance Leases	1,257
85,191		**153,221**
569,778	***Closing Capital Financing Requirement***	**586,336**
44,536	***Change in CFR***	**17,053**

2010/11 £000		2011/12 £000
	Explanation of movements in year	
14,239	Increase in underlying need to borrowing (supported by government financial assistance)	10,000
3,621	Increase in underlying need to borrowing (unsupported by government financial assistance)	44,746
1,095	Assets acquired under finance leases	1,626
4,259	Assets acquired under PFI/PPP contracts	22,381
25,401	Pre-application of capital receipts	(13,528)
1	Special repayment of debt - housing assoc loans	0
(320)	- MRP	(1,729)
(2,905)	- MRP - PFI	(3,180)
(855)	- MRP - Finance Leases	(1,257)
0	HRA self-financing settlement repayment of debt	(42,006)
44,536	**Increase/(decrease) in Capital Financing Requirement**	**17,053**

Note 40. Leases

Authority as Lessee

Finance Leases
The council has a number of vehicles, photocopiers and IT related equipment under finance leases; these assets are carried as property, plant and equipment in the balance sheet at the following net amounts:

31 March 2011 (Restated) £000		31 March 2012 £000
3,363	Vehicles, plant, furniture and equipment	3,829
3,363		**3,829**

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

2010/11 (Restated) £000		2011/12 £000
	Finance lease liabilities (net present value of minimum lease payments):	
903	• current	1,283
1,754	• non current	1,743
143	Finance costs payable in future years	122
2,800	Minimum lease payments	**3,148**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments 2010/11 (Restated) £000	2011/12 £000	Finance Lease Liabilities 2010/11 (Restated) £000	2011/12 £000
Not later than one year	933	1,358	903	1,283
Later than one year and not later than five years	1,866	1,776	1,754	1,728
Later than five years	0	14	0	15
	2,799	**3,148**	**2,657**	**3,026**

Payments incurred in respect of finance leases are shown below:

2010/11 £000		2011/12 £000
104	Financing Costs	114
855	Finance Lease Liabilities	1,258
959		**1,372**

Operating Leases

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

2010/11 £000		2011/12 £000
248	Not later than one year	221
234	Later than one year and not later than five years	287
0	Later than five years	0
482		**508**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2010/11 £000		2011/12 £000
318	Minimum lease payments	331
0	Contingent rents	0
318		**331**

In addition to the leases disclosed above, Camden has entered into a contract with Veolia Environmental Services for waste management. The contract has been reviewed and it has been concluded that the substance of the transaction between Veolia and Camden for the use of Veolia's vehicles in effect represents an operating lease where Camden is the lessee. Based on estimates of the fair values of the assets were they to be acquired in a commercial environment, it is estimated that Camden would have paid £1.652m for the use of these assets in 2011/12 (£1.669m in 2010/11).

Authority as Lessor

Operating Leases

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

- for the provision of community services, such as sports facilities.
- for economic development purposes to provide suitable affordable accommodation for local businesses.

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

2010/11 £000		2011/12 £000
13,157	Not later than one year	12,313
31,777	Later than one year and not later than five years	28,750
42,837	Later than five years	40,298
87,771		**81,361**

The Council has a policy of reviewing leases every three years. The amount of possible increases or decreases is indeterminable; therefore, the minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into. In 2011/12 no contingent rents were receivable by the Council (2010/11 nil).

Note 41. Private Finance Initiatives and Similar Contracts

PFI contracts are agreements to receive services, where the responsibility for making available the non-current assets needed to provide the services passes to the PFI contractor. As the council is deemed to control the services that are provided under its PFI schemes and as ownership of the non-current assets will pass to the council at the end of the contracts for no additional charge, the council carries the non-current assets used under the contracts on the Balance Sheet.

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

Haverstock School PFI

In 2003/04 Camden entered into a 27 year contract to rebuild the Haverstock School and then provide services to the school. The unitary charge is subject to indexation and performance deductions for service and availability failures.

The land where the dwelling blocks are situated belongs to the Council and the Operator has been granted a license to use the land for undertaking the works and services.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. For the Haverstock School PFI, the liability was written down by an initial capital contribution of £4.0m.

Details of the payments due to be made under PFI arrangements (separated into repayments of liability, interest and service charges):

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2012/13	764	468	1,113	**2,345**
Payable within two to five years	3,703	1,819	4,071	**9,593**
Payable within six to ten years	5,899	2,414	4,196	**12,509**
Payable within eleven to fifteen years	6,121	4,026	3,007	**13,154**
Payable within sixteen to twenty years.	4,036	4,492	878	**9,406**
Total	**20,523**	**13,219**	**13,265**	**47,007**

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

2010/11		2011/12
£000		£000
13,903	**Balance outstanding at 1 April**	**13,602**
(301)	Payments during the year	(383)
0	Capital expenditure incurred in the year	0
13,602	**Balance outstanding at 31 March**	**13,219**

Chalcot Housing PFI

In 2006/07 Camden entered into a 15-year concession to refurbish and maintain dwelling accommodation on the Chalcot Housing Estate The unitary charge for the maintenance and lifecycle work for the remainder of the contract is under a fixed cost contract agreement, subject to indexation and performance deductions.

The land where the dwelling blocks are situated belongs to the Council and the Operator has been granted a license to use the land for undertaking the works and services.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. For the Chalcot Housing PFI, the liability was written down by capital contributions of £9.791m.

Details of the payments due to be made under PFI arrangements (separated into repayments of liability, interest and service charges):

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2012/13	2,579	3,123	4,393	**10,095**
Payable within two to five years	11,800	15,775	13,783	**41,358**
Payable within six to ten years	16,038	21,008	5,994	**43,040**
Total	**30,417**	**39,906**	**24,170**	**94,493**

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

2010/11		2011/12
£000		£000
45,307	**Balance outstanding at 1 April**	**42,703**
(2,604)	Payments during the year	(2,797)
0	Capital expenditure incurred in the year	0
42,703	**Balance outstanding at 31 March**	**39,906**

Swiss Cottage SEN School and UCL Academy PFI

The council has entered into a 25 year contract to build two new schools at Adelaide Road, Swiss Cottage SEN School and UCL Academy, and provide facilities management services excluding catering services. The council will be required to pay an annual unitary charge to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The unitary charge will be subject to indexation and performance deductions for service and availability failures. The council will receive an annual PFI credit towards the unitary charge. The schools will each make annual contributions to meet the costs of the unitary charge not covered by the PFI credits and for the council to manage the PFI services and provide ICT facilities to the schools.

Details of the payments due to be made under PFI arrangements (separated into repayments of liability, interest and service charges):

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2012/13	1,141	624	1,932	**3,697**
Payable within two to five years	8,459	4,891	12,667	**26,017**
Payable within six to ten years	12,649	7,842	14,106	**34,597**
Payable within eleven to fifteen years	15,323	10,327	11,620	**37,270**
Payable within sixteen to twenty years.	17,716	13,600	8,349	**39,665**
Payable within twenty-one to twenty-five years	21,989	17,910	4,038	**43,937**
Payable within twenty-five to thirty years	2,784	4,212	177	**7,173**
Total	**80,061**	**59,406**	**52,889**	**192,356**

Note 42. Impairment Losses

During 2011/12 the authority has had no impairment losses (2010/11, £nil).

Revaluation losses on operational properties and changes in the fair value of investment properties have been disclosed elsewhere in the Statement (the Movement in Reserves Statement, Note 12: Fixed Assets and Note 14: Investment Properties).

Note 43. Termination Benefits

The council is in the third year of delivering £83.340m savings as part of the medium term financial strategy set for the council. As part of these savings we have had to review a large number of organisational structures with the aim of delivering more value for money services to our customers. The following data provides a summary of the exit packages associated with the required redundancies to meet this savings target within the financial year 2011/12.

For 2011/12, the council has charged to the Comprehensive Income and Expenditure Account a total of £8.403m for the termination of a number of employee contracts. Of this total, £6.354m is for the termination of contracts that have occurred during 2011/12 and a £2.049m provision has been established for terminations that will occur within 12 months of the balance sheet date. Of terminations charged to 2011/12, this is for 385 people that are spread across the full range of council services.

The table below provides an analysis of the exit packages approved during 2011/12. This analysis discloses both the number of exit packages and the total cost of redundancies by the total cost band for each redundancy. With reference to the columns labelled:

- 'compulsory redundancies'; this summarises the costs associated with the total number of compulsory redundancies in 2011/12.
- 'other departures agreed'; wherever possible, redundancies have been minimised through the use of a variety of measures including the use of voluntary redundancy. Where staff have left the organisation through voluntary redundancy, these have been included within this column and make up the vast majority of those packages.

Exit Package Bands	Headcount by Band				Cost by Band			
	Compulsory Redundancies		Other Departures Agreed *		Compulsory Redundancies		Other Departures Agreed *	
	2010/11	2011/12	2010/11	2011/12	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
£0 - £20,000	41	93	24	55	293	842	198	513
£20,001 - £40,000	13	40	11	42	374	1,057	319	1,237
£40,001 - £60,000	3	10	3	21	158	481	155	989
£60,001 - £80,000	3	3	3	11	208	202	215	746
£80,001 - £100,000	1	1	2	1	84	92	180	83
£100,001 - £150,000	0	1	3	0	0	112	309	0
Total	**61**	**148**	**46**	**130**	**1,117**	**2,786**	**1,376**	**3,568**

* The vast majority of these departures relate to voluntary redundancies

Note 44. Pensions Schemes Accounted for as Defined Contribution Schemes

(a) Teachers

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

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

In 2011/12 the Council paid £8.706m to Teachers' Pensions in respect of teachers' retirement benefits (£8.855m, 2010/11), representing 15.30% of pensionable pay (15.56%, 2010/11). There were no contributions remaining payable at the year-end.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 45.

(b) Ex ILEA
In 2011/12 the Council paid £0.249m to the London Pensions Fund Authority (£0.299m, 2010/11) in respect of former ILEA employees' pension costs, which represents 20.08% of ex-ILEA employees' pensionable pay (21.05%, 2010/11). In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2011/12 these amounted to £0.055m, (£0.053m, 2010/11) representing 4.47% of pensionable pay (3.75%, in 2010/11).

(c) Other Employees
In 2011/12 the Council's level of contribution into the Pension Fund was 24.3% (23.3%, 2010/11) for those employees paying between 5.50% and 7.50% of pensionable pay. The actual cash payments made into the Fund by the Council were £33.083m (£33.059m, 2010/11) which represents 25.92% of Camden employees' pensionable pay (23.97%, 2010/11).

The Fund's actuary determines the employer's contribution rate. It is based on triennial actuarial valuations, with the last review being at 31 March 2010.

Under Pension Fund regulations applying from 2007/08, contribution rates are required to meet 100% of the overall liabilities of the Fund over an agreed period and the contributions needed by the Council to meet this requirement will continue to be funded at the level recommended by the Council's actuary.

In addition, the Council is responsible for all pension payments relating to added year benefits it has awarded, together with the related increases. In 2010/11 these amounted to £2.815m, representing 2.21% of pensionable pay (£2.786m and 2.02%, 2010/11).

The capital cost of discretionary increases in pension payments (e.g. discretionary added years) agreed by the authority in 2011/12 was nil (nil; 2010/11).

Note 45. Defined Benefit Pension Schemes

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

The Council's employees belong to three principal pension schemes, all of which are defined benefit schemes. The three schemes are the

- London Borough of Camden Pension Fund,
- London Pensions Fund,

- Teachers Superannuation Scheme.

With reference to the:

- London Pensions Fund, this fund is for non-teaching staff who transferred from the Inner London Education Authority and is now managed by the London Pensions Fund Authority.
- Teachers Superannuation Scheme (TSS), this fund is for teaching staff managed by the Teacher Pensions Agency.

Transactions Relating to Post-employment 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 of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2010/11 £000	**London Borough of Camden Pension Fund**	**2011/12 £000**
Comprehensive Income & Expenditure Statement		
	Cost of Services:	
28,667	- current service cost	25,003
(136,254)	- past service costs/(gains)	100
1,374	- settlement and curtailments	2,918
	Financing and Investment Income and Expenditure	
74,101	- interest cost	61,192
(56,493)	- expected return on scheme assets	(56,923)
(88,605)	***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	**32,290**
(88,605)	***Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement***	**32,290**
Movement in Reserves Statement		
(88,605)	- reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**32,290**
	Actual amount charged against the General Fund Balance for Pensions in the year	
36,200	**- employers' contributions payable to scheme**	**37,859**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011/12 is a loss of £250.953m (loss of £177.425m; 2010/11)

Assets and Liabilities in Relation to Post-employment Benefits

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

Reconciliation of defined benefit obligation

31 Mar 2011 £000	Year Ended:	31 Mar 2012 £000
1,453,360	**Opening Defined Benefit Obligation**	**1,115,456**
28,667	Current Service Cost	25,003
74,101	Interest on Obligation	61,192
9,555	Contributions by Members	9,037
(274,594)	Actuarial Losses / (Gains)	53,289
(136,254)	Past Service Costs / (Gains)	100
1,374	Losses / (Gains) on Curtailments	2,918
(3,045)	Estimated Unfunded Benefits Paid	(3,190)
(37,708)	Estimated Benefits Paid	(39,711)
1,115,456	**Closing Defined Benefit Obligation**	**1,224,094**

Reconciliation of fair value of employer assets

31 Mar 2011 £000	Year Ended:	31 Mar 2012 £000
772,040	**Opening Fair Value of Employer Assets**	**811,299**
56,493	Expected Return on Assets	56,923
9,555	Contributions by Members	9,037
33,155	Contributions by the Employer	34,669
3,045	Contributions in respect of Unfunded Benefits	3,190
(22,236)	Actuarial Gains / (Losses)	(20,239)
(3,045)	Unfunded Benefits Paid	(3,190)
(37,708)	Benefits Paid	(39,711)
811,299	**Closing Fair Value of Employer Assets**	**851,978**

Balance sheet

31 Mar 2011 £000	Year Ended:	31 Mar 2012 £000
(1,074,581)	Present Value of Funded Obligations[1]	(1,182,225)
811,299	Fair Value of Employer Assets	851,978
(263,282)	**Net (Under) / Overfunding in Funded Plans**	**(330,247)**
(40,875)	Present Value of Unfunded Obligations[2]	(41,869)
0	Unrecognised Actuarial (Gain) / Loss	0
0	Unrecognised Past Service Cost	0
0	Unrecognised Transition (Asset) / Liability	0
(304,157)	**Net Asset / (Liability)**	**(372,116)**
	Amount in the Balance Sheet:	
304,157	- Liabilities	372,116
	- Assets	

[1] Actuary estimated that this liability comprises of approximately £491,333,000, £263,311,000 and £427,581,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2012. 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 for certain types of employer. However, the actuary satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

[2] This liability comprises of approximately £33,787,000 in respect of LGPS unfunded pensions and £8,082,000 in respect of Teachers' unfunded pensions as at 31 March 2012. It is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the member's death.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year is £36,819m (£67.704m; 2010/11).

Scheme History

2007/08 £,000	2008/09 £,000	2009/10 £,000	2010/11 £,000		2011/12 £,000
664,652	539,304	772,041	811,299	Fair Value of Employer Assets	851,978
(915,814)	(896,649)	(1,453,361)	(1,115,456)	Present Value of Defined Benefit Obligation	(1,224,094)
(251,162)	**(357,345)**	**(681,320)**	**(304,157)**	**Surplus / (Deficit)**	**(372,116)**
(92,700)	(186,804)	185,300	(22,236)	Experience Gains / (Losses) on Assets	(20,239)
(13.9%)	(34.6%)	24.0%	(2.7%)	Percentage of assets	(2.4%)
(18,243)	(220)	9,473	171,831	Experience Gains / (Losses) on Liabilities	(16,913)
2.0%	0.0%	(0.7%)	(15.4%)	Percentage of liabilities	1.4%
(92,700)	(186,804)	185,300	(22,236)	Actuarial Gains / (Losses) on Employer Assets	(20,239)
134,980	84,480	(505,313)	274,594	Actuarial Gains / (Losses) on Obligation	(53,289)
42,280	(102,324)	(320,012)	252,358	Actuarial Gains / (Losses) recognised in SRIE	(73,528)
(78,027)	(187,315)	185,462	11,211	Differences between the expected and actual returns on assets	(20,104)
(11.7%)	(34.7%)	24.0%	1.4%	As a percentage of assets	(2.4%)

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £372.116m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet.

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 actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £34.669m (£33.155m; 2010/11. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 is £3.190m (£3.045m; 2011/12).

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Camden Pension Fund being based on the latest full valuation of the scheme as at 1 April 2012.

The principal assumptions used by the actuary have been:

Financial assumptions

31 Mar 2011 % p.a.	**Year Ended:**	**31 Mar 2012 % p.a.**
2.8%	Pension Increase Rate	2.5%
5.1%**	Salary Increase Rate	4.8%*
7.0%	Expected Return on Assets	5.7%
5.5%	Discount Rate	4.8%

* Salary increases are 1% p.a.until 31 March 2015 reverting to the long term assumption shown thereafter.
**Salary increases are 1% p.a.until 31 March 2012 reverting to the long term assumption shown thereafter.

Breakdown of the expected return on assets by category

31 Mar 2011 % p.a.	**Year Ended:**	**31 Mar 2012 % p.a.**
7.5%	Equities	6.2%
4.9%	Bonds	3.5%
5.5%	Property	4.4%
4.6%	Cash	3.5%

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements from 2010 in line with the Medium Cohort and a 1% p.a. underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Male		**Female**
21.1 years	Current Pensioners	23.2 years
23.5 years	Future Pensioners*	25.6 years

* Future pensioners are assumed to be age 45.

Historic mortality
Life expectancies for the prior year end are based on the Fund's VitaCurves. The allowance for future life expectancies are shown in the table below.

Prospective Pensioners	Year Ended	Pensioners
year of birth, medium cohort and 1% p.a. minimum improvements from 2010	31 March 2011	year of birth, medium cohort and 1% p.a. minimum improvements from 2010

Please note that the mortality assumptions are identical to those used in the previous accounting period.

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 for post-April 2008 service.

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

Year Ended:	**31 Mar 2011**		**31 Mar 2012**	
	£000	**%**	**£000**	**%**
Equities	657,152	81%	664,543	78%
Bonds	97,356	12%	110,757	13%
Property	40,565	5%	59,638	7%
Cash	16,226	2%	17,040	2%
Total	**811,299**	**100%**	**851,978**	**100%**

The above asset values as at 31 March 2012 are at bid value as required under IAS19.

Actuary have carried out its calculations by applying an adjustment of -0.43% to mid market values where appropriate as the bid value of assets for the Fund as a whole as at recent date were not provided.

2010/11 £000	**London Pensions Fund Authority Pension Fund**	**2011/12 £000**
	Comprehensive Income & Expenditure Statement	
	Cost of Services:	
348	- current service cost	274
(3,182)	- past service costs/(gains)	0
	Financing and Investment Income and Expenditure	
2,307	- interest cost	2,075
(1,722)	- expected return on scheme assets	(1,726)
(2,249)	***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	**623**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
0	- actuarial (gains) and losses	0

(2,249)	***Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement***	**623**
	Movement in Reserves Statement	
(2,249)	- reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**623**
	Actual amount charged against the General Fund Balance for Pensions in the year	
361	- employers' contributions payable to scheme	**559**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/12 is a loss of £8.709m (loss of £5.370m; 2010/11).

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of defined benefit obligation

31 Mar 2011 £000	Year Ended:	31 Mar 2012 £000
48,329	**Opening Defined Benefit Obligation**	**38,583**
348	Service Cost	274
2,307	Interest Cost	2,075
(7,091)	Actuarial Losses / (Gains)	3,334
0	Losses / (Gains) on Curtailments	0
(2,153)	Estimated Benefits Paid net of transfers in	(2,015)
(3,182)	Past Service Costs / (Gains)	0
87	Contributions by Scheme participants	81
(62)	Unfunded Pension payments	(63)
38,583	**Closing Defined Benefit Obligation**	**42,269**

Reconciliation of fair value of employer assets

31 Mar 2011 £000	Year Ended:	31 Mar 2012 £000
28,853	**Opening Fair Value of Employer Assets**	**34,729**
1,722	Expected Return on Scheme assets	1,726
5,921	Actuarial Gains / (Losses)	(5)
299	Contributions by the Employer	496
62	Contributions in respect of Unfunded Pension payments	63
87	Contributions by Scheme participants	81
0	Assets Acquired in a Business Combination	0
(2,153)	Estimated Benefits Paid net of transfers in	(2,015)
(62)	Unfunded Pension payments	(63)
34,729	**Closing Fair Value of Employer Assets**	**35,012**

Balance Sheet

31 Mar 2011 £000	Year Ended:	31 Mar 2012 £000
37,722	Present Value of Funded Obligations	41,366
(34,729)	Fair Value of Employer Assets (bid value)	(35,012)
2,993	**Net Liability**	**6,354**
861	Present Value of Unfunded Obligations	903
3,854	**Net Liability in Balance Sheet**	**7,257**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year is £1.721m (£2.015m; 2010/11).

Scheme History

2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000		2011/12 £000
(34,331)	(33,040)	(48,329)	(38,583)	Defined Benefit Obligation (Funded + Unfunded)	(42,269)
31,120	27,080	28,853	34,729	Scheme assets	35,012
(3,211)	(5,960)	(19,476)	(3,854)	**Surplus / (Deficit)**	(7,257)
3,348	(26)	109	888	Experience adjustments on scheme liabilities	(17)
(9.8%)	0.1%	(0.2%)	(2.3%)	Percentage of liabilities	0.0%
1,113	(4,473)	1,973	5,921	Experience adjustments on scheme assets	(5)
3.6%	(16.5%)	6.8%	17.0%	Percentage of assets	0.0%
)(3,706)	(5,770)	(18,382)	(5,370)	Cumulative Actuarial Gains and Losses	(8,709)
305	(4,345)	1,973	293	Differences between the expected and actual returns on assets	(5)
1.0%	(16.0%)	6.8%	0.8%	As a percentage of assets	0.0%

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £7.257m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. 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 actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £0.496m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 is £0.063m.

Basis for Estimating Assets and Liabilities
Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the London Pensions Fund Authority Pension Fund being based on the latest full valuation of the scheme as at 1 April 2012.

The principal assumptions used by the actuary have been:

Financial assumptions

31 March 2011 % p.a.	31 March 2011 Real	Assumption as at	31 March 2012 % p.a.	31 March 2012 Real
3.5%	0.0%	RPI Increases	3.3%	0.0%
2.7%	(0.8%)	CPI Increases	2.5%	(0.8%)
4.5%	1.0%	Salary Increases	4.2%	0.9%
2.7%	(0.8%)	Pension Increases	2.5%	(0.8%)
5.5%	1.9%	Discount Rate	4.6%	1.3%

These assumptions are set with reference to market conditions at 31 March 2012. The discount rate is the yield on the iBoxx AA rated over 15 year corporate bond index as at this date which has been chosen to meet the requirements of IAS19. The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England. This measure has historically overestimated future increases in the RPI and so we have made a deduction of 0.25% to get the RPI assumption of 3.3%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.5%.

Salary increases are then assumed to be 0.9% above RPI in addition to a promotional scale. This is a slightly lower long-term assumption than last year to reflect the continuing climate of low salary increases.

Breakdown of the expected return on asset class

31 Mar 2011 % p.a.	Year Ended:	31 Mar 2012 % p.a.
4.4%	Cash Flow Matching	3.3%
7.2%	Equities	6.3%
5.0%	Target Return Portfolio	4.5%
3.0%	Cash	3.0%

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2011 for the year to 31 March 2012). The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

Demographic/Statistical Assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31 March 2010. The post retirement mortality is based on Club Vita analysis which has then been projected using the medium cohort projection allowing for a minimum rate of improvement of 1%.

The assumed life expectations from age 65 are:

31 March 2011	Life Expectancy from age 65 (years)	31 March 2012
19.7 years	Retiring today: Males	19.8 years
23.2 years	Retiring today: Females	23.3 years
21.8 years	Retiring in 20 years: Males	21.9 years
25.1 years	Retiring in 20 years: Females	25.2 years

We have also made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement
- Active members will retire one year later than they are first able to do so without reduction

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

Year Ended:	31 Mar 2011 £000	%	31 Mar 2012 £000	%
Cash Flow Matching	12,155	35%	11,204	32%
Equities	4,167	12%	4,552	13%
Target Return Portfolio	18,754	54%	18,556	53%
Cash	(347)	(1%)	700	2%
Total	**34,729**	**100%**	**35,012**	**100%**

Note 46. Contingent Liabilities

The councils Contingent Liabilities cover various on-going litigations and guarantees, the detail of which is shown below. The total expected value of these liabilities is £7.0m (£13.2m, 2010/11).

2010/11	Details of contingent liabilities	2011/12

Estimated value of contingent liability £000		Estimated value of contingent liability £000
	Loan guarantee	
	Paddington Churches.	
250	The Council acted as guarantor for a loan that Paddington Churches Housing Association had taken out with financial institutions. The loan was taken out to purchase properties that had subsequently been leased to the Council to use as social housing. During the year the loan was repaid and consequently the contingent liability is no longer required.	0
250	**Total for Loan Guarantees**	**0**
	Litigations	
	Shown below are the details of various litigations that were on-going as at March 31, 2012.	
	Employee Related	
375	Various employment related litigations	127
7,430	The council is currently undertaking a three year rationalisation programme and has to date terminated the employment of a number of posts, which has been disclosed elsewhere within the statement of account. However, the rationalisation programme still has some way to go and further termination benefits are expected to be incurred.	1,770
	Prosecutions	
225	The council may prosecute in relation to a case regarding a breach of Health and Safety and one case for the non-payment of National non-Domestic Rates. If the council is unsuccessful in these prosecutions, then the council may be liable for costs and associated compensation.	165
	Civil Litigation and Housing Related	
	The council is currently in dispute on a number of issues, which are summarised below:	
2,372	- procurement/contracting disputes	2,760
390	- damages for council actions	251
343	- leaseholder related services	165
577	- disrepair of property	258
410	- car parking related services	410
133	- debt recovery	133
0	- group action: search fees	75
0	- costs assessment	25
0	- data protection	100
12,255	**Total for Litigations**	**6,239**

2010/11 Estimated value of contingent liability £000	Details of contingent liabilities	2011/12 Estimated value of contingent liability £000
	Pension Liability	
716	London Pension Fund Authority back funding for closed sub-fund deficit for former GLA, ILEA and LRB employees	**716**
716	**Total for Pension Liabilities**	**716**
13,221	**Total**	**6,955**

All the above litigations are prudent estimates of the potential cost to the council. It is not possible, due to considerations of legal privilege to either provide further information or to give an assessment of the likelihood of success of any of the litigations.

Note 47. Nature and Extent of Risks Arising From Financial Instruments

All comparative restated

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

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

The Council's management of treasury risks actively works to minimise the Council's exposure to the effects of the unpredictability of financial markets and to protect the financial 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 report (last agreed by Council on 27/02/2012). The Council has fully adopted and implemented the CIPFA Code of Practice on Treasury Management which was revised in 2011. In particular, it has set up twelve treasury management practices covering all areas of treasury management. These specify in detail the policies of the council, the procedures on how these policies are to be put into effect and who is responsible for all aspects of treasury management. These policies cover such areas as credit risk, liquidity risk and market risk. The treasury team have also fully implemented the investment guidance (English authorities) of the CLG which has been operational since 1 April 2010.

Credit Risk

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

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors.

It is the policy of the Council to place deposits only with a limited number of high quality banks whose credit rating is independently assessed as sufficiently secure by the credit rating agencies and the Council's treasury consultants to restrict lending to a prudent maximum amount for each institution.

The Council uses the creditworthiness services provided by the Council's independent treasury consultants and uses a sophisticated modelling approach with credit ratings from all three rating agencies (Fitch, Moody's and Standard and Poor's). In addition, the model also uses credit watches and credit outlooks from credit rating agencies. The Council also uses market data and market information, information on government support for banks and the credit ratings of that government support.

The Council also has a policy of limiting deposits with institutions to a maximum of £40m for the very highest rated institutions such as local authorities and the two banks with significant Government ownership (RBS and Lloyds).

The Council credit criteria for selecting approved counterparties and countries are published in the Treasury Management Strategy report, which is approved annually by the Council.

At the 31 March 2012 the Council had investments with the following banks.

Country	**Counterparty**
Australia	ANZ Banking Group
Australia	National Australia Bank
Canada	Bank of Nova Scotia
Finland	Nordea Bank Finland
Singapore	DBS Bank
Sweden	Svenska Handelsbanken
UK	Co-operative Bank Plc
UK	HSBC
UK	Lloyds TSB Plc
UK	Royal Bank of Scotland
UK	SWIP Sterling Liquidity Fund
UK	RBS Global Treasury Sterling Fund
UK	Goldman Sachs Sterling LR
UK	JP Morgan Sterling Liquidity Fund

At the 31 March 2012 the Council had investments with the following local authorities.

Country	**Counterparty**
UK	Birmingham City Council
UK	Thurrock Borough Council

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £192.439m (£202.392m; 2010/11) cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of the council not being able to recover its funds applies to all of the Council's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise. The Council expects full repayment on the due date of deposits placed with its counterparties.

The Council does not generally allow credit for customers. The past due but not impaired amount can be analysed by age as follows:

31 March 2011 £000		31 March 2012 £000
6,814	Less than three months	5,938
6,152	Three to six months	5,733
1,435	Six months to one year	1,647
2,727	More than one year	3,099
17,128		**16,417**

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates.

The maturity structure of financial liabilities is as follows (at nominal value):

31 March 2011 £000		31 March 2012 £000
258,595	Public Works Loans Board	201,286
124,000	Market Debt	124,000
0	Temporary Borrowing	0
382,595	**Total**	**325,286**
15,155	Less than one year	215
	Between:	
0	one and two years	12,583
63,340	two and five years	39,484
16,400	five and ten years	13,568
287,700	More than 10 years	259,436
382,595	**Total**	**325,286**

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

In the more than 10 years category there are six LOBOs (market loans) amounting to £124m which have regular half yearly call dates and therefore may be called in the next 12 months. Our treasury consultants estimate that for none of the LOBOs the call probability exceeds 0.04% in 2012 and 0.19% in 2013.

Market Risk

<u>Interest Rate Risk</u>

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

- borrowing at variable rates:

the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.

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

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

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 50% of its borrowing in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

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

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowing	1,240
Increase in interest receivable on variable rate investments	0
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	**1,240**
Share of overall impact debited to the HRA	**0**
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	**0**
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**(43,894)**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Foreign Exchange Risk

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

Note 48. Heritage Assets: Five-Year Summary of Transactions

From the records that have been established, there have not been any acquisitions, donations or disposals of any of the four categories of Heritage Assets (Buildings, Mayoral Regalia & Silverware, Art Collection and Public Sculpture). However, in 2011/12 some restoration works was carried out to Tollgate House (Building), This has been disclosed in Note 13: Heritage Assets.

Note 49. Transition for Heritage Assets (due to change in accounting policy) and other Accounting Adjustments

Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in the accounting policies, the Authority now requires heritage assets to be carried in the balance sheet at valuation.

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's accounting policies (Note 1 and approved by Members in March 2012).

In applying the new accounting policy, the Authority has a number of assets that are now reclassified as Heritage Assets, appropriate adjustments have been made in the Revaluation Reserve. As at the 31st March 2011, these valuations for Heritage Assets are as follows:

- Buildings (Tollgate House) £0.015m
- Mayoral Regalia & Silverware: £0.382m
- Art Collection: £0.335m
- Public Sculptures: £0.020m
- **Total: £0.752m**

The effect of applying the change in accounting policy to the previously published 2010/11 accounts has been that heritage assets are recognised at £0.752m as at the 31st March 2011, this has resulted in an increase to the Revaluation Reserve of £0.737m and property, plant and equipment being restated by the amount of heritage assets previously recognised at cost in community assets (a sub-classification of property, plant and equipment) of £0.015m.

Other Accounting Adjustments

The following accounting corrections have been made to the 2011/12 comparative in the balance sheet (i.e. 31st March 2011). However:

- as a consequence of the requirement to report a third balance sheet following the introduction of Heritage Assets for 2011/12,
- to ensure consistency in financial reporting, and
- adherence to proper accounting practice

relevant adjustments have been made to the 31st March 2010 balance sheet. In the following detailed descriptions of each adjustment, the changes to both comparatives years are shown.

- **New Financial Reporting Disclosure for Grants Received in Advance**

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 has introduced new disclosure requirements in respect of grants. Previously, short term revenue grants were reported within Current Liabilities: Short Term Creditors, but now they are required to be reported within Current Liabilities: Grants Receipts in Advance – Revenue. Similarly, short term capital grants that were reported within Current Liabilities: Short Term Creditors are now required to be reported within Current Liabilities: Grants Receipts in Advance – Capital. In respect of the 31st March 2011, the balances in respect of each are:

- Revenue Grants is £18.324m (31 March 2010; £21.155m).
- Capital Grants is £19.158m (31 March 2010; £9.592m).

Other Accounting Adjustments – Corrections to Previous Disclosures

<u>Capital Grants included within Long Term Liabilities that should have been allocated to Current Liabilities</u>

At the 31st March 2010, it has been identified that there were capital grants totalling £4.707m that had been allocated to Long Term Liabilities: Grants Received in Advance – Capital. However, these grants were in fact short term in nature and under the 2011/12 balance sheet format are required to be reported within Current Liabilities: Grants Receipts in Advance – Capital.

<u>PFI Prepayment</u>:

In earlier years this prepayment had been reported within Short Term Debtors. However adherence to proper accounting practice means that this amount should be split between Current Assets: Short Term Debtors and Long Term Assets: Long Term Debtors. For the 31st March 2011, the split is:

- Short Term Debtors: £0.130m (£0.130m; 31 March 2010)
- Long Term Debtors: £2.408m (£2.538m; 31 March 2010)

<u>Finance Lease & PFI Liabilities:</u>

In earlier years the respective balances held on the balance sheet for Finance Leases and PFI Liabilities were correctly allocated between Current and Long Term Liabilities. However, they were incorrectly categorised within Short Term Borrowing and Long Term Borrowing where they should have been categorised within Short Term Creditors and Other Long Term Liabilities.

For the 31st March 2011, the movements between the two categories are as follows:

- Short Term Borrowing
  to Short Term Creditors: £ 4.083m (£3.577m; 31 March 2010)
- Long Term Borrowing
  to Other Long Term Liabilities: £54.879m (£58.050m; 31 March 2010)

Reversal of Double-Counted Depreciation included within Property Plant and Equipment and the in-year HRA Depreciation costs

During 2010/11 a HRA depreciation charge was double-counted by £0.009m, the reversal adjustment was done within the Capital Adjustment Account but no adjustment was done to the asset value or the in-year depreciation cost. This adjustment is now corrected.

Use of the Major Repairs Reserve to finance new capital expenditure

During 2010/11 the application of the balance on the Major Repairs Reserve was not applied to the Capital Adjustment Account. Consequently, the £8.065m has been corrected in the brought forward 2010/11 balances. These adjustments affect both the Movement in Reserves Statement (debit Major Repairs Reserve and credit the Capital Adjustment Account) and the Balance Sheet (debit Usable Reserves and credit Unusable Reserves).

Transition to Restated Core Statements

The following tables reconcile the changes noted above with the comparative information shown in the core statements shown earlier in the 2011/12 Statement of Accounts.

Restatement of the Balance Sheet

The following Balance Sheet incorporates all the amendments noted above:

Balance Sheet 1st April 2010

	Published	Adjustments Due To: Policy	Statutory Presentation	Proper Accounting Practice		(Restated)
		Heritage Assets	Grants Received in Advance	PFI Prepayment	Finance Lease & PFI Liabilities	
	£'000	£'000	£'000	£'000	£'000	£'000
Property Plant & Equipment	3,187,241	(15)				3,187,226
Heritage Assets	0	516				516
Investment Property	182,618					182,618
Intangible Assets	1,538					1,538
Long Term Investments	59,480					59,480
Long Term Debtors	1,012			2,538		3,550
Long Term Assets	**3,431,889**					**3,434,928**
Short Term Investments	119,935					119,935
Assets held for Sale (less than	377					377
Inventories	274					274
Short Term Debtors	85,291			(2,538)		82,753
Cash and Cash Equivalents	40,221					40,221
Current Assets	**246,098**					**243,560**
Short Term Borrowing	(25,719)				3,577	(22,142)
Short Term Creditors	(181,744)		26,040		(3,577)	(159,281)
Grants Receipts in Advance						
- Revenue	0		(21,155)			(21,155)
- Capital	0		(9,592)			(9,592)
Provisons	0					0
Current Liabilities	**(207,463)**					**(212,170)**
Provisions	(9,990)					(9,990)
Long Term Borrowing	(421,747)				58,050	(363,697)
Other Long Term Liabilities	(913)				(58,050)	(58,963)
Grants Receipts in Advance						
- Revenue	0					0
- Capital	(21,431)		4,707			(16,724)
Net Pensions Liability	(700,796)					(700,796)
Long Term Liabilities	**(1,154,877)**					**(1,150,170)**
Net Assets	**2,315,647**	501	0	0	0	**2,316,148**
Usable Reserves	181,567					181,567
Unusable Reserves	2,134,080	501				2,134,581
Total Reserves	**2,315,647**	501	0	0	0	**2,316,148**

Balance Sheet 31st March 2011

	Published	Adjustments Due To: Policy	Statutory Presentation	Proper Accounting Practice				(Restated)
		Heritage Assets	Grants Received in Advance	PFI Prepayment	PPE Adjustment to Opening Balances in respect of double counted depreciation	Adjustment between MRA and CAA	Finance Lease & PFI Liabilities	
	£'000	£'000	£'000	£'000	£'000		£'000	£'000
Property Plant & Equipment	2,751,156	(15)			9			2,751,150
Heritage Assets	0	752						752
Investment Property	195,665							195,665
Intangible Assets	4,294							4,294
Long Term Investments	0							0
Long Term Debtors	889			2,408				3,297
Long Term Assets	**2,952,004**							**2,955,158**
Short Term Investments	202,392							202,392
Assets held for Sale (less than	673							673
Inventories	283							283
Short Term Debtors	56,353			(2,408)				53,945
Cash and Cash Equivalents	12,585							12,585
Current Assets	**272,286**							**269,878**
Short Term Borrowing	(47,984)						4,083	(43,901)
Short Term Creditors	(160,401)		37,482				(4,083)	(127,002)
Grants Receipts in Advance								
- Revenue	0		(18,324)					(18,324)
- Capital	0		(19,158)					(19,158)
Provisons	(1,446)							(1,446)
Current Liabilities	**(209,831)**							**(209,831)**
Provisions	(9,266)							(9,266)
Long Term Borrowing	(427,537)						54,879	(372,658)
Other Long Term Liabilities	(801)						(54,879)	(55,680)
Grants Receipts in Advance								
- Revenue	0							0
- Capital	(21,547)							(21,547)
Net Pensions Liability	(308,011)							(308,011)
Long Term Liabilities	**(767,162)**							**(767,162)**
Net Assets	**2,247,297**	737	0	0			0	**2,248,043**
Usable Reserves	185,424				9		(8,065)	177,368
Unusable Reserves	2,061,873	737					8,065	2,070,675
Total Reserves	**2,247,297**	737	0	0			0	**2,248,043**

Comprehensive Income and Expenditure Statement

There has been no restatement of any of the lines of the Comprehensive Income and Expenditure Statement because no depreciation was chargeable in respect of Tollgate House as the building was under renovation.

Published CIES - 2010/11				Adjustments				Restated CIES - 2010/11			
				SerCop		PPE Adjustment to Opening Balances in respect of double counted depreciation	Heritage Assets				
	Gross	Gross	Net	Gross	Gross		Surplus on Revaluation		Gross	Gross	Net
	Expenditure	Income	Expenditure	Expenditure	Income				Expenditure	Income	Expenditure
	£'000	£'000	£'000						£'000	£'000	£'000
Cultural, Evironmental Regulatory & Planning Services	114,977	(32,731)	82,246	28,100	(5,893)			Cultural and Related Services	28,100	(5,893)	22,207
				57,353	(12,942)			Environmental and Regulatory Services	57,353	(12,942)	44,411
				29,524	(13,896)			Planning Services	29,524	(13,896)	15,628
Housing Services - HRA	619,021	(132,222)	486,799			(9)		Housing Services - HRA	619,012	(132,222)	486,790
Other SerCop Services	623,051	(537,144)	85,907					Other SerCop Services	623,051	(537,144)	85,907
Cost of Services	**1,357,049**	**(702,097)**	**654,952**	**114,977**	**(32,731)**	**(9)**		**Cost of Services**	**1,357,040**	**(702,097)**	**654,943**
Other Operating Income and Expenditure	54,374	(369,518)	(315,144)					Other Operating Income and Expenditure	54,374	(369,518)	(315,144)
(Surplus) or Deficit on Provision of Services	**1,411,423**	**(1,071,615)**	**339,808**					**(Surplus) or Deficit on Provision of Services**	**1,411,414**	**(1,071,615)**	**339,799**
Surplus or deficit on revaluation of non current			(6,471)				(236)	Surplus or deficit on revaluation of non current			(6,707)
Other Comprehensive Income and Expenditure Adjustments			(264,987)					Other Comprehensive Income and Expenditure Adjustments			(264,987)
Other Comprehensive Income and Expenditure			**(271,458)**				**(236)**	**Other Comprehensive Income and Expenditure**			**(271,694)**
Total Comprehensive Income and Expenditure			**68,350**					**Total Comprehensive Income and Expenditure**			**68,105**

Movement in Reserves Statement – Unusable Reserves 2010/11

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below.

	Published MiRS - 2010/11			Adjustments				Restated MiRS - 2010/11		
	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Heritage Assets	PPE Adjustment to Opening Balances in respect of double counted depreciation	Movement between MRR and CAA: MRR	Movement between MRR and CAA: CAA	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2010 brought-forward	**(181,567)**	**(2,134,080)**	**(2,315,647)**	(501)				**(181,567)**	**(2,134,581)**	**(2,316,148)**
Movement in reserves during 2010/11										
Surplus or deficit on provision of services	339,808	0	339,808		(9)			339,799	0	339,799
Other CIES - Revaluation non-current assets	0	(6,471)	(6,471)	(236)				0	(6,707)	(6,707)
Other CIES - Pension assets/liabilities	0	(265,370)	(265,370)					0	(265,370)	(265,370)
Other CIES - Other gains and losses	383	0	383					383	0	383
Total Comprehensive Income and Expenditure	**340,191**	**(271,841)**	**68,350**					**340,182**	**(272,077)**	**68,105**
Adjustments between acounting basis & funding basis under regulations	(344,960)	344,960	0			8,065	(8,065)	(336,895)	336,895	0
Net (Increase)/Decrease before transfers to Earmarked Reserves	**(4,769)**	**73,119**	**68,350**					**3,287**	**64,818**	**68,105**
Transfers to/from Earmarked Reserves	912	(912)	0					912	(912)	0
(Increase)/Decrease movement in 2010/11	**(3,857)**	**72,207**	**68,350**					**4,199**	**63,906**	**68,105**
Balance at 31 March 2011 carried forward	**(185,424)**	**(2,061,873)**	**(2,247,297)**					**(177,368)**	**(2,070,675)**	**(2,248,043)**

Note 50. Trust Funds and Other Accounts

The Authority administers a number of trust accounts. The balances on these funds are not included in the Balance Sheet.

	Balance at 1 April 2011	Receipts	Payments	Balance at 31 March 2012
	£	**£**	**£**	**£**
Education	**(8,878)**	(51)	0	**(8,929)**
Social Services	**(37,552)**	(181)	0	**(37,733)**
Other Funds	**(158,163)**	(763)	0	**(158,926)**
Water low Park	**(213,291)**	(317,829)	281,613	**(249,507)**
Lauderdale House Charity	**(256,747)**	(50,000)	7,491	**(299,256)**
Emmanuel Vincent Harris Trust	**(3,940,538)**	(16,322)	89,238	**(3,867,622)**
Total	**(4,615,169)**	**(385,146)**	**378,342**	**(4,621,973)**

Assets and liabilities on the funds as at 31 March 2012 were:

2010/11		2011/12
£		**£**
470,038	Fixed Assets	548,763
4,145,131	Investments	4,073,210
4,615,169		**4,621,973**
4,615,169	Represented by Trust Funds	**4,621,973**

In addition, the authority administers funds on behalf of Adult Social Care service clients including funds administered by officers as Court appointee or receiver. The amount of these funds as at 31st March 2012 was £4.570m (£4.446m; 31st March 2011).

SUPPLEMENTARY STATEMENTS

Housing Revenue Account Comprehensive Income and Expenditure Statement for the year ended 31 March 2012

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

2010/11 (Restated) £,000		**Notes**	**2011/12 £,000**
	Expenditure		
46,054	Repairs and maintenance		43,857
21,884	Supervision and management – General		21,957
21,938	– Special services		24,554
2,334	PFI Costs		2,256
12,984	Rents, rates and other charges		9,834
7	Increased/(decreased) provision for bad debts		(237)
26,341	Depreciation	7	26,262
501,060	Revaluation loss charged to income & expenditure	7	(4,122)
0	De-recognition of HRA Assets		11,823
139	Debt Management Expenses		151
632,741	***Total expenditure***		**136,335**
	Income		
(104,321)	Dwelling rents	1,2,3,5	(111,056)
(1,741)	Non-dwelling rents		(1,984)
(19,450)	Charges for services and facilities		(21,849)
(11,881)	Leaseholder charges – revenue		(13,045)
(4,021)	Leaseholder charges – capital		(1,819)
(6,391)	HRA Subsidy	4	(13,486)
(469)	Supporting People Grant		(406)
(148,274)	***Total income***		**(163,645)**
484,467	*Net Cost of HRA Services per whole authority Comprehensive Income and Expenditure Statement*		**(27,310)**
2,506	HRA services share of Corporate and Democratic Core		2,223
486,973	**Net (Income)/Expenditure for HRA Services**		**(25,087)**

2010/11 (Restated) £,000		Notes	2011/12 £,000
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(11,425)	Revaluation changes on investment properties		0
(2,527)	(Gain) or loss on sale of HRA non-current assets		(6,179)
27,337	Interest payable and similar charges	6	40,341
(6,856)	Investment Income		(7,571)
(13,416)	Government Grants deferred	9	0
0	Capital Grants and Contributions Receivable		(63,099)
2,644	Pensions interest cost and expected return on pensions assets	8	598
482,730	**(Surplus) or deficit for the year on HRA services**		**(60,997)**
	Statement of Movement on the HRA Balance		
(69,520)	Balance on the HRA at the end of the previous year		**(63,255)**
482,730	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(60,997)
(476,465)	Adjustments between accounting basis and funding basis under statute	10	64,850
6,265	Net (increase) or decrease before transfers to or from reserves		**3,853**
6,265	(Increase) or decrease in year on the HRA		**3,853**
(63,255)	**Balance on the HRA at the end of the current year**		**(59,402)**

Note 1. Gross Rent Income

Gross rent income is the total rent income due for the year after allowance is made for vacant properties. During the year 2.03% of properties used for permanent accommodation were vacant (1.77%; 2010/11). The average rent for all stock excluding service charges was £91.96 per week in 2011/12, an increase of £6.35 or 7.42%, over the 2010/11 level of £85.61 per week.

Note 2. Housing Stock

The Council was responsible at 31 March 2012 for managing self-contained and shared dwellings. The stock was as follows:

2010/11 No.	Property	2011/12 No.
9,939	Bedsitter / 1 Bed accommodation	9,875
7,435	2 Bed accommodation	7,412
4,886	3 Bed accommodation	4,881
1,394	4 Bed+ accommodation	1,400
	Multi-occupied dwellings	
166	Shared units *	131
23,820	**Total**	**23,699**

*Dwelling equivalent

The change in stock can be summarised as follows:

2010/11 No.		2011/12 No.
23,890	Stock at 1 April	23,820
(70)	Less sales, demolitions, etc.	(121)
23,820	Stock at 31 March	**23,699**

Note 3. Rent Arrears

The arrears at 31 March 2012 were £4.988m (£4.887m; 31 March 2011). Amounts written off during the year totalled £0.683m (£0.286m; 2010/11) and the provision for bad debts at the year-end totalled £3.667m (£3.623m; 31 March 2011).

Note 4. HRA Subsidy

HRA Subsidy is a grant paid by the Department for Communities and Local Government (DCLG) towards the costs of local authority housing. It represents the shortfall of notional rent and other income against expenditure deemed by the DCLG to have been incurred for management and maintenance and charges for capital. Income is calculated as follows:

2010/11 £,000		2011/12 £,000
	Notional expenditure	
65,353	Management and maintenance	64,919
23,065	Major Repairs Allowance	23,944
27,694	Charges for capital	26,100
6,824	PFI	6,824
6,595	Other	4,984
129,531	**Total notional expenditure**	**126,771**
	Notional income	
(108,137)	Rents	(113,894)
(3)	Other	(2)
(108,140)	**Total notional income**	**(113,896)**
21,391	HRA Subsidy	12,875
(15,000)	Prior Year Adjustment	611
6,391		**13,486**

Note 5. Rent Rebates

Assistance with rents is available under the Housing Benefits scheme for those on low incomes. About 68% (67%; 2010/11) of the Council's tenants were receiving some help with the costs of rent charges at 31 March 2012.

2010/11 £000		2011/12 £000
104,321	Gross rent income	111,056
10,741	Gross tenant service charge income	11,535
115,062	Total	**122,591**
74,862	Rent rebates	79,531
65%	Rebates as % of rent income	65%

Housing Benefit is administered by the Finance Department under regulations laid down by the Department for Work and Pensions (DWP). The cost of rent rebates granted to council tenants is covered by government subsidy. Any residual net amount is met by council tax payers and details are given in Note 4 to the Comprehensive Income and Expenditure Statement.

Note 6. Interest Charges

Interest charges met by the Housing Revenue Account are charged by the General Fund in accordance with the Item 8 Credit and Item 8 Debit (General) determination made by the Secretary of State under part II of schedule 4 to the Local Government and Housing Act 1989.

Note 7. Depreciation

The Item 8 Determination states that the HRA should be charged with depreciation. Depreciation is made up as follows:

2010/11 (Restated) £000		2011/12 £000
24,640	Operational Assets-dwellings	24,458
1,701	Operational Assets-other	1,804
501,060	Revaluation loss charged to income and expenditure	(4,122)
527,401	**Total**	**22,140**

Note 8. HRA Contribution to the Pension Reserve

Under IAS 19, the pension amount charged to each council service is the amount of pension benefit earned in the year, as determined by the actuary. This replaces the cash contributions made by services to the Pension Fund. This principle has been applied to the HRA. In addition, the HRA has been charged with its share of the pension interest cost and the return on pension assets, and these, together with the change in service costs have been matched by an appropriation to/from the Pension Reserve such that the net outturn on the HRA is not altered by these accounting adjustments.

Note 9. Self-Financing of the Housing Revenue Account

From the 1st April 2012, as a consequence of changes to local government financing, the Housing Revenue Account of all English and Welsh Councils will become self-financing. With regard to the London Borough of Camden, the primary consequences of this change to its HRA social housing are that:

- there will no longer be any direct government subsidy.
- rents will directly fund the cost of such housing provision.
- the government will settle an element of the Councils "housing related" debt.

In respect of the latter point, the government debt reduction occurred prior to the end of the financial year, which has reduced the Council's debt by £42.006m. The consequential debt premium for early repayment (£13.590m) has also been met by the government. These transactions are included in both the HRA statement and Note 10.

Note 10. Note to the Statement of Movement on the HRA Balance

2010/11 Net Expenditure £,000		Notes	2011/12 Net Expenditure £,000
	Items included in the HRA Comprehensive Income and Expenditure Statement but excluded from the movement on the HRA Balance for the year		
203	Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year in accordance with statute		46
2,527	Gain/loss on sales of HRA fixed assets		6,179
65	REFCUS		(135)
11,426	Revaluation changes on Investment Properties recognised in I&E		0
(6)	Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements (employee accrual)		30
(6,887)	Net charges made for retirement benefits in accordance with IAS19	8	(4,054)
0	Reversal of HRA settlement – capital receipt		55,595
7,328	**Total**		**57,661**
	Amounts not included in the HRA Comprehensive Income and Expenditure Statement but required to be included by statute when determining the Movement on the HRA Balance for the year		
(15,745)	Transfer from the Major Repairs Reserve		(2,319)
(500,995)	Transfer from Capital Adjustment Account re Revaluation loss charged income & expenditure		2,734
18,408	Capital Expenditure funded by the HRA		6,695
9,434	RCCO – Leaseholder contributions		9,005

2010/11 Net Expenditure £,000		Notes	2011/12 Net Expenditure £,000
5,105	Employers contributions payable to the pension funds and retirement benefits payable direct to pensioners	8	4,664
0	Reversal of HRA settlement - premium		(13,590)
(483,793)	**Total**		**7,189**
(476,465)	**Net additional amount required by statute and non-statutory proper practices to be credited or debited to the HRA Balance for the year**		**64,850**

Collection Fund Revenue Account
for the year ended 31 March 2012

2010/11 £,000	2010/11 £,000		Notes	2011/12 £,000	2011/12 £,000
		Amounts required by statute to be credited to the Collection Fund			
		Council Tax			
(102,806)		Income from council tax (net of benefits)	1,2,3, 4	(103,838)	
(26,601)	(129,407)	Council Tax benefits		(26,298)	(130,136)
	(157)	Decrease in provision for uncollectable amounts	5,6		(1,252)
		Income collectable from business ratepayers			
		NNDR			
	(360,591)	Income collectable from business ratepayers	8		(440,070)
		Business Rate Supplement			
	(17,514)	Income collectable from business ratepayers	9		(17,981)
		Contribution towards previous year's estimated Collection Fund Deficit			
		Collection of deficit			
(919)		- LB Camden		0	
(278)	(1,197)	- Greater London Authority		0	0
	(508,866)	**Total**			**(589,439)**
		Amounts required by statute to be debited to the Collection Fund			
		Precepts and demands from major preceptors and the authority			
		Precepts and Council demand			
97,273		- LB Camden (including Garden Squares)		98,703	
29,495	126,768	- Greater London Authority		29,929	128,632
		Business Rates			
1,994		NNDR allowable costs and adjustments	8	1,807	
358,597	360,591	Contribution to the NNDR pool	8	438,263	440,070
		Business Rate Supplement			
17,306		Payments to Greater London Authority's Business Rate Supplement Account	9	17,882	
208	17,514	Administrative costs		99	17,981
		Impairment of debts/appeals			
	1,703	Amounts written off/(on)			3,393
		Contribution towards previous year's estimated Collection Fund Surplus			

2010/11 £,000	2010/11 £,000		Notes	2011/12 £,000	2011/12 £,000
		Distribution of surplus			
0		- LB Camden		2,985	
0	0	- Greater London Authority		905	3,890
	506,576	**Total**			**593,966**
	(2,290)	**Deficit/(Surplus) for the year**			**4,527**
		Collection Fund Balance			
	(1,231)	Surplus at beginning of year			(3,521)
	(2,290)	Deficit/(Surplus) for the year			4,527
	(3,521)	**Deficit/(Surplus) at end of year**	7		**1,006**

Note 1. General

The Collection Fund was established on 1 April 1990 under the provisions of the Local Government Finance Act 1988. It accounts for all transactions on council tax, business rates and residual community charge. Although it is kept separate from the Comprehensive Income and Expenditure Statement, Camden's share of the Collection Fund balance forms part of the Balance Sheet.

Note 2. Council Tax

The Council Tax is a property-based tax with a system of personal discounts, based upon the nature and degree of occupation of the property concerned. For the purpose of assessing the tax, all domestic properties were valued by the HM Revenue and Customs and placed in one of eight bands, depending upon the estimated market value at 1 April 1991.

Note 3. Council Demand

The Council's demand on the Collection Fund represents the balance of spending for the year to be met from local taxes, together with any deficit or surplus met in that year in respect of community charge.

Regulations prescribe that any surplus or deficit in respect of Council Tax items in the Collection Fund is to be split between the Council and major preceptors. These adjustments are determined at the time of tax setting and included in the precepts and Council demand.

Note 4. Council Tax Bands

Market Value in April 1991	Band	2011/12 Council Tax £	Number of properties at 31 March 2012	Number of properties at time of tax setting	Fraction 2011/12	Tax base for tax setting £
Less than £40,000	A	887.57	3,874	3,945	6/9	1,863.62
£40,000 - £52,000	B	1,037.49	11,034	10,892	7/9	6,486.55
£52,000 - £68,000	C	1,183.43	19,787	19,693	8/9	13,805.54
£68,000 - £88,000	D	1,331.35	24,767	24,598	9/9	19,930.83
£88,000 - £120,000	E	1,627.21	17,089	16,937	11/9	17,041.65
£120,000 - £160,000	F	1,923.06	10,632	10,624	13/9	12,900.91
£160,000 - £320,000	G	2,218.92	11,837	11,858	15/9	17,059.01
£320,000 or more	H	2,662.70	4,331	4,243	18/9	7,511.89
Total			**103,351**	**102,790**		**96,600.00**

By law, the tax for each band is set as a fraction of the band D charge. For 2011/12, the Council estimated that a band D charge of £1 would produce an income of £96,600. This figure is used by the preceptors and the Council to set the band D charge and is known as the Council Tax Base or the total of band D equivalent properties. The base is determined by taking the number of properties in each band, adjusting for discounts (including that for single occupancy of 25%), exemptions and non-collection, and multiplying by the appropriate fraction for that band. Following a change in the law, since 1 April 2004 discounts on unoccupied, furnished property have been set at 10% and there is no discount on unoccupied, unfurnished property.

In 2011/12 the council tax for band D was set as follows:

	£
Camden	**1,021.53**
Greater London Authority	**309.82**
Total	**1,331.35**

This has been the same amount since 2008/09.

Note 5. Council Tax - Uncollectable Amounts

The provision to cover bad debts stood at £7.651m on 31 March 2012 (£9.060m; 31 March 2011). This represents 56.40% of the outstanding arrears (56.83%; 31 March 2011).

Note 6. Fund Balance

The balance on the Collection Fund at 31 March 2012 represents deficits and surpluses that have arisen since 1 April 2004 in respect of council tax. These may be analysed as follows:

2010/11 Camden £000	2010/11 Greater London Authority £000	2010/11 Total £000		2011/12 Camden £000	2011/12 Greater London Authority £000	2011/12 Total £000
			Change in Council Tax (Surplus)/Deficit for year			
(2,985)	(905)	(3,890)	Estimated Council Tax (Surplus)/Deficit in the January preceding the financial year-end	40	12	52
(2,702)	(819)	(3,521)	Actual (Surplus)/Deficit at 31 March	774	232	1,006
283	**86**	**369**	**Difference between Estimated and Actual (Surplus)/Deficit**	**734**	**220**	**954**
			Movement in Fund Balances			
(944)	(287)	(1,231)	Collection Fund Balances as at 31 March	(2,702)	(819)	(3,521)
(1,758)	(532)	(2,290)	Movement in Collection Fund Balance during year	3,476	1,051	4,527
(2,702)	**(819)**	**(3,521)**	**Collection Fund Balance as at 31 March**	**774**	**232**	**1,006**

Note 7. Collection of National Non-Domestic Rates

Under the arrangements for National Non-Domestic Rates (NNDR) the Council collects business rates for its area, which are based on local rateable values and a multiplier set by the Government. From 1 April 2005 there are two multipliers, the small business non-domestic rating multiplier, which is applicable to those that qualify for the small business relief and the non-domestic rating multiplier, which is applicable to all other businesses and includes a supplement to pay for small business relief. The small business non-domestic rating multiplier for 2011/12 is 42.6p and the non-domestic rating multiplier is 43.3p (40.7p and 41.4p, 2010/11 respectively). The total amount collectable, less certain reliefs and deductions, is paid into a national pool.

At 31 March 2012, the non-domestic rateable value of the borough was £1,248.131m (£1,211.056m, 31 March 2011). On 1 April 2010 a national revaluation of all commercial properties was undertaken by the Valuation Office, which resulted in the significant increase in the rateable value of the borough. Transitional arrangements have limited changes to bills and are being phased out over five years.

Appeals against the original rateable values continue to be received. A significant number of these are backdated downward revaluations that resulted in lower income being received from business ratepayers.

2010/11 £000	2010/11 £000		2011/12 £000	2011/12 £000
		Income from business ratepayers		
	476,779	Non-domestic rate charge		524,910
	6,719	SBBR Supplement		6,214
(66,318)		Transitional relief	(27,567)	
(38,807)		Less - mandatory charity relief	(46,954)	
(17,152)		- empty property relief	(15,985)	
(630)	(122,907)	- discretionary relief	(548)	(91,054)
	360,591	**Income due from business ratepayers**		**440,070**
		NNDR collection costs, credited to the		
(1,192)		Council's General Fund	(1,182)	
(797)		Bad debt provision/losses on collection	(558)	
		Discretionary relief charged to:		
423		The Council's General Fund	379	
(428)	(1,994)	Interest on refunds	(446)	(1,807)
	358,597	**Contribution to NNDR Pool**		**438,263**

Note 8. Business Rate Supplement

Since 2010/11, Camden has been collecting an additional levy from non-domestic business rate payers, under the statutory arrangements of the Business Rates Supplement Act 2009, on behalf of the Greater London Authority to fund the Crossrail project.

2010/11 £000	2010/11 £000		2011/12 £000	2011/12 £000
		Income from business ratepayers		
	20,200	Business Rate Supplement Levy		20,790
(1,961)		Less - mandatory charity relief	(2,078)	
(703)		- empty property relief	(715)	
(22)		- discretionary relief	(16)	
	(2,686)			(2,809)
	17,514	**Income due from business ratepayers**		**17,981**
		BRS collection costs, credited to the		
(88)		Council's General Fund	(77)	
(120)		Bad debt provision/losses on collection	(22)	
	(208)			(99)
	17,306	**Contribution to Greater London Authority in respect of BRS**		**17,882**

PENSION FUND

Explanatory Foreword

Introduction

The Council is the administrating authority for the Camden Pension Fund. The Fund is operated under the provisions of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, as amended.

The Accounts have been prepared in accordance with the LGPS Regulations 1997 and the 2011 Code of Practice on Local Authority Accounting in the United Kingdom, issued by CIPFA.

All employees can become contributors on appointment with Camden or a scheduled or admitted body. The Fund's income is derived from employees, contributions from employing authorities and income from investments.

The Fund operates as a defined benefit scheme and provides retirement pensions and lump sum allowances, widows' and children's pensions and death gratuities.

Fund Management

The day-to-day management of the rest of the Fund is carried out by the six professional fund managers, Aberdeen Asset Managers Ltd, Fidelity International Ltd, Goldman Sachs Asset Management International, Legal and General Assurance (Pensions Management) Ltd, CB Richard Ellis Collective Investors Ltd and Partners Group Real Estate SICAR. Each manager operates within investment management agreements and targets originally determined by the Council's Audit and Corporate Governance (Pensions) Sub-Committee. The Fund has also appointed BlueCrest LLP to manage a fund of hedge funds mandate, but this had not been funded by 31 March 2012. There also remains accrued income with previous fund managers Schroder Investment Management Ltd and UBS Global Asset Management (UK) Ltd which will be transferred across to current fund managers once the cash is realised. There are a small number of assets that are held directly by the Council, which are managed under the delegation of the Director of Finance.

Overall investment strategy is the responsibility of the Audit and Corporate Governance (Pensions) Sub- Committee, which consists of eight councillors who receive advice from the Chief Executive, the Director of Finance and the Borough Solicitor, as well as consultants Hymans Robertson LLP for actuarial and investment consultancy services, Pensions Investment Research Consultants Ltd and Manifest for corporate governance services, and the six Fund Managers. Trade Union representatives, admitted bodies and retired members are also invited to attend the Sub Committee as observers. Sub Committee meetings are held on a quarterly basis. The details of the Sub Committee meetings, including agendas, minutes and regular reports on the Fund's performance, can be found through the Camden website:

http://democracy.camden.gov.uk/ieListMeetings.aspx?CommitteeId=180

The market value of the assets (including cash & income receivable) held by the Fund Managers, the Custodian and the Council as at 31 March 2012 is as follows:

2010/11 £000	%	Fund Managers	2011/12 £000	%
259,466	27%	Aberdeen Asset Managers Ltd	275,831	28%
247,992	26%	Fidelity International	145,527	15%
99,286	10%	Goldman Sachs Asset Management International	112,707	11%
282,508	30%	Legal & General Assurance (Pensions Management) Ltd	389,723	39%
47,098	5%	CB Richard Ellis Collective Investors Ltd	49,858	5%
12,775	1%	Partners Group Real Estate SICAR	21,667	2%
492	0%	Schroder Investment Management Ltd	444	0%
378	0%	UBS Global Asset Management (UK) Ltd	324	0%
882	0%	JPM Custodian Cash Account	1,579	0%
4,804	1%	Council	(3,391)	0%
955,681	**100%**		**994,269**	**100%**

There shows a negative position on the Council assets, due to a negative cash position from dealing with members, and creditors for outstanding invoices on the 31st March.

Actuarial Valuations

The Fund is subject to actuarial valuation every three years. The actuary is required to specify the employer's rate of contribution to the Fund necessary to ensure that present and future commitments can be met. The last actuarial valuation of the Fund was carried out as at 31 March 2010.

The market value of the Fund's assets at the valuation date was £877m. The actuarial value of the Fund's accrued liabilities, allowing for future pay increases, was £1.154bn; therefore there was a shortfall of £277m (24%).

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

CPI Price Inflation	**3.3%** per annum
Pay increases *	**5.3%** per annum
Gilt-based discount rate	**4.5%** per annum
Funding basis discount rate	**6.1%** per annum

* Pay increases assumed to be 1% p.a. for 2010/11 and 2011/12, reverting to 5.3% p.a. thereafter.

Assets were valued at the discounted value of future income assuming a 1.6% per annum average growth on income reinvested, known as the asset outperformance adjustment, and also assuming that dividend income would be re-invested in the FT All-Share Index, and would share in the long-term growth in capital value of equities listed in that index.

At the prior actuarial valuation on 31 March 2007 the assets were valued as sufficient to meet 80% of the liabilities. The employer's contribution rate from 2008/09 to 2010/11 was calculated as 23.3% of pensionable pay.

The recommended rate of employer's contributions following the 31 March 2010 valuation, with the asset valuation meeting only 76% of the liabilities, was calculated as 28.1% of pensionable pay. This is the average employer contribution rate required for the three years starting in 2011/12. The Council imposed a cap of 1% on increases to its Employer Contribution, following agreement with the Fund's actuary, meaning that in 2011/12 the contribution rate from the Administering Authority was 24.3%.

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities every year, on an IAS 19 basis. For 2011/12 Hymans Robertson carried out this analysis, and their reported findings can be found in the accompanying report.

Pension Fund Actuarial Valuation Report

Related Party Transactions

There were no transactions with related parties other than those which are disclosed elsewhere within the accounts. In 2011/12 £475k was paid to the council for pensions administration (£461k in 2010/11) and £116k was paid for accountancy services (£113k in 2010/11). As at 31 March 2012, cash of £2.599m was owed from the council to the Fund (£4.615m was held at the council at 31 March 2011).

Fund Portfolio and Diversification

The Regulations require that the Members of the Audit & Corporate Governance (Pensions) Sub Committee and Fund Managers should pay regard to the need to diversify investments and also to the suitability of particular investments. The Fund's Statement of Investment Principals and Funding Strategy Statement can be found within the Annual Report on the Pension Fund website:

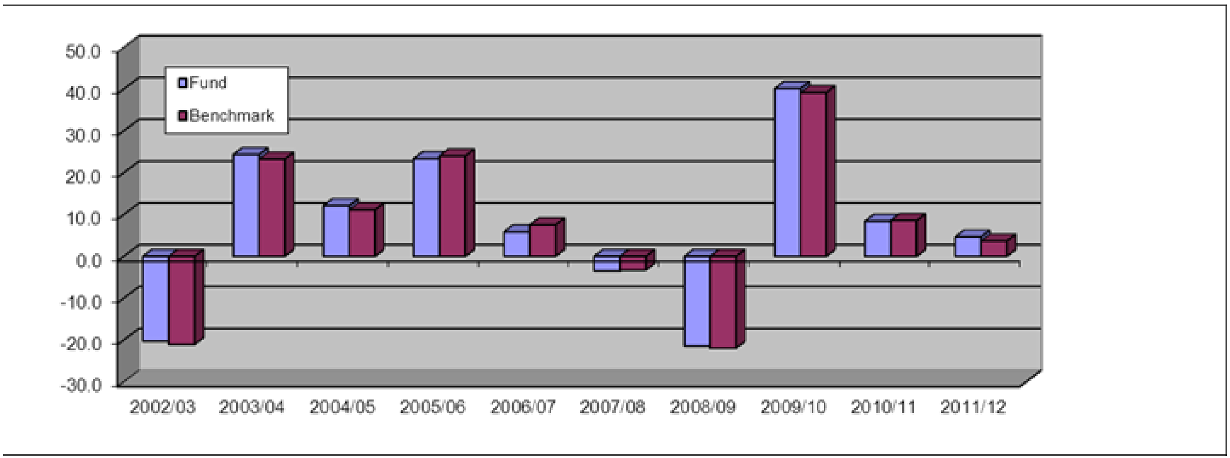
www.camden.gov.uk/pensions

Scheduled Bodies

The Children's Hospital School and St Luke's School are the only scheduled bodies which made contributions to the Fund in 2011/12.

Returns

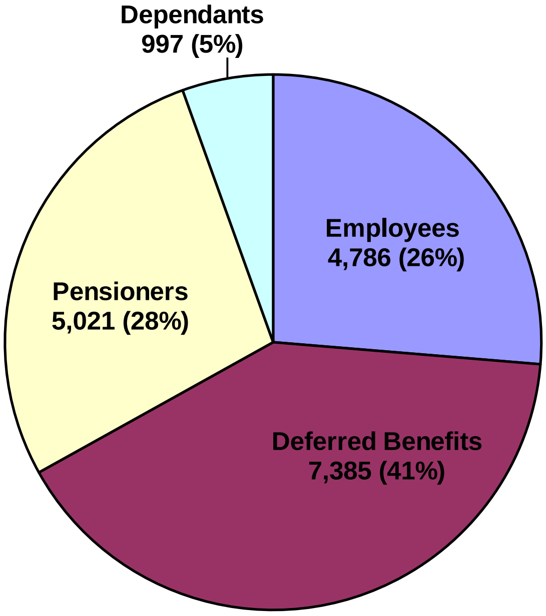
The overall value of the Fund has risen by 97% during the last ten years. The diagram below, based on figures prepared by the WM Company, provides a comparison between the performance of Camden's Fund and that of the average of other participating funds, including company pensions, for each year over this period. It shows the time-weighted return on investments for each calendar year.



Since 1 January 2006 Camden has had a specific benchmark. The comparison is therefore based against four years WM average and six years of the specific benchmark. The benchmark weightings are as follows: -
UK Equities 25%, Global Equities 50%, Bonds 15% and Property 10%.

Membership

Total membership of the Fund at 31 March 2012 was 18,189 (18,201 in 2011). Within the totals shown in the pie chart below are 347 employees, 823 deferreds, 487 pensioners and 45 dependants attributable to admitted bodies and scheduled bodies.



Total Membership 18,189

Pension Fund Account
for the year ended 31 March 2012

2010/11 £000		Notes	2011/12 £000
	Contributions receivable:		
37,615	From Employers	2	39,831
11,531	From Members	2	10,224
2,740	Pension Strain	2,3	1,618
51,886			**51,673**
	Transfers in from other pension funds:		
9,705	Transfers in (individual)		**6,896**
	Benefits payable:		
(33,995)	Retirement pensions	2	(36,056)
	Commutation of pensions and lump sum		(12,169)
(9,240)	retirement benefits	2	
(886)	Lump sum death benefits	2	(1,538)
(44,121)			**(49,763)**
	Payments to and on account of leavers:		
(9,597)	Transfers out (individual)		(6,883)
(12)	Refund of contributions		(16)
(3)	Contribution Equivalent Premiums	4	8
(9,612)			**(6,891)**
	Other Payments:		
(660)	Administration costs		(603)
(309)	Other expenditure	5	(280)
(969)			**(883)**
6,889	**Net additions from dealing with members**		**1,032**
	Returns on investments		
14,801	Investment income	6	16,611
(293)	Tax deducted from investment income		(561)
(2,864)	Management fees	7	(2,825)
59,801	Change in market value of investments	8	24,331
71,445	**Net returns on investments**		**37,556**
78,334	Net increase/(decrease) in the fund		38,588
877,347	Net assets at 1 April 2011		955,681
955,681	**Net assets at 31 March 2012**		**994,269**

In compiling the 2011/12 Statement of Accounts the London Borough of Camden are using investment data from the custodian, JP Morgan.

Pension Fund Net Assets Statement as at 31 March 2012

31 March 2011 £000		Notes	31 March 2012 £000
	Investments at market value		
	Pooled Investment Vehicles:		
99,286	- Fixed Interest Securities	10,11	112,707
19,975	- Index Linked Securities	10,11	24,195
262,533	- UK Equities	10,11	266,491
32,849	- Overseas Equities		117,536
414,643			**520,929**
33	Fixed Interest securities - Public Sector		39
60,294	UK Equities		61,566
404,894	Overseas Equities	10,11	332,651
58,389	Property	10,11	65,111
11	Venture Capital	10,11,13	11
9,091	Cash deposits	10,11	14,321
3,566	Investment Income Receivable	10,11	3,082
950,921			**997,710**
	Other net assets		
4,614	Cash held by Camden	10,11	(2,599)
1,418	Current assets	12	364
(1,272)	Current liabilities	12	(1,206)
955,681	**Total net assets**		**994,269**

Both the 2011 and 2012 investment valuations above are drawn from the custodian accounts.

The net asset statement includes all assets and liabilities of the fund at 31 March 2012, but excludes long-term liabilities to pay pensions and benefits in future years. The only unlisted securities held are the Venture Capital holdings, which is a legacy investment in run-off.

Note 1. Accounting Policies

i) All income and expenditure has been accounted for in the revenue account on an accruals basis, with the exception of liabilities to pay pensions and other benefits in the future, and transfer values. These are not accrued, in accordance with SORP 2007 Financial Reports of Pension Schemes.

ii) Investments are shown in the Net Assets Statement at market value. Market valuations are as provided by the Custodian and are based on bid values as at the Net Assets Statement date. Values of 3rd party assets for which the JPM Pricing team cannot source values are priced using the latest quarterly accounting reports provided by the investor manager, and if this valuation point differs to Year End the Net Asset Value is adjusted for any further drawdown at cost. Prices in foreign currencies are translated at the closing rates of exchange as at 31st March.

iii) Assets and liabilities in overseas currencies are translated into sterling at the exchange rates prevailing at the balance sheet date. Transactions during the year are translated at rates applying at the transaction dates.

iv) The cost of administration is charged directly to the fund by the Administering Authority, London Borough of Camden.

v) Income due from equities is accounted for on the date stocks are quoted ex-dividend.

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

vii) Income from other investments is accounted for on an accruals basis.

viii) 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 profit and losses realised on sales of investments and unrealised changes in market value.

ix) When foreign exchange contracts are in place in respect of assets and liabilities in foreign currencies, the contract rate is used. Other assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at year end. Income from overseas investments is translated into sterling at an average rate for the period.

x) Surpluses and deficits arising on conversion are dealt with as part of the change in market values of the investments.

xi) Normal contributions, both from members and employers, are accounted for in the payroll month to which they relate, at rates as specified in the rates and adjustments certificate. Additional contributions from employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.

xii) Under the rules of the scheme, members may receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised.

Note 2. Analysis of Contributions and Benefits

2010/11 £000		2011/12 £000
	Contributions receivable	
44,627	Administering authority	43,147
26	Scheduled Bodies	25
7,233	Admitted bodies	8,501
51,886		**51,673**
	Benefits payable	

(37,263)	Administering authority	(42,760)
(6)	Scheduled Bodies	(6)
(6,852)	Admitted bodies	(6,997)
(44,121)		**(49,763)**

Note 3. Pension Strain

This is a payment to the Pension Fund from departmental budgets to make up for the funding shortfall following early retirement or ill health retirement.

Note 4. Contributions Equivalent Premiums

This is a payment to the Contributions Agency to reinstate employees into the State Earnings Related Pension Scheme. This applies only to employees who have received a refund of contributions.

Note 5. Other Expenditure

Other Expenditure included the following items:

2010/11 £000		**2011/12 £000**
120	Actuarial & Investment Advice	108
31	Audit	32
69	Custodian	62
68	Corporate Governance	59
21	Statistical Services	19
309	**Total**	**280**

Note 6. Pension Fund Investment Income

A detailed breakdown of this figure is shown below:

2010/11 £000		**2011/12 £000**
2	Fixed interest securities	1
245	Pooled investment vehicles	535
2,277	UK equities	2,851
10,438	Overseas equities	10,450
1,800	Property unit trusts	2,759
39	Interest on cash deposits	15
14,801	**Total income**	**16,611**

Note 7. Management Fees

The fees levied by the Fund Managers were as follows:

2010/11 £000		2011/12 £000
1,283	Aberdeen	1,107
983	Fidelity	667
227	Goldman Sachs	196
144	Legal & General	166
77	CB Richard Ellis	109
150	Partners Group	580
2,864	**Total**	**2,825**

In 2010/11 Aberdeen, Fidelity, Goldman Sachs and Legal & General all recorded 5 quarterly payments due to the introduction of management fee accruals, and CBRE and Partners Group were contracted mid-year.

In 2011/12 all management fees show 12 months' charges.

Note 8. Change in Market Value of Investments for the year ended 31 March 2012

	Realised Gain £000	Unrealised Gain £000	Movement 2011/12 £000
Pooled Investment Vehicles:			
- Fixed Interest Securities	**0**	**13,421**	**13,421**
- Index Linked Securities	**0**	**4,220**	**4,220**
- UK Equities	**0**	**3,958**	**3,958**
- Overseas Equities	**395**	**5,826**	**6,221**
	395	**27,425**	**27,820**
Fixed Interest securities - Public Sector	**0**	**6**	**6**
UK Equities	**1,420**	**(2,417)**	**(997)**
Overseas Equities	**17,376**	**(22,061)**	**(4,685)**
Property	**493**	**1,945**	**2,438**
Venture Capital	**0**	**0**	**0**
Total Investments	**19,684**	**4,898**	**24,582**
Currency	**(244)**	**(7)**	**(251)**
Total	**19,440**	**4,891**	**24,331**

Note 9. Purchases & Sales

Pension Fund Purchases and Sales by Asset Type for the year ended 31 March 2012:

2010/11 £000		2011/12 £000
	Purchases	
	Pooled Investment Vehicles:	
1,726	- Overseas Equities	100,754
(45)	- Life Fund	0
1,681		**100,754**
19,513	UK Equities	10,905
155,888	Overseas Equities	54,379
15,548	Property	20,679
192,630	**Total Purchases**	**186,717**
	Sales	
	Pooled Investment Vehicles:	
0	- Overseas Equities	(22,288)
(171)	- Life Fund	0
(171)		**(22,288)**
(16,544)	UK Equities	(8,635)
(144,143)	Overseas Equities	(121,937)
(638)	Property	(16,395)
(161,496)	**Total Sales**	**(169,255)**

The Fund has held pooled investments in fixed interest securities, index linked securities and UK equities throughout the year without addition or disposal.

Note 10. Pension Fund Analysis of Investments at Market Value

31 March 2011 £,000		31 March 2012 £,000
	Securities	
33	Government fixed interest UK	39
19,975	Pooled Vehicle - Government index linked UK	24,195
99,286	Pooled Vehicle - Fixed Interest Securities	112,707
119,294		**136,941**
	UK Equities	
60,294	Quoted	61,566
262,533	Pooled Vehicle - UK Equities	266,491
322,827		**328,057**
	Overseas Equities	
7,839	Argentina	7,300
16,535	Australia	10,582
414	Austria	0
1,047	Belgium	539

31 March 2011 £,000		31 March 2012 £,000
942	Bermuda	383
12,669	Brazil	15,024
17,359	Canada	14,753
0	Cayman Islands	318
4,354	China	4,064
2,116	Denmark	1,147
702	Finland	0
12,670	France	7,818
16,760	Germany	5,049
1,651	Guernsey, C.I.	911
10,328	Hong Kong	12,740
2,515	Ireland	1,081
255	Israel	187
12,437	Italy	8,720
43,030	Japan	29,529
0	Luxembourg	240
2,620	Mexico	4,781
7,692	Netherlands	2,205
5,735	Netherlands Antilles	2,687
0	New Zealand	94
2,122	Norway	837
212	Papua New Guinea	59
4,400	Singapore	3993
6,657	South Korea	8,074
3,025	Spain	1,106
11,476	Sweden	12,799
38,536	Switzerland	38,266
8,851	Taiwan	11,132
149,782	USA	126,233
163	Virgin Islands	0
32,849	Pooled Vehicle - Fidelity Emerging Markets	18,499
0	Pooled Vehicle - L&G Global Equity Fund	99,037
437,743		**450,187**
	Property	
45,614	UK Property	43,444
12,775	Global Real Estate SICAR	21,667
58,389		**65,111**
	Venture Capital	
11	Midland Growth Fund	**11**
3,566	Investment Income Receivable	3,082
9,091	Cash Deposits	14,321
4,614	Cash at Authority	(2,599)
146	Net Debtors / Creditors at Authority	(842)
955,681	**Total Asset Value**	**994,269**

Note 11. Valuations by Fund Managers

2010/11 £000		2011/12 £000
	Council	
33	- Public sector fixed interest securities	39
11	- Venture Capital	11
4,614	- Cash	(2,599)
146	- Net Debtors & Creditors	(842)
	Aberdeen Asset Managers Ltd	
41,547	- UK equities	50,787
211,483	- Overseas equities	218,719
4,798	- Cash	4,889
1,637	- Income Receivable	1,436
	Fidelity International	
18,747	- UK equities	10,779
193,407	- Overseas equities	113,927
32,849	- Pooled investment vehicle	18,499
2,490	- Cash	2,070
500	- Income Receivable	252
	Goldman Sachs Asset Management International	
99,286	- Pooled investment vehicle	112,707
	Legal & General Assurance (Pensions Management) Ltd	
	Pooled investment vehicles	
19,975	- Index linked securities	24,195
262,533	- UK equities	266,491
0	- Overseas Equities	99,037
	Schroder Investment Management Ltd	
0	- Cash	15
492	- Income Receivable	429
	UBS Ltd Fixed interest securities	
0	- Cash	13
378	- Income Receivable	311
	CB Richard Ellis Collective Investors Ltd	
4	- Overseas equities	5
7,691	- Pooled investment vehicle	19,021
37,923	- Property unit trusts	24,423
921	- Cash	5,756
559	- Income Receivable	653
	Partners Group Real Estate SICAR	
12,775	- Property SICAR	21,667
	JPM Custodian Account	
882	- Cash	1,578
0	- Income Receivable	1
955,681	**Total**	**994,269**

The public sector fixed interest securities held directly by the Council are valued using the Debt Management Office gilt reference prices from the DMO website as of 31st March.

Note 12. Analysis of Net Current Assets and Liabilities

2010/11 £000		2011/12 £000
	Assets	
1,002	Capital Costs receivable	100
416	Admitted Authorities payments receivable	264
1,418		**364**
	Liabilities	
(1,015)	Creditors	(1,032)
(257)	Unpaid Benefits	(174)
(1,272)		**(1,206)**
146	**Net Total**	**(842)**

Note 13. Venture Capital

The venture capital holdings are a legacy investment in The Midland Growth Fund, established in 1985. The fund was set to be wound up by March 2003, although a number of extensions have been agreed to realise the remaining unquoted investment.

The investment was valued at bid price on the 31st March 2012, in accordance with British Venture Capital Association guidelines.

Note 14. Direct Transaction Costs

The amount of direct transaction costs incurred by each Fund Manager was as follows:

2010/11 £		2011/12 £
153,560	Aberdeen	152,073
301,639	Fidelity	207,837
0	Goldman Sachs	0
0	Legal & General	78,063
6,855	CB Richard Ellis	33,311
0	Partners Group	0
462,054	**Total**	**471,284**

Note 15. Additional Voluntary Contributions

Additional voluntary contributions are not included in the Pension Fund Accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998. The providers of Additional Voluntary Contributions are Phoenix Life Ltd and Prudential Assurance Company Ltd (from 1 April 2009).

Phoenix operates two funds, the deposit fund and the managed fund and employees can contribute to either fund.

Prudential offer eleven funds, with the risk appetite ranging from minimal to higher risk. The employee has the option to choose a combination of up to ten of these funds. Also the employee has the choice to invest in the default fund (with profits) or a lifestyle option, which commences with higher risk investments and is gradually switched to lower risk investments as the employee moves closer to retirement.

The value and transaction summary of the AVC funds are below. It should be noted that the Phoenix Life accounts are produced on a calendar year basis.

Prudential	**2011/12**	**2010/11**
	£	**£**
Value at 1 April	669,980	178,778
- Contributions and Transfers Received	725,164	585,335
- Investment Return	42,411	16,478
- Paid Out	(420,493)	(110,621)
Value at 31 March	**1,017,062**	**669,980**

Phoenix Life Ltd	**2011**	**2010**
	£	**£**
Value at 1 January	1,163,629	1,254,981
- Contributions and Transfers Received	54,881	61,322
- Investment Return	(25,966)	104,919
- Paid Out	(166,881)	(257,593)
Value at 31 December	**1,025,663**	**1,163,629**

Note 16. Reconciliation of Investments by Asset Class

	31 March 2011	**Purchases**	**Sales**	**Change in Market Value**	**31 March 2012**
	£000	**£000**	**£000**	**£000**	**£000**
Pooled Vehicles:					
- Fixed Interest securities	99,286	0	0	13,421	**112,707**
- Index Linked securities	19,975	0	0	4,220	**24,195**
- UK equities	262,533	0	0	3,958	**266,491**
- Overseas equities	32,849	100,754	(22,288)	6,221	**117,536**
	414,643	100,754	(22,288)	27,820	**520,929**
Fixed Interest Securities	33	0	0	6	**39**
UK Equities	60,293	10,905	(8,635)	(997)	**61,566**
Overseas Equities	404,894	54,379	(121,937)	(4,685)	**332,651**
Property	58,389	20,679	(16,395)	2,438	**65,111**
Venture capital	11	0	0	0	**11**
Total Investments	**938,263**	**186,717**	**(169,255)**	**24,582**	**980,307**
Cash and net debtors	17,418			(251)	**13,962**
Total	**955,681**			**24,331**	**994,269**

	31 March 2010 £000	Purchases £000	Sales £000	Change in Market Value £000	31 March 2011 £000
Pooled Vehicles:					
- Fixed Interest securities	94,306	(46)	(171)	5,197	**99,286**
- Index Linked securities	18,707	0	0	1,268	**19,975**
- UK equities	241,119	0	0	21,414	**262,533**
- Overseas equities	28,765	1,726	0	2,358	**32,849**
	382,897	1,680	(171)	30,237	**414,643**
Fixed Interest Securities	32	0	0	1	**33**
UK Equities	52,697	19,513	(16,544)	4,627	**60,293**
Overseas Equities	372,002	155,888	(144,143)	21,147	**404,894**
Property	39,147	15,549	(638)	4,331	**58,389**
Venture capital	24	0	0	(13)	**11**
Total Investments	**846,799**	**192,630**	**(161,496)**	**60,330**	**938,263**
Cash and net debtors	30,548			(529)	**17,418**
Total	**877,347**			**59,801**	**955,681**

Note 17. Nature & Extent of Risks Arising From Financial Instruments

Market risk

Market risk is the risk of a loss to the Fund due to fluctuations in the prices of the financial instruments it holds. The level of risk is managed through an acknowledgement of the risks associated with the different asset classes it holds, and by diversification between asset classes to control the level of risk whilst optimising return.

Sensitivity analysis can be carried out for potential price changes based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds for example, so the overall outcome will depend largely on funds' asset allocations.

The potential volatilities below (% change) are consistent with a one standard deviation movement in the change in value of the assets over the last three years, as provided by the Fund's statistical analysts WM Company. This can then be applied to the period end asset mix as follows:

Asset Type	Value (£'000)	Change %	Value on Increase (£'000)	Value on Decrease (£'000)
UK Equities	328,068	15.2%	377,967	278,169
Overseas Equities	450,188	14.5%	515,555	384,821
Total Bonds	112,746	5.0%	118,372	107,120
UK Index Linked	24,195	7.6%	26,043	22,346
Property	65,111	5.4%	68,614	61,608
Cash & Equivalents	13,961	0.0%	13,964	13,958
Total Assets	**994,269**		**1,120,515**	**868,022**

Currency Risk

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

To calculate currency risk the currency exchange rate volatility (% change relative to £GBP) of individual currencies is used, as provided by the Fund's statistical analysts WM Company. For pooled assets the benchmark currency exposure is used as proxy, and for individual currencies where volatility analysis is unavailable, the % change of the currency basket as a whole is used.

The following table summarises the Fund's currency exposure based on its holdings of overseas domiciled equities and property as at 31 March 2012.

Currency	**Value (£'000)**	**Change %**	**Value on Increase (£'000)**	**Value on Decrease (£'000)**
Australian Dollar	10,582	10.5%	11,693	9,472
Brazilian Real	15,024	12.8%	16,952	13,096
Canadian Dollar	14,753	9.6%	16,173	13,333
Danish Krone	1,147	8.3%	1,243	1,052
EURO	26,518	8.4%	28,735	24,301
Israeli Shekel	187	8.6%	203	171
Japanese Yen	29,529	13.3%	33,454	25,603
Mexican Peso	4,781	8.9%	5,206	4,356
New Zealand Dollar	94	10.8%	105	84
Norwegian Krone	837	10.5%	925	749
Singapore Dollar	3,993	7.5%	4,292	3,694
South Korean Won	8,074	10.3%	8,903	7,244
Swedish Krona	12,799	10.2%	14,108	11,491
Swiss Franc	38,266	10.3%	42,187	34,344
Taiwan Dollar	11,132	9.0%	12,131	10,134
US Dollar	126,234	9.8%	138,545	113,923
Global Basket	99,037	6.6%	105,522	92,553
Emerging Basket	18,499	7.9%	19,959	17,040
Other Currencies	28,702	9.2%	31,343	26,062
Total O/S Equity	**450,187**	**9.2%**	**491,679**	**408,702**
O/S Property (€)	21,667	8.4%	23,478	19,856
TOTAL	**471,854**		**515,157**	**428,558**

Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets.
In essence the Fund's entire investment portfolio is exposed to some form of credit risk, however the selection of high quality counterparties and financial institutions, and legal due diligence carried out on all managers and the custodian, minimises the credit risk that may occur through the failure to settle a transaction.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council takes steps to ensure that the Fund has adequate cash resources to meet its commitments through periodic reviews of the maturity of the Fund, and monitoring of the cash flows generated from dealing with members.

GLOSSARY OF FINANCIAL TERMS AND ABBREVIATIONS

FINANCIAL TERMS

Accrual
The recognition of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

Balances
Unallocated reserves held to resource unpredictable expenditure demands.

Capital Charges
Charges made to service department revenue accounts, comprising depreciation (where appropriate) based on the value of the asset employed.

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

Capital Financing Charges
The annual cost of depreciation, leasing charges and other costs of funding capital expenditure.

Capital Receipts
Income received from the sale of land, buildings and other capital assets.

Contingent Liabilities
Potential losses for which a future event will establish whether a liability exists. As it is not appropriate to establish provisions for such amounts, they are not accrued in the financial statements, but disclosed separately in a note to the Balance Sheet.

Creditors
Amounts owed by the Authority at 31 March for goods received or services rendered but not yet paid for.

Debtors
Amounts owed to the Authority which are collectable or outstanding at 31 March.

Dedicated Schools Grant
A specific grant for the funding of schools and which is ring-fenced to the Schools Budget.

Deferred Capital Income
This consists mainly of income due from former tenants who have purchased their homes and taken out mortgages with the Council.

Earmarked Reserves
Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Formula Grant
The main grant paid by central government to a local authority towards the costs of all its services.

Provisions

Monies set aside for liabilities and losses which are likely to be incurred but where exact amounts or dates on which they will arrive are uncertain.

Revenue Expenditure from Capital under Statute (REFCUS)

Spending on items normally classed as revenue but which are defined by statute as capital e.g. improvement grants.

Revenue Expenditure

Spending on day-to-day items, including salaries and wages, premises costs and supplies and services.

Transfer Payments

Benefits paid over to tenants and homeowners towards rent and council tax which is then reimbursed by central government.

ABBREVIATIONS

AVC	Additional Voluntary Contributions
BSF	Building Schools for the Future
BVACOP	Best Value Accounting Code of Practice
BVCA	British Venture Capital Association
C&IMHSCT	Camden and Islington Mental Health Social Care Trust
CFR	Capital Financing Requirement
CGRA	Capital Grants Received in Advance
CIPFA	Chartered Institute of Public Finance and Accountancy
CPFA	Chartered Public Finance Accountant
CPI	Consumer Price Index
DCLG	Department for Communities and Local Government
DCSF	Department for Children, Schools and Families (formerly DfES – Department of Education and Skills) (Central Government)
DHC	Depreciated historical cost
DMO	Debt Management Office
DRC	Depreciated replacement cost
DSG	Dedicated Schools Grant
DWP	Department of Work and Pensions (Central Government)
EUV	Existing Use Value
FMV	Fair Market Value
FTE	Full Time Equivalent
GLA	Greater London Authority
HMRC	HM Revenue & Customs
HRA	Housing Revenue Account
IAS	International Accounting Standards
ICES	Integrated Community Equipment Store

IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ILEA	Inner London Education Authority
IPSAS	International Public Sector Accounting Standards
ISB	Independent School Bursary Scheme
LCAAF	London Committee for Action Against Fraud
LEP	Local Education Partnership
LEU	London Ecology Unit
LGIU	Local Government Information Unit
LGPS	Local Government Pension Scheme
LOBO	Lender Option Borrower Option financial instrument
LPFA	London Pensions Fund Authority
LRB	The former London Residuary Body (residual functions of the Greater London Council and ILEA)
MMI	Municipal Mutual Insurance
MRA	Major Repairs Allowance
MRP	Minimum Revenue Provision
NBV	Net Book Value
NNDR	National Non Domestic Rates (Business Rates)
NPV	Net Present Value
NLWA	North London Waste Authority
OEIC	Open Ended Investment Company
PCT	Primary Care Trust
PFI	Private Finance Initiative
PPE	Property, Plant and Equipment
PWLB	Public Works Loans Board
RCCO	Revenue Contribution to Capital Outlay

	(this is also known as Direct Revenue Financing)
REFCUS	Revenue Expenditure Funded From Capital Under Statute
RICS	Royal Institution of Chartered Surveyors
RNCC	Registered Nursing Care Contribution
RPI	Retail Price Index
RSL	Registered Social Landlord
SBRR	Small Business Rate Relief
SEN	Special Education Needs
SIC	Standing interpretations Committee
SLA	Service Level Agreement
SOLACE	Society of Local Authority Chief Executives
SORP	Statement of Recommended Practice
SSAP	Statement of Standard Accounting Practice
TfL	Transport for London
TSS	Teachers Superannuation Scheme
UCL	University College London
UK GAAP	UK Generally Accepted Accounting Principles