Wandsworth Council

statement of accounts 2011 – 2012

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Wandsworth

THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2012

CONTENTS

FOREWORD TO THE ACCOUNTS

GENERAL REVENUE

The Council originally budgeted for £10.0 million in its General Fund balance. By the end of the year, this reserve had risen to £21.6 million, attributable to a number of factors. The outturn in 2010/11 was £4.1 million better than expected when calculating the Council Tax requirement for 2011/12. General revenue budgets were reduced by £3.7 million during the year, but were then underspent by £12.7 million.

Within Adult Care and Health there was an overspend on Older People and Physical Disabilities (£1.452 million) due to increased client numbers, partially offset by an additional NHS grant. The Learning Disabilities service was underspent by £0.3 million which despite increased client numbers, a targeted plan enabled costs to be reduced and overall expenditure contained. Education and Children's Services were underspent by £3.0 million. The underspend of £0.8 million on Policy and Development related to the provision of training and SEN inclusion not being taken up by external providers (-£0.6 million) and unbudgeted grant income and training income (-£0.4 million). On Planning and Resources the main variances were unbudgeted severance costs (£0.3 million), overspend on building maintenance (£0.4 million) offset by an underspend of £0.7 million on Building Schools for the Future. The underspend on Young People and Learning of £0.9 million largely related to posts across the division being held vacant pending reorganisations. The underspend of £1.37 million on Children's Specialist Services was mainly due to staffing and placement costs being less than predicted across all services in the division, particularly on some of the more volatile services. Services within the Environment, Culture and Community Services Committee were underspent by £1.3 million. The underspend was attributable to Community Safety (£0.2 million); Leisure Centres and Sports Services (£0.3 million); reduced tonnage led to lower waste disposal charges (£0.3 million); additional income from the firework display in Battersea Park (£0.2 million). Central support charges overall underspent by £1.2 million resulting in an underspend of £0.8 million on Corporate Management. Project work in the Finance department which was mainly to be funded by the Renewals Fund will now take place in 2012/13, resulting in an underspend of £1.98 million. Additional income of £1.8m was achieved on Housing and Council Tax Benefits due to higher than anticipated overpayment recoveries. This was offset by an increase in the provision for doubtful debts and rent rebates. On Non-HRA Housing Services there was an overspend of £2.8m due to increased levels of temporary accommodation usage resulting in higher payments to landlords and an increase in housing benefit claimants. This was offset by additional rental income from temporary accommodation usage and housing subsidy receivable on the housing benefit paid totalling £3.1million. Highways and Community Transport was underspent by £2.1 million arising from additional income from Highway Regulatory Works (£1.2 million) for the London Permit Scheme and for charges to utility companies. The Parking Service underspent by £1.4 million mainly as a result of additional income (£0.7 million) and underspends on parking projects and administration and contract costs (£0.5 million). The Planning Service was underspent by £0.3 million arising from net income for higher volumes of planning applications in advance of the introduction of the mayoral Community Infrastructure Levy (CIL). Economic Development underspent by £0.5 million comprising the Nine Elms Strategy programme, reduced administration and additional grant on employment projects.

The General Fund balance was reduced by appropriation to specific reserves: the Renewals Fund (£3.2 million) and the Finite Services Fund (£1.2 million). Recognising the volatility of the new arrangements for future Council funding, a Business Rate Volatility Reserve was established (£5.0m).

Formula Grant received from the Government was 152.7 million. Based on their calculation of a like for like basis this represents a reduction of £19.45 million on the 2010/11 grant settlement. Wandsworth remains significantly below the grant floor set by the Government and is, therefore, likely to remain at the 'floor' for the foreseeable future with annual grant received unlikely to cover general inflationary pressures, implying continuing real-term reductions in Government support for Council services.

The Council's share of the council tax was frozen at the previous year's level of £377.06. The same applied to the Greater London Authority who maintained their council tax at £309.82, giving a combined average band D amount for 2011/12 of £686.88. The average council tax per dwelling of £662.90 remained the lowest in England and Wales and amounted to only 55% of the average £1,195.79 for England.

COUNCIL HOUSING

Capital receipts from the disposal of housing assets amounted to £11.7 million compared with £16.2 million in the previous year. However £0.4 million of these receipts had to be paid to the Government. The total capital expenditure in the Housing Revenue Account of £26.5 million in 2011/12 was financed using capital reimbursements and grants of £4.8 million, capital receipts of £10.6 million, and £11.1 million from the Major Repairs Reserve. Standing at £85.3 million, an increase of £6.8 million over the previous year, the Major Repairs Reserve underpins the longer-term business plan for the housing stock. The balance on the HRA Reserve increased by £13.1 million to £103.8 million and was retained against the risk of future shortfalls.

2011/12 was the final year of the outgoing housing revenue account subsidy system which was replaced with a devolved system of council housing finance called self-financing with effect from 2012/13. The Council was required to make a payment to the Secretary of State of £433.6 million before the end of the year in settlement. The impact on the Balance Sheet is that Short Term Investments have decreased, reflecting the application of £210 million towards the cost, with the balance being financed by Long Term Borrowing.

GENERAL CAPITAL

General capital spending, apart from council housing, was £57.2 million, £10.5 million higher than the previous year. The programme was financed through capital grants and reimbursements of £56.1 million, £1.0 million of capital receipts, and £0.1 million of revenue contributions. In the medium term, the general capital programme will continue to be financed using capital receipts, capital grants and through the realisation of investments which reduced by £164.5 million during the year to £120.2 million.

It is also unlikely in the short term that new long-term borrowing will be required for general capital spending, unless taken up specifically for an education spend-to-save scheme, which requires borrowing so that costs may be passed on to schools in accordance with the Government's school funding regulations.

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced the requirement to disclose Heritage Assets values on the balance sheet. These assets consist of the Mayor's Regalia and the value has been assessed on the basis of the insurance valuation which is based on market value. This constitutes a change in Accounting Policy and has necessitated additional disclosures in the accounts. Further details can be found on page 27.

PENSIONS

The Council is legally obliged to offer guaranteed and inflation-proofed pension benefits to its employees other than teachers, who are covered by a similar Government scheme. The Pension Fund is maintained at a level to meet the Council's long-term liability for pension benefits, with Council contributions fixed accordingly. The Fund's net assets increased by £38.7 million (4.7%) to £860.8 million, reflecting the net return on both investment income and the change in market value of investments (£44.0 million), after net costs of £5.3 million from dealings with fund members. The Fund's investments returned an average +17.4% a year over the last three years, better than the median return of +14.5%.

For balance sheet purposes, the Council's estimated liabilities for retirement benefits exceeded the assets in the relevant funds by £227.6 million (25.6%) at 31st March 2012. This is £124.1 million more than the net liabilities of £103.5 million twelve months earlier, chiefly as a result of the increase in the present value of liabilities outstripping the partial increase in the value of investments. As an authority providing statutory services backed by taxation, the Council can be more relaxed than private firms about including such volatile valuations in its balance sheet. The impact on council tax, however, is dependent on the actuarial valuation of the pension fund carried out every three years. The aim is to achieve 100% funding over 21 years and to provide stability in employer contribution rates by spreading increases over a period of time. At the latest valuation, carried out in March 2010, the fund was assessed as being 91% funded, corresponding to a shortfall of £75 million. The Council previously set aside £51 million to offset the effects of the potential for increased employer contributions which could be required in the event of the fund under-performing. Having reviewed the risk based on the latest triennial valuation including the change to a stabilised funding solution, this reserve was reduced to £41.4 million and the Council's contribution was maintained at 19% of pay from 1st April 2011. As at the last valuation, overall the Council's current funding level of 91% was the best of any of the 34 London Local Authority Pension funds, the average funding level being 75.4%.

CONCLUSION

The Council's General Fund revenue, General capital and HRA financial positions remain sound, but the Council's policy of distinctively low tax remains under threat from the continuing real-terms decline in Government general grant, and potential implications arising from the volatility of the new arrangements for funding local authorities through localised business rates. Set against the aim of continuing to deliver service improvements with increasingly scarce resources, the Council will be reviewing its budgets in order to meet the requirement to reduce net expenditure by an estimated £26.8 million to avoid triggering a referendum on setting Council Tax in 2013/14 and 2014/15.

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the chief financial officer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

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

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

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

The chief financial officer has also:

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

CERTIFICATE

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

C Buss
Director of Finance and Deputy Chief Executive
6th September 2012

Cllr M Heaster
Chairman of the Audit Committee
6th September 2012

ANNUAL GOVERNANCE STATEMENT 2011/12

SCOPE OF RESPONSIBILITY

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

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

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

A copy of the code is available on the Council's website using the following link www.wandsworth.gov.uk/corporategovernance or can be obtained from the Head of Audit. This statement explains how Wandsworth Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

The governance framework has been in place at Wandsworth Council for the year ended 31st March 2012 and up to the date of approval of the statement of accounts.

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users. The Council's Corporate Business Plan helps to provide a complete picture of the overall framework within which the Council works to achieve its objectives of delivering high quality, value for money services.

Reviewing the authority's vision and its implications for the authority's governance arrangements. The Corporate Business Plan is updated on an annual basis and the Finance and Corporate Resources Committee reviews the progress that has been made in the previous year's key issues and agrees the objectives issues for the current year.

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

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

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

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff. The Council recognises that good governance is underpinned by the standards and values of its Members and Officers.

The standards and behaviour that is expected are clearly defined. The Council has agreed a new standards framework for Members, which incorporate a new local Code of Conduct, terms of reference for a standalone Standards Committee and a new complaints procedure, to ensure that the current high level of standards is maintained.

The Council has adopted a Code of Conduct for its Officers which is robust and regularly updated setting out clear and distinctive rules in relation to the giving and receiving of gifts and hospitality.

The Council has adequate procedures for investigating incidents where standards have not been met, and implementing action plans to address any deficiencies.

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

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

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

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

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training. The development needs for Members are seen to be adequately addressed both in terms of induction training and focussed continuous training. Officer training needs are judged to be adequately identified and catered for, and the Council acknowledges the need to ensure that there are effective succession plans in place as this is key to the continued level of service delivery.

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

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements. The Council has been operating an effective governance template which is to be used by Category 'A' partnerships since 2007.

REVIEW OF EFFECTIVENESS

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

The Local Government and Public Involvement in Health Act 2007 required all English local authorities to reconsider the "executive arrangements" they have adopted for decision-making. For many years, Wandsworth has had in place the executive arrangement known as the "strong leader" model, i.e. a Leader who appoints the executive Members. Therefore, there was little substantive difference between the existing arrangements and the comparable model allowed under the 2007 Act. There have been no issues identified that have given any cause to alter the current arrangements.

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

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

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

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

The Executive. The Council is responsible for the overall budget and policy framework however the Executive is the main decision making body for most functions and services within the policy and budgetary framework. It sets out the Council's core objective through the approval of the Council's Business Plan, which incorporates priorities for improvement and the medium term financial strategy. The Council's Constitution details those functions for which it has sole discretion and those which are shared with full Council.

It ensures that standards and performance levels are maintained through its review of AQPRs. thus ensuring that the quality of Council services remains high and that there are effective measures in place to take remedial action where appropriate.

The Audit Committee. The Audit Committee has considered a number of reports to ensure that the Council's governance arrangements including internal control are effective and operated robustly and that there are timely and effective action plans in place to address them. In particular it has carried out its annual review of the Council's risk Management Strategy and found it to be fit for purpose and operated robustly. It has approved the Council's Accounts for 2010/11 together with a report from the External Auditor. It has also considered the Audit Commission's Annual Audit and Inspection letter for 2010/11. The Committee continues to be able to place significant reliance upon the reports from both the External Auditors and the Audit Commission on the very strong comparative performance of the Council in achieving its objectives.

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

The Standards Committee. The Localism Act 2011 has made significant changes to the local government standards regime. Throughout 2011, the Standards Committee worked on developing proposals for the new standards framework for Wandsworth and made recommendations which were adopted by the Council (Paper No.12-368 refers). The legislation came into effect on 1st July 2012 and Members of the authority have been advised of the requirements of the new framework. Although the Council has decided to retain a standalone Standards Committee, its role has been simplified in the light of the new streamlined statutory arrangements, and it is no longer considered necessary for an annual report on standards to be produced and incorporated into the Annual Governance Statement. Equally, there is insufficient justification in the Committee commenting formally on the Annual Governance Statement before its adoption.

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

The Director of Finance. By law and under the Council's Constitution, the Director of Finance has a number of control responsibilities. During the past year, and continuing up to the date of publication of the 2011/12 accounts, these responsibilities have been properly exercised with the support of leading Members, other directors and staff of the Finance Department. The general role of the Finance Department is to be responsible for the proper administration of the financial affairs of the Council, and in particular to champion value-for-money and lower spending. The Council has maintained appropriate budget frameworks for its functions, providing control for expenditure and income, incentives for economy, and contexts for considering potential policy developments. Policy proposals have been appraised for value-for-money, and continuing activities have been subject to reviews to support the objective of maintaining distinctively low council tax. The Council's Constitution includes appropriate Financial Regulations that have been reviewed and kept up to date, and these are supported by a range of directives and guidance notes. Conformity with these has been monitored and promoted by suitably trained staff and auditors. The roles and responsibility of the Director of Finance are in line with CIPFA's Statement on the role of the Chief Financial Officer in Local Government.

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

CONCLUSION

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

The current governance arrangements have enabled the Council to continue to deliver high quality services and maintain the lowest Council Tax in the United Kingdom.

CERTIFICATE

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee (the report providing the detailed assurance is available on the Council's website, Audit Committee Paper No. 12-545), and action plans to address weaknesses and ensure continuous improvement of the system in place.

Significant governance issues

(a) ICT security and business continuity planning

The ISO 27001 accreditation has now been achieved by all Departments with ongoing training provided to ensure that the high standards are maintained.

The Council's dependency of IT systems continues to increase as it looks to implement further efficiency savings and increase the use of remote working. There have been delays in implementing the reciprocal back-up arrangements with Merton Council, however once these have been implemented the Council BCP arrangements should significantly improve.

Whilst individual departments have arrangements in place for securing personal data whilst away from the main office further work needs to be undertaken to consolidate these into a formal corporate policy.

(b) Devolved management organisations

Many council services are delivered through arm's length organisations where it is not viable to regulate and direct to the same degree as its directly delivered or procured services. In recent years there have been a number of examples of poor control with either significant direct adverse outcomes or potential for significant adverse outcomes. This has resulted in increased audit coverage and more focussed and robust departmental monitoring however this needs to be maintained to address the key issues.

(c) Vetting Procedures.

There have been several instances identified whereby controls in vetting procedures have not been fully adhered to, although these mainly relate to Devolved Management Organisations. There are risks where key background checks are not carried out robustly including validation of previous employment, Criminal Record Checks and right to work in the United Kingdom.

(d) Low Council Tax

The Council Tax has been frozen for the 5th consecutive year and remains the lowest in the United Kingdom. This has been for many years and remains a future key Council objective. The Council has continually reviewed its services to ensure that efficiencies are identified to achieve this objective is maintained without having a detrimental effect on service delivery.

The reduction in the central government grant is likely to have an impact on the Council's ability to continue its success in freezing the level of Council Tax. However, it has sound financial mechanisms in place to ensure that the impact is minimised and the objective of a distinctively low Council Tax is maintained.

(e) Procurement

The Council has a long established record of achieving value for money when procuring services. Legislative changes have meant that the process has become far more technical requiring expertise in this field. This resulted in controls being strengthened through establishing a new Corporate Procurement Team to ensure that procurement regulations are complied with and benefits are maximised when procuring services. Further work needs to be undertaken to ensure that critical contracts are regularly monitored to ensure that services are maintained in the eventuality of a contractor failing.

(f) Personal Budgets

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

In addition to ensuring that there are effective monitoring arrangements in place the council needs to ensure that other issues such as the treatment of VAT is dealt with effectively.

(g) Regular Reconciliations

Directors need to ensure that regular reconciliations are undertaken and where issues have been identified that action is taken to identify and rectify any discrepancies.

Cllr R Govindia
Leader of the Council

P Martin
Chief Executive

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WANDSWORTH COUNCIL

We have audited the statement of accounts of Wandsworth Council for the year ended 31st March 2012 which comprises the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet as at the end of the period, the Cash Flow Statement, the Collection Fund, the Housing Revenue Account and the related notes. The financial reporting framework that has been applied in its preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 supported by the CIPFA Service Reporting Code of Practice 2011/12.

Respective responsibilities of the Finance Director and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 5, the Finance Director is responsible for the preparation of the statement of accounts and for being satisfied that it gives a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12. Our responsibility is to audit and express an opinion on the statement of accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Authority's members as a body 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 of Audited Bodies – Local Government, published by the Audit Commission in March 2010. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the statement of accounts

An audit involves obtaining evidence about the amounts and disclosures in the statement of accounts sufficient to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the statement of accounts. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited statement of accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on statement of accounts

In our opinion the statement of accounts:

- gives a true and fair view, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the CIPFA Service Reporting Code of Practice 2011/12, of the state of the Authority's affairs as at 31st March 2012 and of the Authority's income and expenditure and cash flows for the year then ended; and

- has been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12.

Opinion on other matters

In our opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the statement of accounts is prepared is consistent with the statement of accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the Annual Governance Statement on which the Code of Audit Practice issued by the Audit Commission requires us to report to you if, in our opinion, the Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Janet Dawson
For and on behalf of PricewaterhouseCoopers LLP
Appointed Auditors
London
24th September 2012

OPINION ON THE PENSION FUND ACCOUNTS

We have audited the pension fund accounting statements for the year ended 31st March 2012 which comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Respective responsibilities of the Finance Director and auditors

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 5, the Finance Director is responsible for the preparation of the pension fund accounting statements and for being satisfied that they give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12. Our responsibility is to audit and express an opinion on the pension fund accounts in accordance with Part II of the Audit Commission Act 1998, the Code of Audit Practice 2010 – Local Government Bodies issued by the Audit Commission and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the pension fund accounts

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund accounting statements

In our opinion the pension fund's accounting statements:

- give a true and fair view, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, of the financial transactions of the Pension Fund during the year ended 31st March 2012, and the amount and disposition of the fund's assets and liabilities as at 31st March 2012; and

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

Opinion on other matters

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

Janet Dawson
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
London
24th September 2012

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

Authority's responsibilities

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

Auditors' responsibilities

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2012.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, Wandsworth Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March 2012.

Certificate

The audit cannot be concluded and an audit certificate issued in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission because we have not yet completed our work on the Authority's Whole of Government Accounts return mandated under the Code of Audit Practice. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Janet Dawson
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
London
24th September 2012

The maintenance and integrity of the Wandsworth Council website is the responsibility of the council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

MOVEMENT IN RESERVES STATEMENT

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

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Useable Reserves	Unuseable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2010	22,366	126,897	81,792	68,509	28,443	503	328,510	1,232,513	1,561,023
Movement in reserves during 2010/11									
Surplus or deficit on provision of services	91,755		(248,975)				(157,220)		(157,220)
Other comprehensive income and expenditure	112,084						112,084		112,084
Total Comprehensive Income and Expenditure	203,839		(248,975)				(45,136)		(45,136)
Adjustments between accounting basis and funding basis under regulations	(207,469)	-	258,901	9,971	6,854	56	68,313	(68,313)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	(3,630)	-	9,926	9,971	6,854	56	23,177	(68,313)	(45,136)
Transfers to/from earmarked reserves	11,946	(10,972)	(974)	-	-	-	-	38	38
Increase/Decrease in year	8,316	(10,972)	8,952	9,971	6,854	56	23,177	(68,275)	(45,098)
Balance at 31 March 2011 carried forward	30,682	115,925	90,744	78,480	35,297	559	351,687	1,164,238	1,515,925
Movement in reserves during 2011/12									
Surplus or deficit on provision of services	18,831		(386,693)				(367,862)		(367,862)
Other comprehensive income and expenditure	(122,926)						(122,926)		(122,926)
Total Comprehensive Income and Expenditure	(104,095)		(386,693)				(490,788)		(490,788)
Adjustments between accounting basis and funding basis under regulations	106,733	-	400,787	6,827	4,334	2,959	521,640	(521,640)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	2,638	-	14,094	6,827	4,334	2,959	30,852	(521,640)	(490,788)
Transfers to/from earmarked reserves	(11,691)	12,710	(1,019)	-	-	-	-	105	105
Increase/Decrease in year	(9,053)	12,710	13,075	6,827	4,334	2,959	30,852	(521,535)	(490,683)
Balance at 31 March 2012 carried forward	**21,629**	**128,635**	**103,819**	**85,307**	**39,631**	**3,518**	**382,539**	**642,703**	**1,025,242**

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

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

		2011/12			2010/11		
	Notes	**Expenditure**	**Income**	**Net**	Expenditure	Income	Net
		£'000	**£'000**	**£'000**	£'000	£'000	£'000
Central services to the public		**17,668**	**(3,812)**	**13,856**	24,184	(2,739)	21,445
Cultural and related services		**23,527**	**(9,884)**	**13,643**	34,679	(9,135)	25,544
Environment and regulatory services		**24,229**	**(4,925)**	**19,304**	23,814	(4,442)	19,372
Planning Services		**7,225**	**(2,983)**	**4,242**	7,292	(2,377)	4,915
Education and children's services		**324,746**	**(244,905)**	**79,841**	345,989	(261,343)	84,646
Highways and transport services		**33,312**	**(32,181)**	**1,131**	30,229	(29,630)	599
Local authority housing (HRA)		**94,834**	**(125,595)**	**(30,761)**	391,328	(116,873)	274,455
Local authority housing settlement payment to Secretary of State for HRA self-financing	6	**433,623**	**-**	**433,623**	-	-	-
Other housing services		**241,212**	**(225,695)**	**15,517**	229,249	(211,043)	18,206
Adult social care		**110,234**	**(27,960)**	**82,274**	115,853	(30,184)	85,669
Corporate and democratic core		**6,608**	**-**	**6,608**	7,214	-	7,214
Non distributed costs		**2,145**	**(274)**	**1,871**	255	(111,307)	(111,052)
(Surplus)/Deficit on Continuing Operations		**1,319,363**	**(678,214)**	**641,149**	1,210,086	(779,073)	431,013
Other operating expenditure	7			**9,266**			14,922
Financing and investment income and expenditure	8			**(13,345)**			(13,455)
Taxation and non-specific grant income	9			**(269,208)**			(275,260)
(Surplus) or Deficit on Provision of Services				**367,862**			157,220
(Surplus) or deficit on revaluation of fixed assets	22			**(5,317)**			15,029
Actuarial (gains)/losses on pension assets/liabilities	22/40			**128,243**			(127,113)
Other Comprehensive Income and Expenditure				**122,926**			(112,084)
Total Comprehensive Income and Expenditure				**490,788**			45,136

BALANCE SHEET

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

BALANCE SHEET

	Notes	**31st March 2012 £'000**	31st March 2011 £'000 Restated	31st March 2010 £'000 Restated
Property, Plant and Equipment	10	**1,300,146**	1,265,304	1,583,235
Heritage Assets	11	**748**	748	748
Investment Property	12	**46,628**	46,471	43,200
Intangible Assets	13	**178**	105	54
Assets Held for Sale		**-**	-	-
Long-term Investments		**-**	-	-
Long-term Debtors		**942**	964	1,081
Long-term Assets		**1,348,642**	1,313,592	1,628,318
Short-term Investments		**120,180**	284,670	241,763
Inventories	14	**510**	813	1,236
Short-term Debtors and Payments in Advance	16	**64,078**	56,467	63,311
Cash and Cash Equivalents	17	**90,313**	104,850	89,216
Assets Held for Sale	18	**5,139**	5,813	1,004
Current Assets		**280,220**	452,613	396,530
Bank Overdraft		**-**	-	-
Short-term Borrowing		**17,957**	470	543
Short-term Creditors and Receipts in Advance	19	**96,988**	95,992	83,876
Provisions	20	**7,660**	7,196	8,293
Current Liabilities		**122,605**	103,658	92,712
Long-term Provisions	20	**6,257**	4,970	3,671
Long-term Borrowing		**212,566**	6,449	6,449
Net Pensions Liability	40	**231,807**	108,573	346,989
Other Long-term Liabilities		**-**	-	-
Capital Grants Receipts in Advance	36	**30,385**	26,630	14,004
Long-term Liabilities		**481,015**	146,622	371,113
Net Assets		**1,025,242**	1,515,925	1,561,023

	Notes	**31st March 2012**	31st March 2011	31st March 2010
		£'000	£'000	£'000
			Restated	Restated
Usable Reserves				
General Fund Balance		**21,629**	30,682	22,366
Housing Revenue Account	46-53	**103,819**	90,744	81,792
Capital Receipts Reserve		**39,631**	35,297	28,443
Capital Grants Unapplied Account		**3,518**	559	503
Housing Major Repairs		**85,307**	78,480	68,509
Renewals Fund		**32,949**	31,545	34,381
Insurance Reserve		**8,429**	9,271	10,110
Specific Grant		**2,400**	2,400	4,400
Finite Services Fund		**1,038**	57	922
Employer's Pensions Contributions Reserve		**41,400**	41,400	51,000
Enhanced Pension Fund		**4,247**	4,870	5,626
Education Balances	35	**22,262**	16,627	15,115
Services Transformation Fund		**5,000**	5,000	-
Business Rate Volatility Reserve		**5,000**	-	-
Other Balances		**5,910**	4,755	5,343
Unusable Reserves				
Revaluation balances				
Revaluation reserve	22	**58,661**	54,987	71,815
Available for Sale Financial Instruments Reserve		**-**	-	-
Adjustment Accounts				
Pensions Reserve	22	**(231,807)**	(108,573)	(346,989)
Capital Adjustment Account	22	**817,350**	1,219,025	1,510,828
Deferred Capital Receipts	22	**743**	731	856
Financial Instruments Adjustment Account	22	**(19)**	(23)	(21)
Collection Fund Adjustment Account	22	**2,411**	1,886	1,201
Accumulating Absences Account	22	**(4,636)**	(3,795)	(5,177)
Total Reserves		**1,025,242**	1,515,925	1,561,023

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority. Following clarification, presentational changes have been made to the figures shown for 2010/11, allowing a more accurate comparison between years.

	Notes	**2011/12** **£'000**	2010/11 £'000
Net surplus or (deficit) on the provision of services		**(367,862)**	(157,220)
Adjust net surplus or deficit on the provision of services for non-cash movements		**14,573**	277,574
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		**(80,210)**	(77,874)
Net cash flows from Operating Activities	23	**(433,499)**	42,480
Investing Activities	25	**199,006**	(16,635)
Financing Activities	26	**219,956**	(10,211)
		418,962	(26,846)
Net increase or decrease in cash and cash equivalents		**(14,537)**	15,634
Cash and cash equivalents at the beginning of the reporting period	17	**104,850**	89,216
Cash and cash equivalents at the end of the reporting period		**90,313**	104,850

PRIOR PERIOD ADJUSTMENTS

1. 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. Heritage assets are now required to be carried in the balance sheet at valuation. Previously no heritage assets were included in the Authority's Balance sheet. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the statement of accounting policies.

In applying the new accounting policy, assets with a value of £748,500 have been identified and recognised as heritage assets with a corresponding increase in the Revaluation Reserve. These assets relate to Civic Regalia.

The 31st March 2010 and 31st March 2011 Balance Sheets have thus been restated and resulted in the following changes being made to the 2009/10 and 2010/11 financial statements:

31st March 2010 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000
Heritage Assets	0	748
Revaluation Reserve	71,067	748

31st March 2011 Balance Sheet

	2010/11 Statements £000	Adjustments Made £000
Heritage Assets	0	748
Revaluation Reserve	54,239	748

NOTES TO THE ACCOUNTS

1. Statement of accounting policies

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31st March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, supported by International Financial Reporting Standards (IFRS).

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

1.2 Accruals of Income and Expenditure

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

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

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1.4 Exceptional Items

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

1.5 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

1.6 Charges to Revenue for Non-Current Assets

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

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

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

1.7 Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

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

- The Local Government Pensions Scheme, administered by the Council.

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

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

<u>The Local Government Pension Scheme</u>

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.6% (based on the indicative rate of return on the iBoxx AA rated over 15 year corporate bond index).

The assets of the pension fund are included in the Balance Sheet at their fair value:

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

The change in the net pension's liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

1.8 <u>Financial Instruments</u>

<u>Financial Liabilities</u>

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument. Annual charges are made to the Financing and Investment Income and Expenditure Statement for interest payable.

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

<u>Financial Assets</u>

Financial assets are classified into two types:

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

Loans and Receivables

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

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

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

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

1.9 <u>Government Grants and Contributions</u>

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

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

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

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

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

Area Based Grant

Area Based Grant (ABG) was a general grant allocated by central government directly to local authorities as additional revenue funding. It was non-ringfenced and was credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. It was reduced in 2010/11 and totally removed for 2011/12.

1.10 <u>Heritage Assets</u>

The Authority's Heritage Assets consist of Civic Regalia. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets. The Civic Regalia are reported in the Balance sheet at insurance valuation which is based on market values.

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 when doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the general policy on impairment.

1.11 <u>Intangible Assets</u>

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

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

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

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

1.12 <u>Inventories</u>

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

1.13 <u>Investment Property</u>

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

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

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

1.14 Revenue Expenditure Funded from Capital under Statute

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

1.15 Leases

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

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

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

The Authority as Lessee

Finance Leases

No finance leases are currently held

Operating Leases

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

The Authority as Lessor

Finance Leases

No finance leases are currently provided.

Operating Leases

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

1.16 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 – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

1.17 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

- Valuations of Housing Revenue Account dwellings, garages and hostel accommodation have been carried out by members of the Royal Institute of Chartered Surveyors employed by Lambeth Smith Hampton in accordance with the advice set out in the "Guidance on Stock Valuation for Resource Accounting".

- Valuations of other operational and investment properties were carried out by members of the Royal Institute of Chartered Surveyors employed by Lambeth Smith Hampton in accordance with the "Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors". Not all the properties were inspected as this was neither practicable nor considered by the Borough Valuer to be necessary for the purpose of the valuations.

- The valuation dates and the stock composition dates for the exercise were as follows:

Portfolio	Valuation Dates	Stock Composition Date
Operational	1st April 2010	31st March 2012
Held for Sale	31st March 2011	31st March 2012
Residential	31st March 2011	31st March 2012
Investment	1st April 2011	31st March 2012

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, they are accounted for by:

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

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

<u>Impairment</u>

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

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

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

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

<u>Depreciation</u>

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is not charged in the year of acquisition, and where an asset's net book value falls below £25,000, the remaining depreciation is charged to the Comprehensive Income and Expenditure Account and the item is removed from the Balance Sheet.

Depreciation is calculated on the following bases:

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

1.18 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

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

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

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

Carbon Reduction Commitment Scheme

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31st March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

1.19 Reserves

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

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

1.20 VAT

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

2. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

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

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

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

There is just one item in the Authority's Balance Sheet at 31st March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Firms of consulting actuaries are engaged to provide the Authority with expert advice about the assumptions to be applied. The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a one year increase in life expectancy would result in an increase in the pension liability of £23.4 million. However, the assumptions interact in complex ways. During 2011/12, the Authority's actuaries advised that the net pensions liability had increased by £124.1 million as a result of estimates being corrected as a result of experience and updating of the assumptions.

4. Adjustments Between Accounting Basis and Funding Basis Under 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 be 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.

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.

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.

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 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 £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'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	13,078	(2,780)				(10,298)
Revaluation losses on Property Plant and Equipment	(5,317)					5,317
Movements in the market value of Investment Properties	-					-
Amortisation of intangible assets	24					(24)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(59,096)	(4,848)			63,944	-
Revenue expenditure funded from capital under statute	30,717	3,925				(34,642)
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	7,006	2,289				(9,295)
Transfer of disposal costs to the Capital Adjustment Account						-
Local authority housing - settlement payment to Government for HRA self-financing		433,623				(433,623)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Voluntary provision for the financing of capital investment		(1,000)				1,000
Capital expenditure charged against the General Fund and HRA balances	(97)					97
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement						-
Application of grants to capital financing transferred to the Capital Adjustment Account					(60,985)	60,985
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,222)	(10,642)	14,864			-
Use of the Capital Receipts Reserve to finance new capital expenditure	-		(11,568)			11,568
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		10	(10)			-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	352		(352)			-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			251			(251)
Transfer of unattached capital receipt to the Capital Receipts Reserve	(218)	(931)	1,149			-

2011/12 Continued	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						-
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(17,128)		17,128		-
Use of the Major Repairs Reserve to finance new capital expenditure				(11,072)		11,072
Transfer of Depreciation charge for non-dwelling assets		(771)		771		-
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(4)					4
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	16,778	1,729				(18,507)
Employer's pensions contributions and direct payments to pensioners payable in the year	(21,164)	(2,352)				23,516
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(525)					525
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,178	(337)				(841)
Actuarial pension effects charged to the Comprehensive Income and Expenditure Account	128,243					(128,243)
Total Adjustments	**106,733**	**400,787**	**4,334**	**6,827**	**2,959**	**(521,640)**

2010/11	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'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	40,812	295,657				(336,469)
Revaluation losses on Property Plant and Equipment	15,029					(15,029)
Movements in the market value of Investment Properties	(5,552)					5,552
Amortisation of intangible assets	9					(9)
Capital grants and contributions applied	(41,489)	(11,491)			52,980	-
Revenue expenditure funded from capital under statute	16,203	3,649				(19,852)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	18,356	4,653				(23,009)
Transfer of disposal costs to the Capital Adjustment Account						-
Transfer of unattached receipts to the Capital Adjustment Account						-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Voluntary provision for the financing of capital investment		(1,000)				1,000
Capital expenditure charged against the General Fund and HRA balances	(2,356)					2,356
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement						-
Application of grants to capital financing transferred to the Capital Adjustment Account					(52,924)	52,924
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,278)	(15,544)	23,822			-
Use of the Capital Receipts Reserve to finance new capital expenditure			(17,187)			17,187
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		29	(29)			-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	824		(824)			-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			284			(284)
Transfer of unattached capital receipt to the Capital Receipts Reserve	(191)	(597)	788			-

2010/11 Continued	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						-
Adjustment primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(16,374)		16,374		-
Use of the Major Repairs Reserve to finance new capital expenditure				(6,839)		6,839
Transfer of Depreciation charge for non-dwelling assets		(436)		436		-
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	2					(2)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(89,019)	2,727				86,292
Employer's pensions contributions and direct payments to pensioners payable in the year	(22,285)	(2,726)				25,011
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(685)					685
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,736)	354				1,382
Actuarial pension effects charged to the Comprehensive Income and Expenditure Account	(127,113)					127,113
Total Adjustments	**(207,469)**	**258,901**	**6,854**	**9,971**	**56**	**(68,313)**

5. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12.

	Balance 1st April 2010 £'000	Transfers Out 2010/11 £'000	Transfers In 2010/11 £'000	Balance 31st March 2011 £'000	**Transfers Out 2011/12 £'000**	**Transfers In 2011/12 £'000**	**Balance 31st March 2012 £'000**
General Fund:							
General Fund Balance	22,366	424,852	433,168	30,682	**299,091**	**290,038**	**21,629**
Renewals Fund	34,381	3,585	749	31,545	**4,186**	**5,590**	**32,949**
Specific Grant Reserve	4,400	2,000	-	2,400	**-**	**-**	**2,400**
Insurance Reserve	10,110	840	1	9,271	**842**	**-**	**8,429**
Finite Services Fund	922	865	-	57	**19**	**1,000**	**1,038**
Employer's Pensions Contributions Reserve	51,000	9,600	-	41,400	**-**	**-**	**41,400**
Enhanced Pension Fund	5,626	774	18	4,870	**781**	**158**	**4,247**
Services Transformation Fund	-	-	5,000	5,000	**-**	**-**	**5,000**
Business Rate Volatility Reserve	-	-	-	-	**-**	**5,000**	**5,000**
Education Balances	15,115	15,780	17,292	16,627	**16,920**	**22,555**	**22,262**
Capital Grants Unapplied	503	-	56	559	**-**	**2,959**	**3,518**
Other Balances	5,343	588	-	4,755		**1,155**	**5,910**
Total	149,766	458,884	456,284	147,166	**321,839**	**328,455**	**153,782**
HRA:							
Housing Revenue Account	81,792	-	8,952	90,744		**13,075**	**103,819**
Housing Major Repairs Reserve	68,509	6,840	16,811	78,480	**11,072**	**17,899**	**85,307**
Total	150,301	6,840	25,763	169,224	**11,072**	**30,974**	**189,126**
Grand Total	300,067			316,390			**342,908**
General Fund	22,366			30,682			**21,629**
Earmarked Reserves	127,400			116,484			**132,153**
HRA	81,792			90,744			**103,819**
Earmarked HRA (MRA)	68,509			78,480			**85,307**
	300,067			316,390			**342,908**
Capital Receipts Reserve	28,443			35,297			**39,631**
	328,510			351,687			**382,539**
Unusable Reserves (Note 22)	1,232,513			1,164,238			**642,703**
	1,561,023			1,515,925			**1,025,242**

Note. As indicated in the change to Accounting Policies, the Revaluation Reserve has been restated to reflect the inclusion of Heritage Assets as introduced by the CIPFA Code of Practice 2011/12. £748,500 in respect of Civic Regalia has now been included.

6. Housing Revenue Account Subsidy Self-Financing

2011/12 was the final year of the outgoing housing revenue account subsidy system which was replaced with a devolved system of council housing finance called self-financing with effect from 2012/13. The Council was required to make a payment to the Secretary of State of £433.623 million by the 28th March 2012 in order to exit the subsidy system based upon the Government's self-financing valuation of the authority's social housing business. The settlement was financed by the use of short term investments (£210 million), with the balance financed by loan from the Public Works Loan Board.

7. Other Operating Expenditure

	2011/12	2010/11
	£'000	£'000
Levies	**14,483**	14,911
Payments to the Government Housing Capital Receipts Pool	**352**	824
Gains on the disposal of non-current assets	**(5,569)**	(813)
Total	**9,266**	14,922

8. Financing and Investment Income and Expenditure

	2011/12	2010/11
	£'000	£'000
Interest payable and similar charges	**645**	605
Pensions interest cost and expected return on pensions assets	**(3,651)**	472
Interest receivable and similar income	**(4,839)**	(5,355)
Income and expenditure in relation to investment properties and changes in their fair value	**(3,634)**	(9,502)
Other investment income	**(4)**	2
Net (surplus)/deficit on trading activities	**(416)**	15
Appropriation of trading fund balances	**(1,010)**	389
Revenue movement of other balances	**(436)**	(81)
Total	**(13,345)**	(13,455)

9. Taxation and Non Specific Grant Incomes

	2011/12	2010/11
	£'000	£'000
Council tax income	**50,308**	48,667
Non domestic rates	**116,629**	131,159
Non-ringfenced government grants	**38,327**	42,455
Capital grants and contributions	**63,944**	52,979
Total	**269,208**	275,260

10. Property, Plant and Equipment

	Council Dwellings	Operational Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Total PP&E
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation							
at 1st April 2010	1,214,719	303,548	26,364	108,408	19,027	495	1,672,561
Additions	29,003	21,767	626	7,706	-	-	59,102
Revaluation increases/decreases recognised in Revaluation Reserve	(66,468)	7,473				155	(58,840)
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services	(278,846)	(27,806)					(306,652)
Derecognition - disposals	(4,431)	-					(4,431)
Derecognition - other	-	(13,456)					(13,456)
Reclassifications	(532)	(9,879)	(257)			2,940	(7,728)
at 31st March 2011	**893,445**	**281,647**	**26,733**	**116,114**	**19,027**	**3,590**	**1,340,556**
Accumulated Depreciation & Impairment							
at 1st April 2010	-	(22,413)	(15,530)	(51,343)	-	(40)	(89,326)
Depreciation charge	(16,811)	(4,618)	(3,011)	(5,368)	-	(7)	(29,815)
Depreciation written out to Revaluation Reserve	16,811	26,902	-	-	-	98	43,811
Impairment losses/reversals recognised in Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/reversals recognised in Surplus/Deficit on Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	-	-	-	-	-	-	-
Derecognition - other	-	-	-	-	-	-	-
Reclassifications	-	129	-	-	-	(51)	78
at 31st March 2011	**-**	**-**	**(18,541)**	**(56,711)**	**-**	**-**	**(75,252)**
Net Book Value							
At 31st March 2011	**893,445**	**281,647**	**8,192**	**59,403**	**19,027**	**3,590**	**1,265,304**
At 31st March 2010	**1,214,719**	**281,135**	**10,834**	**57,065**	**19,027**	**455**	**1,583,235**

		Council Dwellings	Operat-ional Land and Buildings	Vehicles, Plant and Equipment	Infra-structure Assets	Comm-unity Assets	Surplus Assets	Total PP&E
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation								
at 1st April 2011		**893,445**	**281,647**	**26,733**	**116,114**	**19,027**	**3,590**	**1,340,556**
Additions		22,579	17,508	2,673	5,841	-	-	48,601
Revaluation increases/decreases recognised in Revaluation Reserve		(12,581)	-				-	(12,581)
Revaluation increases/(decreases) to Surplus/Deficit on Provision of Services		20,678	-					20,678
Derecognition - disposals		(2,205)	(1,270)					(3,475)
Derecognition - other	(a)	-	(4,522)					(4,522)
Reclassifications		(85)	(2,772)	-			1,824	(1,033)
at 31st March 2012		**921,831**	**290,591**	**29,406**	**121,955**	**19,027**	**5,414**	**1,388,224**
Accumulated Depreciation & Impairment								
at 1st April 2011		-	-	(18,541)	(56,711)	-	-	(75,252)
Depreciation charge		(17,899)	(4,884)	(2,293)	(5,752)	-	(58)	(30,886)
Depreciation written out to Revaluation Reserve		17,899	-	-	-	-	-	17,899
Impairment losses/reversals recognised in Revaluation Reserve		-	-	-	-	-	-	-
Impairment losses/reversals recognised in Surplus/Deficit on Provision of Services		-	-	-	-	-	-	-
Derecognition - disposals		-	32	-	-	-	-	32
Derecognition - other		-	120	-	-	-	-	120
Reclassifications		-	17	-	-	-	(8)	9
at 31st March 2012		**-**	**(4,715)**	**(20,834)**	**(62,463)**	**-**	**(66)**	**(88,078)**
Net Book Value								
At 31st March 2012		**921,831**	**285,876**	**8,572**	**59,492**	**19,027**	**5,348**	**1,300,146**
At 31st March 2011		**893,445**	**281,647**	**8,192**	**59,403**	**19,027**	**3,590**	**1,265,304**

Notional disposal costs have been deducted from the valuations. The previous year's figures are shown in brackets. These amount to £6.2 million (£6.2 million) for Council Dwellings, £2.8 million (£2.8 million) for operational land and buildings, and £0.8 million (£0.8 million) for investment properties.

11. Heritage Assets

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

There is no formal policy for the acquisition, preservation, management and disposal of civic regalia. The Council would however have regard to upholding the dignity of the Office of Mayor.

The various items were mainly presented to the Council by well wishers or external bodies. Items have rarely been purchased, and there are no records of any disposals.

The assets are stored either in the vault or in the Mayor's parlour. Some will be on display on big civic occasions, but at other times they are mostly kept in the vault.

The insurance listing constitutes a register of the assets.

The assets are measured at valuation and are not subject to depreciation.

The valuations are at retail replacement value for insurance purposes as at 6th January 2009. They were carried out by JEMS a firm of independent specialist appraisers and international jewellery consultants.

There has been no movement in the carrying amount of the heritage assets since the valuation.

The Council is of the opinion that the costs of identifying and obtaining valuations for other potential heritage assets, such as the statue of King Edward VII at Tooting Broadway Underground Station, would be disproportionate in terms of the benefits derived by the users of the accounts.

12. Investment Properties

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

	2011/12	2010/11
	£'000	£'000
Rental income from investment property	**3,742**	4,068
Direct operating expenses arising from investment property	**(109)**	(118)
Net gain/(loss)	**3,633**	3,950

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:

	2011/12	2010/11
	£'000	£'000
Balance at start of the year	**46,471**	43,200
Additions:		
Purchases	**-**	-
Construction	**-**	-
Subsequent expenditure	**-**	-
Disposals	**-**	(4,576)
Net gains/losses from fair value adjustments	**-**	5,552
Transfers:		
to/from Inventories	**-**	-
to/from Property, Plant and Equipment	**-**	2,295
to/from Assets Held for Sale	**157**	-
Other changes	**-**	-
Balance at end of the year	**46,628**	46,471

13. Intangible Assets

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

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

14. Inventories

	Consumable Stores		Work in Progress		Total	
	2011/12	2010/11	**2011/12**	2010/11	**2011/12**	2010/11
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Balance outstanding at start of year	**625**	555	**188**	681	**813**	1,236
Purchases	**2,021**	2,322	**-**	-	**2,021**	2,322
Recognised as an expense in the year	**(2,168)**	(2,273)	**(156)**	(493)	**(2,324)**	(2,766)
Written off balances	**-**	-	**-**	-	**-**	-
Reversals of write-offs in previous years	**-**	21	**-**	-	**-**	21
Balance outstanding at year-end	**478**	625	**32**	188	**510**	813

15. Construction Contracts

The Council has authorised expenditure in future years of £258.6 million under its capital programme, of which £72.2 million has been contractually committed on larger schemes for 2012/13 and future years.

The most significant individual contractually committed schemes are:

		£'000
(i)	Burntwood School - BSF	25,131
(ii)	Southfields Community College - BSF	20,492
(iii)	Bolingbroke Academy - Design and build	11,390
(iv)	Burntwood/Southfields - BSF ICT Contract	3,935
(v)	Ashburton South Estate - Window renewal phase 1	2,027
(vi)	Boroughwide kitchens & bathrooms phase 3	1,398
(vii)	Doddington Estate - Heating & hot water services renewal	1,289
(viii)	St Michael's - Primary Capital Programme	1,165
(ix)	Doddington - Phase 4 heating & hot water services renewal	1,150
(x)	Fitzhugh Estate - Window renewals	1,065
(xi)	Beatrix Potter - Primary Capital Programme	966
(xii)	William Willison Estate - Individual heating systems phase 2	881
(xiii)	Alderbrook School - Primary Places	759
(xiv)	Aldrington South - Window renewals	580

16. Debtors

			31st March 2012	31st March 2011
			£'000	£'000
Central government bodies			11,026	7,833
Other local authorities			20,762	22,205
Leaseholders' service charges			6,088	7,446
Housing rents, heating and hot water charges			5,701	5,673
Housing Benefits			14,603	12,055
Council Tax			3,436	3,703
NHS bodies			3,801	1,748
Other entities and individuals			19,237	16,258
			84,654	76,921
Less provisions for doubtful debts	Provisions Made	Provisions Used		
	£'000	£'000		
Central government bodies	-	-	-	-
Other local authorities	-	-	80	80
Leaseholders' service charges	(1,730)	-	100	1,830
Housing rents, heating and hot water charges	606	252	3,545	3,191
Housing Benefits	2,934	-	13,833	10,899
Council Tax	2,852	3,128	2,701	2,977
NHS Bodies	-	-	-	-
Other entities and individuals	2,891	936	5,070	3,115
			25,329	22,092
Debtors less provisions			59,325	54,829
Payments in advance			4,753	1,638
Total			64,078	56,467

17. Cash and Cash Equivalents

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

	31st March 2012	31st March 2011
	£'000	£'000
Cash held by the Authority	2,306	1,890
Bank current accounts	(6,611)	(7,526)
Short-term deposits	94,618	110,486
Total Cash and Cash Equivalents	90,313	104,850

18. Assets Held for Sale

	Current 2011/12 £'000	2010/11 £'000
Balance outstanding at start of year	**5,813**	1,004
Assets newly classified as held for sale:		
Property, Plant and Equipment	**1,023**	5,355
Intangible Assets	**-**	-
Other assets/liabilities in disposal groups	**-**	-
Revaluation losses	**-**	-
Revaluation gains	**-**	-
Impairment losses	**(90)**	-
Assets declassified as held for sale:		
Investment Properties	**(157)**	-
Intangible Assets	**-**	-
Other assets/liabilities in disposal groups	**-**	-
Assets sold	**(1,450)**	(546)
Transfers from non-current to current	**-**	-
Other movements	**-**	-
Balance outstanding at year-end	**5,139**	5,813

19. Creditors

	31st March 2012 £'000	31st March 2011 £'000
Central government bodies	**8,186**	14,372
Other local authorities	**9,247**	11,636
NHS bodies	**226**	305
Other entities and individuals	**72,667**	60,105
	90,326	86,418
Receipts in advance	**6,662**	9,574
Total	**96,988**	95,992

20. Provisions

		31st March 2011					**31st March 2012**		
		Due Within 1 Year	Due Between 1 and 5 Years	Total	Provisions Made	Provisions Used	**Due Within 1 Year**	**Due Between 1 and 5 Years**	**Total**
	Notes	£'000	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**
Insurance Fund	(i)	2,562	1,299	3,861	3,620	4,340	**1,867**	**1,274**	**3,141**
Tree root claims	(ii)	828	1,932	2,760	559	396	**877**	**2,046**	**2,923**
LPFA	(iii)	-	1,629	1,629	1,027	-	**-**	**2,656**	**2,656**
Accumulating absences	(iv)	3,795	-	3,795	-	(841)	**4,636**	**-**	**4,636**
Other provisions		11	110	121	445	5	**280**	**281**	**561**
		7,196	4,970	12,166	5,651	3,900	**7,660**	**6,257**	**13,917**

Notes:

(i) The Council does not have external insurance for all potential risks and accordingly has established an insurance provision mainly to meet liability claims currently up to £500,000 and property claims up to £50,000 of each loss. The level of provision is mainly based on advice from the Council's insurers. The timing of payment is uncertain as liability claims, in particular, can take many years to be settled.

(ii) The Council provides for claims resulting from damage caused by Council trees on the highway. Claims can take several years to settle and the balance on the provision is to meet the cost of outstanding claims.

(iii) In order to recover the deficit on their pension fund, the London Pension Fund Authority (LPFA) notified the Council of a fixed rate charge to be levied in 2009/10 in addition to the previously increased Employer's contribution rate. The Council has challenged the basis of the charge but a provision has been made to cover the cost should this become necessary.

(iv) Under IFRS, the Council is required to provide for short term employee benefits – short term compensated absences. This consists of the value of annual leave and flexi-time which employees have earned by 31st March 2012 but have not yet taken.

21. Usable Reserves

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

22. Unusable Reserves

	31st March 2012	31st March 2011
	£'000	£'000
Revaluation Reserve	**58,661**	54,987
Capital Adjustment Account	**817,350**	1,219,025
Financial Instruments Adjustment Account	**(19)**	(23)
Pensions Reserve	**(231,807)**	(108,573)
Deferred Capital Receipts Reserve	**743**	731
Collection Fund Adjustment Account	**2,411**	1,886
Accumulated Absences Adjustment Account	**(4,636)**	(3,795)
Total Unusable Reserves	**642,703**	1,164,238

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

	2011/12		2010/11	
	£'000	**£'000**	£'000	£'000
Balance at 1st April		**54,987**		71,815
Upward revaluation of assets	**5,317**		48,231	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	**-**		(63,260)	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**5,317**		(15,029)
Difference between fair value depreciation and historical cost depreciation	**(913)**		(1,525)	
Accumulated gains on assets sold or scrapped	**(730)**		(274)	
Amount written off to the Capital Adjustment Account		**(1,643)**		(1,799)
Balance at 31st March		**58,661**		54,987

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 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

	2011/12 £'000	2010/11 £'000
Balance at 1st April	**1,219,025**	1,510,828
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation and impairment of non-current assets	**(10,298)**	(336,466)
Revaluation losses on Property, Plant and Equipment	**-**	-
Amortisation of intangible assets	**(24)**	(9)
Revenue expenditure funded from capital under statute	**(34,642)**	(19,853)
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	**(9,295)**	(23,009)
HRA subsidy buy-out settlement	**(433,623)**	-
	(487,882)	(379,337)
Adjusting amounts written out of the Revaluation Reserve	**1,643**	1,799
Net written out amount of the cost of non-current assets consumed in the year	**(486,239)**	(377,538)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	**11,410**	17,064
Use of the Major Repairs Reserve to finance new capital expenditure	**11,072**	6,839
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	**63,944**	52,980
Application of grants to capital financing from the Capital Grants Unapplied Account	**(2,959)**	(56)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	**1,000**	1,000
Capital expenditure charged against the General Fund and HRA balances	**97**	2,356
	84,564	80,183
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	**-**	5,552
Balance at 31st March	**817,350**	1,219,025

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.

	2011/12	2010/11
	£'000	£'000
Balance at 1st April	**(23)**	(21)
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	**-**	-
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	**-**	-
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**4**	(2)
Balance at 31st March	**(19)**	(23)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2011/12 **£'000**	2010/11 £'000
Balance at 1st April	**(108,573)**	(346,989)
Actuarial gains or losses on pensions assets and liabilities	**(128,243)**	127,113
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	**5,009**	111,303
Balance at 31st March	**(231,807)**	(108,573)

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2011/12 **£'000**	2010/11 £'000
Balance at 1st April	**731**	856
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	**263**	159
Transfer to the Capital Receipts Reserve upon receipt of cash	**(251)**	(284)
Balance at 31st March	**743**	731

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.

	2011/12	2010/11
	£'000	£'000
Balance at 1st April	**1,886**	1,201
Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	**525**	685
Balance at 31st March	**2,411**	1,886

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2011/12		2010/11	
	£'000	**£'000**	£'000	£'000
Balance at 1st April		**(3,795)**		(5,177)
Settlement or cancellation of accrual made at the end of the preceding year	**3,795**		5,177	
Amounts accrued at the end of the current year	**(4,636)**		(3,795)	
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		**(841)**		1,382
Balance at 31st March		**(4,636)**		(3,795)

23. Cash Flow Statement – Net Cash Flows from Operating Activities

	2011/12		2010/11	
	£'000	**£'000**	£'000	£'000
Net surplus or (deficit) on the provision of services		**(367,862)**		(157,220)
Adjustment for non cash movements				
Depreciation	**10,298**		29,815	
Impairment and downward valuations	**-**		306,652	
Amortisation	**24**		9	
Movement in interest creditors	**41**		-	
Movement in creditors	**2,036**		10,130	
Movement in interest and dividend debtors	**390**		-	
Movement in debtors	**(5,569)**		8,568	
Movement in inventories	**303**		423	
Movement in pension liability	**(2,580)**		(111,775)	
Contributions to/(from) provisions	**1,751**		10,398	
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	**9,295**		23,009	
Movement in investment property values	**-**		(5,552)	
Other non-cash movements	**(1,416)**		5,897	
		14,573		277,574
Adjustment for investing or financing activities				
Capital grants credited to surplus or deficit on the provision of services	**(63,944)**		(52,980)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**(16,266)**		(24,894)	
		(80,210)		(77,874)
Net cash flows from operating activities		**(433,499)**		42,480

24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2011/12	2010/11
	£'000	£'000
Interest received	**5,244**	2,411
Interest paid	**(603)**	(605)
	4,641	1,806

25. Cash Flow Statement – Investing Activities

	2011/12	2010/11
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	**(49,081)**	(59,101)
Purchase of short-term and long-term investments	**(471,000)**	(62,500)
Other payments for investing activities	**(121)**	(20,279)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	**16,234**	24,586
Proceeds from short-term and long-term investments	**635,100**	2,801
Other receipts from investing activities	**67,874**	97,858
Net cash flows from investing activities	**199,006**	(16,635)

26. Cash Flow Statement – Financing Activities

	2011/12	2010/11
	£'000	£'000
Cash receipts of short- and long-term borrowing	**224,003**	72
Other receipts from financing activities	**(3,607)**	(10,283)
Repayments of short- and long-term borrowing	**(440)**	-
Other payments for financing activities	**-**	-
Net cash flows from financing activities	**219,956**	(10,211)

27. Amounts Reported for Resource Allocation

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

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

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

2011/12 Objective Reconciliation

	Committee Analysis			Comprehensive Income and Expenditure Account			Reconciling Items		
	GF	HRA	Total	GF	HRA	Total	GF	HRA	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Cost of Services	207,815	(12,842)	194,973	104,095	386,693	490,788	(103,720)	399,535	295,815

Reconciliation	**Gen Fund**		**HRA**		**Total**	
Amounts not included in the segmental analysis but included in the Comprehensive Income and Expenditure Statement						
	£'000		£'000		£'000	
Depreciation and impairment of assets	7,760		(20,678)		(12,918)	
Pension costs on IAS19 basis	(1,099)		(258)		(1,357)	
Deferred Charges written off	30,717		3,935		34,652	
CDC transfer to HRA	1,261		(1,261)		-	
Profit/loss on the sale of fixed assets	2,784		(8,353)		(5,569)	
General grants and council tax income	(205,264)		-		(205,264)	
Actuarial pension changes	128,243		-		128,243	
Capital grants and contributions	(59,096)		(4,848)		(63,944)	
HRA subsidy payment	-		433,623		433,623	
Trading account surpluses	(1,498)		-		(1,498)	
Other balances	(4,242)	(100,434)	(1,625)	400,535	(5,867)	300,101
Amounts included in the segmental analysis but not included in the Comprehensive Income and Expenditure Statement						
	£'000		£'000		£'000	
Investment interest	(3,286)		-		(3,286)	
Minimum Revenue Provision	-		(1,000)		(1,000)	
Interest paid to the HRA	-	(3,286)	-	(1,000)	-	(4,286)
		(103,720)		399,535		295,815

2011/12 Reconciliation to the Subjective Analysis

General Fund Accounts	Directorate analysis	Services and support services not in Analysis	Amounts not reported to management for decision making	Amounts not included in CI&E	Allocation of recharges	Cost of services	Corporate amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(572,250)	(1,716)						(573,966)
Surplus or deficit on associates and joint ventures								-
Interest and investment income							(3,286)	(3,286)
Income from council tax			(50,308)					(50,308)
Government grants and contributions							(214,052)	(214,052)
Rent received								-
Total Income	(572,250)	(1,716)	(50,308)	-	-	-	(217,338)	(841,612)
Employee expenses	224,497		128,317					352,814
Other service expenses	555,568		26,429					581,997
Support service recharges								-
Depreciation, amortisation and impairment			7,760					7,760
Interest payments								-
Precepts and levies								-
Payments to Housing Capital Receipts Pool			352					352
Gain or loss on disposal on Fixed Assets							2,784	2,784
Housing benefit paid								-
HRA subsidy payable			-					-
Total Expenditure	780,066	-	162,858	-	-	-	2,784	945,708
Surplus or deficit on the provision of services	207,815	(1,716)	112,550	-	-	-	(214,554)	104,095

Housing Revenue Account	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Supervision, Management & Maintenance								
Repairs & Maintenance	24,694							24,694
General Management	28,312	(931)	(587)					26,794
Special Services	12,365							12,365
Cost of Rent Rebates	4,363							4,363
Capital Financing Costs	1,967			(1,365)				602
Other Expenses	492		(18,004)					(17,512)
HRA Subsidy Payable	43,198		433,623					476,821
Total Expenditure	115,391	(931)	415,032	(1,365)	-	-	-	528,127
Gross Rents – Dwellings	(100,627)							(100,627)
Gross Rents – Non-Dwellings	(3,521)							(3,521)
Mortgage Interest	-							-
Leaseholder Service Charges	(12,746)							(12,746)
Other Income	(11,339)						(13,201)	(24,540)
Total Income	(128,233)	-	-	-	-	-	(13,201)	(141,434)
Net Expenditure	**(12,842)**	**(931)**	**415,032**	**(1,365)**	**-**	**-**	**(13,201)**	**386,693**

2010/11 Objective Reconciliation

	Committee Analysis			Comprehensive Income and Expenditure Account			Reconciling Items		
	GF	HRA	Total	GF	HRA	Total	GF	HRA	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Cost of Services	223,483	(9,153)	214,330	(203,838)	248,974	45,136	(427,321)	258,127	(169,194)

Reconciliation	**Gen Fund**		**HRA**		**Total**	
Amounts not included in the segmental analysis but included in the Comprehensive Income and Expenditure Statement						
	£'000		£'000		£'000	
Depreciation and impairment of assets	50,287		279,284		329,571	
Pension costs on IAS19 basis	(111,724)		(51)		(111,775)	
Deferred Charges written off	16,204		3,678		19,882	
Sundry creditors unused provision	(713)		-		(713)	
CDC transfer to HRA	1,212		(1,212)		-	
Profit/loss on the sale of fixed assets	10,078		(10,891)		(813)	
General grants and council tax income	(222,281)		-		(222,281)	
Actuarial pension changes	(127,113)		-		(127,113)	
Capital grants and contributions	(41,489)		(11,491)		(52,980)	
Other balances	(2,638)	(428,177)	(190)	259,127	(2,828)	
						(169,050)
Amounts included in the segmental analysis but not included in the Comprehensive Income and Expenditure Statement						
	£'000		£'000		£'000	
Minimum Revenue Provision	-		(1,000)		(1,000)	
Interest paid to the HRA	856	856	-	(1,000)	856	
		(427,321)		258,127		
						(144)
						(169,194)

2010/11 Reconciliation to the Subjective Analysis

General Fund Accounts	Directorate analysis	Services and support services not in Analysis	Amounts not reported to management for decision making	Amounts not included in CI&E	Allocation of recharges	Cost of services	Corporate amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(558,706)	(191)						(558,897)
Surplus/deficit on associates and joint ventures								
Interest and investment income							856	856
Income from council tax			(48,668)					(48,668)
Government grants and contributions							(215,102)	(215,102)
Rent received								-
Total Income	(558,706)	(191)	(48,668)	-	-	-	(214,246)	(821,811)
Employee expenses	239,588		(240,574)					(986)
Other service expenses	542,601		14,144					556,745
Support service recharges								
Depreciation, amortisation and impairment			50,287					50,287
Interest payments							1,025	1,025
Precepts and levies								
Payments to Housing Capital Receipts Pool			824					824
Gain or loss on disposal on Fixed Assets							10,078	10,078
Housing benefit paid								
Negative HRA subsidy								
Total Expenditure	782,189	-	(175,319)	-	-	-	11,103	617,973
Surplus or deficit on the provision of services	223,483	(191)	(223,987)	-	-	-	(203,143)	(203,838)

Housing Revenue Account	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Supervision, Management & Maintenance								
Repairs & Maintenance	24,702							24,702
General Management	29,306	(597)	303					29,012
Special Services	11,394							11,394
Cost of Rent Rebates	4,001							4,001
Capital Financing Costs	1,856							1,856
Other Expenses	874		280,752				52	281,678
HRA Subsidy Payable	39,026							39,026
Total Expenditure	111,159	(597)	281,055	-	-	-	52	391,669
Presentational Changes								
Gross Rents – Dwellings	93,595							93,595
Gross Rents – Non-Dwellings	3,564							3,564
Mortgage Interest	20							20
Leaseholder Service Charges	12,366							12,366
Other Income	10,767						22,382	33,149
Total Income	120,312	-	-	-	-	-	22,382	142,694
Net Expenditure	(9,153)	(597)	281,055	-	-	-	(22,330)	248,975

28. Trading Operations

The following activities operate on a trading account basis:

	Notes	**Turnover 2011/12 £'000**	**Surplus/ (Deficit) 2011/12 £'000**	Turnover 2010/11 £'000	Surplus/ (Deficit) 2010/11 £'000
Building Maintenance	(i)	**9,878**	**96**	11,308	(56)
Transport Operations	(ii)	**4,395**	**(265)**	6,011	(400)
Engineering Services	(iii)	**9,371**	**367**	11,008	487
Building Control		**1,061**	**9**	1,307	25
Design Service		**3,407**	**177**	3,088	96
Street Trading		**274**	**(22)**	277	(14)
Land Charges	(iv)	**681**	**69**	596	260
Adult care providers	(v)				
Home Care		**2,038**	**(29)**	1,484	(414)
Atheldene		**3,301**	**14**	3,385	1
		34,406	**416**	38,464	(15)

During the year, trading accounts incurred a net surplus of £416,000 (£15,000 deficit in 2010/11), of which £72,000 was charged to revenue accounts (£404,000 in 2010/11), and net surpluses of £488,000 were carried forward (£389,000 in 2010/11).

(i) The Council runs a building maintenance operation principally to repair and refurbish residential properties and Council operational buildings. The trading objective is to provide cost effective services to the Council and make a reasonable trading surplus to finance future plant and equipment investments.

(ii) The Council bids for transport contracts on an ad hoc basis depending on the availability of spare capacity at any given time. The trading objective is to provide cost effective services to the Council, in particular the Children's Services and Adult Social Services departments while minimising downtime on employees and vehicles.

(iii) The Council provides a full range of blue and white collar engineering services, including scheme design and implementation and winter maintenance. The trading objective is to provide cost effective services for the Council and the DSO has a commitment to reduce service costs year on year in real terms.

(iv) The Land Charges trading account was established on 1st April 2009 as a result of Local Authorities (Charges for Property Searches) Regulations 2008. The Regulations effectively require that the Local Land Charges function is operated as a statutory trading account and that over the course of any period of three consecutive financial years, a break-even position is achieved. Where a surplus or deficit is made in any given financial year, this will have to be taken into account when setting the fees in future years.

(v) Adult Care providers are the Council's in-house services, which supplement the services commissioned from external providers that are required for people with learning and physical disabilities, and for older people requiring home care and re-enablement services. The main in-house service for people with learning disabilities and physical disabilities is a day care service that can provide appropriate care and support for both those with highly complex needs, and for those adults who need less intensive care but still require support to help them stay safe and lead active lives.

The Adult Care provider trading accounts incurred an in-year net deficit of £15,000. The net brought forward deficit on these accounts was £48,000. Of the closing net deficit of £63,000 a net deficit of £72,000 was charged to revenue accounts, and net surpluses of £9,000 were carried forward.

29. Central Support Services

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

	2011/12	2010/11
	£'000	£'000
Administration Department		
Staff Training Centre/I.T. Training	**106**	174
Valuers	**342**	412
Policy Unit	**733**	756
Press Office	**287**	476
Central Personnel	**2,522**	1,602
General Office/Directorate	**983**	1,153
Supplies Advisory Unit	**n/a**	99
Legal	**1,903**	1,876
Despatch Services	**644**	614
Graphics and Printing	**591**	713
Property Audit Team	**107**	106
Professional Services – Clientside	**305**	332
Website	**129**	137
Administrative Buildings	**4,310**	4,657
Democratic Representation	**2,498**	2,808
Information Technology Services	**4,548**	4,574
Finance Department		
Finance Directorate and General Services	**611**	551
Treasury and Capital Management	**267**	255
Accountancy	**856**	817
Audit	**1,399**	1,669
Financial Control	**831**	894
Cashiers/Reception Services	**336**	388
Mortgages	**70**	61
Payroll	**847**	912
Income Collection Service	**728**	620
Pensions	**479**	480
Support Services	**305**	383
Bank Charges	**84**	126
External Audit Fees	**356**	307
Finance Consultants	**57**	59
Rent Collection Services	**1,324**	1,606
Property Accounts	**196**	228
Business Support Unit	**1,291**	1,334
Customer Services	**1,442**	2,194
Procurement	**239**	n/a
	31,726	33,373

30. Road Charging Schemes Under the Transport Act 2000

During 2010/11 the General Purposes Committee (Paper no.10-770) agreed to introduce a parking charge of £35 per month (£15 in 2010/11 rising to £25 in 2011/12 and £35 in 2012/13) with effect from 1st November 2010 to all staff in receipt of free parking and not essential car users. During 2011/12 the Committee (Paper no.11-750) extended this charge to essential car users with effect from 1st November 2011. Charges are levied on a pro-rata basis for part-time employees. The total number of staff affected is approximately 775, based at the Town Hall and other Council establishments in the Borough, including depots. Charges for car parking are paid via direct deduction from the employee's salary and in 2011/12 total income totalled £117,452 (£28,017 in 2010/11).

31. Pooled Budgets

Pooled Fund Schemes

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

During 2011/12 the Council continued to operate only the Integrated Community Equipment pooled budget with Health organisations. The previous Learning Disability pooled budget ceased due to the agreement of the Learning Disability transfer of the commissioning budgets from Health to the Council, and the previous Mental Health pooled budget ceased due to the Council taking back responsibility for invoice payments and budget monitoring for social care services.

Integrated Community Equipment Service

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

	2011/12	2010/11
	£'000	£'000
Funding		
St Georges Healthcare NHS Trust	**1,071**	881
Wandsworth Borough Council	**664**	434
	1,735	1,315
Expenditure		
St Georges Healthcare NHS Trust	**1,067**	883
Wandsworth Borough Council	**680**	605
	1,747	1,488
Net surplus/(deficit)	**(12)**	(173)

Of the net deficit in 2011/12 of £12,000 the Council had a deficit of £16,000 (£171,000 deficit in 2010/11) and St Georges Healthcare had a surplus of £4,000 (£2,000 deficit in 2010/11).

32. Members' Allowances

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

	2011/12	2010/11
	£	£
Allowances	**1,070,641**	1,090,384
Expenses	**643**	149

33. Officers' Remuneration and Exit Packages

The tables set out the remuneration disclosures for Senior Officers whose salary is £50,000 or more per year, and an analysis of exit packages paid during the year. Senior Officers whose remuneration exceeded £100,000 are named.

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

	2011/12		2010/11			**2011/12**		2010/11	
	Council Officers	**Schools**	Council Officers	Schools		**Council Officers**	**Schools**	Council Officers	Schools
(£)	**No.**	**No.**	No.	No.	(£)	**No.**	**No.**	No.	No.
50,000 - 54,999	**53**	**144**	51	179	135,000 - 139,999	**4**	**1**	2	1
55,000 - 59,999	**66**	**60**	60	69	140,000 - 144,999	**3**	**-**	-	1
60,000 - 64,999	**49**	**27**	37	37	145,000 - 149,999	**1**	**1**	1	-
65,000 - 69,999	**14**	**23**	12	28	150,000 - 154,999	**-**	**-**	-	-
70,000 - 74,999	**7**	**21**	9	28	155,000 - 159,999	**-**	**-**	1	1
75,000 - 79,999	**15**	**18**	15	17	160,000 - 164,999	**1**	**-**	-	1
80,000 - 84,999	**9**	**6**	4	3	165,000 - 169,999	**-**	**1**	2	-
85,000 - 89,999	**2**	**7**	5	11	170,000 - 174,999	**1**	**-**	-	-
90,000 - 94,999	**7**	**2**	5	2	175,000 - 179,999	**-**	**-**	3	-
95,000 - 99,999	**3**	**-**	5	3	180,000 - 184,999	**2**	**-**	-	-
100,000 - 104,999	**7**	**3**	4	2	185,000 - 189,999	**-**	**-**	-	-
105,000 - 109,999	**3**	**-**	2	2	190,000 - 194,999	**-**	**-**	1	-
110,000 - 114,999	**5**	**3**	8	2	195,000 - 199,999	**-**	**-**	-	-
115,000 - 119,999	**2**	**-**	2	-	200,000 - 204,999	**1**	**-**	-	-
120,000 - 124,999	**-**	**-**	1	2	205,000 - 209,999	**-**	**-**	-	-
125,000 - 129,999	**1**	**2**	1	1	210,000 - 214,999	**1**	**-**	-	-
130,000 - 134,999	**1**	**-**	2	-					

Exit packages

(£)		**Number of Compulsory redundancies**		**Number of other departures agreed**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
		2011/12	2010/11	**2011/12**	2010/11	**2011/12**	2010/11	**2011/12**	2010/11
								(£)	(£)
0 - 20,000	Council Officers	**73**	31	**14**	7	**87**	38	**591,176.86**	210,943.50
	Schools	**19**	6	**23**	0	**42**	6	**336,369.44**	41,153.11
20,001 - 50,000	Council Officers	**30**	11	**8**	4	**38**	15	**1,118,048.64**	385,263.17
	Schools	**2**	2	**16**	0	**18**	2	**584,358.33**	54,724.79
50,001 - 70,000	Council Officers	**1**	0	**1**	0	**2**	0	**111,756.83**	0.00
	Schools	**0**	0	**4**	0	**4**	0	**241,000.00**	0.00
70,001 - 90,000	Council Officers	**0**	0	**0**	0	**0**	0	**0.00**	0.00
	Schools	**0**	0	**2**	0	**2**	0	**164,500.00**	0.00
90,001 - 110,000	Council Officers	**2**	0	**0**	0	**2**	0	**213,290.75**	0.00
	Schools	**0**	0	**0**	0	**0**	0	**0.00**	0.00
Total		**127**	50	**68**	11	**195**	61	**3,360,500.85**	692,084.57

2011/12	**Notes**	**Salary (including fees and allowances)**	**Bonuses**	**Expense Allowances - Medical Insurance**	**Compensation for loss of office**	**Remuneration excluding pension contributions 2011/12**	**Employers pension contribution**	**Remuneration including pension contributions 2011/12**
Post Holder		**£**	**£**	**£**	**£**	**£**	**£**	**£**
Chief Executive and Director of Administration - Mr. D. P. Martin	1	203,136	9,011	2,063	-	**214,210**	40,670	**254,880**
Director of Finance and Deputy Chief Executive - Mr. C. J. Buss	1	180,236	17,912	2,513	-	**200,661**	38,126	**238,787**
Director of Leisure and Amenity Services - Mr. P. G. Brennan	2	54,917	21,185	1,403	107,219	**184,724**	19,481	**204,205**
Director of Childrens' Services - Mr. P. A. Robinson		162,746	14,594	2,704	-	**180,044**	34,208	**214,252**
Director of Housing - Mr. R. Evans		156,943	14,009	2,704	-	**173,656**	32,995	**206,651**
Director of Adult Social Services - Ms D. L. Warwick		150,589	13,499	864	-	**164,952**	31,341	**196,293**
Assistant Director of Technical Services (Environmental Services and Community Safety) - Mr. G. Llywelyn Roberts	3	34,165	8,486	-	106,072	**148,723**	13,396	**162,119**
Assistant Director of Administration (Professional Services) - Mr. S. G. Mayner		132,939	9,217	2,609	-	**144,765**	27,505	**172,270**
Borough Solicitor - Mr. M. B. A. Walker		130,683	10,510	2,609	-	**143,802**	27,322	**171,124**
Assistant Director of Environment and Community Services - Mr. P. G. Robinson	4	129,728	10,877	3,042	-	**143,647**	27,293	**170,940**
Assistant Director of Environment and Community Services - Mr. P. M. McCue		126,626	11,017	2,323	-	**139,966**	26,594	**166,560**
Assistant Director of Administration (Support and Democratic Services) - Mr. P. Watson		121,606	10,740	3,574	-	**135,920**	25,824	**161,744**
Director of Environment and Community Services - Mr. A. G. McDonald	5	123,814	9,525	2,496	-	**135,835**	25,808	**161,643**
Deputy Director of Childrens' Services - Ms M. E. Evans		124,426	9,830	1,082	-	**135,338**	25,714	**161,052**
Deputy Director of Housing - Mr. B. L. Reilly		121,749	10,063	1,935	-	**133,747**	25,411	**159,158**
Assistant Director (Engineering Services) - Mr. R. J. Langridge		115,098	9,514	2,163	-	**126,775**	24,087	**150,862**

2011/12 Continued

Post Holder	Notes	Salary (including fees and allowances)	Bonuses	Expense Allowances - Medical Insurance	Compensation for loss of office	Remuneration excluding pension contributions 2011/12	Employers pension contribution	Remuneration including pension contributions 2011/12
		£	£	£	£	£	£	£
Head of IT and Business Communications - Mr. D. R. Tidey		109,482	8,011	2,085	-	**119,578**	22,719	**142,297**
Assistant Director of Children's Services (Standards and Schools) - Mr. J. A. Johnson		106,575	8,305	2,011	-	**116,891**	22,209	**139,100**
Economic Development Officer - Mr. J. M. Brook		103,198	8,542	3,051	-	**114,791**	21,810	**136,601**
Assistant Director Older People and SPD - Mr. R. W. Persey		103,655	8,372	1,869	-	**113,896**	21,640	**135,536**
Assistant Director - Operational Services - Mr. K. J. Power		104,439	8,633	730	-	**113,803**	21,623	**135,425**
Deputy Borough Solicitor - Mr. C. P. White		102,912	7,410	1,935	-	**112,257**	21,329	**133,586**
Head of Corporate Finance - Mr. E. D. Jarvis		101,232	8,463	2,314	-	**112,009**	21,282	**133,291**
Assistant Director (Planning and Environmental Services) - Ms S. Manchanda		109,459	-	-	-	**109,459**	20,797	**130,256**
Borough Valuer and Estates Surveyor - Mr. G. R. Clark		96,424	7,605	2,677	-	**106,706**	20,274	**126,980**
Assistant Director, Children's Specialist Services - Mr. M. Benaim		105,155	-	-	-	**105,155**	19,979	**125,134**
Head of Policy - Miss E. M. Rees		96,616	7,986	-	-	**104,602**	19,875	**124,477**
Head of Technical and Programming - Mr. A. A. Pike		95,058	7,857	1,043	-	**103,958**	19,752	**123,710**
Head of Corporate Human Resources - Mr. D. C. Erridge		92,289	7,847	2,860	-	**102,996**	19,569	**122,565**
Assistant Director of Adult Social Services - Mr. A. D. Rush		94,912	8,024	-	-	**102,936**	19,558	**122,494**
Assistant Director, Young People and Learning - Mr. E. S. Dunkling		94,675	7,646	-	-	**102,321**	19,442	**121,763**
Head of Design Services - Mr. J. C. Cornish		92,198	6,834	3,042	-	**102,074**	19,394	**121,468**
Head of Revenue Services - Mr. K. Legg		94,238	7,433	-	-	**101,671**	19,318	**120,989**

Note 1 - These officers' salaries include remuneration in respect of their roles on the Western Riverside Waste Authority.
Note 2 - This officer retired on 30th September 2011. The annualised remuneration prior to retirement was £155,811.32.
Note 3 - This officer left the council on 31st October 2011. The annualised remuneration prior to him leaving was £106,322.22.
Note 4 - This officer's salary includes remuneration in respect of his role on the North East Surrey Crematorium Board.
Note 5 - This officer's job title changed from Director of Technical Services as of 1st October 2011, due to a restructuring of departments.

2010/11	Notes	Salary (including fees and allowances)	Bonuses	Expense Allowances - Medical Insurance	Compensation for loss of office	Remuneration excluding pension contributions 2010/11	Employers pension contribution	Remuneration including pension contributions 2010/11
Post Holder		£	£	£	£	£	£	£
Chief Executive and Director of Administration - Mr G. K. Jones	1, 2	170,414	18,232	2,476	-	**191,122**	36,298	**227,420**
Director of Children's Services - Mr P. A. Robinson		161,890	14,520	2,109	-	**178,519**	33,901	**212,420**
Assistant Director of Administration (Professional Services) - Mr N. H. Powlson		139,426	34,831	2,868	-	**177,125**	33,628	**210,753**
Director of Finance and Deputy Chief Executive - Mr C. J. Buss	1	174,271	-	1,953	-	**176,224**	33,483	**209,707**
Director of Leisure and Amenity Services - Mr P. G. Brennan		152,521	13,464	2,295	-	**168,280**	31,973	**200,253**
Director of Housing - Mr R. Evans		152,273	13,564	2,109	-	**167,946**	31,910	**199,856**
Director of Adult Social Services - Ms D. L. Warwick		146,111	12,655	674	-	**159,440**	30,290	**189,730**
Borough Solicitor - Mr. M. B. A. Walker		134,868	10,357	2,031	-	**147,256**	27,978	**175,234**
Assistant Director of Environment and Community Services - Mr. P. M. McCue		126,626	10,890	1,808	-	**139,324**	26,472	**165,796**
Assistant Director of Environment and Community Services - Mr. P. G. Robinson	3	126,106	9,875	2,294	-	**138,275**	26,273	**164,548**
Deputy Director - Ms M. E. Evans		124,426	9,050	844	-	**134,320**	25,521	**159,841**
Assistant Director of Administration (Support and Democratic Services) - Mr. P. Watson		118,027	10,424	2,682	-	**131,133**	24,916	**156,049**
Deputy Director of Housing - Mr. B. L. Reilly		118,390	9,786	1,517	-	**129,693**	24,642	**154,335**
Assistant Director (Engineering Services) - Mr. R. J. Langridge		111,927	8,934	1,687	-	**122,548**	23,284	**145,832**
Assistant Director of Administration (Professional Services) - Mr. S. G. Mayner	4	107,216	9,007	2,031	-	**118,254**	22,469	**140,723**
Director of Technical Services - Mr. A. G. McDonald	5	108,294	7,381	1,873	-	**117,548**	22,335	**139,883**
Economic Development Officer - Mr. J. M. Brook		102,912	8,233	2,295	-	**113,440**	21,554	**134,994**
Assistant Director of Children's Services (Standards and Schools) - Mr. J. A. Johnson		103,811	7,793	1,563	-	**113,167**	21,502	**134,669**

2010/11 Continued	**Notes**	**Salary (including fees and allowances)**	**Bonuses**	**Expense Allowances - Medical Insurance**	**Compensation for loss of office**	**Remuneration excluding pension contributions 2010/11**	**Employers pension contribution**	**Remuneration including pension contributions 2010/11**
Post Holder		£	£	£	£	£	£	£
Deputy Borough Solicitor - Mr. C. P. White		102,912	7,410	1,505	-	**111,827**	21,247	**133,074**
Director of Technical Services - Mr W. G. Myers	6	88,810	21,022	1,300	-	**111,132**	21,115	**132,247**
Assistant Director of Technical Services (Environmental Services and Community Safety) - Mr. G. Llywelyn Roberts		103,492	7,573	-	-	**111,065**	21,103	**132,168**
Assistant Director - Operational Services - Mr. K. J. Power		101,565	8,587	579	-	**110,731**	21,039	**131,770**
Assistant Director Older People and SPD - Mr. R. W. Persey		100,868	8,051	1,482	-	**110,401**	20,976	**131,377**
Head of IT and Business Communications - Mr. D. R. Tidey		106,807	-	1,639	-	**108,446**	20,605	**129,051**
Head of Corporate Finance - Mr. E. D. Jarvis		98,409	8,041	1,749	-	**108,199**	20,558	**128,757**
Borough Valuer and Estates Surveyor - Mr. G. R. Clark		93,892	7,227	1,998	-	**103,117**	19,592	**122,709**
Assistant Director of Adult Social Services - Mr. A. D. Rush		94,860	7,711	-	-	**102,571**	19,488	**122,059**
Head of Policy - Miss E. M. Rees		93,958	7,261	-	-	**101,219**	19,232	**120,451**
Head of Technical and Programming - Mr. A. A. Pike		92,435	7,378	812	-	**100,625**	19,119	**119,744**
Head of Corporate Human Resources - Mr. D. C. Erridge		89,676	7,624	2,146	-	**99,446**	18,894	**118,340**
Chief Executive and Director of Administration - Mr. D. P. Martin	1, 7	88,401	-	786	-	**89,187**	16,945	**106,132**
Assistant Director of Technical Services (Planning Services) - Ms S. Manchanda	8	9,176	-	-	-	**9,176**	1,743	**10,919**

Note 1 - These officers' salaries include remuneration in respect of their roles on the Western Riverside Waste Authority.
Note 2 - This officer retired on 20th December 2010. His annualised remuneration was £229,150.
Note 3 - This officer's salary includes remuneration in respect of his role on the North East Surrey Crematorium Board.
Note 4 - This officer was promoted to this post on 4th January 2011. The annualised salary in the new post was £115,009.90.
Note 5 - This officer was promoted into the post in October 2010. The annualised remuneration in the new post was £120,290.
Note 6 - This officer retired in October 2010 . The annualised remuneration prior to retirement was £162,746.
Note 7 - This officer joined the Council on 19th October 2010. The annualised remuneration is £189,019.
Note 8 - This officer joined the Council in March 2011. The annualised remuneration is £110,110.

34. 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 (PricewaterhouseCoopers LLP):

	2011/12	2010/11
	£'000	£'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditors	**267**	236
Fees payable to the Audit Commission in respect of statutory inspection	**-**	20
Fees payable to the Audit Commission for the certification of grant claims and returns, by the appointed auditors	**122**	86
Fees payable in respect of other services provided by the appointed auditors	**-**	-
Fees payable to the Audit Commission in respect of the National Fraud Initiative	**2**	2
Total	**391**	344

35. Dedicated Schools Grant

Disclosure of Deployment of Dedicated Schools Grant 2011/12

		2011/12	
	Central Expenditure	Schools Budget	Total
	£'000	£'000	£'000
Final DSG for 2011/12			173,080
Brought forward from 2010/11			(1,516)
Carry forward to 2012/13 agreed in advance			9,784
Agreed Budgeted Distribution 2011/12	16,896	164,452	181,348
Actual Central Expenditure	13,697		
Actual ISB deployed to schools		(164,452)	
Local authority contribution 2011/12	-		
Carry forward to 2012/13	3,199	-	

The Council's expenditure on schools is mainly funded by grant monies provided by the Department for Education - the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an Authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. The Council is able to supplement the Schools Budget from its own resources but no supplement was made in 2011/12.

Education balances, including Dedicated Schools Grant (DSG) and school loan expenditure, amounted to £22.262 million at 31st March 2012, compared with £16.627 million a year earlier. Individual school balances at 31st March 2012 ranged from a deficit of £58,793 to a surplus of £1,860,078. These balances are committed to be spent by the schools concerned and are not available to the Council for general use.

Education Balances

	2011/12	Movement	2010/11
	£'000	£'000	£'000
Individual School Balances	**19,065**	3,954	15,111
School Loans	**(684)**	(31)	(653)
Non-Delegated	**3,881**	1,712	2,169
Total	**22,262**	5,635	16,627

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

36. Grant Income

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

	2011/12	2010/11
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	**36,050**	19,045
Area Based Grant	**-**	23,399
LAA Reward Grant	**-**	11
Capital Grants and Contributions	**63,944**	52,979
National Non-Domestic Rates	**116,629**	131,159
Total	**216,623**	226,593
Credited to Services		
Dedicated Schools Grant	**173,080**	153,871
Rent Allowance Subsidy	**128,747**	124,216
Rent Rebate Subsidy	**67,634**	62,246
Housing Benefit Admin Subsidy	**3,172**	3,216
Council Tax Benefit Subsidy	**11,179**	11,300
Learning and Skills Council	**15,526**	29,622
Education Standards Fund	**8,005**	23,920
Surestart Integrated Services	**-**	10,625
Schools Standards Grant	**-**	5,783
Social Care Reform Grant	**249**	1,373
Drug Interventions Programme	**297**	902
Non-HRA Rent Rebate Subsidy	**1,554**	841
Bed and Breakfast Unit Grant	**-**	731
Supporting People	**-**	653
AIDS support	**-**	421
Asylum Seekers	**272**	296
Early Intervention Grant	**12,968**	-
Learning Disabilities & Health Reform Grant	**9,424**	-
Other	**5,797**	6,686
	437,904	436,701

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:

	31st March 2012
	£'000
Building Schools for the Future	24,019
NDS Devolved (Formula Capital for Schools)	2,400
Primary Capital Programme	200
Free Schools	3,589
Other	177
Total	30,385

37. Related Parties

Declarations by Members and Chief Officers

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

This disclosure note has been prepared based on declarations made by Members and Chief Officers in respect of related party, and using the Council's register of Members' declarations of interest. At the time of preparing the accounts for certification, declarations had not been received from Councillor Ms N Nardelli and former Councillor Miss L Allan.

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

Central Government
Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties.

Pension Fund
The Council charged the Pension Fund £542,254 for expenses incurred in administering the Fund in 2011/12.

North East Surrey Crematorium Board
The Board was composed of 11 councillors of three London borough councils: Merton, Sutton and Wandsworth. Councillors Ms J Brown, Mrs C Clay, Mr. J Farebrother, Mrs A Graham, and Mrs L Stokes were appointed by the Council. Mr. MJ Hall (Deputy Chief Accountant) was Treasurer to the Board, Mr. PG Robinson (Assistant Director of Environment and Community Services) was Surveyor to the Board, and Mr. P Guilliotti (Head of Audit) was Auditor to the Board. The Board has regular transactions with the Council, and interim payments were made to the Council to reimburse costs incurred on the Board's behalf, resulting in £14,179 owed to the Council at the year-end. At the year-end the Council had a £285,000 7-day notice loan outstanding from the Board, making interest payments on similar loans of £994 during the year.

Western Riverside Waste Authority (WRWA)
The Authority was composed of eight members from four London borough councils: Hammersmith and Fulham, Kensington and Chelsea, Lambeth, and Wandsworth. Councillors Mr. J Cook and Mr. G Senior were appointed by the Council. Mr. P Martin (Chief Executive) was Clerk to the Authority. Mr. C Buss (Director of Finance) was Treasurer to the Authority. Mr. P Guilliotti (Head of Audit) was Auditor to the Authority. Ms K Burston was Deputy Treasurer to the Authority. Mr. P Brennan was Technical Officer to the Authority. During the year there were refuse disposal charges of £11,169,404, levy payments of £1,308,721, and non-domestic waste charges of £55,283 to the WRWA.

Greater London Authority

The Greater London Authority (GLA) has responsibility for Transport for London, London Development Agency, Metropolitan Police Authority and the London Fire and Emergency Planning Authority (LFEPA). Councillor Mr. M Heaster was a member of the LFEPA. Collection Fund payments were made to the GLA of £39,927,958. Grant and reimbursement income of £3,791,420 was received from Transport for London.

London Councils Grants Committee

The Committee was composed of 33 members from London borough councils and the Corporation of London. Councillor Mr. J Maddan was appointed by the Council. During the year payments totalling £517,035 were made to the Committee.

London Councils

London Councils is formed largely of members from the London borough councils. Councillor Mr. R Govindia represents Wandsworth Council on the Leadership Committee of London Councils. During the year, subscriptions totalling £192,758 were paid by the Council.

Voluntary Organisations

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

38. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the 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.

	2011/12 £'000	2010/11 £'000
Opening Capital Financing Requirement	**50,861**	51,861
Capital investment		
Property, Plant and Equipment	**48,601**	59,102
Investment Properties	**-**	-
Intangible Assets	**97**	60
Revenue Expenditure Funded from Capital under Statute	**35,025**	20,145
HRA Subsidy Buy-Out	**433,623**	-
Sources of finance		
Capital receipts	**(11,568)**	(17,188)
Government grants and other contributions	**(60,985)**	(52,923)
Sums set aside from revenue	**(11,170)**	(9,196)
Direct revenue contributions	**-**	-
Minimum Revenue Provision	**(1,000)**	(1,000)
Closing Capital Financing Requirement	**483,484**	50,861
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	**-**	-
Increase in underlying need to borrowing (unsupported by government financial assistance)	**432,623**	(1,000)
Assets acquired under finance leases	**-**	-
Assets acquired under PFI/PPP contracts	**-**	-
Increase/(decrease) in Capital Financing Requirement	**432,623**	(1,000)

39. Leases

Authority as Lessee

Operating Leases

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

	2012/13
	£'000
Not later than 1 year	94
Later than 1 year and later than 5 years	819
Later than 5 years	36
Total payments in 2012/13	949

The expenditure charged to the Comprehensive Income and Expenditure Account during the year in relation to these leases was £1,245,000 and the outstanding undischarged obligations are estimated to be £4.3 million.

	2011/12	2010/11
	£'000	£'000
Vehicles	**249**	334
Office equipment	**10**	-
Automatic Public Conveniences	**156**	209
Land and Buildings	**830**	372
Total	**1,245**	915

Authority as Lessor

Assets valued at £46.6 million (£46.5 million in 2010/11) are held for use in operating leases, for which rent of £3.7 million was receivable during 2011/12 (£4.0 million in 2010/11). These assets are investment properties which are not subject to depreciation.

40. Defined Benefit Pension Schemes

Retirement benefits

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

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

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

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

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

Transactions Relating to Retirement Benefits

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

	Year to 31st March 2012			Year to 31st March 2011		
	Council	**LPFA**	**Total**	Council	LPFA	Total
Comprehensive Income and Expenditure Statement	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Cost of services:						
Current service cost	**20,565**	**371**	**20,936**	24,052	491	24,543
Past service costs	**-**	**-**	**-**	(106,821)	(4,690)	(111,511)
Settlements and curtailments	**1,150**	**72**	**1,222**	204	-	204
Financing and Investment Income and Expenditure						
Interest cost	**50,366**	**2,861**	**53,227**	56,344	3,434	59,778
Expected return on assets	**(54,579)**	**(2,299)**	**(56,878)**	(56,868)	(2,438)	(59,306)
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**17,502**	**1,005**	**18,507**	(83,089)	(3,203)	(86,292)
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
Actuarial gains and losses	**123,231**	**5,012**	**128,243**	(107,320)	(19,793)	(127,113)
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**140,733**	**6,017**	**146,750**	(190,409)	(22,996)	(213,405)
Movement in Reserves Statement						
Reversal of net charges made to surplus or deficit for the Provision of Services for post-employment benefits in accordance with the code	**(17,502)**	**(1,005)**	**(18,507)**	83,089	3,203	86,292
Actual amount charged against the General Fund Balance for pensions in the year:						
Employers' contributions payable to scheme	**22,754**	**762**	**23,516**	24,601	410	25,011

The cumulative amount of actuarial loss recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2012 is a loss of £137.8 million.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of the present value of the scheme liabilities

	Council		LPFA		Total	
	2011/12	2010/11	**2011/12**	2010/11	**2011/12**	2010/11
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
1st April	**921,583**	1,108,599	**53,014**	73,553	**974,597**	1,182,152
Current service cost	**20,565**	24,052	**371**	491	**20,936**	24,543
Interest cost	**50,366**	56,344	**2,861**	3,434	**53,227**	59,778
Member contributions	**8,053**	8,305	**104**	119	**8,157**	8,424
Actuarial (gains) and losses	**96,247**	(133,330)	**5,004**	(10,941)	**101,251**	(144,271)
Losses on curtailments	**1,029**	204	**72**	-	**1,101**	204
Past service costs	**-**	(106,821)	**-**	(4,690)	**-**	(111,511)
Benefits paid	**(34,638)**	(35,770)	**(2,608)**	(8,952)	**(37,246)**	(44,722)
Liabilities extinguished on settlements	**(4,893)**	-	**-**	-	**(4,893)**	-
31st March	**1,058,312**	921,583	**58,818**	53,014	**1,117,130**	974,597

Reconciliation of fair value of scheme assets

	Council		LPFA		Total	
	2011/12	2010/11	**2011/12**	2010/11	**2011/12**	2010/11
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
1st April	**819,849**	791,855	**46,175**	43,308	**866,024**	835,163
Expected rate of return	**54,579**	56,868	**2,299**	2,438	**56,878**	59,306
Actuarial gains and (losses)	**(26,984)**	(26,010)	**(8)**	8,852	**(26,992)**	(17,158)
Employer contributions	**22,754**	24,601	**762**	410	**23,516**	25,011
Member contributions	**8,053**	8,305	**104**	119	**8,157**	8,424
Benefits paid	**(34,638)**	(35,770)	**(2,608)**	(8,952)	**(37,246)**	(44,722)
Payment of bulk transfer value	**(5,014)**	-	**-**	-	**(5,014)**	-
31st March	**838,599**	819,849	**46,724**	46,175	**885,323**	866,024

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. The actual return on scheme assets for the year was a gain of £29.9 million compared with a gain of £42.1 million in 2010/11.

Scheme history

	2011/12	2010/11	2009/10	2008/09	2007/08
	£'000	£'000	£'000	£'000	£'000 As restated in 2008/09
Present value of liabilities:					
- Council	**(1,046,418)**	(908,760)	(1,094,382)	(683,542)	(694,838)
- LPFA	**(58,818)**	(53,014)	(73,553)	(49,331)	(51,679)
- Enhanced Pension Fund	**(11,894)**	(12,823)	(14,217)	(11,164)	(11,601)
Fair value of assets in the Local Government Pension Scheme	**885,323**	866,024	835,163	600,960	729,793
Total	**(231,807)**	(108,573)	(346,989)	(143,077)	(28,325)
Surplus/(deficit) in the scheme:					
- Council	**(207,819)**	(88,911)	(302,527)	(123,171)	(11,538)
- LPFA	**(12,094)**	(6,839)	(30,245)	(8,742)	(5,186)
- Enhanced Pension Fund	**(11,894)**	(12,823)	(14,217)	(11,164)	(11,601)
Total	**(231,807)**	(108,573)	(346,989)	(143,077)	(28,325)

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

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £231.8 million has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in an overall balance of £1,025 million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31st March 2013 is £23.2 million.

Basis for estimating assets and liabilities

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

	Council Fund		LPFA Fund	
	2011/12	2010/11	**2011/12**	2010/11
Long-term rate of return expected on scheme assets:				
Equity investments	**5.9%**	7.5%	**6.3%**	7.2%
Gilts	**3.3%**	4.9%	**-**	-
Other Bonds	**4.6%**	-	**-**	-
Property	**3.9%**	5.5%	**-**	-
Target return portfolio	**-**	-	**4.5%**	5.0%
Cashflow matching	**-**	-	**3.3%**	4.4%
Cash	**3.0%**	4.6%	**3.0%**	3.0%
Mortality assumptions:				
Longevity at 65 for current pensioners:				
- Men	**22.0**	21.9	**19.9**	19.8
- Women	**23.5**	23.4	**23.2**	23.1
Longevity at 65 for future pensioners:				
- Men	**23.9**	23.8	**21.9**	21.8
- Women	**25.8**	25.7	**25.1**	25.0
Rate of inflation (CPI)	**2.5%**	2.8%	**2.5%**	2.7%
Rate of increase in salaries	**4.7%**	5.1%	**4.2%**	4.5%
Rate of increase in pensions	**2.5%**	2.8%	**2.5%**	2.7%
Rate for discounting scheme liabilities	**4.6%**	5.5%	**4.6%**	5.5%
Take-up of option to convert annual pension into retirement lump sum	**50.0%**	50.0%*	**50.0%**	50.0%

* with 75% for membership post 1st April 2008

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

	Council Fund		LPFA Fund		Enhanced Pension Fund	
	2012	2011	**2012**	2011	**2012**	2011
	%	%	**%**	%	**%**	%
Equities	**76**	70	**13**	12	-	-
Gilts	**9**	22	-	-	-	-
Other Bonds	**8**	-	-	-	-	-
Property	**1**	3	-	-	-	-
Target return portfolio	-	-	**53**	54	-	-
Cashflow matching	-	-	**32**	35	-	-
Cash	**6**	5	**2**	(1)	**100**	100
	100	100	**100**	100	**100**	100

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2012:

	2011/12	2010/11	2009/10	2008/09	2007/08
	%	%	%	%	% As restated in 2008/09
Differences between the expected and actual return on assets	**(3.0)**	(1.9)	23.5	(30.1)	(10.7)
Experience gains and losses on liabilities	**(0.2)**	(5.5)	-	-	3.9

41. Contingent Liabilities

The Council's previous insurer, Municipal Mutual Insurance (MMI), went into a solvent run-off in September 1992. However, indications are that a Supreme Court determination handed down on 29th March 2012 will potentially affect MMI's ability to meet all claims in full. Consequently, the Scheme of Arrangements may be triggered requiring the Council to contribute to the cost of claims settled since 1992, including those still currently outstanding, as requested by the Scheme Administrator. The Council has provided for such a situation in the Insurance Reserve.

42. Contingent Assets

The Council has no contingent assets.

43. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

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

Deposits

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

<u>For UK institutions only</u>:

(a) in relation to those institutions that were eligible for the Government's credit guarantee scheme:

(i) up to £50 million with UK institutions with a Fitch credit rating of at least F1+ short-term, AA- long-term, and a short-term outlook that is not negative, (or equivalent under Moody's or Standard and Poor's), and where generally no more than £20 million is placed for periods longer than 6 months; and

(ii) up to £50 million with UK institutions with a Fitch credit rating of at least F1+ short-term, A long-term, and a short-term outlook that is not negative, (or equivalent under Moody's or Standard and Poor's), and where generally no more than £15 million is placed for periods longer than 6 months;

(b) up to £50 million with other UK local authorities or precepting authorities;

(c) up to £40 million with UK institutions with a Fitch credit rating of at least F1+ short-term, AA long-term, and a short-term outlook that is not negative (or equivalent under Moody's or Standard and Poor's), where generally no more than £20 million is placed for periods longer than 6 months;

(d) up to £20 million for a maximum of 6 months with UK institutions with a Fitch credit rating of at least F1+ short-term, AA long-term, and a short-term outlook that is negative (or equivalent under Moody's or Standard and Poor's);

(e) up to £15 million with UK institutions with a Fitch credit rating of at least F1+ short-term, A long-term, and a short-term outlook that is not negative (or equivalent under Moody's or Standard and Poor's);

(f) up to £10 million for a maximum of 6 months with UK institutions with a Fitch credit rating of at least F1+ short-term, A long-term, and a short-term outlook that is negative (or equivalent under Moody's or Standard and Poor's);

(g) up to £10 million with UK institutions with a Fitch credit rating of at least F1 short-term, A+ long-term, and a short-term outlook that is not negative (or equivalent under Moody's or Standard and Poor's);

(h) up to £5 million for a maximum of 6 months with UK institutions with a Fitch credit rating of at least F1 short-term, A+ long-term, and a short-term outlook that is negative (or equivalent under Moody's or Standard and Poor's); and

(i) up to £5 million with UK institutions with a Fitch credit rating of at least F1 short-term, A long-term, and a short-term outlook that is not negative (or equivalent under Moody's or Standard and Poor's).

<u>For non-UK institutions from a country with a sovereign Fitch credit rating of at least AA+ (or equivalent under Moody's or Standard and Poor's):</u>

(j) up to £30 million with institutions with a Fitch credit rating of at least F1+ short-term, AA long-term, and a short-term outlook that is not negative (or equivalent under Moody's or Standard and Poor's), and where generally no more than £15 million is placed for periods longer than 6 months;

(k) up to £15 million for a maximum of 6 months with Fitch credit rating of at least F1+ short-term, AA long-term, and a short-term outlook that is negative (or equivalent under Moody's or Standard and Poor's);

(l) up to £10 million with Fitch credit rating of at least F1+ short-term, A+ long-term, and a short-term outlook that is not negative (or equivalent under Moody's or Standard and Poor's; and

(m) up to £5 million for a maximum of 6 months with institutions with a Fitch credit rating of at least F1+ short-term, A+ long-term, and a short-term outlook that is negative (or equivalent under Moody's or Standard and Poor's).

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

Other counterparty debtors

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

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The maturity analysis of financial liabilities is as follows: -

	31st March 2012	31st March 2011
	£'000	£'000
Less than one year	**17,957**	470
Between one and two years	**17,925**	304
Between two and five years	**57,027**	6,145
Between five and ten years	**86,009**	-
Between ten and fifteen years	**51,605**	-
	230,523	6,919

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

Interest rate risk

The Council borrowed £223.623 million at a fixed rate of 1.69% from the PWLB on 28th March 2012, towards the cost of the HRA subsidy system buy out. Apart from that, the Council is not expected to have a borrowing requirement, so movements in interest rates are not deemed to materially affect borrowings. The Council is exposed to risk in terms of its exposure to interest rate movements on its investments. Changes in interest receivable on variable rate investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance. The treasury management team has an active strategy for assessing interest rate exposure that is used to update the budget during the year and take into account any adverse changes.

Financial Instrument Adjustment Account

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

COLLECTION FUND

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

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

INCOME AND EXPENDITURE ACCOUNT

	2011/12		2010/11	
	£'000	£'000	£'000	£'000
Income				
Council Tax:				
Income from council taxpayers	**79,211**		78,101	
Council tax benefit	**10,954**		11,057	
		90,165		89,158
Adjustment for previous years' council tax		**1,052**		-
Income from non-domestic ratepayers				
NNDR		**95,009**		88,033
Business Rate Supplement		**2,751**		2,774
Total income		**188,977**		179,965
Expenditure				
Precepts and Demands:				
Wandsworth Borough Council	**47,849**		47,117	
Greater London Authority	**39,317**		38,714	
		87,166		85,831
Non-Domestic Rates				
Payment to National Pool	**94,499**		87,515	
Cost of collection allowance	**510**		518	
		95,009		88,033
Business Rate Supplement				
Payment to Greater London Authority	**2,731**		2,717	
Cost of collection allowance	**20**		57	
		2,751		2,774
Write offs	**931**		1,675	
Provisions	**(526)**		(1,174)	
		405		501
Distribution of Estimated Fund Surplus for previous year				
Wandsworth Borough Council	**1,477**		866	
Greater London Authority	**1,214**		711	
		2,691		1,577
Total expenditure		**188,022**		178,716
Surplus/(deficit) for the year		**955**		1,249
Surplus at start of year		**3,436**		2,187
Surplus at end of year		**4,391**		3,436

Surplus on Collection Fund

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

	2011/12	2010/11
	£'000	£'000
Wandsworth Borough Council	**2,411**	1,886
Greater London Authority	**1,980**	1,550
Total	**4,391**	3,436

NOTES TO THE COLLECTION FUND

44. Tax Levels

	2011/12	2010/11
	£	£
Council tax amount for band D properties		
Wandsworth Council	**377.06**	377.06
Greater London Authority	**309.82**	309.82
Total	**686.88**	£686.88
Business rate per £ value		
Standard rating multiplier	**43.3p**	41.4p
Small business rating multiplier	**42.6p**	40.7p
Business Rate Supplement (RV >£55,000)	**2.0p**	2.0p

45. Tax Bases

The 131,152 domestic properties provided a tax base equivalent to 126,901 band D properties:

Band	No. of properties after discounts and exemptions	Ratio	Equivalent no. of band D properties
A	5,015.00	6/9	3,343
B	10,224.25	7/9	7,952
C	31,416.75	8/9	27,926
D	28,354.25	9/9	28,354
E	18,622.75	11/9	22,761
F	12,817.25	13/9	18,514
G	11,177.25	15/9	18,629
H	2,283.50	18/9	4,567
Total	119,911.00		132,046

Less adjustment for collection rate	(5,282)
Plus armed forces accommodation	137
Council tax base for 2011/12	126,901
Rateable value of non-domestic properties at 31st March	£ 265,167,693

HOUSING REVENUE ACCOUNT

This account is maintained in accordance with the provisions of the Local Government and Housing Act 1989 to show all expenditure and income relating to the Council's responsibilities as landlord of dwellings and associated property. The expected outturn on this account is regularly reviewed to ensure it will not have a deficit balance. Average weekly rents, excluding service charges, for dwellings at the end of 2011/12 were £111.94 (2010/11 £104.64), an increase of £7.30 or 7.0% over the previous levels. Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. About 73% of the Council's tenants receive some help. Council tenants' rent arrears and provision for doubtful debts are shown in Note 16. Former tenants' arrears written off during the year amounted to £251,470 (2010/11 £826,437).

INCOME AND EXPENDITURE ACCOUNT

	Notes	2011/12 £'000	2010/11 £'000
Expenditure			
Repairs and maintenance		**(24,694)**	(24,702)
Supervision and management		**(42,764)**	(43,443)
Rents, rates, taxes and other charges		**(535)**	(333)
Rent Rebate Subsidy Limitation		**(4,363)**	(4,001)
Negative HRA Subsidy payable	48	**(26,071)**	(22,652)
Depreciation and impairment of non-current assets			
- Operational assets - dwellings		**(17,128)**	(16,374)
- Operational assets - other land and buildings		**(772)**	(436)
- Non operational assets		**-**	-
- (Impairment)/reversal of previous year's impairment		**20,678**	(278,847)
Debt management costs		**(78)**	-
Movement in the allowance for bad debts (not specified by the Code)		**893**	(540)
Sums directed by the Secretary of State that are expenditure in accordance with the Code		**-**	-
Local authority housing - settlement payment to Government for HRA self-financing		**(433,623)**	-
Total Expenditure		**(528,457)**	(391,328)
Income			
Dwelling rents		**100,627**	93,595
Non-dwelling rents		**3,521**	3,564
Charges for services and facilities		**22,162**	20,911
Contributions towards expenditure		**-**	-
HRA subsidy receivable		**-**	-
Sums directed by the Secretary of State that are income in accordance with proper practices		**-**	-
Total Income		**126,310**	118,070
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		**(402,147)**	(273,258)
HRA services' share of Corporate and Democratic Core		**(1,260)**	(1,211)
HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		**-**	-
Net Income from/(Cost of) HRA Services		**(403,407)**	(274,469)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
Gain or (loss) on sale of HRA non-current assets		**8,353**	10,892
Interest payable and similar charges		**(967)**	(856)
Interest and investment income		**1,923**	2,213
Pensions interest cost and expected return on pensions assets		**365**	(52)
Capital grants and contributions receivable		**4,848**	11,490
Other income/(expenditure)		**941**	626
Surplus or (deficit) for the year on HRA services		**(387,944)**	(250,156)

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

	2011/12	2010/11
	£'000	£'000
Balance on the HRA at the end of the previous year	**90,744**	81,792
Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	**(387,944)**	(250,156)
Local authority housing - settlement payment to Government for HRA self-financing	**433,623**	-
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	**-**	-
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	**(6,109)**	(11,731)
Gain or loss on sale of HRA non-current assets	**(8,353)**	(10,892)
HRA share of contributions to or from the Pensions Reserve	**(623)**	1
Revenue funded by Capital under Statute	**3,925**	3,649
Sums directed by the Secretary of State to be debited or credited to the HRA that are not expenditure or income in accordance with the Code	**-**	-
Adjustments between accounting basis and funding basis under statute	**422,463**	(18,973)
Net increase or (decrease) before transfers to or from reserves	**34,519**	(269,129)
Transfer (to)/from the Major Repairs Reserve	**-**	-
Transfer (to)/from the Capital Adjustment Account	**(21,678)**	277,847
Transfer (to)/from Housing Repairs Account	**-**	-
Transfer (to)/from Insurance Reserve	**234**	234
Increase or (decrease) in year on the HRA	**13,075**	8,952
Balance on the HRA at the end of the current year	**103,819**	90,744

NOTES TO THE HOUSING REVENUE ACCOUNT

46. Analysis of Council Housing Stock

	31st March 2012			31st March 2011		
	Flats	**Houses**	**Total**	Flats	Houses	Total
Secure tenancies	**14,443**	**2,600**	**17,043**	14,453	2,609	17,062
Equity share tenancies	**36**	**56**	**92**	36	58	94
Shared dwellings	**265**	**-**	**265**	265	-	265
Long-lease sold	**15,794**	**41**	**15,835**	15,805	40	15,845
	30,538	**2,697**	**33,235**	30,559	2,707	33,266

47. Housing Major Repairs Reserve

	2011/12	2010/11
	£'000	£'000
Balance at beginning of year	**78,480**	68,509
Capital expenditure charged to Reserve	**(11,073)**	(6,839)
Depreciation		
- on dwellings	**17,128**	16,374
- on other assets	**772**	436
Balance at end of year	**85,307**	78,480

48. Housing Revenue Account Subsidy Receivable/Payable

	2011/12	2010/11
	£'000	£'000
Allowance for management	**17,787**	17,720
Allowance for maintenance	**26,294**	25,015
Allowance for major repairs	**17,128**	16,374
Charges for capital	**2,580**	2,333
Assumed rents	**(89,998)**	(84,070)
Interest on receipts	**(17)**	(24)
Other adjustments	**155**	-
Subsidy owed for year	**(26,071)**	(22,652)

49. Housing Revenue Account Share of Contributions to the Pension Reserve

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

	2011/12	2010/11
	£'000	£'000
Charge included within net cost of services	**258**	51
Pension interest cost and returns on assets	**365**	(52)
Transfer to/(from) Pension Reserve	**(623)**	1
Net cost to the HRA	**0**	0

Transactions Relating to Retirement Benefits

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

50. Financing of Capital Expenditure in the HRA

	2011/12	2010/11
	£'000	£'000
Capital Reimbursements and grants	**4,848**	11,490
Major Repairs Reserve	**11,073**	6,839
Housing capital receipts applied	**10,584**	14,322
Internal borrowing	**-**	-
Total	**26,505**	32,651

Total Capital expenditure includes £3.925 million of expenditure properly classified as revenue expenditure but which is funded by capital under statute.

51. Balance Sheet Value of HRA Operational Assets

	Balance Sheet Value 31st March 2012 £'000	Balance Sheet Value 31st March 2011 £'000
Operational Assets		
Dwellings	**885,155**	860,409
Other land and buildings	**36,676**	33,036
Total	**921,831**	893,445

The vacant possession value of dwellings within the HRA at 1st April 2011 was £3.510 million. The balance sheet value is lower because nearly all the dwellings are occupied and because the rents for secure tenancies are below market value.

Impairment

Impairment of £0.7 million was identified in HRA dwellings between the valuation dates of April 2010 and March 2011. This was all shown as a cost in the Income and Expenditure Statement. Revaluation losses of £21.3 million charged to the Income and Expenditure Statement in previous years were reversed by a revaluation gain and credited to the Income and Expenditure Statement. These numbers are incorporated into the table in Note 10.

52. Capital Receipts from Disposal of HRA Assets

	2011/12 £'000	2010/11 £'000
Land		-
Houses	**9,923**	15,304
Other	**1,731**	935
Total	**11,654**	16,239

53. HRA Subsidy Self-Financing

2011/12 was the final year of the outgoing housing revenue account subsidy system which was replaced with a devolved system of council housing finance called self-financing with effect from 2012/13. The Council was required to make a payment to the Secretary of State of £433.623 million by the 28th March 2012 in order to exit the subsidy system based upon the Government's self-financing valuation of the authority's social housing business.

PENSION FUND ACCOUNT

	Notes	2011/12 £'000	2010/11 £'000
Dealing with members, employers and others directly involved in the fund			
Contributions	60	**31,385**	32,253
Transfers in from other pension funds	61	**5,872**	4,585
		37,257	36,838
Benefits	62	**(37,666)**	(36,538)
Payments to and on account of leavers	63	**(4,296)**	(3,851)
Administration expenses	64	**(608)**	(630)
		(42,570)	(41,019)
Net withdrawals from dealings with members		**(5,313)**	(4,181)
Returns on Investments			
Investment Income	65	**19,191**	13,736
Taxes on Income	66	**(226)**	(558)
Profit and losses on disposal of investments and changes in market value of investments	68a	**26,834**	46,300
Investment management expenses	67	**(2,385)**	(2,232)
Net Return on Investments		**43,414**	57,246
Net increase in the net assets available for benefits during the year		**38,101**	53,065
Net assets at the start of the year		**822,102**	769,037
Net assets at the end of the year		**860,203**	822,102

NET ASSETS STATEMENT FOR THE YEAR ENDED 31st MARCH 2012

	Notes	2011/12 £'000	2010/11 £'000
Investment assets	68	**808,716**	796,302
Cash deposits	68	**57,047**	30,568
		865,763	826,870
Investment liabilities	68	**(3,791)**	(4,215)
Current assets	73	**722**	3,020
Current liabilities	74	**(2,491)**	(3,573)
Net assets of the fund available to fund benefits at the period end		**860,203**	822,102

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 72 of these accounts.

NOTES TO THE PENSION FUND

54. Description of Fund

Wandsworth Council Pension Fund ('the fund') is part of the Local Government Pension Scheme and is administered by Wandsworth Council. The Council is the reporting entity for this pension fund.

The following description of the fund is a summary only. For more detail, reference should be made to the fund's Annual Report 2011/12 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The fund is governed by the Superannuation Act 1972. The fund is administered in accordance with the following secondary legislation:

- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended).
- the LGPS (Administration) Regulations 2008 (as amended).
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a defined benefit occupational pension scheme administered by Wandsworth Council to provide pensions and other benefits for pensionable employees of Wandsworth Council and other scheduled and admitted bodies within the Borough of Wandsworth. Teachers, are not included as they come within the Teachers' national pension scheme. The fund is overseen by the Council's Pensions Committee.

b) Membership

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

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 5 employer organisations within the fund including the Council itself, as detailed below:

Wandsworth Pension Fund	**31st March 2012**	31st March 2011
Number of employers with active members	**5**	2
Number of members in fund		
Council	**4,669**	5,023
Other employers	**212**	56
Total	**4,881**	5,079
Number of pensioners (including dependants)		
Council	**4,730**	4,583
Other employers	**36**	31
Total	**4,766**	4,614
Deferred pensioners		
Council	**6,701**	6,476
Other employers	**67**	46
Total	**6,768**	6,522

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31st March 2012. Member contributions are matched by employers' contributions which are set on triennial actuarial funding valuations. The last such valuation was at 31st March 2010. Currently, the employer contribution rate payable by each employing authority ranges from 19% - 19.2% of pensionable pay.

d) Benefits

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service, summarised below:

	Service pre 1st April 2008	**Service post 31st March 2008**
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump Sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the fund including early retirement, disability pensions and death benefits. For more details, please refer to the Wandsworth Pension Fund scheme handbook available from Wandsworth Council.

Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1st April 2011.

55. Basis of Preparation

The Statement of Accounts summarises the fund's transactions for the 2011/12 financial year and its position at year-end as at 31st March 2012. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 72 of these accounts.

56. Summary of Significant Accounting Policies

Fund account - revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

The contribution rate payable by each employing authority ranges from 19% - 19.2% of pensionable salary. For the year ended 31st March 2012 this comprised a normal contribution rate of 15.3% in respect of future accrual and an additional rate of 3.7% required to repay the deficit. Employer deficit contributions are accounted for in accordance with agreement under which they are paid or in the absence of an agreement on a receipts basis.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see Notes 61 and 63).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see Note 56n) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 61).

c) Investment income

i. Interest income

Interest Income is recognised in the fund account as it accrues

ii. Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed within investment assets.

iii. Distribution from pooled funds

Pooled investment vehicles are accumulation funds and as such the change in market value also includes income, net of withholding tax, which is re-invested in the fund.

iv. Movement in the net market value of investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sale of investments during the year.

Fund accounts – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.

g) Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

A proportion of the council's costs representing management time spent by officers on investment management is charged to the fund.

Net assets statement

h) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the fund.

The values of investments as shown in the net assets statement have been determined as follows:

i. Market - quoted investments

The value of an investment for which there is a readily available market price is determined by the bid price ruling on the final day of the accounting period.

ii. Fixed interest securities

Fixed interest securities are recorded at bid price based on their current yields.

iii. Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

- Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the council expects to receive on wind-up, less estimated realisation costs.

– Securities subject to takeover offer — the value of the consideration offered under the offer, less estimated realisation costs.

iv. Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

i) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are included in change in market value.

The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

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

k) Cash and cash equivalents

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

l) Financial liabilities

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

m) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under IAS 26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 72).

n) Additional voluntary contributions

Wandsworth Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts, which is in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 200913093). They are disclosed as a note only (Note 75).

57. Critical Judgements in Applying Accounting Policies

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 71. This estimate is subject to significant variances based on changes to the underlying assumptions.

58. 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.

59. Events after the Year End

There have been no events since 31st March 2012, and up to the date when these accounts were authorised that require any adjustments to these accounts.

60. Contributions Receivable

	31st March 2012	31st March 2011
	£'000	£'000
By category		
Employers		
- Normal	**18,189**	19,344
- Deficit	**4,399**	3,771
- Augmentation	**655**	772
Members	**8,142**	8,366
Total	**31,385**	32,253
By authority		
Wandsworth Council	**30,693**	32,018
Scheduled bodies	**692**	235
Total	**31,385**	32,253

61. Transfers in from other Pension Funds

	31st March 2012	31st March 2011
	£'000	£'000
Individual transfers	**5,872**	4,585
Total	**5,872**	4,585

62. Benefits Payable

	31st March 2012 £'000	31st March 2011 £'000
By category		
Pensions	**28,908**	26,887
Commutation and lump sum retirement benefits	**8,059**	8,841
Lump sum death benefits	**699**	810
Total	**37,666**	36,538
By authority		
Wandsworth Council	**36,687**	36,318
Scheduled bodies	**291**	115
Admitted bodies	**688**	105
Total	**37,666**	36,538

63. Payments to and on Account of Leavers

	31st March 2012 £'000	31st March 2011 £'000
Refund to members leaving service	**6**	14
Payments from members joining state scheme	**(3)**	(1)
Individual transfers	**4,293**	3,838
Total	**4,296**	3,851

64. Administrative Expenses

	31st March 2012 £'000	31st March 2011 £'000
Central recharge	**542**	562
External audit fee	**32**	35
Actuarial fees	**26**	26
Other	**8**	7
Total	**608**	630

65. Investment Income

	31st March 2012 **£'000**	31st March 2011 £'000
Fixed interest securities	**5,583**	2,610
Equity dividends	**13,026**	9,494
Pooled investments – unit trusts and other managed funds	**54**	1,086
Interest on cash deposits	**528**	543
Other	**-**	3
Total	**19,191**	13,736

66. Taxes on Income

	31st March 2012 **£'000**	31st March 2011 £'000
Withholding tax – equities	**226**	558
Total	**226**	558

67. Investment Expenses

	31st March 2012 **£'000**	31st March 2011 £'000
Management fees	**2,252**	2,148
Custody fees	**79**	46
Performance monitoring service	**13**	11
Actuarial fees – investment consultancy	**41**	27
Total	**2,385**	2,232

Management fees include performance fees of £0.8 million in 2011/12 (£0.5 million in 2010/11).

68. Investments

	31st March 2012	31st March 2011
	£'000	£'000
Investment assets		
Fixed interest securities	**144,860**	130,486
Equity	**439,389**	434,641
Pooled investments	**206,337**	197,691
Pooled property investments	**10,501**	25,973
Derivative contracts		
- Futures	**296**	165
- Forward currency contracts	**662**	821
Cash deposits	**57,047**	30,568
Investment income due	**3,710**	3,321
Amounts receivable for sales	**2,961**	3,204
Total investment assets	**865,763**	826,870
Investment liabilities		
Derivative contracts		
- Futures	**(61)**	(161)
- Forward currency contracts	**(213)**	(615)
Amounts payable for purchases	**(3,446)**	(3,439)
Obligation to Return Cash Collateral	**(71)**	-
Total investment liabilities	**(3,791)**	(4,215)
Net investment assets	**861,972**	822,655

a) Reconciliation of movements in investments and derivatives

	Market value as at 31st March 2011 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Change in Market Value during the year £'000	Market value as at 31st March 2012 £'000
Fixed interest securities	130,486	71,616	(71,047)	13,805	**144,860**
Equities	434,641	199,678	(199,918)	4,988	**439,389**
Pooled investments	197,691	7,276	(7,639)	9,009	**206,337**
Pooled property investments	25,973	1,257	(15,957)	(772)	**10,501**
Derivative contracts:					
Futures	5	3,901	(3,864)	193	**235**
Forward currency contracts	206	6,133	(5,712)	(178)	**449**
	789,002	289,861	(304,137)	27,045	**801,771**
Other investment balances:					
Cash deposits	30,568			(211)	**57,047**
Amount receivable for sales of investments	3,203				**2,961**
Investment income due	3,321				**3,710**
Amounts payable for purchases of investments	(3,439)				**(3,446)**
Obligation to Return Cash Collateral	-				**(71)**
	822,655			26,834	**861,972**

	Market value as at 31st March 2010 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Change in Market Value during the year £'000	Market value as at 31st March 2011 £'000
Fixed interest securities	67,031	180,909	(115,635)	(1,819)	130,486
Equities	414,489	414,945	(424,219)	29,426	434,641
Pooled investments	193,857	174,068	(187,490)	17,256	197,691
Pooled property investments	30,594	744	(7,324)	1,959	25,973
Derivative contracts:					
Futures	-	306	(134)	(167)	5
Forward currency contracts	-	2,342	(1,781)	(355)	206
	705,971	773,314	(736,583)	46,300	789,002
Other investment balances:					-
Cash deposits	60,661				30,568
Amount receivable for sales of investments	-				3,203
Investment income due	78				3,321
Amounts payable for purchases of investments					(3,439)
	766,710			46,300	822,655

Transaction costs are included in the cost of purchases and in sale proceeds. These include costs charged directly to the fund, such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year total £1.7 million (£1.1 million in 2010/11). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

b) Analysis of investments (excluding derivative contracts)

	31st March 2012	31st March 2011
	£'000	£'000
Fixed interest securities		
UK		
Public sector quoted	**19,441**	33,646
Corporate quoted	**32,207**	22,251
Public Sector Index linked	**39,706**	24,450
Corporate Sector Index linked	**4,504**	-
Overseas		
Public sector quoted	**391**	3,290
Corporate quoted	**48,034**	46,361
Public sector Index linked	**577**	489
	144,860	130,487
Equities		
UK		
Quoted	**195,623**	193,875
Overseas		
Quoted	**243,766**	240,766
	439,389	434,641
Pooled funds – additional analysis		
UK		
Fixed income unit trust	**54,271**	51,059
Equity unit trust	**113,840**	107,678
Overseas		
Fixed income unit trust	**4,772**	3,554
Equity unit trust	**33,454**	35,400
	206,337	197,691
Pooled property investments	**10,501**	25,973
	10,501	25,973
Net investment assets	**801,087**	788,792

Analysis of derivatives

Objectives and policies for holding derivatives

The enhanced bond manager Rogge is the only manager permitted to use derivatives. Rogge currently use two types of derivative; Futures and Forward Foreign Exchange contracts. The use of derivatives is managed in line with the investment management agreement.

a. Futures
Futures are used by the manager for the purpose of efficient portfolio management.

b. Forward foreign currency
The Pension Fund holds foreign exchange forward currency contracts, where some investments denominated in overseas currencies are hedged. The purpose of this is to manage risk of exposure to foreign currencies, the interaction with investments held and fluctuations in exchange rates depending on conditions and expectations in these markets.

Futures

Outstanding exchange traded futures contract are as follows:

Type	Expires	Economic exposure £'000	Market value 31st March 2011 £'000	Economic exposure £'000	Market value 31st March 2012 £'000
Assets					
UK Fixed Income Futures	Less than one year	12,654	132	3,664	**15**
Overseas Fixed Income Futures	Less than one year	7,310	33	42,697	**281**
Total assets			165		**296**
Liabilities					
Overseas Fixed Income Futures	Less than one year	40,779	(160)	15,079	**(61)**
Total liabilities			(160)		**(61)**
Net futures			5		**235**

Open forward currency contracts

Settlements	Currency bought	Currency bought £'000	Currency sold	Currency sold £'000	Asset Value £'000	Liability Value £'000
2 - 3 months	AUD	3,730	USD	(3,848)	-	(10)
2 - 3 months	CAD	3,900	USD	(3,907)	-	(7)
2 - 3 months	GBP	17	JPY	(2,160)	1	-
2 - 3 months	GBP	13,188	USD	(20,997)	40	(1)
2 - 3 months	MYR	4,760	USD	(1,539)	5	-
2 - 3 months	NOK	35,443	USD	(6,202)	-	(4)
2 - 3 months	USD	7,596	EUR	(5,689)	10	-
2 - 3 months	USD	1,245	GBP	(784)	-	(4)
2 - 3 months	USD	7,200	JPY	(597,639)	-	(42)
Up to 2 months	AUD	1,301	CAD	(1,383)	-	(23)
Up to 2 months	AUD	2,510	USD	(2,664)	-	(42)
Up to 2 months	CAD	71	GBP	(45)	-	(1)
Up to 2 months	CAD	5,329	JPY	(404,676)	258	-
Up to 2 months	EUR	76	GBP	(63)	1	-
Up to 2 months	EUR	5,689	USD	(7,593)	-	(10)
Up to 2 months	GBP	53	AUD	(80)	1	-
Up to 2 months	GBP	78	CAD	(122)	1	-
Up to 2 months	GBP	4,389	EUR	(5,288)	1	(18)
Up to 2 months	GBP	350	JPY	(45,220)	6	-
Up to 2 months	GBP	9,839	USD	(15,563)	97	-
Up to 2 months	JPY	11,635	GBP	(89)	-	(1)
Up to 2 months	JPY	597,973	USD	(7,200)	42	-
Up to 2 months	NOK	3,660	EUR	(477)	4	-
Up to 2 months	NOK	31,694	USD	(5,429)	78	-
Up to 2 months	USD	3,877	AUD	(3,730)	10	-
Up to 2 months	USD	3,907	CAD	(3,894)	7	-
Up to 2 months	USD	22,368	GBP	(14,050)	-	(50)
Up to 2 months	USD	2,095	JPY	(159,712)	96	-
Up to 2 months	USD	6,202	NOK	(35,354)	4	-
Open forward currency contracts at 31st March 2012					**662**	**(213)**
Net forward currency contracts at 31st March 2012						**449**
Prior year comparative:						
Open forward currency contracts at 31st March 2011					821	(615)
Net forward currency contracts at 31st March 2011						206

Investments analysed by Fund Manager

	Market value as at 31st March 2012 £'000	**%**	Market value as at 31st March 2011 £'000	%
Ubsgam	**222,938**	**25.9**	219,421	26.7
Aberdeen	**1,068**	**0.1**	16,749	2.0
Northern Trust	**11,004**	**1.3**	93	0.0
Rogge	**132,210**	**15.3**	117,034	14.2
Longview	**114,936**	**13.3**	106,914	13.0
River & Mercantile	**108,272**	**12.6**	103,525	12.6
Rcm	**111,059**	**12.9**	106,505	13.0
Ubsgam Passive	**150,986**	**17.5**	142,928	17.4
Ubsgam Property	**9,499**	**1.1**	9,451	1.1
Nomura	**-**	-	35	0.0
	861,972		822,655	

The following investments represent more than 5% of the net assets of the fund

	Market value as at 31st March 2012 £'000	**%**	Market value as at 31st March 2011 £'000	%
Ubs Global Am Life UK Equity Tracker	**113,840**	**13.1**	107,430	13.3

Stock Lending

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

69. Financial Instruments

a) Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (excluding cash) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	Designated as fair value through change in market value 2011/12 £'000	**Loans and receivables 2011/12 £'000**	**Financial liabilities at amortised cost 2011/12 £'000**	Designated as fair value through change in market value 2010/11 £'000	Loans and receivables 2010/11 £'000	Financial liabilities at amortised cost 2010/11 £'000
Financial assets						
Fixed interest securities	**144,860**			130,487		
Equities	**439,389**			434,642		
Pooled investments	**206,337**			197,691		
Pooled property investments	**10,501**			25,972		
Private/equity infrastructure						
Property						
Derivative contracts	**958**			1,119		
Cash		**57,047**			30,568	
Other investment balances	**6,670**			6,524		
	808,715	**57,047**	**-**	796,435	30,568	-
Financial liabilities						
Derivative contracts	**(273)**			(907)		
Creditors	**(70)**		**(3,447)**			(3,439)
	(343)	**-**	**(3,447)**	(907)	-	(3,439)
	808,372	**57,047**	**(3,447)**	795,528	30,568	(3,439)

b) Net gains and losses on financial instruments

	31st March 2012 £'000	31st March 2011 £'000
Financial assets		
Fair value through change in market value	**27,030**	46,822
Loans and receivables	**(211)**	-
Financial liabilities		
Fair value through change in market value	**13**	(522)
Total	**26,832**	46,300

c) Fair value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

	Carrying Value 2011/12 £'000	Fair Value 2011/12 £'000	Carrying Value 2010/11 £'000	Fair Value 2010/11 £'000
Financial assets				
Fair value through change in market value	**725,571**	**808,716**	729,482	796,436
Loans and receivables	**57,047**	**57,047**	30,568	30,568
Total financial assets	**782,618**	**865,763**	760,050	827,004
Financial liabilities				
Fair value through change in market value	**(70)**	**(344)**	-	(908)
Financial liabilities at amortised cost	**(3,449)**	**(3,447)**	(3,441)	(3,440)
Total financial liabilities	**(3,519)**	**(3,791)**	(3,441)	(4,348)

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

d) Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability, of information used to determine fair values.

Level 1
Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2
Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3
Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31st March 2012	**Quoted market price Level 1 £'000**	**Using observable inputs Level 2 £'000**	**With significant unobservable inputs Level 3 £'000**	**Total £'000**
Financial assets				
Financial assets at fair value through change in market value	**607,965**	**190,249**	**10,501**	**808,715**
Loans and receivables	**57,047**			**57,047**
Total financial assets	**665,012**	**190,249**	**10,501**	**865,762**
Financial liabilities				
Financial liabilities at fair value through change in market value	**(130)**	**(213)**		**(343)**
Financial liabilities at amortised cost	**(3,447)**			**(3,447)**
Total financial liabilities	**(3,577)**	**(213)**		**(3,790)**
Net financial assets	**661,435**	**190,036**	**10,501**	**861,972**

Values at 31st March 2011	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through change in market value	589,454	180,836	26,145	796,435
Loans and receivables	30,568			30,568
Total financial assets	620,022	180,836	26,145	827,003
Financial liabilities				
Financial liabilities at fair value through change in market value	(160)	(748)		(908)
Financial liabilities at amortised cost	(3,440)			(3,440)
Total financial liabilities	(3,600)	(748)		(4,348)
Net financial assets	616,422	180,088	26,145	822,655

70. Nature and Extent of Risks Arising from Financial Instruments

Risk and risk management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, over the long-term, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Responsibility for the fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the council's pensions operations.

a) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of employing six fund managers, geographical and industry sectors and individual securities. The fund has an asset allocation rebalancing policy that ensures that diversification is maintained in the event that particular asset class values increase or decrease to an extent that rebalancing is required to retain diversification. These ranges are reviewed quarterly by the Finance Directorate. Further details of current policy are included in the Fund's Statement of Investment Principles. To mitigate market risk, the council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis. The Fund manages risk by applying risk-weighted maximum exposures to individual investments and asset classes.

Other price risk

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

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

The fund's investment management agreements for non-pooled investments provide tolerances for investment manager deviation from market asset class returns expressed as the tracking error from benchmark returns. Fund officers review these metrics with fund managers at each quarter.

The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the fund investment strategy.

Other price risk — sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's performance measurement company (WM Company), the council has determined that the following movements in market price risk are reasonably possible for the 2012/13 reporting period:

	Potential market movements (+)/(-)
UK bonds	5.6%
Overseas bonds	6.9%
UK equities	15.4%
Overseas equities	15.8%
UK index linked	7.9%
Pooled property investments	6.5%

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is shown below):

Asset Type	**Value as at 31st March 2012 £'000**	**Percentage Change %**	**Value on increase £'000**	**Value on decrease £'000**
UK equities	**309,463**	**15.4**	**357,120**	**261,806**
Overseas equities	**277,220**	**15.8**	**321,021**	**233,419**
UK bonds	**150,129**	**5.6**	**158,536**	**141,722**
Overseas bonds	**53,774**	**6.9**	**57,484**	**50,064**
Pooled property	**10,501**	**6.5**	**11,184**	**9,818**
	801,087		**905,345**	**696,829**

Asset Type	Value as at 31st March 2011 £'000	Percentage Change %	Value on increase £'000	Value on decrease £'000
UK equities	301,553	15.4	347,992	255,114
Overseas equities	276,166	15.8	319,800	232,532
UK bonds	131,407	5.6	138,766	124,048
Overseas bonds	53,693	6.9	57,398	49,988
Pooled property	25,973	6.5	27,661	24,285
	788,792		891,617	685,967

Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's direct exposure to interest rate movements as at 31st March 2012 and 31st March 2011 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	**31st March 2012** **£'000**	31st March 2011 £'000
Cash and cash equivalents	**57,047**	30,568
Fixed interest securities	**144,860**	130,487
Total	**201,907**	161,055

Changes in interest rates principally affect investments held in cash or fixed interest securities. Changes in interest rates, currencies and credit risk are all inter-related and affected by many influences including sovereign interest rates and factors affecting each individual investment. Investment managers manage these risks through the choice of their investments, by having benchmark outputs to attain and reporting variances from benchmark returns. The Council reviews outcomes versus the assigned benchmark and the exposure to different classes of credit ratings and these results are reviewed quarterly by the Director of Finance.

Interest rate risk sensitivity analysis

The council recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. The fund's long-term average rates are expected to move less than 50 basis points from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 50 basis point change in interest rates.

	Carrying amount as at 31st March 2012	**Change in year in the net assets available to pay benefits**	
		+50BPS	**-50BPS**
Asset type	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	**57,047**	**285**	**(285)**
Fixed interest securities	**144,860**	**724**	**(724)**
Total change in assets available	**201,907**	**1,009**	**(1,009)**

	Carrying amount as at 31st March 2011	Change in year in the net assets available to pay benefits	
		+50BPS	-50BPS
Asset type	£'000	£'000	£'000
Cash and cash equivalents	30,568	153	(153)
Fixed interest securities	130,487	652	(652)
Total change in assets available	161,055	805	(805)

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 the functional currency of the fund (£UK). The fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

Many securities denominated in foreign currencies also gain significant proportions of their income and profits from jurisdictions outside of the market on which those securities are quoted. Over the long-term currency rates reflect value in a particular territory and to the extent that a particular security is exposed to currency risk in a particular territory, investment managers make decisions about this in their analysis of what securities to buy, sell or hold. The fund manages this risk by setting investment benchmarks and comparing overall outcomes against those benchmarks. These outcomes are reported to the Finance Director and Pensions Committee for each quarter of the year.

The following table summarises the fund's currency exposure as at 31st March 2012 and as at the previous year end:

	31st March 2012	31st March 2011
	£'000	£'000
Currency exposure – asset type		
Overseas quoted securities	**243,767**	240,766
Overseas unit trusts	**33,453**	35,400
Overseas public sector bonds (quoted)	**391**	3,290
Overseas corporate bonds (quoted)	**48,034**	46,361
Overseas corporate bonds (unquoted)	**577**	489
Total overseas assets	**326,222**	326,306

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the funds performance measurer (WM Company), the council considers the likely volatility associated with foreign exchange rate movements to be 10% (as measured by one standard deviation).

A 10% fluctuation in the currency is considered reasonable based on the fund advisor's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

	Carrying amount as at 31st March 2012	**Change to net assets available to pay benefits**	
		+10%	**-10%**
Asset type	**£'000**	**£'000**	**£'000**
Overseas quoted securities	**243,874**	**268,261**	**219,487**
Overseas unit trusts	**33,454**	**36,799**	**30,109**
Overseas public sector bonds (quoted)	**391**	**430**	**352**
Overseas corporate bonds (quoted)	**48,034**	**52,837**	**43,231**
Overseas corporate bonds (unquoted)	**577**	**635**	**519**
Total change in assets available	**326,330**	**358,963**	**293,697**

Asset type	Carrying amount as at 31st March 2011	Change to net assets available to pay benefits	
		+10%	-10%
	£'000	£'000	£'000
Overseas quoted securities	240,766	264,843	216,689
Overseas unit trusts	35,400	38,940	31,860
Overseas public sector bonds (quoted)	3,290	3,619	2,961
Overseas corporate bonds (quoted)	46,361	50,997	41,725
Overseas corporate bonds (unquoted)	489	538	440
Total change in assets available	326,306	358,937	293,675

b) Credit Risk

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

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

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Deposits are not made with banks and financial institutions unless they are rated independently and meet the council's credit criteria. The council has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, the council invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all have AAA rating from a leading ratings agency.

The council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The fund's cash holding under its treasury management arrangements at 31st March 2012 was £57 million (£31 million in 2010/11).

This was held with the following institutions:

Summary	Rating	Balances as at 31st March 2012 £'000	Balances as at 31st March 2011 £'000
Money market funds			
NTGI global cash fund	Aaa	**56,281**	28,533
Bank deposit accounts			
Variation margin		**745**	1,981
Miscellaneous		**(508)**	(88)
Bank current accounts		**529**	142
		57,047	30,568

The Council reviews exposure to different classes of credit ratings for fixed-interest securities and these results are reviewed quarterly by the Director of Finance. The table below shows the credit rating of the fund's fixed interest securities as at 31st March 2012.

Summary	Rating	Balances as at 31st March 2012 £'000	Balances as at 31st March 2011 £'000
Asset Backed Securities	Aa	**410**	386
Corporate Bonds	Aaa	**5,078**	1,125
Corporate Bonds	Aa	**19,875**	22,433
Corporate Bonds	A	**37,344**	28,702
Corporate Bonds	Baa	**16,972**	15,971
Government Bonds	Aaa	**20,238**	34,644
Government Bonds	Baa		1,958
Government Bonds	Ba	**391**	335
Index Linked Corporate Bonds	Aaa	**4,504**	3,791
Index Linked Government Bonds	Aaa	**40,283**	21,147
Unit Trust Bonds	N/A	**59,043**	54,613
		204,138	185,105

c) Liquidity Risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and also cash to meet investment commitments. The council has immediate access to its pension fund cash holdings.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31st March 2012 the value of illiquid assets was £10.7 million, which represented 1% of the total fund assets (£26 million in 2010/11, which represented 3.2% of the total fund assets).

Management prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the fund investment strategy.

All financial liabilities in the accounts at 31st March 2012 are due within one year.

Refinancing risk
The key risk is that the council will be bound to replenish a significant proportion of its pension fund financial Instruments at a time of unfavourable interest rates. The council does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

71. Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2008, the fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31st March 2010. The next valuation will take place as at March 2013.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

The aim is to achieve 100% solvency over a period of 21 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. At the 2010 actuarial valuation, the fund was assessed as 91% funded (94% at the March 2007 valuation). This corresponded to a deficit of £75 million (2007 valuation: £45 million) at that time.

The common contribution rate (the rate which all employers in the fund pay) is:

Year	Employers' contribution rate
2011/12	19%
2012/13	19%
2013/14	19%

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were:

Financial assumptions

	Nominal % p.a.	Real % p.a.
Discount Rate	6.1	2.7
Pay increases	5.3	0.8
Price Inflation/pension increases	3.3	-

Mortality assumptions

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

Historic mortality assumptions

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

Commutation assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

72. Actuarial Present Value of Promised Retirement Benefits

To assess the value of the Fund's liabilities as at 31st March 2012, the fund actuary has rolled forward the value of the Fund's liabilities calculated for the Triennial valuation as 31st March 2010 allowing for the different financial assumptions required under IAS19. A similar roll-forward approach was taken for the report as at 31st March 2011.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31st March 2012 without completing a full valuation. However we are satisfied that the approach of rolling forward the previous valuation results to 31st March 2012 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information the fund actuary has received there appears no evidence that this approach is inappropriate.

Demographic/Statistical Assumptions

The fund actuary has adopted a set of demographic assumptions that are consistent with those used for the formal funding valuation as at 31st March 2010. Fund's VitaCurves with improvements from 2007 in line with the Medium Cohort and a 1% p.a. underpin.

The assumed life expectations from age 65 are:

	31st March 2012	31st March 2011
Expectancy		
Retiring today		
- Males	**22.0**	21.9
- Females	**23.5**	23.4
Retiring in 20 years		
- Males	**23.9**	23.8
- Females	**25.8**	25.7

The following assumption has also been made: Members will elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-2008 service and 75% of the maximum tax-free cash 2008 service.

Financial Assumptions

The financial assumptions used for the purposes of the calculations are as follows.

Assumptions as at	**31st March 2012**		31st March 2011		31st March 2010	
	% p.a	**Real**	% p.a	Real	% p.a	Real
RPI increases	**3.3%**	**-**	3.6%	-	3.8%	-
CPI increases	**2.5%**	**-0.8%**	2.8%	-0.8%	n/a	-
Salary increases	**4.7%**	**1.4%**	5.1%	1.5%	5.3%	1.5%
Pension increases	**2.5%**	**-0.8%**	2.8%	-0.8%	3.8%	-
Discount rate	**4.6%**	**1.3%**	5.5%	1.8%	5.5%	1.6%

These assumptions are set with reference to market conditions at 31st 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 IAS26. 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 the fund actuary has 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, the fund actuary has 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 1.4% above RPI in addition to a promotional scale.

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 71). The actuary has also valued ill health and death benefits in line with IAS 19.

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 71). The actuary has also used valued ill health and death benefits in line with IAS 19.

The actuarial present value of promised retirement benefits at 31st March 2012 was £1,070 million (£923 million in 2010/11).

The actuary estimated that the value of the assets as at 31st March 2012 was £861 million (£822 million in 2010/11). Therefore the net pension liability as at 31st March 2012 was £209 million (£101 million in 2010/11).

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2010 triennial funding valuation (see Note 71) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

73. Current Assets

	2011/12		2010/11	
	£'000	**£'000**	£'000	£'000
Current assets				
Cash	**614**		1,947	
Contributions due from employer	**20**		-	
Amount due from HMRC	**50**		-	
Amounts due from Council	**35**		887	
Overpaid pensions	**2**			
Tax recoverable	**-**		186	
Advances to pensioners	**1**		-	
		722		3,020

74. Current Liabilities

	2011/12		2010/11	
	£'000	**£'000**	£'000	£'000
Current liabilities				
Unpaid benefits	**(1,252)**		(880)	
Fund Managers' fees	**(844)**		(817)	
Custody Fees	**(16)**		(46)	
Audit Fee	**(32)**		(35)	
Amounts due to Council	**(14)**		(1,795)	
Amounts due to HMRC	**(332)**		-	
Pension to deceased pensioners	**(1)**		-	
		(2,491)		(3,573)

75. Additional Voluntary Contributions

	Market Value 31st March 2012 £'000	Market Value 31st March 2011 £'000
Contributions received during the year	**671**	777
Investments purchased with AVCs	**666**	774
Changes in the value of AVCs (investment income and changes in the market value of investments)	**110**	86
Sales of investments to settle benefits due to members	**(693)**	(826)
Aggregate market value	**3,453**	3,370

76. Related Party Transactions

Wandsworth Council

Wandsworth Pension Fund is administered by Wandsworth Council. Consequently there is a strong relationship between the council and the pension fund.

The council incurred costs of £608 thousand (£597 thousand in 2010/11) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the single largest employer of members of the pension fund and contributed £31 million to the fund in 2011/12 (£32 million in 2010/11).

Governance

No members of the pension fund committee are in receipt of pension benefits from the Wandsworth Pension Fund. Committee members Councillor Mr. M Heaster, Councillor Miss L Allan and Councillor Mr. J Daley are active members of the pension fund. Councillor Mr. G Senior is eligible to join but has not done so.

Each member of the pension fund committee is required to declare their interests.

Officers Mr. C Buss (Director of Finance and Deputy Chief Executive), Mr. R Claxton (Head of Pensions, Payroll and Support), Ms C Hollands (Pensions Manager) and Mr. P Harris (Pension Fund Controller) are all contributors to the scheme. Details of how the scheme benefits are administered can be found at www.lgps.org.uk.

77. Contractual Commitments

There are no outstanding capital commitments (investments) at 31st March 2012 (£nil in 2010/11).

GLOSSARY OF TERMS USED IN THE ACCOUNTS

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

Capital Expenditure
The statutory definition extends to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ABBREVIATIONS USED IN THE ACCOUNTS

AQPR	Annual Quality and Performance Review
AVC	Additional Voluntary Contribution
BCP	Business Contingency Planning
BSF	Building Schools for the Future
CDC	Corporate and Democratic Core
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Prices Index
DSG	Dedicated Schools Grant
DSO	Direct Service Organisation
EUV	Existing Use Value
GF	General Fund
GLA	Greater London Authority
HRA	Housing Revenue Account
IAS	International Accounting Standard
ICT	Information Communication Technology
IFRS	International Financial Reporting Standard
ISB	Individual Schools Budget
IT	Information Technology
JCB	Joint Commissioning Bodies
LAA	Local Area Agreement
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LFEPA	London Fire and Emergency Planning Authority
LGPS	Local Government Pension Scheme
LPFA	London Pension Fund Authority
MMI	Municipal Mutual Insurance
MRA	Major Repairs Allowance
NHS	National Health Service
NNDR	National Non-Domestic Rates
OSC	Overview and Scrutiny Committee
PFI	Private Finance Initiative
PPP	Public Private Partnerships
PPE	Property, Plant and Equipment
PWLB	Public Works Loans Board
RPI	Retail Prices Index
SEN	Special Education Needs
SeRCOP	Service Reporting Code of Practice for Local Authorities
SOLACE	Society of Local Authority Chief Executives
WRWA	Western Riverside Waste Authority

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