

Wandsworth Council

statement of accounts 2012 – 2013

THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH 2013**CONTENTS**

	<u>PAGE</u>
EXPLANATORY FOREWORD TO THE ACCOUNTS	2
STATEMENT OF RESPONSIBILITIES	6
CERTIFICATE	6
ANNUAL GOVERNANCE STATEMENT	7
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WANDSWORTH COUNCIL	15
REPORT ON THE PENSION FUND ACCOUNTS	17
CONCLUSION ON WANDSWORTH COUNCIL'S ARRANGEMENTS FOR SECURING ECONOMY, EFFICIENCY AND EFFECTIVENESS IN THE USE OF RESOURCES	19
MOVEMENT IN RESERVES STATEMENT	21
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	23
BALANCE SHEET	24
CASH FLOW STATEMENT	27
NOTES TO THE ACCOUNTS	28
COLLECTION FUND	98
COLLECTION FUND INCOME AND EXPENDITURE STATEMENT	99
NOTES TO THE COLLECTION FUND	100
HOUSING REVENUE ACCOUNT	102
HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT	103
MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT	104
NOTES TO THE HOUSING REVENUE ACCOUNT	105
PENSION FUND ACCOUNT	108
NET ASSETS STATEMENT	109
NOTES TO THE PENSION FUND	110
GLOSSARY OF TERMS USED IN THE ACCOUNTS	145
ABBREVIATIONS USED IN THE ACCOUNTS	147

EXPLANATORY FOREWORD TO THE ACCOUNTS

Introduction

The Council's Accounts for the year ended 31st March 2013 are set out in the statements which follow this foreword. The purpose of the Statement of Accounts is to summarise the financial position of the Council. The foreword gives a general outline of the main items reported within the accounts and gives a summary of the Council's overall financial performance for the year.

The accounts have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which defines proper accounting practices for local authorities in England, supported by International Financial Reporting Standards (IFRS). This means that the accounts are prepared on the same basis as the rest of the public sector in the United Kingdom.

The statements and notes which make up the accounts are listed below in the order in which they appear in the accounts, with an explanation as to their purpose:

- **Movement in Reserves Statement (MiRS)** - this is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It is analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. It shows how the Comprehensive Income and Expenditure surplus of £115 million (deficit of £491 million in 2011/12) is adjusted according to statute, leaving a surplus on Usable Reserves of £59 million (surplus of £31 million in 2011/12).
- **Comprehensive Income and Expenditure Statement (CIES)** - this consolidates all the gains and losses experienced by the Council during the financial year. As the Council does not have any share holders (equity), the net gain or loss reconciles to the overall movement in net worth. It therefore shows, on an accounting basis, the make up of the increase of £115 million (reduction of £491 million in 2011/12 mainly due to the settlement payment for HRA self-financing) in the Council's net worth during 2012/13.
- **Balance Sheet** - this summarises the Council's financial position at 31st March in each year. The top half shows the assets and liabilities of the Council, its net worth. The bottom half explains how this net worth is split between usable and unusable reserves. The Council's net worth was £1,140 million at 31st March 2013 (£1,025 million at 31st March 2012).
- **Cash Flow Statement** - this summarises the flows of cash that have taken place into and out of the Council's bank accounts over the financial year. The flows are separated into operating, investing and financing activities. The Council's cash and cash equivalents increased by £116.6 million in 2012/13 (decreased by £14.5 million in 2011/12).
- **Notes to the Accounts** - The notes provide further details to ensure a true and fair view is presented of the Council's financial position. They present information about the basis of preparation of the financial statements and the specific accounting policies used. They present information required by the Code that is not presented elsewhere in the financial statements and provide information that is relevant to the understanding of the financial statements.

- **Collection Fund** - this reflects the Council's statutory duty as a billing authority to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates.
- **Housing Revenue Account (HRA)** - this is a record of revenue expenditure and income relating to the Council's housing stock. The HRA ensures that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. A ring-fence is maintained on the HRA to ensure that rents cannot be subsidised from council tax or council tax subsidised from rents.
- **Pension Fund** – this includes information on investments, and income and expenditure relating to the Wandsworth Pension Fund, which is administered by the Council. At 31st March 2013 the Pension Fund had net assets of £991 million (£860 million at 31st March 2012).

The Financial Year 2012/13

This section summarises the financial performance for the year.

Revenue Budgets

The final outturn position for the year compared to the revised budget is set out below.

	Budget 2012/13 £'000	Actual 2012/13 £'000	Variation 2012/13 £'000
Committee			
Adult Care and Health	89,252	86,023	(3,229)
Education and Children's Services	53,882	52,149	(1,733)
Environment, Culture and Community Safety	42,165	41,194	(971)
Finance and Corporate Resources	(547)	(4,377)	(3,830)
Housing	3,811	3,825	14
Strategic Planning and Transportation	12,882	14,657	1,775
Total – Committee Budgets	201,445	193,471	(7,974)
Non-service specific grants and other adjustments	(4,021)	(5,138)	(1,117)
Contributions to/(from) reserves	(4,552)	(2,497)	2,055
Net Expenditure	192,872	185,836	(7,036)
Funded by:			
Formula Grant	141,989	141,989	-
Collection Fund surplus	2,308	2,308	-
Council Tax Requirement	48,391	48,391	-
Total	192,688	192,688	-
Surplus/(Deficit) for Year	184	(6,852)	(7,036)
General Fund Balance at 31 March 2012	21,629	21,629	-
General Fund Balance at 31 March 2013	21,445	28,481	7,036

The Council's net revenue expenditure was £7.97 million less than the revised budget, reflecting underspends across most Council services with the main exception of Highways and Community Transport where it was necessary to set aside a further £2 million provision for highway and footway liability claims. Further information on the financial performance of each area is reported to the relevant Overview and Scrutiny Committees in June of each year and the relevant committee reports can be viewed on the Council's website at <http://ww3.wandsworth.gov.uk/moderngov/ieDocHome.aspx>. However, common factors for the underspend included higher than anticipated income towards the

end of the year, including late notification of grant income worth £1.3 million; slippage of schemes funded both from the Renewals Fund reserve but where budgetary provision had been made within revenue budgets, and by new grant programme income, resulting in an underspend of £1.7 million which will be rolled forward to 2013/14; and the impact of a consistent pattern of larger levels of vacancies being held in anticipation of the need to reduce expenditure to enable the Council to meet the ongoing challenges of the current financial situation.

Schools Budget

The schools budget was underspent by a net total of £3.1 million. This underspend will be carried forward to 2013/14 to be added to the Dedicated School Grant.

Council Housing

The Statement of Accounts includes the ring-fenced Housing Revenue Account for the provision of council housing. The HRA made a net surplus of £21.203 million, this was added to the HRA Revenue Reserve and the Major Repairs Reserve increasing the balance to £210.3 million. The balance on the HRA Reserves is retained against the risk of future shortfalls on the ring-fenced account and to fund future expenditure on major repairs.

Capital Expenditure

Capital expenditure for the year, excluding expenditure on Council Housing was £62.55 million. The programme included significant expenditure on schools, including major work at the Borough's Secondary Schools, at the new Bolingbroke Academy and at a number of primary schools.

The outturn against planned budget was as follows: -

	Budget 2012/13 £'000	Actual 2012/13 £'000	Variation 2012/13 £'000
Committee			
Adult Care and Health	1,276	482	(794)
Education and Children's Services	58,273	52,293	(5,980)
Environment, Culture and Community Safety	1,743	624	(1,119)
Finance and Corporate Resources	4,363	1,773	(2,590)
Housing	1,202	1,010	(192)
Strategic Planning and Transportation	7,232	6,371	(861)
Total – Committee Budgets	74,089	62,553	(11,536)

Significant capital receipts of £60.5 million were received during the year, in addition to capital grants and reimbursements of £51.7 million. Some capital receipts are ring-fenced for affordable housing and some are reserved or paid to Government, but at the end of the year the Council held £67.8 million (£39.6 million 2011/12) of usable capital receipts.

Treasury Management

During the course of 2012/13 the combination of declining interest rates and reducing credit ratings made the management of the Council's investments even more challenging. Action was taken to mitigate the effects of falling interest rates, whilst continuing to safeguard investments. Investments began the year at £215 million and ended the year at £311 million. The average interest rate performance was 0.72%, exceeding the 7 day LIBID benchmark. External debt reduced from £230 million to £213 million reflecting the first repayments of the PWLB long-term borrowing, which was taken up in March 2012 for the HRA subsidy buy-out.

Collection Fund

The Collection Fund surplus at the year-end was £2.47 million. This surplus will be taken into account when setting the level of council tax in future years.

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 £130.7 million (15.2%) to £990.9 million, reflecting the net return on both investment income and the change in market value of investments (£136.9 million), after net costs of £6.2 million from dealings with fund members. The Fund's investments returned an average +10.1% a year over the last three years, better than the median return of +8.2%.

For balance sheet purposes, the Council's estimated liabilities for retirement benefits exceeded the assets in the relevant funds by £219.3 million (21.3%) at 31st March 2013. This is £12.5 million less than the net liabilities of £231.8 million twelve months earlier. 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 20 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 next triennial valuation at March 2013 will take effect from 2014/15. 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.

The main challenge in 2013/14 will be to continue delivering improvements in service delivery, with increasingly scarce resources. Based on current approved budgets and the predicted grant settlements for 2014/15 as set out in the medium term financial strategy, the Council will need to further reduce expenditure by £21.2 million to avoid triggering a referendum on setting council tax in 2014/15. Further details are in the medium term financial strategy, which was reviewed by the Finance and Corporate Resources Overview and Scrutiny Committee and approved by the Executive in April 2013. The papers for those meetings held in April 2013 can be viewed on the Council's website at <http://ww3.wandsworth.gov.uk/moderngov/ieDocHome.aspx>.

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the 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 Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the 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
17th September 2013



Cllr M Heaster

Chairman of the Audit Committee
17th September 2013

ANNUAL GOVERNANCE STATEMENT 2012/13

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 2013 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 and 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 (last updated May 2013) 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, those that deal with public funds over £10,000 per annum.

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 2011/12 together with a report from the External Auditor. It has also considered the Audit Commission's Annual Audit and Inspection letter for 2011/12. 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 standard of conduct by Members at Wandsworth remains very high with only a small number of complaints in the last decade with only 5 being received in 2012/13 none of which were upheld; and it is anticipated that complaints will remain at a low level. The Committee has drafted a new local Code for Members as part of the implementation of the Localism Act. The Council has decided that it will retain a standalone Standards Committee albeit that it will meet on a less frequent basis.

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 2012/13 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 average 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. 13-601), and action plans to address weaknesses and ensure continuous improvement of the system in place.

Significant governance issues

(a) ICT business continuity planning

The Council's dependency on 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.

(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. There continues to be a number of examples of poor control with either significant direct adverse outcomes or potential for significant adverse outcomes, even with increased audit coverage and more focussed and robust departmental monitoring which means 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, Disclosure and Barring Checks and right to work in the United Kingdom.

(d) Reduced Grant Funding

The further significant reduction in central government funding in 2014/15 and 2015/16 is likely to place increasing demands on restricted Council resources. This is likely to impact on the ability to achieve the Council's objective of a distinctively low council tax or result in a reduction in the non-statutory services that it currently provides. The Council is undertaking a full review of the services it provides with a view to identifying efficiency whilst minimising these risks, however the changes including more flexible working and reduction in the number of departments which may bring new risks that will need to be managed.

(e) Welfare Reform Act

The government's continuing welfare reform proposals bring increasing challenges in particular with regard to the provision of housing at rent levels commensurate to benefits. A full review of rent levels will be undertaken during 2013/14 to ensure that rents are commensurate to the new system to avoid a build up of rent arrears which could unbalance the HRA business plan. The impact of the Council's council tax support scheme and localised hardship support schemes will also be closely monitored.

(f) 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 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 greater synergies are identified, which will be assisted with the centralisation of procurement and the introduction of a P2P system.

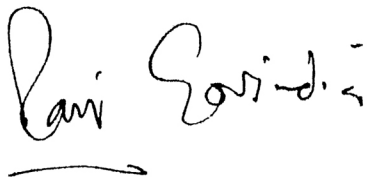
(g) Personal Budgets

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

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.

(h) Data Security

The Council is working well to manage the risks associated with holding personal information, for example ensuring that there are controls in place that meet the requirements of ISO27001. However, Officers are being required to adopt more flexible working patterns which together with the anticipated number of office moves and organisational restructures will increase the potential for breaches. Should there be any breaches that warrant a referral to the Information Commissioner then the Council may receive a heavy fine if it cannot demonstrate that it had taken all reasonable steps to avoid the data loss.



Cllr R Govindia
Leader of the Council



P Martin
Chief Executive

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WANDSWORTH COUNCIL

Report on Statement of Accounts

We have audited the statement of accounts of Wandsworth Council for the year ended 31st March 2013 which comprise 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 Housing Revenue Account, Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund, the accounting policies 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 2012/13 supported by the CIPFA Service Reporting Code of Practice 2012/13.

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 6, 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 2012/13 and the CIPFA Service Reporting Code of Practice 2012/13. 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 Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the 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 of the state of the Council's affairs as at 31 March 2013 and of the Council'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 2012/13 and the CIPFA Service Reporting Code of Practice 2012/13.

Opinion on other matter prescribed by the Code of Audit Practice

In our opinion, the information given in the explanatory foreword 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 following matters where the Code of Audit Practice issued by the Audit Commission requires us to report to you if:

- in our opinion, the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012) or is misleading or inconsistent with information of which we are aware from our audit;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we make any recommendations under section 11 of the Audit Commission Act 1998 that requires the Authority to consider it at a public meeting and to decide what action to take in response ; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.



Janet Dawson
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
London
25th September 2013

REPORT ON THE PENSION FUND ACCOUNTS

We have audited the pension fund accounting statements contained within the Statement of Accounts of Wandsworth Council for the year ended 31st March 2013 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 6, 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 2012/13. Our responsibility is to audit and express an opinion on the pension fund accounting statements 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, 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 and for no other purpose. 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 accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the pension fund accounting statements sufficient to give reasonable assurance that the pension fund accounting 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 Council; and the overall presentation of the pension fund accounting statements. In addition, we read all the financial and non-financial information in the explanatory forward to identify material inconsistencies with the audited pension fund accounting 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 accounting statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31st March 2013, and the amount and disposition of the fund's assets and liabilities as at 31st March 2013; and
- have been properly prepared in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matter prescribed by the Code of Audit Practice

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



Janet Dawson
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
London
25th September 2013

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

Council's responsibilities

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

Auditors' responsibilities

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

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

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 November 2012, 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 Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Wandsworth Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March 2013.

Certificate

We certify that we have completed the audit of the statement of accounts of Wandsworth Council and of the pension fund accounting statements of Wandsworth Council Pension Fund in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Janet Dawson
For and on behalf of PricewaterhouseCoopers LLP
Appointed auditors
London
25th September 2013

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 the statement of accounts 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 Council, 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 Council'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.

	<u>General</u> <u>Fund</u> <u>Balance</u>	<u>Earmarked</u> <u>GF</u> <u>Reserves</u>	<u>Housing</u> <u>Revenue</u> <u>Account</u>	<u>Earmarked</u> <u>HRA</u> <u>Reserves</u>	<u>Capital</u> <u>Receipts</u> <u>Reserve</u>	<u>Capital</u> <u>Grants</u> <u>Unapplied</u>	<u>Total</u> <u>Usable</u> <u>Reserves</u>	<u>Unusable</u> <u>Reserves</u>	<u>Total</u> <u>Authority</u> <u>Reserves</u>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2011	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 31st March 2012 carried forward	21,629	128,635	103,819	85,307	39,631	3,518	382,539	642,703	1,025,242
Movement in reserves during 2012/13									
Surplus or deficit on provision of services	34,913		62,474				97,387		97,387
Other comprehensive income and expenditure	17,810		-				17,810		17,810
Total Comprehensive Income and Expenditure	52,723		62,474				115,197		115,197
Adjustments between accounting basis and funding basis under regulations	(46,896)	-	(62,882)	21,376	28,185	4,393	(55,824)	55,824	-
Net Increase/Decrease before Transfers to Earmarked Reserves	5,827	-	(408)	21,376	28,185	4,393	59,373	55,824	115,197
Transfers to/from earmarked reserves	1,025	(1,261)	236	-	-	-	-	-	-
Increase/Decrease in year	6,852	(1,261)	(172)	21,376	28,185	4,393	59,373	55,824	115,197
Balance at 31st March 2013 carried forward	28,481	127,374	103,647	106,683	67,816	7,911	441,912	698,527	1,140,439

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	Notes	2012/13			2011/12		
		Expenditure	Income	Net	Expenditure	Income	Net
		£'000	£'000	£'000	£'000	£'000	£'000
Central services to the public		21,108	(7,426)	13,682	17,668	(3,812)	13,856
Cultural and related services		22,507	(9,992)	12,515	23,527	(9,884)	13,643
Environment and regulatory services		20,689	(5,602)	15,087	22,920	(4,925)	17,995
Planning Services		7,173	(3,270)	3,903	7,225	(2,983)	4,242
Education and children's services		316,045	(227,751)	88,294	324,746	(244,905)	79,841
Highways and transport services		37,454	(33,112)	4,342	33,312	(32,181)	1,131
Local authority housing (HRA)		86,653	(131,732)	(45,079)	94,834	(125,595)	(30,761)
Local authority housing settlement payment to Secretary of State for HRA self-financing	6	-	-	-	433,623	-	433,623
Other housing services		243,164	(227,910)	15,254	241,212	(225,695)	15,517
Adult social care		108,125	(30,340)	77,785	110,234	(27,960)	82,274
Corporate and democratic core		6,784	(1,295)	5,489	6,608	-	6,608
Non distributed costs		149	(2,021)	(1,872)	2,145	(274)	1,871
(Surplus)/Deficit on Continuing Operations		869,851	(680,451)	189,400	1,318,054	(678,214)	639,840
Other operating expenditure	7			(26,098)			10,575
Financing and investment income and expenditure	8			(3,098)			(13,345)
Taxation and non-specific grant income	9			(257,591)			(269,208)
(Surplus) or Deficit on Provision of Services				(97,387)			367,862
Surplus on revaluation of fixed assets	22			(1,516)			(5,317)
Actuarial (gains)/losses on pension assets/liabilities	22/38			(16,294)			128,243
Other Comprehensive Income and Expenditure				(17,810)			122,926
Total Comprehensive Income and Expenditure				(115,197)			490,788

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council 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 Council 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

		<u>31st March 2013</u> £'000	<u>31st March 2012</u> £'000
	<u>Notes</u>		
Property, Plant and Equipment	10	1,308,293	1,300,146
Heritage Assets	11	748	748
Investment Property	12	50,383	46,628
Intangible Assets	13	128	178
Assets Held for Sale		-	-
Long-term Investments		25,000	-
Long-term Debtors		728	942
Long-term Assets		<hr/> 1,385,280	<hr/> 1,348,642
Short-term Investments		75,097	120,180
Assets Held for Sale	18	3,167	5,139
Inventories	14	429	510
Short-term Debtors	16	57,604	64,078
Cash and Cash Equivalents	17	206,901	90,313
Current Assets		<hr/> 343,198	<hr/> 280,220
Bank Overdraft		-	-
Short-term Borrowing		18,208	17,957
Short-term Creditors	19	104,274	96,988
Provisions	20	8,787	7,660
Current Liabilities		<hr/> 131,269	<hr/> 122,605
Long-term Provisions	20	8,479	6,257
Long-term Borrowing		194,920	212,566
Net Pensions Liability	38	219,264	231,807
Other Long-term Liabilities		-	-
Capital Grants Receipts in Advance	34	34,107	30,385
Long-term Liabilities		<hr/> 456,770	<hr/> 481,015
Net Assets		<hr/> <hr/> 1,140,439	<hr/> <hr/> 1,025,242

		<u>31st March 2013</u>	<u>31st March 2012</u>
		£'000	£'000
	<u>Notes</u>		
Usable Reserves			
General Fund Balance		28,481	21,629
Housing Revenue Account		103,647	103,819
Capital Receipts Reserve		67,816	39,631
Capital Grants Unapplied Account		7,911	3,518
Housing Major Repairs		106,683	85,307
Renewals Fund		30,959	32,949
Insurance Reserve		7,589	8,429
Specific Grant		2,400	2,400
Finite Services Fund		1,557	1,038
Employer's Pensions Contributions Reserve		41,400	41,400
Enhanced Pension Fund		3,535	4,247
Education Balances	33	23,644	22,262
Services Transformation Fund		5,000	5,000
Business Rate Volatility Reserve		5,000	5,000
Other Balances		6,290	5,910
Unusable Reserves			
<u>Revaluation balances</u>			
Revaluation reserve	22	57,755	58,661
Available for Sale Financial Instruments Reserve		-	-
<u>Adjustment Accounts</u>			
Pensions Reserve	22	(219,264)	(231,807)
Capital Adjustment Account	22	862,517	817,350
Deferred Capital Receipts	22	484	743
Financial Instruments Adjustment Account	22	(6)	(19)
Collection Fund Adjustment Account	22	1,360	2,411
Accumulating Absences Account	22	(4,319)	(4,636)
Total Reserves		1,140,439	1,025,242

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

	<u>Notes</u>	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Net surplus or (deficit) on the provision of services		97,387	(367,862)
Adjust net surplus or deficit on the provision of services for non-cash movements	23	47,771	14,573
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	23	(121,771)	(80,210)
Net cash flows from Operating Activities	23	23,387	(433,499)
Investing Activities	25	107,718	199,006
Financing Activities	26	(14,517)	219,956
		93,201	418,962
Net increase or decrease in cash and cash equivalents		116,588	(14,537)
Cash and cash equivalents at the beginning of the reporting period	17	90,313	104,850
Cash and cash equivalents at the end of the reporting period	17	206,901	90,313

NOTES TO THE ACCOUNTS

1. Statement of accounting policies

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31st March 2013. The Council 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 2012/13 and the Service Reporting Code of Practice 2012/13, 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 Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue 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 Council'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 Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

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 Council 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 Council 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 Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

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

Post Employment Benefits

Employees of the Council 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 Pension Scheme, administered by the Council.

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

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

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.2% based on the indicative rate of return on the Merrill Lynch AA rated corporate bond curve. This approach has been updated from previous disclosures when the yield on the iBoxx AA rated over 15 year corporate bond index was used as the standard assumption.

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 Continuing Operations in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on Continuing Operations 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 Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

1.8 Financial Instruments

Financial Liabilities

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

However, the Council 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 Government Grants and Contributions

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

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

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

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

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

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy commenced on 1st November 2012 and is charged on any development over 100 square metres, at differential rates depending on location in the borough, with the appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, schools, public health care facilities, public open space and leisure provision) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure, this includes up to 5% of the income which can be retained to cover administrative costs.

In addition the Council collects a separate CIL on behalf of the Mayor of London. This is payable to Transport for London, except for a 4% administration fee which is credited to the Comprehensive Income and Expenditure Statement.

1.10 Heritage Assets

The value of the Council's Heritage Assets relates to 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 Intangible Assets

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

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council'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 Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. 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 Inventories

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

1.13 Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end, 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 Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

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

1.16 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 2012/13* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a 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 the Surplus or Deficit on Continuing Operations.

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

<u>Portfolio</u>	<u>Valuation Dates</u>	<u>Stock Composition Date</u>
Operational	1st April 2012	31st March 2013
Held for Sale	31st March 2012	31st March 2013
Residential	31st March 2012	31st March 2013
Investment	1st April 2012	31st March 2013

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.

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Operational property assets – the major components of each operational property has been assessed with each component being depreciated reflecting the expected life of the component.
- Housing Revenue Account Assets – the Major Repairs Allowance (MRA) is used as a proxy for depreciation.
- vehicles, plant and equipment – reducing balance method (vehicles 20% p.a., plant and equipment 25% p.a.), reflecting the expected life of the asset.
- infrastructure – straight-line allocation over 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 Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

1.18 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Carbon Reduction Commitment Scheme

The Council 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 Council 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 Council is recognised and reported in the costs of the Council'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 Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. 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 Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

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

1.19 Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits and do not represent usable resources for the Council - 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 Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

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

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

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

Property, Plant and Equipment

Assets are depreciated over their useful lives that are dependant on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying value of assets falls.

Provisions

At 31st March 2013, the Council had a provision of £5 million for insurance claims based on claims lodged with, and values estimated by the Council's insurer. The Council is responsible for funding claims up to high levels of excesses as shown in the note on Provisions. It is not certain that all claims for past incidents have been received by the Council. An increase in claims, either in value or volume, in excess of the provision made would be met by amounts set aside in the Insurance Reserve. The adequacy of the amounts set aside, either as a provision or reserve, are subject to external actuarial review on a regular basis.

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 Council 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 £23.5 million. However, the assumptions interact in complex ways. During 2012/13, the Council's actuaries advised that the net pensions liability had decreased by £13.6 million as a result of estimates being corrected as a result of experience and updating of the assumptions.

Arrears

At 31st March 2013, the Council had debtors for a range of Council functions. These debts are reviewed annually and provisions made principally based on the type and age of debt, and taking into consideration the current economic climate. A prudent approach has been taken in setting sums aside with these factors in mind.

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 Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council 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 Council 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.

2012/13	<u>General</u>	<u>Housing</u>	<u>Capital</u>	<u>Major</u>	<u>Capital</u>	<u>Movement in</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Receipts</u>	<u>Repairs</u>	<u>Grants</u>	<u>Unusable</u>
	<u>Balance</u>	<u>Account</u>	<u>Reserve</u>	<u>Reserve</u>	<u>Unapplied</u>	<u>Reserves</u>
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	13,347	10,532				(23,879)
Revaluation losses on Property Plant and Equipment	(1,516)					1,516
Movements in the market value of Investment Properties	(4,773)					4,773
Amortisation of intangible assets	50					(50)
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(56,059)	(5,474)			61,533	-
Revenue expenditure funded from capital under statute	40,635	4,088				(44,723)
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	6,925	6,246				(13,171)
Transfer of disposal costs to the Capital Adjustment Account	-					-
Local authority housing - settlement payment to Government for HRA self-financing	-					-
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Mandatory provision for the financing of capital investment	-	(34,356)				34,356
Capital expenditure charged against the General Fund and HRA balances	(337)					337
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					(57,140)	57,140
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	(37,635)	(21,889)	59,524			-
Use of the Capital Receipts Reserve to finance new capital expenditure			(27,337)			27,337
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		157	(157)			-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	4,819		(4,819)			-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			259			(259)
Transfer of unattached capital receipt to the Capital Receipts Reserve	(24)	(691)	715			-

2012/13 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 Allow ance credited to the HRA		(21,012)		21,012		-
Use of the Major Repairs Reserve to finance new capital expenditure				(625)		625
Transfer of Depreciation charge for non-dw elling assets		(989)		989		-
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by w hich finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance w ith statutory requirements						13
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	23,739	3,587				(27,326)
Employer's pensions contributions and direct payments to pensioners payable in the year	(20,510)	(3,065)				23,575
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by w hich council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance w ith statutory requirements						(1,051)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by w hich officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance w ith statutory requirements		(301)	(16)			317
Actuarial pension effects charged to the Comprehensive Income and Expenditure Account						16,294
Total Adjustments	(46,896)	(62,882)	28,185	21,376	4,393	55,824

2011/12	<u>General</u>	<u>Housing</u>	<u>Capital</u>	<u>Major</u>	<u>Capital</u>	<u>Movement</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Receipts</u>	<u>Repairs</u>	<u>Grants</u>	<u>in Unusable</u>
	<u>Balance</u>	<u>Account</u>	<u>Reserve</u>	<u>Reserve</u>	<u>Unapplied</u>	<u>Reserves</u>
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	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 applied	(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			-

<u>2011/12 Continued</u>	<u>General</u>	<u>Housing</u>	<u>Capital</u>	<u>Major</u>	<u>Capital</u>	<u>Movement</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Receipts</u>	<u>Repairs</u>	<u>Grants</u>	<u>in Unusable</u>
	<u>Balance</u>	<u>Account</u>	<u>Reserve</u>	<u>Reserve</u>	<u>Unapplied</u>	<u>Reserves</u>
	£'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		(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
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
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)

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 2012/13.

	<u>Balance</u> <u>1st April</u> <u>2011</u> £'000	<u>Transfers</u> <u>Out</u> <u>2011/12</u> £'000	<u>Transfers</u> <u>In</u> <u>2011/12</u> £'000	<u>Balance</u> <u>31st March</u> <u>2012</u> £'000	<u>Transfers</u> <u>Out</u> <u>2012/13</u> £'000	<u>Transfers</u> <u>In</u> <u>2012/13</u> £'000	<u>Balance</u> <u>31st March</u> <u>2013</u> £'000
General Fund:							
General Fund Balance	30,682	299,091	290,038	21,629	269,192	276,044	28,481
Renewals Fund	31,545	4,186	5,590	32,949	3,243	1,253	30,959
Specific Grant Reserve	2,400	-	-	2,400	-	-	2,400
Insurance Reserve	9,271	842	-	8,429	840	-	7,589
Finite Services Fund	57	19	1,000	1,038	31	550	1,557
Employer's Pensions							
Contributions Reserve	41,400	-	-	41,400	-	-	41,400
Enhanced Pension Fund	4,870	781	158	4,247	785	73	3,535
Services Transformation Fund	5,000	-	-	5,000	-	-	5,000
Business Rate Volatility Reserve	-	-	5,000	5,000	-	-	5,000
Education Balances	16,627	16,920	22,555	22,262	19,260	20,642	23,644
Capital Grants Unapplied	559	-	2,959	3,518	20,790	25,183	7,911
Other Balances	4,755	-	1,155	5,910		380	6,290
Total	147,166	321,839	328,455	153,782	314,141	324,125	163,766
HRA:							
Housing Revenue Account	90,744	-	13,075	103,819	407	235	103,647
Housing Major Repairs Reserve	78,480	11,072	17,899	85,307	625	22,001	106,683
Total	169,224	11,072	30,974	189,126	1,032	22,236	210,330
Grand Total	316,390			342,908			374,096
General Fund	30,682			21,629			28,481
Earmarked Reserves	116,484			132,153			135,285
HRA	90,744			103,819			103,647
Earmarked HRA (MRA)	78,480			85,307			106,683
	316,390			342,908			374,096
Capital Receipts Reserve	35,297			39,631			67,816
	351,687			382,539			441,912
Unusable Reserves (Note 22)	1,164,238			642,703			698,527
	1,515,925			1,025,242			1,140,439

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 Council'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

	<u>2012/13</u>	<u>2011/12</u>
	£'000	£'000
Levies	16,152	15,792
Payments to the Government Housing Capital Receipts Pool	1,948	352
Retained Housing Capital Receipts	2,871	-
Gains on the disposal of non-current assets	(47,069)	(5,569)
Total	<u>(26,098)</u>	<u>10,575</u>

8. Financing and Investment Income and Expenditure

	<u>2012/13</u>	<u>2011/12</u>
	£'000	£'000
Interest payable and similar charges	4,296	645
Pensions interest cost and expected return on pensions assets	3,831	(3,651)
Interest receivable and similar income	(2,069)	(4,839)
Income and expenditure in relation to investment properties and changes in their fair value	(8,527)	(3,634)
Other investment income	(12)	(4)
Net surplus on trading activities	(974)	(416)
Appropriation of trading fund balances	-	(1,010)
Revenue movement of other balances	357	(436)
Total	<u>(3,098)</u>	<u>(13,345)</u>

9. Taxation and Non Specific Grant Income

	<u>2012/13</u>	<u>2011/12</u>
	£'000	£'000
Council tax income	49,649	50,308
Non domestic rates	139,289	116,629
Non-ringfenced government grants	7,121	38,327
Capital grants and contributions	61,532	63,944
Total	<u>257,591</u>	<u>269,208</u>

10. Property, Plant and Equipment

	<u>Council</u> <u>Dwellings</u> £'000	<u>Operat-</u> <u>ional</u> <u>Land and</u> <u>Buildings</u> £'000	<u>Vehicles,</u> <u>Plant and</u> <u>Equipment</u> £'000	<u>Infra-</u> <u>structure</u> <u>Assets</u> £'000	<u>Comm-</u> <u>unity</u> <u>Assets</u> £'000	<u>Surplus</u> <u>Assets</u> £'000	<u>Total PP&E</u> £'000
Cost or valuation							
at 1st April 2012	921,831	290,591	29,406	121,955	19,027	5,414	1,388,224
Additions	18,939	14,093	1,345	6,190	-	124	40,691
Revaluation decreases/increases recognised in Revaluation Reserve	(21,027)	203	-	-	-	378	(20,446)
Revaluation increases to Surplus/Deficit on Provision of Services	11,469	-	-	-	-	-	11,469
Derecognition - disposals	(5,608)	(1,177)	-	-	-	(1,948)	(8,733)
Derecognition - other	-	-	-	-	-	-	-
Reclassifications	1,558	(5,342)	-	-	-	2,245	(1,539)
at 31st March 2013	927,162	298,368	30,751	128,145	19,027	6,213	1,409,666
Accumulated Depreciation & Impairment							
at 1st April 2012	-	(4,715)	(20,834)	(62,463)	-	(66)	(88,078)
Depreciation charge	(22,001)	(5,040)	(2,199)	(6,043)	-	(65)	(35,348)
Depreciation written out to Revaluation Reserve	21,941	19	-	-	-	2	21,962
Impairment losses/reversals recognised in Revaluation Reserve	-	-	-	-	-	-	-
Impairment losses/reversals recognised in Surplus/Deficit on Provision of Services	-	-	-	-	-	-	-
Derecognition - disposals	-	76	-	-	-	15	91
Derecognition - other	-	-	-	-	-	-	-
Reclassifications	(59)	127	-	-	-	(68)	-
at 31st March 2013	(119)	(9,533)	(23,033)	(68,506)	-	(182)	(101,373)
Net Book Value							
At 31st March 2013	927,043	288,835	7,718	59,639	19,027	6,031	1,308,293
At 31st March 2012	921,831	285,876	8,572	59,492	19,027	5,348	1,300,146

	<u>Council</u> <u>Dwellings</u> £'000	<u>Operat-</u> <u>ional</u> <u>Land and</u> <u>Buildings</u> £'000	<u>Vehicles,</u> <u>Plant and</u> <u>Equipment</u> £'000	<u>Infra-</u> <u>structure</u> <u>Assets</u> £'000	<u>Comm-</u> <u>unity</u> <u>Assets</u> £'000	<u>Surplus</u> <u>Assets</u> £'000	<u>Total PP&E</u> £'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 decreases recognised in Revaluation Reserve	(12,581)	-				-	(12,581)
Revaluation increases to Surplus/Deficit on Provision of Services	20,678	-					20,678
Derecognition - disposals	(2,205)	(1,270)					(3,475)
Derecognition - other	-	(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, £2.7 million (£2.8 million) for operational land and buildings, and £0.9 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, statues and sculptures in parks and open spaces and other artefacts held, would be disproportionate in terms of the benefits derived by the users of the accounts.

12. Investment Property

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

	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Rental income from investment property	3,862	3,742
Direct operating expenses arising from investment property	(112)	(109)
Net gain	<u><u>3,750</u></u>	<u><u>3,633</u></u>

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

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

	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Balance at start of the year	46,628	46,471
Additions:		
Purchases	-	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	(981)	-
Net gains/losses from fair value adjustments	4,773	-
Transfers:		
to/from Inventories	-	-
to/from Property, Plant and Equipment	(37)	-
to/from Assets Held for Sale	-	157
Other changes	-	-
Balance at end of the year	<u><u>50,383</u></u>	<u><u>46,628</u></u>

13. Intangible Assets

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

14. Inventories

	<u>Consumable Stores</u>		<u>Work in Progress</u>		<u>Total</u>	
	<u>2012/13</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balance outstanding at start of year	478	625	32	188	510	813
Purchases	1,892	2,021	-	-	1,892	2,021
Recognised as an expense in the year	(1,949)	(2,168)	(24)	(156)	(1,973)	(2,324)
Written off balances	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-
Balance outstanding at year-end	421	478	8	32	429	510

15. Construction Contracts

The Council has authorised expenditure in future years of £148.7 million under its capital programme, of which £36.3 million has been contractually committed on larger schemes for 2013/14 and future years.

The most significant individual contractually committed schemes are:

	<u>£'000</u>
(i) Burntwood School - BSF	13,457
(ii) Southfields Community College - BSF	6,308
(iii) Bolingbroke Academy - Design and build	5,656
(iv) Tooting Primary School - Conversion and Refurbishment	2,099
(v) Somerset Estate - Window renewal	1,329
(vi) Boroughwide - Secure Front Door Entrances Phase 9	1,195
(vii) Church Lane Complex Needs Hub	1,012
(viii) Burntwood/Southfields - BSF ICT Contract	852
(ix) Pentwortham School - Primary Places	823
(x) Ashburton Estate - Heating & hot water systems Phase 5	792
(xi) Brandlehow School - Primary Places	767
(xii) Sacred Heart School, Roehampton - Expansion Works	729
(xiii) William Willison Estate - Decent Homes Phase 4	713
(xiv) West Hill School - Primary Places	565

16. Short-term Debtors

			<u>31st March 2013</u>	<u>31st March 2012</u>
			£'000	£'000
Central government bodies			7,302	11,026
Other local authorities			26,189	20,762
Leaseholders' service charges			5,817	6,088
Housing rents, heating and hot water charges			6,320	5,701
Housing Benefits			16,185	14,603
Council Tax			3,550	3,436
NHS bodies			3,113	3,801
Other entities and individuals			15,552	19,237
			84,028	84,654
Less provisions for doubtful debts	<u>Provisions</u>	<u>Provisions</u>		
	<u>Made</u>	<u>Used</u>		
	£'000	£'000		
Central government bodies	-	-	-	-
Other local authorities	-	-	80	80
Leaseholders' service charges	6	6	100	100
Housing rents, heating and hot water charges	863	156	4,252	3,545
Housing Benefits	1,416	-	15,249	13,833
Council Tax	3,034	2,907	2,828	2,701
NHS Bodies	-	-	-	-
Other entities and individuals	1,907	845	6,132	5,070
			28,641	25,329
Debtors less provisions			55,387	59,325
Payments in advance			2,217	4,753
Total			57,604	64,078

17. Cash and Cash Equivalents

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

	<u>31st March 2013</u>	<u>31st March 2012</u>
	£'000	£'000
Cash held by the Council	2,317	2,306
Bank current accounts	42,170	(6,611)
Short-term deposits	162,414	94,618
Total Cash and Cash Equivalents	206,901	90,313

18. Assets Held for Sale

	Current	
	<u>2012/13</u>	<u>2011/12</u>
	£'000	£'000
Balance outstanding at start of year	5,139	5,813
Assets newly classified as held for sale:		
Property, Plant and Equipment	1,658	1,023
Intangible Assets	-	-
Other assets/liabilities in disposal groups	-	-
Revaluation losses	-	-
Revaluation gains	-	-
Impairment losses	-	(90)
Assets declassified as held for sale:		
Property, Plant and Equipment	(81)	
Investment Properties		(157)
Intangible Assets	-	-
Other assets/liabilities in disposal groups	-	-
Assets sold	(3,549)	(1,450)
Transfers from non-current to current	-	-
Other movements	-	-
Balance outstanding at year-end	<u>3,167</u>	<u>5,139</u>

19. Short-term Creditors

	<u>31st March 2013</u>	<u>31st March 2012</u>
	£'000	£'000
Central government bodies	13,574	8,186
Other local authorities	8,048	9,247
NHS bodies	319	226
Other entities and individuals	73,840	72,667
	<u>95,781</u>	<u>90,326</u>
Receipts in advance	8,493	6,662
Total	<u>104,274</u>	<u>96,988</u>

20. Provisions

	Notes	31st March 2012				31st March 2013			
		Due		Provisions	Provisions	Due		Provisions	Provisions
		Within	Between 1			Within	Between 1		
		1 Year	and 5 Years	Total	Made	Used	1 Year	and 5 Years	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Insurance Fund	(i)	1,867	1,274	3,141	5,617	3,739	2,642	2,377	5,019
Tree root claims	(ii)	877	2,046	2,923	351	194	924	2,156	3,080
LPFA	(iii)	-	2,656	2,656	1,003	-	-	3,659	3,659
Accumulating absences	(iv)	4,636	-	4,636	-	317	4,319	-	4,319
Other provisions		280	281	561	671	43	902	287	1,189
		7,660	6,257	13,917	7,642	4,293	8,787	8,479	17,266

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 £509,000 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 2013 but have not yet taken.

21. Usable Reserves

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

22. Unusable Reserves

	<u>31st March 2013</u>	<u>31st March 2012</u>
	£'000	£'000
Revaluation Reserve	57,755	58,661
Capital Adjustment Account	862,517	817,350
Financial Instruments Adjustment Account	(6)	(19)
Pensions Reserve	(219,264)	(231,807)
Deferred Capital Receipts Reserve	484	743
Collection Fund Adjustment Account	1,360	2,411
Accumulated Absences Adjustment Account	(4,319)	(4,636)
Total Unusable Reserves	<u><u>698,527</u></u>	<u><u>642,703</u></u>

Revaluation Reserve

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

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

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

	<u>2012/13</u>		<u>2011/12</u>	
	£'000	£'000	£'000	£'000
Balance at 1st April		58,661		54,987
Upward revaluation of assets	1,516		5,317	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	<u>(28)</u>		<u>-</u>	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		1,488		5,317
Difference between fair value depreciation and historical cost depreciation	(1,042)		(913)	
Accumulated gains on assets sold or scrapped	<u>(1,352)</u>		<u>(730)</u>	
Amount written off to the Capital Adjustment Account		(2,394)		(1,643)
Balance at 31st March		<u><u>57,755</u></u>		<u><u>58,661</u></u>

Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the 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.

	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Balance at 1st April	817,350	1,219,025
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	(23,850)	(10,298)
Revaluation losses on Property, Plant and Equipment	-	-
Amortisation of intangible assets	(50)	(24)
Revenue expenditure funded from capital under statute	(44,723)	(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	(13,171)	(9,295)
HRA subsidy buy-out settlement	-	(433,623)
	(81,794)	(487,882)
Adjusting amounts written out of the Revaluation Reserve	2,394	1,643
Net written out amount of the cost of non-current assets consumed in the year	(79,400)	(486,239)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	27,337	11,410
Use of the Major Repairs Reserve to finance new capital expenditure	625	11,072
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	53,622	63,944
Application of grants to capital financing from the Capital Grants Unapplied Account	3,518	(2,959)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	34,355	1,000
Capital expenditure charged against the General Fund and HRA balances	337	97
	119,794	84,564
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	4,773	-
Balance at 31st March	862,517	817,350

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Balance at 1st April	(19)	(23)
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	13	4
Balance at 31st March	<u><u>(6)</u></u>	<u><u>(19)</u></u>

Pensions Reserve

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

	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Balance at 1st April	(231,807)	(108,573)
Actuarial gains or (losses) on pensions assets and liabilities	16,294	(128,243)
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	(3,751)	5,009
Balance at 31st March	<u>(219,264)</u>	<u>(231,807)</u>

Deferred Capital Receipts Reserve

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

	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Balance at 1st April	743	731
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	263
Transfer to the Capital Receipts Reserve upon receipt of cash	(259)	(251)
Balance at 31st March	<u>484</u>	<u>743</u>

Collection Fund Adjustment Account

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

	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Balance at 1st April	2,411	1,886
Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,051)	525
Balance at 31st March	<u><u>1,360</u></u>	<u><u>2,411</u></u>

Accumulated Absences Account

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

	<u>2012/13</u> £'000	£'000	<u>2011/12</u> £'000	£'000
Balance at 1st April		(4,636)		(3,795)
Settlement or cancellation of accrual made at the end of the preceding year	4,636		3,795	
Amounts accrued at the end of the current year	<u>(4,319)</u>		<u>(4,636)</u>	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		317		(841)
Balance at 31st March		<u><u>(4,319)</u></u>		<u><u>(4,636)</u></u>

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

	<u>2012/13</u>		<u>2011/12</u>	
	£'000	£'000	£'000	£'000
Net surplus or (deficit) on the provision of services		97,387		(367,862)
<u>Adjustment for non cash movements</u>				
Depreciation	16,489		10,298	
Impairment and downward valuations	8,270		-	
Amortisation	50		24	
Movement in interest creditors	40		41	
Movement in creditors	7,461		2,036	
Movement in interest and dividend debtors	83		390	
Movement in debtors	4,432		(5,569)	
Movement in inventories	81		303	
Movement in pension liability	188		(2,580)	
Contributions to provisions	3,349		1,751	
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	13,171		9,295	
Movement in investment property values	(5,682)		-	
Other non-cash movements	(161)		(1,416)	
		47,771		14,573
<u>Adjustment for investing or financing activities</u>				
Capital grants credited to surplus or deficit on the provision of services	(61,532)		(63,944)	
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(60,239)		(16,266)	
		(121,771)		(80,210)
Net cash flows from operating activities		23,387		(433,499)

24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	<u>2012/13</u>	<u>2011/12</u>
	£'000	£'000
Interest received	2,152	5,244
Interest paid	(4,256)	(603)
	(2,104)	4,641

25. Cash Flow Statement – Investing Activities

	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Purchase of property, plant and equipment, investment property and intangible assets	(40,860)	(49,081)
Purchase of short-term and long-term investments	(132,000)	(471,000)
Other payments for investing activities	(187)	(121)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	60,482	16,234
Proceeds from short-term and long-term investments	152,000	635,100
Other receipts from investing activities	68,283	67,874
Net cash flows from investing activities	<u>107,718</u>	<u>199,006</u>

26. Cash Flow Statement – Financing Activities

	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Cash receipts of short and long-term borrowing	435	224,003
Other receipts from financing activities	2,918	(3,607)
Repayments of short-term and long-term borrowing	(17,870)	(440)
Other payments for financing activities	-	-
Net cash flows from financing activities	<u>(14,517)</u>	<u>219,956</u>

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 *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council'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 Council's committee services recorded in the budget reports for the year is as follows:

2012/13 Objective Reconciliation

	<u>Committee Analysis</u>			<u>Comprehensive Income and Expenditure Account</u>			<u>Reconciling Items</u>		
	<u>GF</u>	<u>HRA</u>	<u>Total</u>	<u>GF</u>	<u>HRA</u>	<u>Total</u>	<u>GF</u>	<u>HRA</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Cost of Services	193,471	406	193,877	(34,913)	(62,474)	(97,387)	(228,384)	(62,880)	(291,264)

Reconciliation

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

	<u>Gen Fund</u>	<u>HRA</u>	<u>Total</u>
	£'000	£'000	£'000
Depreciation and impairment of assets	8,573	(10,533)	(1,960)
Pension costs on IAS 19 basis	(104)	24	(80)
Revenue expenditure charged to capital under statute	40,635	4,088	44,723
CDC transfer to HRA	-	1,295	1,295
Profit/loss on the sale of fixed assets	(30,735)	(16,334)	(47,069)
General grants and council tax income	(196,059)	-	(196,059)
Capital grants and contributions	(56,058)	(5,474)	(61,532)
Trading account surpluses	(974)	-	(974)
HRA interest payable and receivable	-	6,211	6,211
Other balances	3,005	(691)	2,314
	<u>(231,717)</u>	<u>(21,414)</u>	<u>(253,131)</u>

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

	<u>Gen Fund</u>	<u>HRA</u>	<u>Total</u>
	£'000	£'000	£'000
Investment interest	3,333	-	3,333
Minimum Revenue Provision	-	(41,466)	(41,466)
Interest paid to the HRA	-	3,333	3,333
	<u>(228,384)</u>	<u>(62,880)</u>	<u>(291,264)</u>

2012/13 Reconciliation to the Subjective Analysis

	Directorate analysis	Services and support services not in Analysis	Amounts not reported to management for decision making	Amounts not included in Cl&E	Allocation of recharges	Cost of services	Corporate amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Accounts								
Fees, charges and other service income	(572,272)	(974)						(573,246)
Surplus or deficit on associates and joint ventures								-
Interest and investment income							3,333	3,333
Income from council tax			(49,649)					(49,649)
Government grants and contributions							(202,468)	(202,468)
Rent received								-
Total Income	(572,272)	(974)	(49,649)	-	-	-	(199,135)	(822,030)
Employee expenses	208,294		(405)					207,889
Other service expenses	557,449		39,122					596,571
Support service recharges								-
Depreciation, amortisation and impairment			8,573					8,573
Interest payments								-
Precepts and levies								-
Payments to Housing Capital Receipts Pool			4,819					4,819
Gain or loss on disposal on Fixed Assets							(30,735)	(30,735)
Housing benefit paid								-
Total Expenditure	765,743	-	52,109	-	-	-	(30,735)	787,117
Surplus or deficit on the provision of services	193,471	(974)	2,460	-	-	-	(229,870)	(34,913)
Housing Revenue Account	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Supervision, Management & Maintenance								
Repairs & Maintenance	24,025							24,025
General Management	29,342	(691)	9					28,660
Special Services	12,709							12,709
Cost of Rent Rebates	4,606							4,606
Capital Financing Costs	41,466			(41,466)				-
Other Expenses	1,341		(5,135)					(3,794)
HRA Subsidy Payable	22,001							22,001
Total Expenditure	135,490	(691)	(5,126)	(41,466)	-	-	-	88,207
Gross Rents - Dwellings	(107,969)							(107,969)
Gross Rents - Non-Dwellings	(3,813)							(3,813)
Leaseholder Service Charges	(11,633)							(11,633)
Other Income	(11,669)						(15,597)	(27,266)
Total Income	(135,084)	-	-	-	-	-	(15,597)	(150,681)
Net Expenditure	406	(691)	(5,126)	(41,466)	-	-	(15,597)	(62,474)

2011/12 Objective Reconciliation

	<u>Committee Analysis</u>			<u>Comprehensive Income and Expenditure Account</u>			<u>Reconciling Items</u>		
	<u>GF</u>	<u>HRA</u>	<u>Total</u>	<u>GF</u>	<u>HRA</u>	<u>Total</u>	<u>GF</u>	<u>HRA</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Cost of Services	207,815	(12,842)	194,973	(18,831)	386,693	367,862	(226,646)	399,535	172,889

Reconciliation

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

	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Depreciation and impairment of assets	13,077	(20,678)	(7,601)
Pension costs on IAS 19 basis	(1,099)	(258)	(1,357)
Revenue expenditure charged to capital under statute	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)
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)	(1,625)	(5,867)
	(223,360)	400,535	177,175

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

	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Investment interest	(3,286)	-	(3,286)
Minimum Revenue Provision	-	(1,000)	(1,000)
Interest paid to the HRA	-	(1,000)	(1,000)
	(226,646)	399,535	172,889

2011/12 Reconciliation to the Subjective Analysis

	<u>Services</u>		<u>Amounts not</u>	<u>Amounts</u>	<u>Allocation</u>	<u>Cost of</u>	<u>Corporate</u>	<u>Total</u>
	<u>Directorate</u>	<u>and</u>						
<u>General Fund Accounts</u>	<u>analysis</u>	<u>not in</u>	<u>for decision</u>	<u>not</u>	<u>of</u>	<u>services</u>	<u>amounts</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>making</u>	<u>included in</u>	<u>recharges</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Fees, charges and other service income	(572,250)	(1,716)						(573,966)
Surplus/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		74					224,571
Other service expenses	555,568		26,429					581,997
Support service recharges								-
Depreciation, amortisation and impairment			13,077					13,077
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	780,065	-	39,932	-	-	-	2,784	822,781
Surplus or deficit on the provision of services	207,815	(1,716)	(10,376)	-	-	-	(214,554)	(18,831)
<u>Housing Revenue Account</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
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 - Dw ellings	(100,627)							(100,627)
Gross Rents - Non-Dw ellings	(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

28. Trading Operations

The following activities operate on a trading account basis:

	Notes	<u>Turnover</u> <u>2012/13</u> £'000	<u>Surplus/</u> <u>(Deficit)</u> <u>2012/13</u> £'000	<u>Turnover</u> <u>2011/12</u> £'000	<u>Surplus/</u> <u>(Deficit)</u> <u>2011/12</u> £'000
Building Maintenance	(i)	9,494	356	9,878	96
Transport Operations	(ii)	4,539	(33)	4,395	(265)
Engineering Services	(iii)	8,574	153	9,371	367
Building Control		870	30	1,061	9
Design Service		3,085	295	3,407	177
Street Trading		244	(12)	274	(22)
Land Charges	(iv)	550	67	681	69
Adult care providers	(v)				
Home Care		-	-	2,038	(29)
Atheldene		3,138	118	3,301	14
		30,494	974	34,406	416

During the year, trading accounts incurred a net surplus of £974,000 (£416,000 surplus in 2011/12), none of which was charged to revenue accounts (£72,000 in 2011/12), and the net surpluses of £974,000 were carried forward (£488,000 in 2011/12).

- (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 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 surplus of £118,000. The net brought forward surplus on these accounts was £9,000. The closing net surplus of £127,000 was carried forward.

Following a review of the operating arrangements, the internal Home Care service ceased to operate on a trading basis from 1st April 2012, leaving only the Atheldene service operating on a trading basis. The Home Care service continues to be provided and is now run on a non-trading basis.

29. 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 2012/13 the Council continued to operate only the Integrated Community Equipment pooled budget with Health organisations.

Integrated Community Equipment Service

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

	<u>2012/13</u>	<u>2011/12</u>
	£'000	£'000
Funding		
St Georges Healthcare NHS Trust	1,097	1,071
Wandsworth Borough Council	601	664
	<u>1,698</u>	<u>1,735</u>
Expenditure		
St Georges Healthcare NHS Trust	1,096	1,067
Wandsworth Borough Council	601	680
	<u>1,697</u>	<u>1,747</u>
Net surplus/(deficit)	<u>1</u>	<u>(12)</u>

In 2012/13 the Council achieved a breakeven year-end position (£16,000 deficit in 2011/12) and St Georges Healthcare had a surplus of £1,000 (£4,000 surplus in 2011/12).

30. Members' Allowances

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

	<u>2012/13</u>	<u>2011/12</u>
	£	£
Allowances	1,081,271	1,070,641
Expenses	1,001	643
Total	<u>1,082,272</u>	<u>1,071,284</u>

31. 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 April 2013 indicated that on average the salaries were approximately 20% below the Hay market assessment. Higher graded posts were up to 70% below the market median assessment.

	<u>2012/13</u>		<u>2011/12</u>			<u>2012/13</u>		<u>2011/12</u>	
	<u>Officers</u>	<u>Teachers</u>	<u>Officers</u>	<u>Teachers</u>		<u>Officers</u>	<u>Teachers</u>	<u>Officers</u>	<u>Teachers</u>
(£)	No.	No.	No.	No.	(£)	No.	No.	No.	No.
50,000 - 54,999	43	132	53	144	155,000 - 159,999	-	-	-	-
55,000 - 59,999	62	53	66	60	160,000 - 164,999	-	-	1	-
60,000 - 64,999	39	30	49	27	165,000 - 169,999	1	-	-	1
65,000 - 69,999	13	16	14	23	170,000 - 174,999	1	-	1	-
70,000 - 74,999	7	19	7	21	175,000 - 179,999	1	-	-	-
75,000 - 79,999	9	18	15	18	180,000 - 184,999	1	-	2	-
80,000 - 84,999	11	9	9	6	185,000 - 189,999	-	-	-	-
85,000 - 89,999	8	4	2	7	190,000 - 194,999	-	-	-	-
90,000 - 94,999	1	6	7	2	195,000 - 199,999	-	-	-	-
95,000 - 99,999	5	-	3	-	200,000 - 204,999	-	-	1	-
100,000 - 104,999	4	1	7	3	205,000 - 209,999	1	-	-	-
105,000 - 109,999	3	1	3	-	210,000 - 214,999	-	-	1	-
110,000 - 114,999	1	-	5	3	215,000 - 219,999	-	-	-	-
115,000 - 119,999	5	1	2	-	220,000 - 224,999	-	-	-	-
120,000 - 124,999	1	1	-	-	225,000 - 229,999	-	-	-	-
125,000 - 129,999	-	2	1	2	230,000 - 234,999	1	-	-	-
130,000 - 134,999	2	-	1	-	235,000 - 239,999	-	-	-	-
135,000 - 139,999	2	-	4	1	240,000 - 244,999	-	-	-	-
140,000 - 144,999	3	1	3	-	245,000 - 249,999	-	-	-	-
145,000 - 149,999	-	-	1	1	250,000 - 254,999	-	-	-	-
150,000 - 154,999	1	-	-	-	255,000 - 259,999	1	-	-	-

Exit packages

		<u>Number of</u>		<u>Number of other</u>		<u>Total number of</u>		<u>Total cost of exit</u>	
		<u>Compulsory</u>	<u>redundancies</u>	<u>departures</u>	<u>agreed</u>	<u>exit packages</u>		<u>packages in each band</u>	
(£)		<u>2012/13</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2011/12</u>
								(£)	(£)
0 - 20,000	Council Officers	31	73	16	14	47	87	267,146	591,177
	Schools	9	19	2	23	11	42	42,261	336,369
20,001 - 50,000	Council Officers	5	30	7	8	12	38	369,626	1,118,049
	Schools	-	2	-	16	-	18	-	584,358
50,001 - 70,000	Council Officers	-	1	-	1	-	2	-	111,757
	Schools	-	-	-	4	-	4	-	241,000
70,001 - 90,000	Council Officers	-	-	-	-	-	-	-	-
	Schools	-	-	-	2	-	2	-	164,500
90,001 - 110,000	Council Officers	-	2	-	-	-	2	-	213,291
	Schools	-	-	-	-	-	-	-	-
110,001 - 160,000	Council Officers	1	-	-	-	1	-	156,271	-
	Schools	-	-	-	-	-	-	-	-
Total		46	127	25	68	71	195	835,304	3,360,501

<u>2012/13</u>	<u>Notes</u>	<u>Salary (including fees and allowances)</u>	<u>Bonuses</u>	<u>Expense Allowances - Medical Insurance</u>	<u>Compensation for loss of office</u>	<u>Remuneration excluding pension contributions 2012/13</u>	<u>Employers pension contribution</u>	<u>Remuneration including pension contributions 2012/13</u>
<u>Post Holder</u>		£	£	£	£	£	£	£
Assistant Director of Environment and Community Services - Mr. P. G. Robinson	2, 3	89,902	11,079	2,228	156,271	259,480	2,105	261,585
Chief Executive and Director of Administration - Mr. D. P. Martin	1	209,340	19,080	2,020	-	230,440	43,784	274,224
Director of Finance and Deputy Chief Executive - Mr. C. J. Buss	1	185,913	17,040	2,599	-	205,552	39,054	244,606
Director of Childrens' Services - Mr. P. A. Robinson		162,806	14,680	2,744	-	180,230	34,232	214,462
Director of Housing - Mr. R. Evans		161,656	14,156	2,744	-	178,556	34,232	212,788
Director of Adult Social Services - Ms D. L. Warwick		155,231	13,914	900	-	170,045	32,309	202,354
Deputy Borough Solicitor - Mr. C. P. White	4	112,239	7,718	2,019	43,457	165,433	23,175	188,608
Director of Environment and Community Services - Mr. A. G. McDonald	2	137,639	11,240	2,686	-	151,565	28,647	180,212
Borough Solicitor - Mr. M. B. A. Walker		130,684	10,510	2,666	-	143,860	27,333	171,193
Assistant Director of Administration (Support and Democratic Services) - Mr. P. Watson		125,294	11,066	3,880	-	140,240	26,646	166,886
Assistant Director of Environment and Community Services - Mr. P. M. McCue		126,626	11,143	2,449	-	140,218	26,641	166,859
Assistant Director of Administration (Professional Services) - Mr. S. G. Mayner		126,626	9,217	2,667	-	138,510	26,317	164,827
Deputy Director of Housing - Mr. B. L. Reilly		125,294	10,629	1,941	-	137,864	26,194	164,058
Deputy Director of Childrens' Services - Ms M. E. Evans		124,426	9,456	1,098	-	134,980	25,646	160,626
Assistant Director (Engineering Services) - Mr. R. J. Langridge		118,479	10,129	2,195	-	130,803	24,852	155,655

2012/13 Continued

Post Holder	Notes	Salary (including fees and allowances)	Bonuses	Expense Allowances - Medical Insurance	Compensation for loss of office	Remuneration excluding pension contributions 2012/13	Employers pension contribution	Remuneration including pension contributions 2012/13
		£	£	£	£	£	£	£
Head of IT and Business Communications - Mr. D. R. Tidey		112,588	9,306	2,143	-	124,037	23,567	147,604
Assistant Director of Children's Services (Standards and Schools) - Mr. J. A. Johnson		109,350	8,313	2,080	-	119,743	22,751	142,494
Assistant Director - Operational Services - Mr. K. J. Power		107,467	9,086	732	-	117,285	22,284	139,569
Assistant Director (Planning and Environmental Services) - Ms S. Manchanda		111,538	5,175	-	-	116,713	22,176	138,889
Assistant Director, Children's Specialist Services - Mr. M. Benaim		107,616	8,255	-	-	115,871	22,015	137,886
Assistant Director Older People and SPD - Mr. R. W. Persey		104,729	8,552	1,875	-	115,156	21,880	137,036
Nine Elms Programme Director - Ms. H. Fisher		112,200	-	-	-	112,200	21,318	133,518
Borough Valuer and Estates Surveyor - Mr. G. R. Clark		99,029	7,810	2,891	-	109,730	20,849	130,579
Head of Technical and Programming - Mr. A. A. Pike		97,808	8,242	1,067	-	107,117	20,352	127,469
Assistant Director of Adult Social Services - Mr. A. D. Rush		97,599	8,068	-	-	105,667	20,076	125,743
Assistant Director, Young People and Learning - Mr. E. S. Dunkling		97,071	7,195	-	-	104,266	19,810	124,076
Head of Revenue Services - Mr. K. Legg		96,259	7,633	-	-	103,892	19,838	123,730
Assistant Head of Environmental Services - Mrs. M. Whitbread		90,131	7,620	3,880	-	101,631	19,310	120,941
Assistant Director, Planning & Resources - Ms. S Harty		94,093	6,077	650	-	100,820	19,155	119,975
Head of Corporate Finance - Mr. E. D. Jarvis	5	26,100	6,175	634	-	32,909	6,252	39,161
Head of Policy - Miss E. M. Rees	6	8,813	8,212	-	-	17,025	3,133	20,158
Head of Corporate Human Resources - Mr. D. C. Erridge	7	4,587	8,416	-	-	13,003	2,375	15,378

Note 1 - These officers' salaries include remuneration in respect of their roles on the Western Riverside Waste Authority.

Note 2 - These officers salaries includes remuneration in respect of their roles on the North East Surrey Crematorium Board.

Note 3 - This officer left the Council on 2nd December 2012. The annualised remuneration prior to him leaving was £144,872.

Note 4 - This officer left the Council on 31st March 2013.

Note 5 - This officer left the Council on 1st July 2012. The annualised remuneration prior to him leaving was £109,995.

Note 6 - This officer left the Council on 30th April 2012. The annualised remuneration prior to her leaving was £107,561.

Note 7 - This officer left the Council on 15th April 2012. The annualised remuneration prior to him leaving was £106,485.

<u>2011/12</u>		<u>Salary</u> <u>(including</u> <u>fees and</u> <u>allowances)</u>	<u>Bonuses</u>	<u>Expense</u> <u>Allowances</u> <u>- Medical</u> <u>Insurance</u>	<u>Compensation</u> <u>for loss of</u> <u>office</u>	<u>Remuneration</u> <u>excluding</u> <u>pension</u> <u>contributions</u> <u>2011/12</u>	<u>Employers</u> <u>pension</u> <u>contribution</u>	<u>Remuneration</u> <u>including</u> <u>pension</u> <u>contributions</u> <u>2011/12</u>
	<u>Notes</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<u>Post Holder</u>								
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 Children's 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 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 Children's 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	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	-	113,802	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 left the Council 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 titled changed from Director of Technical Services as of 1st October 2011, due to a restructuring of departments.

32. External Audit Costs

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

	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditors	232	267
Fees payable to the Audit Commission in respect of statutory inspection	-	-
Fees payable to the Audit Commission for the certification of grant claims and returns, by the appointed auditors	78	122
Fees payable in respect of other services provided by the appointed auditors	3	-
Fees payable to the Audit Commission in respect of the National Fraud Initiative	3	2
Total	<u>316</u>	<u>391</u>

33. Dedicated Schools Grant**Disclosure of Deployment of Dedicated Schools Grant 2012/13**

	<u>Central</u> <u>Expenditure</u> £'000	<u>2012/13</u> <u>ISB</u> £'000	<u>Total</u> £'000
Final DSG for 2012/13 before Academy recoupment			183,997
Academy figure recouped for 2012/13			21,761
Total DSG after Academy recoupment for 2012/13			162,236
Brought forward from 2011/12			3,199
Carry-forward to 2013/14 agreed in advance			452
Agreed initial budgeted distribution in 2012/13	7,493	154,291	161,784
In year adjustments	-	-	-
Final budgeted distribution in 2012/13	7,493	154,291	161,784
Less Actual central expenditure	(4,839)		
Less Actual ISB deployed to schools		(154,291)	
Plus Local authority contribution for 2012/13	-	-	-
Carry-forward to 2013/14	2,654	-	3,106

The Council's expenditure on schools is largely 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 2012/13.

Education balances, including Dedicated Schools Grant (DSG) and school loan expenditure amounted to £23.644 million at 31st March 2013, compared with £22.262 million a year earlier. Individual school balance surpluses at 31st March 2013 ranged from £5,846 to £1,878,280. These balances are committed to be spent by the schools concerned and are not available to the Council for general use.

Education Balances

	<u>2012/13</u> <u>£'000</u>	<u>Movement</u> £'000	<u>2011/12</u> £'000
Individual School Balances	20,536	1,471	19,065
School Loans	(604)	80	(684)
Non-Delegated	3,712	(169)	3,881
Total	23,644	1,382	22,262

34. Grant Income

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

	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Credited to Taxation and Non Specific Grant		
Revenue Support Grant	2,700	36,050
Non Specific Revenue Grants	4,421	2,277
Capital Grants and Contributions	61,532	63,944
National Non-Domestic Rates	139,289	116,629
Total	<u><u>207,942</u></u>	<u><u>218,900</u></u>
Credited to Services		
Dedicated Schools Grant	162,236	173,080
Rent Allowance Subsidy	125,510	128,747
Rent Rebate Subsidy	72,804	67,634
Early Intervention Grant	14,068	12,968
Council Tax Benefit Subsidy	10,824	11,179
6th Form Funding	9,792	13,161
Learning Disabilities & Health Reform Grant	9,654	9,424
Education Standards Fund	5,322	8,005
Housing Benefit Admin Subsidy	3,245	3,172
Non-HRA Rent Rebate Subsidy	2,257	1,554
Adult Education	1,869	1,954
Local Services Support Grant	1,228	1,069
Youth Justice Board - Youth Offending Team	577	-
NNDR Cost of Collection Allowance	492	510
DHP Subsidy	454	159
Drug Interventions Programme	258	297
Asylum Seekers	243	272
Other	2,947	4,719
	<u><u>423,780</u></u>	<u><u>437,904</u></u>

Capital Grants Receipts in Advance

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

	<u>31st March 2013</u> £'000	<u>31st March 2012</u> £'000
Building Schools for the Future	25,842	24,019
NDS Devolved (Formula Capital for Schools)	1,266	2,400
School Contributions	235	200
Free Schools	4,857	3,589
Other	1,907	177
Total	<u>34,107</u>	<u>30,385</u>

35. 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 transactions, and using the Council's register of Members' declarations of interest.

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

Central Government

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

Pension Fund

The Council charged the Pension Fund £610,080 for expenses incurred in administering the Fund in 2012/13.

North East Surrey Crematorium Board

The Board was composed of 11 councillors of three London borough councils: Merton, Sutton and Wandsworth. Councillors Mrs J Browne (resigned from the Board February 2013), Mrs C Clay, Mr J Farebrother, Mrs A Graham, and Mrs L Stokes were appointed by the Council. Mr MJ Hall (Head of Corporate Finance) was Treasurer to the Board until August 2012 when Mrs J M Stevenson (Deputy Chief Accountant) took over. Mr PG Robinson (Assistant Director of Environment and Community Services) was Surveyor to the Board until November 2012 when Mr AG McDonald (Director of Environment and Community Services) took over. Mr P Guillioti (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 £64,491 owed to the Council at the year-end. At the year-end the Council had a £325,000 7-day notice loan outstanding from the Board, making interest payments on similar loans of £666 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 Guillioti (Head of Audit) was Auditor to the Authority. Mr. D Jones-Owen was Deputy Clerk to the Authority. Ms K Burston was Deputy Treasurer to the Authority. Mr. A McDonald was Technical Officer to the Authority. During the year there were refuse disposal charges of £11,503,350, levy payments of £1,296,913, and non-domestic waste charges of £59,731 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 £41,266,648. Grant and reimbursement income of £3,530,518 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 £425,594 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 £175,745 were paid by the Council.

Local Government Association

The Local Government Association (LGA) is an organisation that works on behalf of councils in representations to national government. In total, 412 local authorities were members of the LGA for 2012/13. Councillor Mr. M Heaster was the Employer's Side Chairman on the National Joint Council for Firefighters Pay and Conditions during 2012/13. The Council made payments of £50,729 to the LGA in 2012/13.

Wandle Valley Regional Park

The Wandle Valley Regional Park Trust was constituted as a Limited Company in July 2012. The Board is comprised of 16 Trustees/Directors, 50% nominated by Croydon, Merton, Sutton and Wandsworth Councils, and 50% by partner organisations. The Council nominated Councillors Maxwell Scott and Mrs McDermott as representatives on the Trust's Board. During 2012/13, the Councils each paid £8,000 to the Trust by way of initial core funding that is planned to taper off over five years

Members

Members of the Council have direct influence over the Council's financial and operating policies. The total of Members' allowances and expenses paid in the year is shown in Note 30. During the year, works and services to the value of £242,429 were commissioned from companies, voluntary and similar organisations in which 5 members declared an interest. Contracts were entered into in full compliance with the Council's standing orders.

36. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed below.

	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Opening Capital Financing Requirement	483,484	50,861
Capital investment		
Property, Plant and Equipment	40,691	48,601
Investment Properties	-	-
Intangible Assets	-	97
Revenue Expenditure Funded from Capital under Statute	44,892	35,025
HRA Subsidy Buy-Out	-	433,623
Sources of finance		
Capital receipts	(27,481)	(11,568)
Government grants and other contributions	(57,140)	(60,985)
Sums set aside from revenue	(962)	(11,170)
Direct revenue contributions	-	-
Minimum Revenue Provision (HRA)	(34,355)	(1,000)
Closing Capital Financing Requirement	449,129	483,484
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	-	-
Decrease in underlying need to borrowing (unsupported by government financial assistance)	(34,355)	432,623
Assets acquired under finance leases	-	-
Assets acquired under PF/PPP contracts	-	-
(Decrease)/increase in Capital Financing Requirement	(34,355)	432,623

37. Leases**Authority as Lessee****Operating Leases**

The future minimum lease payments due under non-cancellable leases in future and current year are:

	<u>2013/14</u> £'000	<u>2012/13</u> £'000
Not later than 1 year	103	94
Later than 1 year and not later than 5 years	927	819
Later than 5 years	36	36
Total payments	<u><u>1,066</u></u>	<u><u>949</u></u>

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was £1,183,000 and the outstanding undischarged obligations are estimated to be £4.4 million.

	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Vehicles	69	249
Office equipment	10	10
Automatic Public Conveniences	-	156
Land and Buildings	1,104	830
Total	<u><u>1,183</u></u>	<u><u>1,245</u></u>

Authority as Lessor

Assets valued at £50.4 million (£46.6 million in 2011/12) are held for use in operating leases, for which rent of £3.9 million was receivable during 2012/13 (£3.7 million in 2011/12). These assets are investment properties which are not subject to depreciation.

38. 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 members of 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:

	<u>Year to 31st March 2013</u>			<u>Year to 31st March 2012</u>		
	<u>Council</u>	<u>LPFA</u>	<u>Total</u>	<u>Council</u>	<u>LPFA</u>	<u>Total</u>
<i>Comprehensive Income and Expenditure Statement</i>	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost of services:</i>						
Current service cost	23,348	415	23,763	20,565	371	20,936
Past service costs	-	-	-	-	-	-
Settlements and curtailments	(271)	3	(268)	1,150	72	1,222
<i>Financing and Investment Income and Expenditure</i>						
Interest cost	47,919	2,642	50,561	50,366	2,861	53,227
Expected return on assets	(44,756)	(1,974)	(46,730)	(54,579)	(2,299)	(56,878)
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	26,240	1,086	27,326	17,502	1,005	18,507
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
Actuarial gains and losses	(22,171)	5,877	(16,294)	123,231	5,012	128,243
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	4,069	6,963	11,032	140,733	6,017	146,750

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	(26,240)	(1,086)	(27,326)	(17,502)	(1,005)	(18,507)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>						
Employers' contributions payable to scheme	22,843	732	23,575	22,754	762	23,516

The cumulative amount of actuarial loss recognised in the Comprehensive Income and Expenditure Statement to 31st March 2013 is a loss of £121.5 million (£137.8 million in 2011/12).

Revised Accounting Standard for Defined Benefit Pension Schemes

A revised International Accounting Standard (IAS 19) has been issued to be applied to accounting periods beginning on or after 1st January 2013:

- expected return on assets will be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate;
- current service costs, past service costs, settlements and curtailments will be reported as one figure, labelled "Service cost";
- administration expenses will be accounted for within the Comprehensive Income and Expenditure charge; these were previously deducted from actual and expected return on scheme assets.

The changes set out above are effective for accounting periods beginning on or after 1st January 2013 so do not affect the disclosures for 2012/13. However, because the revision was issued (but not adopted) during this accounting period, we are required to disclose the impact of the revised standard had it been applied in 2012/13.

The following transactions would have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement had the revised standard been applied:

	<u>Year to 31st March 2013</u>		
	<u>Council</u>	<u>LPFA</u>	<u>Total</u>
<i>Comprehensive Income and Expenditure Statement</i>	£'000	£'000	£'000
Service Cost	23,077	418	23,495
Net Interest on the defined liability (asset)	9,581	540	10,121
Administration Expenses	804	74	878
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	33,462	1,032	34,494

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

(33,462) (1,032) (34,494)

Actual amount charged against the General Fund Balance for pensions in the year:

Employers' contributions payable to scheme

22,843 732 23,575

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of the present value of the scheme liabilities

	<u>Council</u>		<u>LPFA</u>		<u>Total</u>	
	<u>2012/13</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
1st April	1,058,312	921,583	58,818	53,014	1,117,130	974,597
Current service cost	23,348	20,565	415	371	23,763	20,936
Interest cost	47,919	50,366	2,642	2,861	50,561	53,227
Member contributions	7,688	8,053	102	104	7,790	8,157
Actuarial losses	83,829	96,247	8,086	5,004	91,915	101,251
Losses on curtailments	637	1,029	3	72	640	1,101
Past service costs	-	-	-	-	-	-
Benefits paid	(36,519)	(34,638)	(2,894)	(2,608)	(39,413)	(37,246)
Liabilities extinguished on settlements	(4,216)	(4,893)	-	-	(4,216)	(4,893)
31st March	1,180,998	1,058,312	67,172	58,818	1,248,170	1,117,130

Reconciliation of fair value of scheme assets

	<u>Council</u>		<u>LPFA</u>		<u>Total</u>	
	<u>2012/13</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
1st April	838,599	819,849	46,724	46,175	885,323	866,024
Expected rate of return	44,756	54,579	1,974	2,299	46,730	56,878
Actuarial gains and (losses)	106,000	(26,984)	2,209	(8)	108,209	(26,992)
Employer contributions	22,843	22,754	732	762	23,575	23,516
Member contributions	7,688	8,053	102	104	7,790	8,157
Benefits paid	(36,519)	(34,638)	(2,894)	(2,608)	(39,413)	(37,246)
Payment of bulk transfer value	(3,308)	(5,014)	-	-	(3,308)	(5,014)
31st March	980,059	838,599	48,847	46,724	1,028,906	885,323

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 £154.9 million compared with a gain of £29.9 million in 2011/12.

Scheme history

	<u>2012/13</u> £'000	<u>2011/12</u> £'000	<u>2010/11</u> £'000	<u>2009/10</u> £'000	<u>2008/09</u> £'000
Present value of liabilities:					
- Council	(1,168,058)	(1,046,418)	(908,760)	(1,094,382)	(683,542)
- LPFA	(67,172)	(58,818)	(53,014)	(73,553)	(49,331)
- Enhanced Pension Fund	(12,940)	(11,894)	(12,823)	(14,217)	(11,164)
Fair value of assets in the Local Government Pension Scheme	1,028,906	885,323	866,024	835,163	600,960
Total	(219,264)	(231,807)	(108,573)	(346,989)	(143,077)
Deficit in the scheme:					
- Council	(187,999)	(207,819)	(88,911)	(302,527)	(123,171)
- LPFA	(18,325)	(12,094)	(6,839)	(30,245)	(8,742)
- Enhanced Pension Fund	(12,940)	(11,894)	(12,823)	(14,217)	(11,164)
Total	(219,264)	(231,807)	(108,573)	(346,989)	(143,077)

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 Council has in the long run to pay retirement benefits. The total liability of £219.3 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £1,140 million. However, statutory arrangements for funding the deficit mean that the financial position of the Council 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 Council in the year to 31st March 2014 is £22.1 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 2010. The main assumptions used in the calculations are:

	<u>Council Fund</u>		<u>LPFA Fund</u>	
	<u>2012/13</u>	<u>2011/12</u>	<u>2012/13</u>	<u>2011/12</u>
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%	0.0%	-	-
Property	3.9%	5.5%	-	-
Target return portfolio	-	-	4.5%	5.0%
Cash flow matching	-	-	3.3%	4.4%
Cash	3.0%	5.5%	3.0%	3.0%
Mortality assumptions:				
Longevity at 65 for current pensioners:				
- Men	22.1	22.0	20.0	19.9
- Women	23.6	23.5	23.3	23.2
Longevity at 65 for future pensioners:				
- Men	24	23.9	22	21.9
- Women	25.9	25.8	25.2	25.1
Rate of inflation (CPI)	2.5%	2.5%	2.4%	2.5%
Rate of increase in salaries	4.7%	4.7%	4.1%	4.2%
Rate of increase in pensions	2.5%	2.5%	2.4%	2.5%
Rate for discounting scheme liabilities	4.2%	4.6%	3.6%	4.6%
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:

	<u>Council Fund</u>		<u>LPFA Fund</u>		<u>Enhanced Pension Fund</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	%	%	%	%	%	%
Equities	79	76	14	13	-	-
Gilts	7	9	-	-	-	-
Other Bonds	9	8	-	-	-	-
Property	1	1	-	-	-	-
Target return portfolio	-	-	54	53	-	-
Cash flow matching	-	-	31	32	-	-
Cash	4	6	1	2	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 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2013:

	<u>2012/13</u>	<u>2011/12</u>	<u>2010/11</u>	<u>2009/10</u>	<u>2008/09</u>
	%	%	%	%	%
Differences between the expected and actual return on assets	10.5	(3.0)	(1.9)	23.5	(30.1)
Experience gains and losses on liabilities	0.1	(0.2)	(5.5)	-	-

39. Contingent Liabilities

The Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £73,500 plus interest and costs, which has been provided for in the accounts. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £244,500 plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

The Council's previous insurer, Municipal Mutual Insurance (MMI), went into a solvent run-off in September 1992. However in November 2012 the Directors of the company resolved to trigger the Scheme of Arrangement as a solvent run-off can no longer be foreseen. The Scheme Administrator has indicated that an initial levy rate of 15% will be required and this has been allowed for in the accounts. The Administrator has indicated that, based on information currently held, the final Levy may be up to 28% and the Council has sufficient resources in the Insurance Reserve to cover this.

40. Contingent Assets

The Council has no contingent assets.

41. Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council'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:

For UK institutions only:

- (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 £30 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); and
- (j) up to £50 million with Royal Bank of Scotland/Nat West PLC overnight only.

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):

- (k) up to £50 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 £30 million is placed for periods longer than 6 months;
- (l) up to £20 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);
- (m) up to £20 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
- (n) 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: -

	<u>31st March 2013</u>	<u>31st March 2012</u>
	£'000	£'000
Less than one year	17,925	17,957
Between one and two years	19,123	17,925
Between two and five years	55,104	57,027
Between five and ten years	86,009	86,009
Between ten and fifteen years	34,405	51,605
	<u>212,566</u>	<u>230,523</u>

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. Since then the Council has had no new borrowing requirement and is not currently expected to do so. Movements in interest rates are therefore 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.

COLLECTION FUND INCOME AND EXPENDITURE STATEMENT

	<u>2012/13</u>		<u>2011/12</u>	
	£'000	£'000	£'000	£'000
Income				
Council Tax:				
Income from council taxpayers	80,097		79,211	
Council tax benefit	10,580		10,954	
		90,677		90,165
Adjustment for previous years' council tax		200		1,052
Income from non-domestic ratepayers				
NDR		98,609		95,009
Business Rate Supplement		2,372		2,751
Total income		191,858		188,977
Expenditure				
Precepts and Demands:				
Wandsworth Borough Council	48,391		47,849	
Greater London Authority	39,370		39,317	
		87,761		87,166
Non-Domestic Rates				
Payment to National Pool	98,117		94,499	
Cost of collection allowance	492		510	
		98,609		95,009
Business Rate Supplement				
Payment to Greater London Authority	2,354		2,731	
Cost of collection allowance	18		20	
		2,372		2,751
Write offs	702		931	
Provisions	135		(526)	
		837		405
Distribution of Estimated Fund Surplus for previous year				
Wandsworth Borough Council	2,308		1,477	
Greater London Authority	1,897		1,214	
		4,205		2,691
Total expenditure		193,784		188,022
Surplus/(deficit) for the year		(1,926)		955
Surplus at start of year		4,391		3,436
Surplus at end of year		2,465		4,391

Surplus on Collection Fund

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

	<u>2012/13</u>	<u>2011/12</u>
	£'000	£'000
Wandsworth Borough Council	1,360	2,411
Greater London Authority	1,105	1,980
Total	<u><u>2,465</u></u>	<u><u>4,391</u></u>

NOTES TO THE COLLECTION FUND

1. Tax Levels

	<u>2012/13</u>	<u>2011/12</u>
	£	£
Council tax amount for band D properties		
Wandsworth Council	377.00	377.06
Greater London Authority	306.72	309.82
Total	<u><u>683.72</u></u>	<u><u>686.88</u></u>
Business rate per £ value		
Standard rating multiplier	45.8p	43.3p
Small business rating multiplier	45.0p	42.6p
Business Rate Supplement (RV >£55,000)	2.0p	2.0p

2. Tax Bases

The 132,213 domestic properties provided a tax base equivalent to 128,358 band D properties:

<u>Band</u>	<u>No. of properties after discounts and exemptions</u>	<u>Ratio</u>	<u>Equivalent no. of band D properties</u>
A	5,035.00	6/9	3,357
B	10,340.00	7/9	8,042
C	31,444.50	8/9	27,951
D	28,588.50	9/9	28,589
E	18,858.75	11/9	23,049
F	12,957.25	13/9	18,716
G	11,280.00	15/9	18,800
H	2,328.75	18/9	4,657
Total	<hr/> 120,832.75		<hr/> 133,161
Less adjustment for collection rate			(4,927)
Plus armed forces accommodation			124
Council tax base for 2012/13			<hr/> 128,358
Rateable value of non-domestic properties at 31st March			£261,327,609

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 2012/13 were £120.43 (2011/12 £111.94), an increase of £8.49 or 7.6% over the previous levels. Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. About 72% of the Council's tenants receive some help. Council tenants' rent arrears and provision for doubtful debts are shown in Note 16 to the Balance Sheet. Former tenants' arrears written off during the year amounted to £156,315 (2011/12 £251,470).

HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT

	<u>Notes</u>	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Expenditure			
Repairs and maintenance		(24,025)	(24,694)
Supervision and management		(44,852)	(42,764)
Rents, rates, taxes and other charges		(467)	(535)
Rent Rebate Subsidy Limitation		(4,606)	(4,363)
Negative HRA Subsidy payable	3	-	(26,071)
Depreciation and impairment of non-current assets			
- Operational assets - dwellings		(21,012)	(17,128)
- Operational assets - other land and buildings		(989)	(772)
- Non operational assets		-	-
- Reversal of previous year's impairment	6	11,497	20,678
Debt management costs		-	(78)
Movement in the allowance for bad debts (not specified by the Code)		(874)	893
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	8	-	(433,623)
Total Expenditure		<u>(85,328)</u>	<u>(528,457)</u>
Income			
Dwelling rents		107,969	100,627
Non-dwelling rents		3,813	3,521
Charges for services and facilities		21,748	22,162
Contributions towards expenditure		-	-
HRA subsidy receivable		-	-
Sums directed by the Secretary of State that are income in accordance with proper practices		-	-
Total Income		<u>133,530</u>	<u>126,310</u>
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		48,202	(402,147)
HRA services' share of Corporate and Democratic Core		(1,295)	(1,260)
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		<u>46,907</u>	<u>(403,407)</u>
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
Gain on sale of HRA non-current assets		15,643	8,353
Interest payable and similar charges		(7,110)	(967)
Interest and investment income		1,397	1,923
Pensions interest cost and expected return on pensions assets		(498)	365
Capital grants and contributions receivable		5,474	4,848
Other income		691	941
Surplus or (deficit) for the year on HRA services		<u>62,504</u>	<u>(387,944)</u>

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

	<u>2012/13</u>	<u>2011/12</u>
	£'000	£'000
Balance on the HRA at the end of the previous year	103,819	90,744
Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	62,504	(387,944)
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	(6,024)	(6,109)
Gain or loss on sale of HRA non-current assets	(15,643)	(8,353)
HRA share of contributions to or from the Pensions Reserve	522	(623)
Revenue funded by Capital under Statute	4,088	3,925
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	(17,057)	422,463
Net increase before transfers to or from reserves	45,447	34,519
Transfer to the Capital Adjustment Account	(45,853)	(21,678)
Transfer from Insurance Reserve	234	234
(Decrease) or increase in year on the HRA	(172)	13,075
Balance on the HRA at the end of the current year	103,647	103,819

NOTES TO THE HOUSING REVENUE ACCOUNT**1. Analysis of Council Housing Stock**

	<u>31st March 2013</u>			<u>31st March 2012</u>		
	<u>Flats</u>	<u>Houses</u>	<u>Total</u>	<u>Flats</u>	<u>Houses</u>	<u>Total</u>
Secure tenancies	14,415	2,593	17,008	14,443	2,600	17,043
Equity share tenancies	33	55	88	36	56	92
Shared dwellings	265	-	265	265	-	265
Long-lease sold	15,830	42	15,872	15,794	41	15,835
	30,543	2,690	33,233	30,538	2,697	33,235

2. Housing Major Repairs Reserve

	<u>2012/13</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Balance at beginning of year	85,307	78,480
Capital expenditure charged to Reserve	(625)	(11,073)
Depreciation		
- on dwellings	21,012	17,128
- on other assets	989	772
Balance at end of year	106,683	85,307

3. Housing Revenue Account Subsidy Receivable/Payable

	<u>2012/13</u>	<u>2011/12</u>
	<u>£'000</u>	<u>£'000</u>
Allowance for management	-	17,787
Allowance for maintenance	-	26,294
Allowance for major repairs	-	17,128
Charges for capital	-	2,580
Assumed rents	-	(89,998)
Interest on receipts	-	(17)
Other adjustments	-	155
Subsidy owed for year	-	(26,071)

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.

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

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

	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Charge included within net cost of services	(24)	258
Pension interest cost and returns on assets	(498)	365
Transfer to/(from) Pension Reserve	522	(623)
Net cost to the HRA	<u><u>-</u></u>	<u><u>-</u></u>

Transactions Relating to Retirement Benefits

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

5. Financing of Capital Expenditure in the HRA

	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Capital reimbursements and grants	5,474	4,848
Major Repairs Reserve	626	11,073
Housing capital receipts applied	16,927	10,584
Internal borrowing	-	-
Total	<u><u>23,027</u></u>	<u><u>26,505</u></u>

Total capital expenditure includes £4.088 million of expenditure properly classified as revenue expenditure but which is funded by capital under statute.

6. Balance Sheet Value of HRA Operational Assets

	<u>Balance Sheet Value</u> <u>31st March 2013</u> £'000	<u>Balance Sheet Value</u> <u>31st March 2012</u> £'000
Operational Assets		
Dwellings	887,744	885,155
Other land and buildings	39,299	36,676
Total	<u>927,043</u>	<u>921,831</u>

The vacant possession value of dwellings within the HRA at 1st April 2012 was £3,522 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 £7.4 million was identified in HRA dwellings between the valuation dates of April 2011 and March 2012. This was all shown as a cost in the Income and Expenditure Statement. Revaluation losses of £18.9 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 to the Balance Sheet.

7. Capital Receipts from Disposal of HRA Assets

	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Land	-	-
Houses	17,191	9,923
Other	5,463	1,731
Total	<u>22,654</u>	<u>11,654</u>

8. 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 Council's social housing business.

PENSION FUND ACCOUNT

	<u>Notes</u>	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Dealing with members, employers and others directly involved in the fund			
Contributions	7	31,505	31,385
Transfers in from other pension funds	8	4,656	5,872
		36,161	37,257
Benefits	9	(39,280)	(37,666)
Payments to and on account of leavers	10	(2,431)	(4,296)
Administration expenses	11	(661)	(608)
		(42,372)	(42,570)
Net withdrawals from dealings with members		(6,211)	(5,313)
Returns on Investments			
Investment Income	12	19,594	19,191
Taxes on Income	13	(231)	(226)
Profit and losses on disposal of investments and changes in market value of investments	15a	119,946	26,834
Investment management expenses	14	(2,412)	(2,385)
Net Return on Investments		136,897	43,414
Net increase in the net assets available for benefits during the year		130,686	38,101
Net assets at the start of the year		860,203	822,102
Net assets at the end of the year		990,889	860,203

NET ASSETS STATEMENT FOR THE YEAR ENDED 31st MARCH 2013

	<u>Notes</u>	<u>2012/13</u> £'000	<u>2011/12</u> £'000
Investment assets	15	959,036	808,716
Cash deposits	15	36,646	57,047
		<hr/> 995,682	<hr/> 865,763
Investment liabilities	15	(5,714)	(3,791)
Current assets	20	2,891	722
Current liabilities	21	(1,970)	(2,491)
		<hr/> 990,889	<hr/> 860,203
Net assets of the fund available to fund benefits at the period end		<hr/> 990,889	<hr/> 860,203

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 19 of these accounts.

NOTES TO THE PENSION FUND

1. Description of Fund

Wandsworth 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 2012/13 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 22 employer organisations within the fund including the Council itself, as detailed below. Of which 10 employer organisations have active members, the remaining employer organisations have deferred members and pensioners only.

Wandsworth Pension Fund	<u>31st March 2013</u>	<u>31st March 2012</u>
Number of employers with active members	10	5
Number of members in fund		
Council	4,741	4,669
Other employers	300	212
Total	5,041	4,881
Number of pensioners (including dependants)		
Council	4,878	4,730
Other employers	42	36
Total	4,920	4,766
Deferred pensioners		
Council	6,959	6,701
Other employers	105	67
Total	7,064	6,768

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 2013. 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 14.8% - 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:

	<u>Service pre 1st April 2008</u>	<u>Service post 31st March 2008</u>
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.

e) **LGPS 2014**

LGPS benefit structure is due to be amended with effect from 1st April 2014 however, the legislation governing the new benefit structure has not yet been made.

2. **Basis of Preparation**

The Statement of Accounts summarises the fund's transactions for the 2012/13 financial year and its position at year-end as at 31st March 2013. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2012/13* 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 19 of these accounts.

3. **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 Council's contribution rate is 19% of pensionable salary. For the year ended 31st March 2013 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. The contribution rate payable by other employers contributing to the Fund ranges from 14.8%-19.2%. 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 8 and 10).

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 22) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

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.

In addition the fund has negotiated with the following managers that an element of their fee be performance related:

- Union Bank of Switzerland Global Asset Management
- Rogge Global Partners
- Longview Partners
- River and Mercantile
- RCM

Performance related fees were £0.5 million in 2012/13 (£0.8 million in 2011/12).

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 an annual 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 19).

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 22).

4. 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 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. 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.

6. Events after the Year End

There have been no events since 31st March 2013, and up to the date when these accounts were authorised that require any adjustments to these accounts.

7. Contributions Receivable

	<u>31st March 2013</u> £'000	<u>31st March 2012</u> £'000
By category		
Employers		
- Normal	18,586	18,189
- Deficit	4,414	4,399
- Augmentation	584	655
Members	7,921	8,142
Total	<u>31,505</u>	<u>31,385</u>
By authority		
Wandsworth Council	29,521	30,693
Scheduled bodies	1,213	692
Admitted Bodies	771	-
Total	<u>31,505</u>	<u>31,385</u>

8. Transfers in from other Pension Funds

	<u>31st March 2013</u> £'000	<u>31st March 2012</u> £'000
Individual transfers	4,656	5,872
Total	<u>4,656</u>	<u>5,872</u>

9. Benefits Payable

	<u>31st March 2013</u> £'000	<u>31st March 2012</u> £'000
By category		
Pensions	31,590	28,908
Commutation and lump sum retirement benefits	7,465	8,059
Lump sum death benefits	225	699
Total	<u>39,280</u>	<u>37,666</u>
By authority		
Wandsworth Council	38,853	36,687
Scheduled bodies	334	291
Admitted bodies	93	688
Total	<u>39,280</u>	<u>37,666</u>

10. Payments to and on Account of Leavers

	<u>31st March 2013</u> £'000	<u>31st March 2012</u> £'000
Refund to members leaving service	9	6
Payments from members joining state scheme	1	(3)
Individual transfers	2,421	4,293
Total	<u>2,431</u>	<u>4,296</u>

11. Administrative Expenses

	<u>31st March 2013</u> £'000	<u>31st March 2012</u> £'000
Central recharge	610	542
External audit fee	21	32
Actuarial fees	23	26
Other	7	8
Total	<u>661</u>	<u>608</u>

12. Investment Income

	<u>31st March 2013</u> £'000	<u>31st March 2012</u> £'000
Fixed interest securities	5,289	5,583
Equity dividends	13,901	13,026
Pooled investments – unit trusts and other managed funds	245	54
Interest on cash deposits	159	528
Total	<u>19,594</u>	<u>19,191</u>

13. Taxes on Income

	<u>31st March 2013</u> £'000	<u>31st March 2012</u> £'000
Withholding tax – equities	231	226
Total	<u>231</u>	<u>226</u>

14. Investment Expenses

	<u>31st March 2013</u> £'000	<u>31st March 2012</u> £'000
Management fees	2,236	2,252
Custody fees	80	79
Performance monitoring service	16	13
Investment consultancy	80	41
Total	<u>2,412</u>	<u>2,385</u>

Management fees include performance fees of £0.5 million in 2012/13 (£0.8 million in 2011/12).

15. Investments

	<u>31st March 2013</u> £'000	<u>31st March 2012</u> £'000
Investment assets		
Fixed interest securities	163,734	144,860
Equity	534,062	439,389
Pooled investments	243,080	206,337
Pooled property investments	9,489	10,501
Derivative contracts		
- Futures	531	296
- Forward currency contracts	586	662
Cash deposits	36,646	57,047
Investment income due	3,796	3,710
Amounts receivable for sales	3,758	2,961
Total investment assets	<u>995,682</u>	<u>865,763</u>
Investment liabilities		
Derivative contracts		
- Futures	(379)	(61)
- Forward currency contracts	(816)	(213)
Amounts payable for purchases	(4,471)	(3,446)
Obligation to Return Cash Collateral	(48)	(71)
Total investment liabilities	<u>(5,714)</u>	<u>(3,791)</u>
Net investment assets	<u><u>989,968</u></u>	<u><u>861,972</u></u>

a) Reconciliation of movements in investments and derivatives

	<u>Market</u> <u>value as at</u> <u>31st March</u> <u>2012</u> <u>£'000</u>	<u>Purchases</u> <u>during the</u> <u>year and</u> <u>derivative</u> <u>payments</u> <u>£'000</u>	<u>Sales</u> <u>during the</u> <u>year and</u> <u>derivative</u> <u>receipts</u> <u>£'000</u>	<u>Change</u> <u>in Market</u> <u>value</u> <u>during</u> <u>the year</u> <u>£'000</u>	<u>Market</u> <u>value as at</u> <u>31st March</u> <u>2013</u> <u>£'000</u>
Fixed interest securities	144,860	106,750	(102,446)	14,570	163,734
Equities	439,389	175,096	(157,225)	76,802	534,062
Pooled investments	206,337	11,050	(3,744)	29,437	243,080
Pooled property investments	10,501	529	(536)	(1,005)	9,489
Derivative contracts:					
Futures	235	1,682	(575)	(1,190)	152
Forward currency contracts	449	7,297	(9,121)	1,145	(230)
	<hr/> 801,771	302,404	(273,647)	119,759	950,287
Other investment balances:					
Cash deposits	57,047			187	36,646
Amount receivable for sales of investments	2,961				3,758
Investment income due	3,710				3,796
Amounts payable for purchases of investments	(3,446)				(4,471)
Obligation to Return Cash Collateral	(71)				(48)
	<hr/> <hr/> 861,972			119,946	989,968

	<u>Market value</u> <u>as at</u> <u>31st March</u> <u>2011</u> £'000	<u>Purchases</u> <u>during the</u> <u>year and</u> <u>derivative</u> <u>payments</u> £'000	<u>Sales</u> <u>during the</u> <u>year and</u> <u>derivative</u> <u>receipts</u> £'000	<u>Change</u> <u>in market</u> <u>value</u> <u>during</u> <u>the year</u> £'000	<u>Market value</u> <u>as at</u> <u>31st March</u> <u>2012</u> £'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

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 £0.9 million (£1.7 million in 2011/12). 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)

	<u>31st March 2013</u> £'000	<u>31st March 2012</u> £'000
Fixed interest securities		
UK		
Public sector quoted	10,765	19,441
Corporate quoted	33,111	32,207
Public sector Index linked	62,563	39,706
Corporate Index linked	8,035	4,504
Overseas		
Public sector quoted	426	391
Corporate quoted	48,834	48,034
Public sector Index linked	-	577
	<hr/> 163,734	<hr/> 144,860
Equities		
UK		
Quoted	237,390	195,623
Overseas		
Quoted	296,672	243,766
	<hr/> 534,062	<hr/> 439,389
Pooled funds – additional analysis		
UK		
Fixed income unit trust	61,546	54,271
Equity unit trust	130,895	113,840
Overseas		
Fixed income unit trust	8,174	4,772
Equity unit trust	42,465	33,454
	<hr/> 243,080	<hr/> 206,337
Pooled property investments	9,489	10,501
	<hr/> 9,489	<hr/> 10,501
Net investment assets	<hr/> 950,365 <hr/>	<hr/> 801,087 <hr/>

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 contracts are as follows:

<u>Type</u>	<u>Expires</u>	<u>Economic exposure</u> £'000	<u>Market value</u> <u>31st March</u> <u>2013</u> £'000	<u>Economic exposure</u> £'000	<u>Market value</u> <u>31st March</u> <u>2012</u> £'000
Assets					
UK Fixed Income Futures	Less than one year	9,027	207	3,664	15
Overseas Fixed Income Futures	Less than one year	35,941	324	42,697	281
Total assets			531		296
Liabilities					
Overseas Fixed Income Futures	Less than one year	62,938	(379)	15,079	(61)
Total liabilities			(379)		(61)
Net futures			152		235

Open forward currency contracts

<u>Settlements</u>	<u>Currency bought</u>	<u>Currency bought '000</u>	<u>Currency sold</u>	<u>Currency sold '000</u>	<u>Asset Value £'000</u>	<u>Liability Value £'000</u>
2- 3 months	CLP	1,099,930	USD	(2,293)	9	-
2- 3 months	MYR	20,660	USD	(6,669)	3	(7)
2- 3 months	PEN	5,941	USD	(2,309)	0	(13)
2- 3 months	USD	2,099	MYR	(6,420)	18	-
Up to 2 months	AUD	6,601	JPY	(634,515)	82	-
Up to 2 months	CAD	376	GBP	(241)	2	-
Up to 2 months	CHF	30	EUR	(24)	1	-
Up to 2 months	CZK	9,500	USD	(487)	-	(9)
Up to 2 months	DKK	18	USD	(3)	-	-
Up to 2 months	EUR	1	GBP	(1)	-	-
Up to 2 months	EUR	2,839	USD	(3,839)	-	(127)
Up to 2 months	GBP	589	CAD	(921)	-	(8)
Up to 2 months	GBP	3,146	EUR	(3,654)	56	(1)
Up to 2 months	GBP	4,426	JPY	(648,401)	1	(117)
Up to 2 months	GBP	10,362	USD	(16,064)	9	(226)
Up to 2 months	JPY	111,232	GBP	(780)	-	(1)
Up to 2 months	MXM	91,453	USD	(7,182)	144	-
Up to 2 months	NOK	39,338	USD	(7,142)	-	(264)
Up to 2 months	NZD	2,830	USD	(2,373)	-	(2)
Up to 2 months	USD	7,196	CZK	(136,858)	246	-
Up to 2 months	USD	5,998	EUR	(4,686)	5	(18)
Up to 2 months	USD	1,894	GBP	(1,260)	-	(12)
Up to 2 months	USD	1,942	JPY	(181,150)	10	-
Up to 2 months	USD	460	MXN	(5,900)	-	(11)

Open forward currency contracts at 31st March 2013**586 (816)****Net forward currency contracts at 31st March 2013****(230)**

Prior year comparative:

Open forward currency contracts at 31st March 2012

662 (213)

Net forward currency contracts at 31st March 2012

449

Investments analysed by Fund Manager

	<u>Market value as at</u> <u>31st March 2013</u>		<u>Market value as at</u> <u>31st March 2012</u>	
	£'000	%	£'000	%
UBSGAM	252,005	25.4	222,938	25.9
Aberdeen	969	0.1	1,068	0.1
Northern Trust	38	0.0	11,004	1.3
Rogge	150,639	15.2	132,210	15.3
Longview	143,222	14.5	114,936	13.3
River & Mercantile	129,854	13.1	108,272	12.6
RCM	131,280	13.3	111,059	12.9
UBSGAM Passive	173,384	17.5	150,986	17.5
UBSGAM Property	8,577	0.9	9,499	1.1
	<u>989,968</u>		<u>861,972</u>	

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

	<u>Market value as at</u> <u>31st March 2013</u>		<u>Market value as at</u> <u>31st March 2012</u>	
	£'000	%	£'000	%
UBSGAM Life UK Equity Tracker	130,895	13.2	113,840	13.2

Stock Lending

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

16. 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.

	<u>Designated as fair value through change in market value 2012/13 £'000</u>	<u>Loans and receivables 2012/13 £'000</u>	<u>Financial liabilities at amortised cost 2012/13 £'000</u>	<u>Designated as fair value through change in market value 2011/12 £'000</u>	<u>Loans and receivables 2011/12 £'000</u>	<u>Financial liabilities at amortised cost 2011/12 £'000</u>
Financial assets						
Fixed interest securities	163,734			144,860		
Equities	534,062			439,389		
Pooled investments	243,080			206,337		
Pooled property investments	9,489			10,501		
Private/equity infrastructure						
Property						
Derivative contracts	1,117			958		
Cash		36,646			57,047	
Other investment balances		7,554		6,671		
	951,482	44,200	-	808,716	57,047	-
Financial liabilities						
Derivative contracts	(1,195)			(273)		
Creditors	(48)		(4,471)	(71)		(3,447)
	(1,243)	-	(4,471)	(344)	-	(3,447)
	950,239	44,200	(4,471)	808,372	57,047	(3,447)

b) Net gains and losses on financial instruments

	<u>31st March 2013</u> £'000	<u>31st March 2012</u> £'000
Financial assets		
Fair value through change in market value	119,803	27,030
Loans and receivables	187	(211)
Financial liabilities		
Fair value through change in market value	(44)	13
Total	<u>119,946</u>	<u>26,832</u>

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.

	<u>Carrying Value</u> <u>2012/13</u> £'000	<u>Fair Value</u> <u>2012/13</u> £'000	<u>Carrying Value</u> <u>2011/12</u> £'000	<u>Fair Value</u> <u>2011/12</u> £'000
Financial assets				
Fair value through change in market value	764,634	951,482	725,571	808,715
Loans and receivables	44,200	44,200	57,047	57,047
Total financial assets	<u>808,834</u>	<u>995,682</u>	782,618	865,762
Financial liabilities				
Fair value through change in market value	(47)	(1,243)	(70)	(343)
Financial liabilities at amortised cost	(4,471)	(4,471)	(3,449)	(3,447)
Total financial liabilities	<u>(4,518)</u>	<u>(5,714)</u>	(3,519)	(3,790)

The Council 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.

This would also include pooled property investments. Pooled property investment managers will sign off the valuation to confirm it is within expectation. The external valuer's opinion will prevail and the valuation is produced on the basis of market value in accordance with the latest edition of the RICS appraisal and valuation standards. Signed valuations are then passed to the real estate pricing team for inclusion in the relevant fund NAV.

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.

	<u>Quoted market price Level 1 £'000</u>	<u>Using observable inputs Level 2 £'000</u>	<u>With significant unobservable inputs Level 3 £'000</u>	<u>Total £'000</u>
Values at 31st March 2013				
Financial assets				
Financial assets at fair value through change in market value	698,327	243,666	9,489	951,482
Loans and receivables	44,200			44,200
Total financial assets	742,527	243,666	9,489	995,682
Financial liabilities				
Financial liabilities at fair value through change in market value	(427)	(816)		(1,243)
Financial liabilities at amortised cost	(4,471)			(4,471)
Total financial liabilities	(4,898)	(816)		(5,714)
Net financial assets	754,815	225,664	9,489	989,968

	<u>Quoted market price Level 1 £'000</u>	<u>Using observable inputs Level 2 £'000</u>	<u>With significant unobservable inputs Level 3 £'000</u>	<u>Total £'000</u>
Values at 31st March 2012				
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

17. 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.

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 2013/14 reporting period:

	<u>Potential market movements</u> (+)/(-)
UK bonds	5.3%
Overseas bonds	5.5%
UK equities	12.9%
Overseas equities	13.0%
UK index linked	8.4%
Pooled property investments	1.8%

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):

<u>Asset Type</u>	<u>Value as at 31st March 2013</u> £'000	<u>Percentage Change</u> %	<u>Value on increase</u> £'000	<u>Value on decrease</u> £'000
UK equities	368,285	12.9	415,793	320,776
Overseas equities	339,137	13.0	383,225	295,049
UK bonds	105,421	5.3	111,008	99,834
Overseas bonds	57,435	5.5	60,694	54,276
UK Index Linked	70,598	8.4	76,528	64,668
Pooled property investments	9,489	1.8	9,660	9,318
	<u>950,365</u>		<u>1,056,908</u>	<u>843,921</u>

<u>Asset Type</u>	<u>Value as at 31st March 2012</u> £'000	<u>Percentage Change</u> %	<u>Value on increase</u> £'000	<u>Value on decrease</u> £'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 investments	10,501	6.5	11,184	9,818
	<u>801,087</u>		<u>905,345</u>	<u>696,829</u>

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 2013 and 31st March 2012 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	<u>31st March 2013</u> £'000	<u>31st March 2012</u> £'000
Cash and cash equivalents	36,646	57,047
Fixed interest securities	163,734	144,860
Total	<u>200,380</u>	<u>201,907</u>

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.

Asset type	<u>Carrying amount as at 31st March 2013</u> £'000	<u>Change in year in the net assets available to pay benefits</u>	
		<u>+50BPS</u> £'000	<u>-50BPS</u> £'000
Cash and cash equivalents	36,646	183	(183)
Fixed interest securities	163,734	819	(819)
Total change in assets available	200,380	1,002	(1,002)

Asset type	<u>Carrying amount as at 31st March 2012</u> £'000	<u>Change in year in the net assets available to pay benefits</u>	
		<u>+50BPS</u> £'000	<u>-50BPS</u> £'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)

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 Director of Finance and Pensions Committee for each quarter of the year.

The following table summarises the fund's currency exposure as at 31st March 2013 and as at the previous year end:

	<u>31st March 2013</u> £'000	<u>31st March 2012</u> £'000
Currency exposure – asset type		
Overseas quoted securities	296,672	243,766
Overseas equity unit trusts	42,465	33,454
Overseas fixed income unit trusts	8,174	4,772
Overseas public sector bonds (quoted)	426	391
Overseas corporate bonds (quoted)	48,834	48,034
Overseas corporate bonds (unquoted)	-	577
Total overseas assets	<u>396,571</u>	<u>330,994</u>

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 5.9% in 2012/13 (10.0% in 2011/12) (as measured by one standard deviation).

A 5.9% 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 5.9% 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:

Asset type	<u>Carrying amount</u> <u>as at</u> <u>31st March 2013</u>	<u>Change to net assets</u> <u>available to pay</u> <u>benefits</u>	
	£'000	<u>+5.9%</u> £'000	<u>-5.9%</u> £'000
Overseas quoted securities	296,672	314,176	279,168
Overseas equity unit trusts	42,465	44,970	39,960
Overseas fixed income unit trusts	8,174	8,656	7,962
Overseas public sector bonds (quoted)	427	452	402
Overseas corporate bonds (quoted)	48,834	51,715	45,953
Total change in assets available	<u>396,571</u>	<u>419,968</u>	<u>373,444</u>

Asset type	<u>Carrying amount</u> <u>as at</u> <u>31st March 2012</u>	<u>Change to net assets</u> <u>available to pay</u> <u>benefits</u>	
	£'000	<u>+10%</u> £'000	<u>-10%</u> £'000
Overseas quoted securities	243,766	268,143	219,389
Overseas equity unit trusts	33,454	36,799	30,109
Overseas fixed income unit trusts	4,772	5,054	4,490
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	330,994	363,898	298,090

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 2013 was £37 million (£57 million in 2011/12).

This was held with the following institutions:

<u>Summary</u>	<u>Rating</u>	<u>Balances as at 31st March 2013</u> £'000	<u>Balances as at 31st March 2012</u> £'000
Money market funds			
NTGI global cash fund	Aaa	34,343	56,281
Bank deposit accounts			
Variation margin		1,085	745
Miscellaneous		-	(508)
Bank current accounts		4,025	1,143
		39,453	57,661

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 2013.

<u>Summary</u>	<u>Rating</u>	<u>Balances as at 31st March 2013</u> £'000	<u>Balances as at 31st March 2012</u> £'000
Asset Backed Securities	Aa	441	410
Corporate Bonds	Aaa	1,892	5,078
Corporate Bonds	Aa	6,698	19,875
Corporate Bonds	A	38,250	37,344
Corporate Bonds	Baa	31,047	16,972
Corporate Bonds	Ba	2,191	
Corporate Bonds	B	1,426	
Government Bonds	Aaa		20,238
Government Bonds	Aa	10,765	
Government Bonds	Baa	426	
Government Bonds	Ba		391
Index Linked Corporate Bonds	Aaa		4,504
Index Linked Corporate Bonds	Aa	8,035	
Index Linked Government Bonds	Aaa		40,283
Index Linked Government Bonds	Aa	62,563	
Unit Trust Bonds	Aaa	21,178	
Unit Trust Bonds	Ba	8,174	
Unit Trust Bonds	N/A	40,368	59,043
		233,454	204,138

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 2013 the value of illiquid assets was £9.5 million, which represented 1.0% of the total fund assets (£10.7 million in 2011/12, which represented 1.2% 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 2013 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.

18. 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 20 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) was set as:

<u>Year</u>	<u>Employers' contribution rate</u>
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

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

Mortality assumptions

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

Historic mortality assumptions

<u>Year Ended</u>	<u>Prospective Pensioners</u>	<u>Pensioners</u>
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.

19. Actuarial Present Value of Promised Retirement Benefits

To assess the value of the Fund's liabilities as at 31st March 2013, 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 IAS 19. A similar roll-forward approach was taken for the report as at 31st March 2012.

The full actuarial valuation involved projecting future cash flows to be paid from the Fund and placing a value on them. These cash flows 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 2013 without completing a full valuation. However we are satisfied that the approach of rolling forward the previous valuation results to 31st March 2013 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:

	<u>31st March 2013</u>	<u>31st March 2012</u>
Expectancy		
Retiring today		
- Males	22.1	22.0
- Females	23.6	23.5
Retiring in 20 years		
- Males	24.0	23.9
- Females	25.9	25.8

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	<u>31st March 2013</u>		<u>31st March 2012</u>		<u>31st March 2011</u>	
	<u>% p.a</u>	<u>Real</u>	<u>% p.a</u>	<u>Real</u>	<u>% p.a</u>	<u>Real</u>
RPI increases	3.3%	-	3.3%	-	3.6%	-
CPI increases	2.5%	(0.8%)	2.5%	(0.8%)	2.8%	(0.8%)
Salary increases	4.7%	1.4%	4.7%	1.4%	5.1%	1.5%
Pension increases	2.5%	(0.8%)	2.5%	(0.8%)	2.8%	(0.8%)
Discount rate	4.2%	0.9%	4.6%	1.3%	5.5%	1.8%

These assumptions are set with reference to market conditions at 31st March 2013.

Our estimate of the duration of the Fund's liabilities is 18 years.

The discount rate is the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS 19 and with consideration of the duration of the Employer's liabilities. This approach has been updated from previous disclosures when the yield on the iBoxx AA rated over 15 year corporate bond index was used as a standard assumption for the Fund.

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, specifically the 18 year point on the BoE spot inflation curve. Previously, the 20 year point was used and so this has been updated to reflect the duration of the Fund's liabilities.

This measure has historically overestimated future increases in the RPI and so we have made a deduction of 0.25% to get the RPI assumption of 3.3%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.5%. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are then assumed to be 1.4% above RPI in addition to a promotional scale 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 18). 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 2013 was £1,198 million (£1,070 million in 2011/12).

The actuary estimated that the value of the assets as at 31st March 2013 was £993 million (£861 million in 2011/12). Therefore the net pension liability as at 31st March 2013 was £205 million (£209 million in 2011/12).

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2010 triennial funding valuation (see Note 18) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Revised Accounting Standard for Defined Benefit Pension Schemes

A revised International Accounting Standard (IAS 19) has been issued to be applied to accounting periods beginning on or after 1st January 2013:

- expected return on assets will be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate;
- current service costs, past service costs, settlements and curtailments will be reported as one figure, labelled "Service cost";
- administration expenses will be accounted for within the Comprehensive Income and Expenditure charge; these were previously deducted from actual and expected return on scheme assets.

The changes set out above are effective for accounting periods beginning on or after 1st January 2013 so do not affect the disclosures for 2012/13.

20. Current Assets

	<u>2012/13</u>		<u>2011/12</u>	
	£'000	£'000	£'000	£'000
Current assets				
Cash	2,807		614	
Contributions due from employer	13		20	
Amount due from HMRC	50		50	
Amounts due from Council	21		35	
Overpaid pensions	-		2	
Advances to pensioners	-		1	
		2,891		722

21. Current Liabilities

	<u>2012/13</u>		<u>2011/12</u>	
	£'000	£'000	£'000	£'000
Current liabilities				
Unpaid benefits	(637)		(1,252)	
Fund Managers' fees	(902)		(844)	
Custody Fees	(17)		(16)	
Performance Monitoring	(3)		-	
Audit Fee	(21)		(32)	
Amounts due to Council	(3)		(14)	
Amounts due to HMRC	(382)		(332)	
Pension to deceased pensioners	(5)		(1)	
		(1,970)		(2,491)

22. Additional Voluntary Contributions

	<u>Market Value</u> <u>31st March 2013</u> £'000	<u>Market Value</u> <u>31st March 2012</u> £'000
Balance at beginning of the year	3,453	3,370
Investments purchased with AVCs	681	666
Sales of investments to settle benefits due to members	(1,005)	(693)
Changes in the value of AVCs (investment income and changes in the market value of investments)	138	110
Balance at end of the year	3,267	3,453

23. 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 £661 thousand (£608 thousand in 2011/12) 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 £30 million to the fund in 2012/13 (£31 million in 2011/12).

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, Mr. R King and Mr. J Daley are active members of the pension fund. Councillor Mrs. K Caddy, Mr. G Senior and Mr. M Davies are eligible to join but have 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 (Head of Pensions Shared Service) and Mr. P Harris (Pension Fund Controller) are all active members of the scheme. Details of how the scheme benefits are administered can be found at www.lgps.org.uk.

24. Contractual Commitments

There are no outstanding capital commitments (investments) at 31st March 2013 (£nil in 2011/12).

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
CIL	Community Infrastructure Levy
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Prices Index
DHP	Discretionary Housing Payments
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
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LIBID	London Interbank Bid Rate
LFEPA	London Fire and Emergency Planning Authority
LGPS	Local Government Pension Scheme
LPFA	London Pension Fund Authority
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
SeRCOP	Service Reporting Code of Practice for Local Authorities
SOLACE	Society of Local Authority Chief Executives
VAT	Value Added Tax
WRWA	Western Riverside Waste Authority

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

If you need it in an alternative format
(eg. large print)

please call (020) 8871 7588

or email corporatefinance@wandsworth.gov.uk