

**LONDON BOROUGH OF RICHMOND UPON THAMES**  
**STATEMENT OF ACCOUNTS 2008/09**

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**[www.richmond.gov.uk](http://www.richmond.gov.uk)**

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## **EXPLANATORY FOREWORD**

### **INTRODUCTION**

#### **The Council**

The entity for which these accounts are prepared is the Council of the London Borough of Richmond upon Thames (the Council) that is one of 32 London Boroughs established under the London Government Act 1963. The Council's functions and constitution are governed by statute and its finances are strongly influenced by government through direct funding, statutory and regulatory control, and influence over its powers to raise and spend revenue. Its financial and operational performance is independently inspected and monitored by government appointed bodies.

The Council is a Unitary Authority providing most local government services to its population of around 182,000, with the notable exception of police, fire and rescue (provided by functional bodies of the Greater London Authority [GLA] – the Metropolitan Police Authority London Fire and Emergency Planning Authority, and waste disposal (provided by the West London Waste Authority). The services it provides include education and children's services, adult social services and housing (the Council does not directly own and manage housing properties itself), highways and transportation, planning, licensing and inspection, refuse and street cleansing, libraries, arts and recreational facilities. The section of the Foreword on Council services provides a summary of the services that the Council provided in 2008/09 and further information on the Council's constitutions, services, organisation and performance are available on its website at: [www.richmond.gov.uk](http://www.richmond.gov.uk)

#### **The Foreword**

The purpose of the Foreword is to provide an introduction to the Statement of Accounts, an overview of the financial position of the Council and a brief commentary on some of the more significant features of the past year and plans for the near future. Information included in the Foreword does not form part of the Statement of Accounts and the financial information is, in some cases, prepared on the basis of the Council's management accounts so that they relate to the Council's budget, monitoring and performance reporting processes.

#### **The Accounts – Basis of Preparation**

This Statement of Accounts presents the financial position of the Council for the accounting year that ended on 31<sup>st</sup> March 2009. The Statement of Accounts has been prepared and presented in accordance with 'proper practices' in relation to the Accounts as required by the Accounts and Audit Regulations. These proper practices represent compliance with:

- All relevant Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRS) and Urgent Issues Task Force (UITFs) Abstracts issued by the Accounting Standards Board (ASB)
- The Code of Practice on Local Authority Accounting in the UK 2008; A Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance & Accountancy
- The Best Value Accounting Code of Practice 2008 (BVACOP) issued by the Chartered Institute of Public Finance & Accountancy.

In addition to these documents, the accounts of the Pension Fund are required to follow all relevant presentation and disclosure requirements of the Pensions SORP:

- Financial Reports of Pension Schemes: A Statement of Recommended Practice (Revised May 2007).

Although not regarded as forming part of 'proper practices', the accounts are prepared having regard to, and generally conform to guidance provided by CIPFA in particular:

- Guidance Notes for Practitioners (detailed guidance on the 2008 SORP)

- LAAP Bulletins (guidance on topical issues and accounting developments and, when appropriate, clarification on the detailed accounting requirements - issued by the CIPFA's Local Authority Accounting Panel - LAAP).

## **The Accounts – Contents**

The main statements and areas covered in the accounts are detailed below:

### **The Core Financial Statements**

- The Income and Expenditure Account
- Statement of the Movement on the General Fund Balance
- Statement of Total Recognised Gains and Losses
- Balance Sheet
- Cash Flow Statement

### **Notes to the Core Financial Statements**

#### **Collection Fund**

- Collection Fund Income and Expenditure Account
- Notes to the Collection Fund

#### **Pension Fund Accounts**

- Pension Fund Accounts
- Notes to the Pension Fund Accounts

#### **Statement of Accounting Policies**

#### **Statement of Responsibilities**

#### **Independent Auditors' Report**

#### **Annual Governance Statement**

#### **Glossary of Terms**

#### **Table of Notes**

The Council publishes a brief document for the year that includes summarised financial information in a simpler, less technical format. This publication is circulated to all households in the Borough with the Council's quarterly publication "Arcadia", and is published on the Council's website.

## **New Governance arrangements**

Following changes to the Pension Fund Regulations and a decision by the Audit Commission to treat local authority Pension Funds as separate audit engagements, the Council reviewed the governance arrangements for the Pension Fund in June 2008 and the Pension Fund Committee is now responsible for the approval of, and audit arrangements relating to, the Pension Fund Accounts.

The Pension Fund Accounts are still required to be included (but are not consolidated) in the Council's Statement of Accounts for completeness. Further information on the Pension Fund Accounts is provided on page 17 in the Foreword.

## **Accounting changes**

There are a number of changes in the 2008 SORP and two of these have significance, and are explained in the following paragraphs.

### Fair Value for Pension Fund Investment Assets

Financial Reporting Standards (FRSs) have introduced fair value as the basis for recognising the value of financial instruments (in simple terms assets and liabilities that are of a financial nature), and this is defined for different classes of financial instrument. Both the Pension SORP and local authority SORP have introduced fair value as the basis on which Pension Fund investment assets are to be recognised from 2008/09. This affects the Pension Fund accounts (in respect of the value of investment assets in its Net Asset Statement) and the Council's accounts (in respect of the recognition of retirement benefits, assets in relation to retirement benefits etc. as required

under FRS17). The impact of this change is that investments are now effectively valued at the market 'bid-price' for investments as opposed to the 'mid-price', which provides a slightly lower value for these assets.

Gains and losses on disposal of assets

The 2006 SORP introduced a number of changes including the introduction of the Income and Expenditure Account (I&E Account) that required the gain or loss on disposal of assets to be included. These are reversed in the Statement of Movement on the General Fund Balance (SMGFB) and have no effect on the General Fund. Guidance for the 2006/07 and 2007/08 accounts required assets to be revalued at the time of disposal to prevent notional 'gains'. In practice, most disposals would be revalued to the sale price and any losses (e.g. disposal costs) shown in the I&E Account.

From 2008/09 guidance has been changed and it is no longer appropriate to revalue assets at the time of disposal and gains or losses over the net book value are shown in the I&E Account. As these are reversed out in the SMGFB, this change is presentational.

**COUNCIL SERVICES**

The Council is organised into five Directorates that work together to provide the broad range of services. The following paragraphs provide a brief commentary on the services provided by each of the departments in 2008/09.

**ADULT AND COMMUNITY SERVICES**

Adult and Community Services provides housing and adult social care services and leads on community safety and community engagement. A range of services is provided to help people to retain their independence, offering choice to service users and support to carers. Housing services are provided to prevent homelessness, to support homeless people, provide supported living arrangements and build new affordable homes. During the year the Council housed an average of 251 households in temporary accommodation, including 147 households in short-term leased accommodation, 56 households in bed and breakfast accommodation and 48 people in hostels.

**In the financial year 2008/09:**

- 971 people received a Personal Budget for their care and support during the year
- 532 people received intensive care at home (home care and direct payments)
- 8,438 items of equipment were provided to individuals and minor adaptations provided at the homes of 2,019 people
- 512 new people received telecare services
- 890 received housing-related support services with our provider partnerships.

<b>Number of Service Users at 31 March 2009</b>		
	<b>Care Homes</b>	<b>Personal Budgets</b>
Older People	428	448
Younger Adults	34	73
Adults with Learning Disabilities	107	165
Adults with Mental Health Needs	36	13
<b>Total Adult Care Services</b>	<b>605</b>	<b>699</b>

## **CHILDREN'S SERVICES AND CULTURE**

The Children's Services & Culture Directorate brings together a range of children's and family services as part of the Government's Every Child Matters Agenda. The Council's arts, sports and library services are also located within this Directorate and play a crucial role in improving outcomes for children and young people.

The Directorate works closely with partners such as the Primary Care Trust, the Police and the Voluntary Sector, principally through the Children & Young People's Trust Board, which is a multi-agency partnership, established to give strategic leadership of the delivery of services for children and young people in the local area.

During 2008/09 the Directorate has been involved in preparing a revised Children and Young People's Plan, to be launched in June 2009 ('Tackling Inequality & Creating Opportunity' – covering 2009-2013), which incorporates commitments and priorities to improve the outcomes for children and young people. We have also introduced new governance arrangements for the delivery of children's services, including the strengthening of the Children & Young People's Trust Board, formation of multi-agency Delivery Groups and the development of new Commissioning Boards.

The Directorate had a gross budget (excluding of £157m in 2008/09 and employed circa. 850 staff (excluding schools). The wide spectrum of activity covered is brought together in six main service areas:

- Specialist Children's Services
- Protective & Preventative Services
- School Effectiveness
- Culture
- Finance and Resources, and
- Commissioning and Service Improvement.

There is one Early Excellence Centre, 41 primary schools, eight secondary schools, two special schools and a pupil referral unit educating circa. 20,800 pupils. There are also 12 lending libraries and a central reference and information service. An Arts Service is based at the historic site of Orleans House Gallery and there are four sports centres based at secondary schools as well as Teddington Pool and Fitness Centre. Specialist Children's Services provides a range of services for vulnerable young people and their families, including residential and foster care, adoption support and support for children and young people leaving care.

## **ENVIRONMENT**

The Environment Directorate provides a broad range of diverse services including building and facilities management, refuse collection and recycling, street cleansing, highway maintenance including street lighting and trees, parks and open spaces. There is over £25m of outsourced contracts and assets of approximately £200m, including property, vehicles and equipment.

The Council in conjunction with Transport for London maintains 405km of roads, 10.3 km of riverbank and approximately 17,000 street trees.

In addition to the 43,000 tonnes of domestic waste generated from approximately 80,000 properties, the Council also collected 7,000 tonnes of trade waste, 40% of which is recycled.

The Council owns and maintains 517 hectares of parks and open spaces in 146 different locations, and has in recent years invested significantly in pavilions and play areas for young children. These facilities are highly regarded by our residents and their continuous improvement is a key priority for the Council.

The Local Development Framework was adopted in 2008/09 and will be used as the basis for future development of the Borough. Almost 4,000 planning applications were received in 2008/09 as well as 1,900 building regulation applications involving over 12,000 inspections and 400 health and safety inspections.

For details on how the Council is planning to reduce its environmental footprint, please see page 14.

### **CHIEF EXECUTIVE'S OFFICE and FINANCE AND CORPORATE SERVICES**

These two Directorates employ over 300 staff and provide essential support services that enable the Council to function as an effective business and also some customer-related services related mainly to the collection of Council Tax and Business Rates (National Non-Domestic Rates or NNDR – a national tax charged on commercial properties) and payment of Housing and Council Tax benefits.

Services that provide corporate support:

- Corporate finance (accountancy, treasury, financial planning and advice and internal audit and risk management)
- Payroll and pensions
- ICT services and support
- Human resources
- Legal services.

Services providing support to the democratic functions of the Council:

- Democratic services - e.g. dealing with arrangements for meetings of the Council, business of the Executive (arrangements for meetings and decisions of the Cabinet) and scrutiny functions (mainly arrangements for Overview and Scrutiny Committees and panels) and public consultation.
- Electoral services (local, London-wide and national elections and electoral register).

Services dealing directly with customers:

- Billing and collection of Council Tax and Business rates
- Council Tax and housing benefits
- Customer services – provision of reception facilities and call centre services
- Council web team who provide and develop the Council's website that is now one of the main means of communicating with members of the public.

The Revenue and Benefits team collects over £125m in Council Tax from over 80,000 properties and £70m in Business Rates from over 5,500 properties per year. In 2008/09 they once again achieved one of the highest Council Tax collection rates in the country and we are externally assessed as being amongst the best housing benefit services.

The Customer Contact Centre serves as a primary point of contact for all Richmond upon Thames residents. The contact centre deals with over 280,000 telephone calls and over 60,000 emails per annum.

## **REVIEW OF THE YEAR**

### **REVENUE PERFORMANCE**

The financial information reported in this Foreword includes items that are reported on the management accounts basis and these differ from those included in the sections on the main financial statements.

The Council's budget for 2008/09 was originally set at £143.028m. During the year the Council received an additional £0.097m of non ringfenced Area Based Grant resulting in a final net budget of £143.124m (Table A). The actual revenue outturn for the year showed an underspend of £0.111m after allowing for carry-forward budgets. There were overspends in Environment and Adult and Community Services which were offset by underspends in Children's Services and Culture, Finance and Corporate Services and Central Items.

**Management Accounts**

The following table sets out the revenue outturn for 2008/09 in the same format as the Council's budget and reflects the structure with which regular readers of the Council's budget monitoring reports will be familiar:

**TABLE A      2008/09 Revenue Outturn shown in Management Account format**

<b>Service</b>	<b>Net Budget £000</b>	<b>Net Expenditure £000</b>	<b>Variance £000</b>
Children's Services and Culture	30,623	30,262	(361)
Environment	26,651	26,773	122
Adult & Community Services	59,333	60,221	888
Finance & Corporate Services	22,324	22,084	(240)
<b>Sub Totals</b>	<b>138,931</b>	<b>139,340</b>	<b>409</b>
Central Items	7,704	7,184	(520)
	<b>146,635</b>	<b>146,524</b>	<b>(111)</b>
Transfers to / (from) Other Earmarked Reserves	(2,761)	(2,761)	0
Transfer to / (from) General Reserve	(750)	(639)	111
<b>Total Cost of Services</b>	<b>143,124</b>	<b>143,124</b>	<b>0</b>
Formula Grant	(33,441)	(33,441)	0
Demand on the Collection Fund	(109,683)	(109,683)	0
	<b>(143,124)</b>	<b>(143,124)</b>	<b>0</b>

The main reasons for the variations are provided below:

Children's Services and Culture (Underspend of 1.2% of budget)

These services are split between those funded through the Dedicated Schools Grant (DSG) and those funded through Council Tax.

Dedicated Schools Grant

Overall the DSG underspent by £3k on a total budget of £91.127m. However, this masks a significant overspend on Special Educational Needs placements at independent schools (approx. £400k) due to rising case numbers, offset by underspends on Early Years (£210k) due to reduced take up of nursery places and centrally held elements of Individual Schools Budgets (£159k).

Other Services

The variance is made up of a number of over and underspends across the whole range of services.

The Libraries Service overspent by £238k although the main reason for this was a carry forward of £205k which will go towards the implementation of self service technology in libraries. This is an invest to save project which was recommended by the recent Library Service review and is expected to speed up services and generate significant efficiency savings.

The asylum budget overspent by £183k as a result of increasing numbers of cases being supported under the terms of the Hillingdon judgement which requires councils to continue supporting unaccompanied asylum seeking children after the age of 18 if they continue in full time education.

These overspends were offset by underspends across a range of services including Family Support (£310k), because of vacancies in contact and assessment centres, and Other Children and Families (£135k) because of lower Leaving Care Support payments.

**Environment (Overspend of 0.5% of budget)**

Although close to budget overall, there were significant over and underspends across a range of the directorate's services.

Parking suffered a shortfall of income in excess of £300k due to reduced demand, probably linked to the recession. In addition, the decision was taken to finance £500k in respect of replacement pay and display parking meters directly from revenue rather than from the Repairs and Renewals Fund. This was felt appropriate, as it will ease the pressure on budgets next year when the recession is again expected to have an impact.

The Waste Collection and Recycling Service overspent by £425k. The revised service was introduced in November 2007, which significantly increased recycling rates. To deal with this additional volume additional vehicles and staff had to be deployed. A further revision to the service was introduced in 2008 to contain additional costs and the service is expected to remain within budget in 2009/10 financial year.

Development Control overspent by £191k comprising overspends on staffing costs, IT costs, appeals costs and reduced income from applications offset by additional grant income.

Transport Planning showed an underspend of £280k reflecting additional funding from TfL which allowed the Council to offset a higher proportion of overhead costs than expected.

Transport Services recovered additional income (£275k) from work for third party organisations including vehicle repair work.

Consumer Protection Services generated additional income from licensing activities and underspent on legal and appeal hearing expenses. This resulted in an underspend of £241k.

Corporate Property Maintenance underspent by £218k reflecting vacancies in key posts. This led to fewer schemes being delivered. Two senior posts have recently been filled and recruitment is underway for other posts.

**Adult and Community Services (Overspend of 1.5% of budget)**

The net position is a combination of various over and underspends across the divisions within the Directorate:

<b>Division</b>	<b>Variance £000</b>
Commissioning Care Services	1,472
Community Services Operations	(152)
Commissioning, Corporate Policy & Strategy	(243)
Rent Allowances & Other	(189)
<b>Total</b>	<b>888</b>

**Commissioning Care Services**

The overspend on Commissioning Care Services reflects increased demand for care services provided to older people at home and, in respect of Learning Difficulties, increased costs of supported living services and care at home. The underlying pressure on these budgets is reflected in the additional resources allowed within the 2009/10 budget although the Directorate also has a challenging efficiency target to achieve.

The figure also includes a proposed carry forward of unspent Government grant which will be used to support change programmes in adult social care.

#### Community Services Operations

This was offset by planned underspends in Management & Support Services and additional income from Transport Operations.

#### Commissioning Corporate Policy and Strategy

This relates to staff vacancies within this new division. Most posts are now filled and the underspend is not expected to recur in 2009/10.

#### Rent Allowances and Other

This mainly relates to a reduction in the bad debt provision caused by lower than expected levels of outstanding income due from the recovery of Housing Benefit overpayments.

#### Finance and Corporate Services (Underspend of 1.1% of budget)

There were a number of underspends across the Directorate largely relating to vacancies which have been reported throughout the year.

The Corporate Management budget underspent by £252k with underspends on Audit Fees (£78k), where there were no major inquiries from the public requiring investigation, Bank Charges (£42k), where more efficient methods of income collection resulted in lower costs and Legal Fees (£99k), where there were no major cases requiring external legal advice.

£169k of in year savings were generated through the imposition of 5% reductions on selected Supplies and Services budgets.

These underspends were offset by an overspend on Land Charges (£189k) where search numbers fell dramatically as a result of the worsening economic situation and an increase in the levy to the London Pension Fund Authority (£111k) arising from the impact of asbestosis compensation cases.

In addition, the Directorate financed £267k of expenditure relating to the introduction of workflow technology in the Council Tax Section from revenue rather than the Project Development Fund offset by additional net Council Tax Benefit subsidy of £81k.

#### Central Items (Underspend of 6.7% of budget)

Falling interest rates during the year led to lower than budgeted investment income offset by lower interest payments on temporary borrowing giving a net underspend of £223k.

£297k of the Council's general contingency was unused at year end.

#### Reserves

In line with the policy of using earmarked reserves to support Council priorities, the total reserves held by the Council have fallen from £49.836m at the start of the year to £46.705m. The General Fund has reduced by £639k (5.3%) and now stands at 7.7% of the Council's 2009/10 net budgeted expenditure excluding schools, which is in the middle of the range of 5 – 10% as set out in the Council's Medium to Long Term Financial Strategy.

Of those reserves held at the Council's discretion nearly £8.0m have been invested in Council priority areas including the Accommodation Strategy (£1m) which will lead to future revenue savings, Lowther School Children's Centre (£0.8m), ICT (£0.8m) including the changes to the server room and the virtualisation project which will reduce energy costs and give the Council greater ICT resilience, new pay and display parking machines (£0.8m), Parks (£0.5m) and Highways and Footpaths (£0.3m).

The net reserves figure did not reduce by as much because of a variety of items including carry forwards (£1.5m), repayments to the R & R Fund (£0.9m), a lower level of outstanding insurance claims (£0.7m), LPSA Reward Grants (£0.7m), unspent Waste and Recycling Contingency (£0.6m) and the reclassification of the Section 117 provision (£0.4m). The Council plans to use further reserves over the next 3 - 5 years. The reducing level of reserves will mean that the Council's borrowing requirement will increase and that investment income

will reduce. Both of these factors will impact on future revenue budgets and will need to be fully reflected in any updates to the Medium and Long Term Financial Strategy (MLTFS).

The Collection Fund has reduced from £1.0m to £0.4m in the year. Traditionally, the Collection Fund has run at a surplus allowing regular contributions to be made in support of the Council Tax. However, the level of surplus has now dropped to a level where future contributions are likely to be more limited.

### **Financial Accounts**

In the main financial statements, the Income and Expenditure Account sets out revenue expenditure and income for the year in accordance with the Best Value Accounting Code of Practice (BVACOP) 2008 and SORP 2008. This provides a common analysis of expenditure used by all local authorities and is the standard that is used for all external comparisons including performance measures, published statistics and benchmarking. The Income and Expenditure Account includes items that are not charged (or credited) to the General Fund (for example depreciation of fixed assets), and also excludes items that are charged (or credited) to the general Fund (for example Minimum Revenue Provision for the repayment of debt). These items are taken into account in the Statement of Movement on the General Fund Balance.

The following table shows the Council's total net expenditure in BVACOP format compared with the budget, to arrive at the net movement in the General Fund.

TABLE B 2008/09 Revenue Outturn shown in BVACOP Format

	Revised Budget £000	Net Expenditure £000
<b>Net Cost of Services</b>		
Central Services - Local Taxation	2,339	2,453
Other Central Services to the Public Cultural, Environmental, Regulatory and Planning Services	1,396	1,435
Children's and Education Services	33,069	32,455
Highways and Transport Services	66,570	65,716
Housing Services (General Fund)	8,777	8,928
Social Services	3,950	4,084
Corporate and Democratic Core	49,660	51,651
Non Distributed Costs	4,219	3,976
	3,375	3,324
<b>Total Net Cost of Services</b>	<b>173,355</b>	<b>174,022</b>
<b>Items excluded from Net Cost of Services under BVACOP</b>		
Precepts and Levies	6,373	6,483
(Surplus)/Deficit on Trading Accounts	637	(28)
Interest Payable	4,897	4,625
Interest and Investment Income	(5,285)	(5,236)
Other Corporate Income	(900)	(900)
FRS17 Pension Costs Adjustment	5,364	5,364
Minimum Revenue Provision	1,185	1,185
Net Reversal of Capital Charges	(46,390)	(46,390)
Capital Expenditure financed from Revenue	6,069	6,069
Net Transfer from Earmarked Reserves	(1,431)	(1,431)
Transfer from General Fund Reserve	(750)	(639)
<b>Total Net Expenditure</b>	<b>143,124</b>	<b>143,124</b>
<b>Financed By:</b>		
Demand on the Collection Fund	(109,683)	(109,683)
General Grant	(9,584)	(9,584)
Distribution from NDR Pool	(23,857)	(23,857)
	<b>(143,124)</b>	<b>(143,124)</b>

## MAJOR CONTRACTS

Some services are provided on behalf of the Council by external organisations, and significant amounts of money are committed within some of the long-term contracts with private and 'not-for-profit' external partners. The major contracts that the Council has entered into are detailed below:

### PFI Contracts

In addition to the capital programme, the Council has two long-term PFI contracts for the provision of residential care homes and primary schools. These two contracts commit the Council to future payments of £202m, spread over the next 17 to 23 years. The full year payments under these two contracts for 2008/09 are £8.1m. Details of these contracts are given in Note 29 and Note 30.

**IT Contract**

The Council has also entered into a long-term ten year contract for the provision of IT support through an IT and e-government 'partner'. The contract involves annual payments in excess of £5.2m and is due to expire in February 2013.

**Waste and Recycling Contract**

An integrated Waste and Recycling services contract was outsourced to Cleanaway subsequently taken over by Veolia from 1<sup>st</sup> November 2004 and this contract expires in 2014. Veolia are required to provide refuse and recycling collection services for both domestic and trade premises.

In October 2008 a further change was made to the recycling service in order to address the collection and capacity issues being experienced by the service. This changed the collection method for dry recycling materials which now uses a box system.

The annual contract value for this service in 2008/09 was £5.5m.

**Street Cleansing**

The street cleansing contract, which covers the street sweeping of borough roads and gully cleansing, was awarded to Serviceteam in February 2001. Since the initial contract was awarded a number of changes to services have been made and the contract value currently stands at £2.5m per annum. Serviceteam were subsequently taken over by Cleanaway and now Veolia. The contract operates under flexible partnering arrangements with open book accounting in respect of both the Council and Veolia's finances. This facilitates the targeting of resources to priority service areas. The contract expires in 2011.

**Grounds Maintenance and Related Services Contract**

The Grounds Contract covers grounds maintenance and arboriculture across the borough. It also includes a small sports bookings service and the provision of Parks Patrol Officers. The contract runs from 1<sup>st</sup> April 2003 to March 31<sup>st</sup> 2013 with Veolia Limited. The current contract value stands at approximately £2.0m.

**Parking Enforcement**

The parking enforcement contract was awarded to NCP (National Car Parks) and came into effect in January 2006. NCP are now known as NSL and during 2008/09 they were paid £2.3m. The contract that expires in 2011, covers:

- Collection of parking income
- Provision of staff for Council multi-storey car parks.
- On and off-street enforcement patrols
- CCTV enforcement of bus lanes, static cameras & provision of two mobile CCTV vehicles
- The issue of penalty charge notices, both by hand & CCTV
- Provision of a parking shop for PCN payments, permit applications/issue, suspensions & dispensations and general enquiries.
- Collection and banking of off-street pay income
- Frontline maintenance of parking and ticket machines.

**Civil Engineering and Road Maintenance**

Contracts were awarded to John Crowley (Maidstone) Ltd in November 2003 and FM Conway Limited in April 2004. The contracts cover:

- Carriage surfacing
- Road Markings
- Civil engineering works.

During the year ended 31 March 2009, work to the value of £7.7m was completed, with £6.2m going to John Crowley (Maidstone) Ltd and £1.5m to FM Conway Limited.

## ENVIRONMENTAL FOOTPRINT

In view of the increasing general concern about environmental issues and in common with best practice, the Council produces a short statement in this Foreword on its environmental footprint, explaining what it is doing to reduce it. This is only a brief summary of the Council's strategy and current progress. Further information is available on the Council's website at the following link:

[www.richmond.gov.uk/gogreen](http://www.richmond.gov.uk/gogreen).

The Council is committed to promoting sustainable development and reducing the Borough's environmental footprint. Priority two of the Community Plan ("to be the greenest borough in London") identifies the key environmental challenges as climate change, transport, waste management and biodiversity.

### Climate change

In February 2008 the Council adopted a climate change strategy to reduce emissions of carbon dioxide across the following areas: Council properties, Council services, schools and community (businesses, residents and other organisations). A comprehensive baseline is being established that will allow annual monitoring and reporting of corporate emissions. DEFRA's indicator for local authority carbon footprints will be used to monitor the contribution of business and residents in the borough to climate change. The Borough's carbon footprint is currently 6.0 tCO<sub>2</sub> per capita per year (2006). This is the twelfth highest in London, although for domestic emissions alone, Richmond upon Thames is the third highest in London.

### Transport

The Council believes that there are opportunities for a reduction in both its own and the Borough's carbon footprint through a more sustainable approach to travel and transport. Building on its innovative emissions-based resident permit scheme, the Council has made significant progress in the preparation of a new Green Travel Plan to change its own travel behaviour, and new initiatives will be implemented later in the year. This work is running in parallel with the Smarter Travel Programme a three-year £5m partnership initiative with Transport for London to deliver a significant change in local travel behaviour with a focus on school, work place, destination and personal travel planning.

### Waste management

The Council has a waste minimisation plan and works with schools, businesses and the wider community to reduce waste produced by encouraging responsible purchasing, reusing unwanted goods and encouraging home composting. Our schools education programme helps by encouraging pupils to affect family purchasing and recycling habits.

During 2009/10 we will be developing a Waste Minimisation Strategy to help us achieve demanding targets to reduce future landfill. The increasing costs of landfill tax make it imperative that the Council seeks to reduce the amount of waste that the borough produces, as well as increasing the proportion that is recycled.

### Biodiversity

The Local Biodiversity Action Plan (BAP) sets out the framework for the protection, conservation and enhancement of wildlife within Richmond upon Thames. It prioritises habitats that are rare, in decline or characteristic of Richmond, and uses flagship species to help raise the profile of biodiversity. The BAP's objectives are to protect and celebrate local wildlife and to improve the quality of habitats and the environment within the London Borough of Richmond upon Thames. The £1m restoration of Terrace and Buccleuch Gardens, for example, will provide habitats such as loggeries and dead hedges to act as nesting and breeding sites as well as protection for invertebrates and birds. A sustainable planting scheme will see the planting of a range of plants that produce nectar, pollen, seedheads and berries to act as a food source for wildlife.

**CAPITAL PERFORMANCE**

**Capital Expenditure and Financing**

Capital expenditure is incurred on the construction, acquisition or improvement of an asset, which has a beneficial life of more than one year.

Capital expenditure can be financed by borrowing, grants and other contributions, capital receipts (from the sale of assets) or from revenue (or reserves set aside from revenue). Since the introduction of the Prudential Code, Local Authorities have been empowered to borrow funds to finance capital schemes without prior agreement from Central Government.

Grants are mainly received from the government or Transport for London (part of the Greater London Authority), and often have to be spent on specific services or schemes. Capital receipts provide the largest source of capital finance over which the Council has discretion, although they are, by their nature, a finite resource, and in-year receipts in 2008/09 are significantly lower than last year, reflecting the current economic situation. Careful planning is undertaken to allow for the uncertainties of timing and actual sale value.

Although capital expenditure is usually financed from capital resources (such as capital grants and receipts), there is the option to use revenue resources to fund capital works. This is used where there are schemes that meet Council priorities for which capital resources are not available, or where revenue income can be created. A large proportion of the revenue financing of capital in 2008/09 has come from revenue reserves such as the Infrastructure Reserve, which was set up specifically to address the backlog of works identified in the Asset Management Plan, and the Repairs and Renewals Fund which is used for 'invest to save' schemes that repay into the Fund over a 5 to 7 year period.

The following table provides details of the capital expenditure in both 2008/09 and 2007/08 across the Council's departments and the resources used to finance this expenditure:

**TABLE C Capital Expenditure and Financing**

	2008/09		2007/08
	Budget £000	Actual £000	Actual £000
<b>CAPITAL EXPENDITURE:</b>			
Children's Services & Culture	20,771	20,493	15,443
Adult & Community Services	4,797	3,566	5,545
Environmental Services	15,144	14,716	16,533
Finance and Corporate Services	4,680	5,065	3,438
<b>Total Capital Expenditure</b>	<b>45,392</b>	<b>43,840</b>	<b>40,959</b>
<b>CAPITAL FINANCING:</b>			
<b>Capital Grants:</b>			
Department for Children, Schools & Families	13,773	13,562	3,354
Department for Communities and Local Government	625	734	548
Transport for London	9,795	9,770	9,164
Other Grants	3,114	3,276	2,991
<b>Sub-Total Capital Grants</b>	<b>27,307</b>	<b>27,342</b>	<b>16,057</b>
Borrowing	2,617	2,164	3,149
Section 106 Planning Obligations*	186	173	376
LSVT (transfer of housing stock) Receipt	223	172	1,099
Capital Receipts	6,890	6,424	10,343
Direct Revenue Financing	6,841	6,035	9,240
Contributions	1,328	1,530	695
<b>Total Capital Financing</b>	<b>45,392</b>	<b>43,840</b>	<b>40,959</b>

\* In this table Section 106 receipts are shown as a discrete source of finance, but in the financial statements they are treated as either revenue financing or capital contributions (see Note 31)

## **OTHER PERFORMANCE REPORTS**

The Council publishes a wide range of reports covering various aspects of its financial performance and plans that are available through its website. These include:

- Medium and Long Term Financial Strategy
- Budget Reports
- Capital Programmes
- Revenue and Capital Budget Monitoring
- Annual Audit and Inspection Letters.

## **FORWARD PLANS**

The Council has a medium and long-term financial strategy (MLTFS) that sets the parameters and expectations for the Council's finances over the next three to five years. This financial strategy is reviewed annually and includes consultation with the public, major businesses and the Council's partners.

Like all businesses, the current global economic position has had a significant impact on the Council's current budgets and its plans for the future. Although the Council has managed to avoid any direct losses associated with the demise of financial institutions in various parts of the world, amongst the immediate impacts it has had to deal with are a significant reduction in its expectations for income from investments and a reduction in other sources of income. The longer-term consequences include the expectation that public expenditure will need to be reduced over a long period as the Government seeks to recover the investment it has had to make in supporting the economy in general and the financial sector in particular.

The Council has for many years been one of the worst funded in terms of general grant per head of population from central government. This means that it is less reliant on Government income than some and has become used to delivering services within a very tight funding position. However, when specific grants and subsidies are included, the Government still remains a major funder and, in starting from a low spending position, the challenges of finding further savings or efficiencies are even greater.

The financial strategy therefore has an even greater focus on the efficient and effective use of resources to ensure that Council Tax increases remain as low as possible, whilst maintaining key services and providing targeted investment in priority areas including schools, youth, community and sustainability. The result of this strategy to date is reflected in the Council continuing to be one of the few in the country to be awarded the maximum score of 4 for Value For Money and its overall services being judged as 4\* and improving strongly (the maximum possible) in external inspection by the Audit Commission. The revenue outturn position for 2008/09 saw an underspend which has enabled the Council to meet its target for providing funding for infrastructure projects but has also identified key areas of service pressure which will present additional challenges in the years ahead. In particular, as well as allowing in the budget for the cost of additional children looked after, special educational needs costs, rising adult social care demands and the cost of waste disposal, the Council has set aside funds to help meet the challenges of the current economic recession and identified funds to help introduce wider ranging changes within the Council that will lead to the delivery of higher levels of efficiency in the medium and longer term.

For 2009/10 the Council set an increase in Council Tax 3.46% (including the Greater London Authority), slightly below the equivalent figure for the previous year and within its longer-term aim of maintaining increases below 5%. Nevertheless it recognised that any Council Tax increase in

the current economic climate will be unwelcome and the Council has embarked on a further programme of identifying efficiencies including reviews of processes and how services are provided across the Council.

As described above the public finances are not expected to improve quickly and hence the challenges for the Council's finances will remain for some time. However, we start from a position of strength with excellent services and a reputation for Value for Money that the Council is committed to maintaining.

### **Capital Programme**

The Council regularly reviews its capital programme, particularly to ensure that adequate capital resources are available to finance the programme. The Council agrees a programme of capital works every year. The latest programme agreed by Cabinet in January 2009 set the 2009/10 programme of works and considered works for the longer term.

Capital schemes cover expenditure, which results in the creation or enhancement of an asset, such as refurbishing a school or purchasing a new street sweeping machine. Potential capital projects are assessed on a priorities basis, taking into account the Council's Community and Service Plans. When setting the capital programme, the Council has to consider how this expenditure will be financed and whether it will result in a cost to local taxpayers. Where schemes are funded by external sources, such as government grants, contributions from other organisations, or money that has been saved in prior years to finance them, there is little capital cost to residents. However, some schemes would need to be funded from borrowing, and this borrowing would attract interest to be repaid, in addition to the principal. The largest single scheme in the capital programme involves the rebuilding of Teddington School. Work on the school is due to complete in July 2010 and open in September 2010.

### **PENSION FUND**

The Pension Fund accounts are now subject to a separate audit engagement and have been separately approved by the Pension Fund Committee. These accounts are still required to be included in the Council's Statement of Accounts for completeness and are shown in a separate section, starting from page 78. These accounts relate to the whole of the Pension Fund, that also includes other employing bodies in addition to the Council.

The Council's accounts include figures relating only to the Council's share of the Pension Fund. Future liabilities in respect of benefit entitlements for Council employees who are members of the Pension Fund are effectively borne by the Council. Unfunded obligations relating to future liabilities are disclosed in notes to the Core Statements. These future liabilities and assets are calculated in accordance with the 'FRS 17' basis (an accounting standard) that is different from the valuation basis on which actual pension contributions are calculated.

The deficit on the Pension Fund increased by £39.488m in 2008/09, with a new deficit at the year-end of £113.491m. The value of the Fund's assets, which are applicable to the Council, decreased by £46.794m to £228.695m during the year.

It is important to understand that the net pensions liability is a position taken at one point in time at the end of the financial year. Market prices tend to move up and down in the short-term, and this will impact on the level of deficit disclosed at a particular point in time.

### FURTHER INFORMATION

If you require further information in respect of the Council's Statement of Accounts, please contact:

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# THE CORE FINANCIAL STATEMENTS

## CORE FINANCIAL STATEMENTS

### THE INCOME AND EXPENDITURE ACCOUNT

		2008/09			Restated 2007/08
	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Net Expenditure £000
Central Services - Local Taxation	2	14,969	(12,516)	2,453	2,536
Other Central Services to the Public	2	2,912	(1,477)	1,435	1,488
		<b>17,881</b>	<b>(13,993)</b>	<b>3,888</b>	<b>4,024</b>
Adult Social Services	2	82,839	(31,188)	51,651	45,197
Children's and Education Services	2	290,979	(225,263)	65,716	41,658
Cultural, Environmental, Regulatory and Planning Services	2	47,881	(15,426)	32,455	29,209
Highways and Transport Services	2	25,279	(16,351)	8,928	9,591
Housing Services (General Fund)	2	60,395	(56,311)	4,084	3,897
Corporate and Democratic Core	2	4,005	(29)	3,976	4,558
Non Distributed Costs	2	3,327	(3)	3,324	579
<b>Net Cost of Services</b>		<b>532,586</b>	<b>(358,564)</b>	<b>174,022</b>	<b>138,713</b>
Levies	4			6,483	5,600
Surplus on Trading Accounts	5			(28)	(82)
Gain on Disposal of Fixed Assets				(1,033)	(2,958)
Receipt on Assets Previously Disposed				(994)	(802)
Contribution of Housing Capital Receipts to Government Pool				66	61
Distribution of Capital Receipts to Other Local Authorities	20			160	400
Interest Payable	17 & 46			4,625	4,601
Interest and Investment Income	17 & 46			(5,236)	(6,151)
Other Corporate Income				(900)	(365)
Pensions Interest Costs	22			24,112	21,315
Expected Rate of Return on Pension Assets	22			(19,842)	(20,741)
<b>Net Operating Expenditure</b>				<b>181,435</b>	<b>139,591</b>
Demand on the Collection Fund				(109,683)	(104,389)
Government Grant not attributable to a specific service (RSG and ABG)	3			(9,584)	(3,455)
Distribution from non-domestic rates pool	3			(23,857)	(20,586)
<b>Deficit for the Year</b>				<b>38,311</b>	<b>11,161</b>

**STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

	<b>2008/09</b>	<b>Restated</b>
	<b>£000</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Deficit for the year on the Income and Expenditure Account	38,311	11,161
Net additional amount required by statute and non-statutory proper practices to be credited to the general fund balance for the year	(37,672)	(11,161)
<b>Decrease in General Fund Balance for the year</b>	<b>639</b>	<b>0</b>
General Fund Balance brought forward	(12,094)	(12,094)
<b>General Fund Balance carried forward</b>	<b>(11,455)</b>	<b>(12,094)</b>

**NOTE TO THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

	Note	2008/09		Restated 2007/08	
		£000	£000	£000	£000
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year:</b>					
Depreciation and impairment of Fixed Assets	34	(45,944)		(19,832)	
Government Grant Deferred amortisation matching depreciation and impairments	51	5,932		5,232	
Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute		(6,378)		(6,757)	
Net (Gain) / Loss on sales of fixed assets		1,033		2,958	
Receipt on Assets Previously Disposed of		994		802	
Distribution of Capital Receipts to Other Local Authorities		(160)		(400)	
Amount by which pension costs calculated in accordance with the SORP are different from the contributions due under the pension scheme regulations	22	1,094		3,016	
			(43,429)		(14,981)
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year:</b>					
Statutory provision for repayment of debt (MRP)	15	1,185		921	
Capital Expenditure charged to the General Fund Balance	31	6,069		9,522	
Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool		(66)	7,188	(61)	10,382
<b>Transfers to and from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year:</b>					
Net transfer from earmarked reserves			(1,431)		(6,562)
<b>Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year</b>			<b>(37,672)</b>		<b>(11,161)</b>

# THE CORE FINANCIAL STATEMENTS

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the recognised gains and losses that are reflected in the change in Net Worth on the Balance Sheet. Most gains and losses are now recognised in the Income and Expenditure Account, including items relating to the disposal of assets (including assets previously disposed). In addition to the surplus or deficit on the Income and Expenditure Account, the statement includes gains and losses on the revaluation of fixed assets, the re-measurement of the net liability to cover the cost of retirement benefits and on the part of the Collection Fund that is attributable to the Council.

	<i>Notes</i>	<b>2008/09</b>	<b>Restated</b>
		<b>£000</b>	<b>2007/08</b>
		<b>£000</b>	<b>£000</b>
Deficit for the year on the Income and Expenditure Account		38,311	11,161
Surplus arising on the revaluation of fixed assets	56	(12,602)	(23,159)
Actuarial (gains)/losses on pension fund assets and liabilities	55	40,582	(31,410)
		<u>66,291</u>	<u>(43,408)</u>
Attributable movement in Funds not included in the Income and Expenditure Account:			
Collection Fund		692	686
		<u><b>66,983</b></u>	<u><b>(42,722)</b></u>

**NOTE:** The movement in the Collection Fund relates to the part of the Collection Fund Balance that is attributable to the Council only (see Collection Fund page 76). The part of the Collection Fund attributable to the Greater London Authority is treated as a creditor in the balance sheet and does not form part of the Council's Net Worth.

# THE CORE FINANCIAL STATEMENTS

## BALANCE SHEET

### NET ASSETS

	Note	As at 31 March 2009		Restated As at 31 March 2008	
		£000	£000	£000	£000
<b>Fixed Assets:</b>					
<b>INTANGIBLE FIXED ASSETS</b>	34		42		45
<b>TANGIBLE FIXED ASSETS</b>					
Operational Assets:					
Land and buildings	34	500,719		514,201	
Vehicles, plant, furniture and equipment	34	6,225		5,568	
Infrastructure assets	34	66,843		57,408	
Community assets	34	13,997	587,784	11,996	589,173
Non-Operational Assets:	34				
Land awaiting development		4,022		3,902	
Assets under construction		4,931		0	
Investment properties		17,168		17,819	
Equity Share Properties	19	4,814	30,935	4,913	26,634
<b>TOTAL FIXED ASSETS</b>			<b>618,761</b>		<b>615,852</b>
Long Term Investments	39		24,150		26,962
Long Term Debtors	40		8,301		8,010
<b>TOTAL LONG TERM ASSETS</b>			<b>651,212</b>		<b>650,824</b>
<b>Current Assets:</b>					
Stocks and Work in Progress	38	278		427	
Debtors (net of impairments for bad debts)	41	29,600		24,774	
Investments	39	44,297		58,593	
			74,175	83,794	
<b>Current Liabilities:</b>					
Temporary Borrowing		(7,224)		(6,286)	
Creditors	41	(41,142)		(38,885)	
Cash and Bank (overdrawn)	66	(4,539)		(3,023)	
		(52,905)		(48,194)	
<b>TOTAL NET CURRENT ASSETS</b>			<b>21,270</b>		<b>35,600</b>
<b>Long Term Liabilities:</b>					
Long Term Creditors	42	(1,386)		(1,346)	
Long Term Borrowing	43	(36,848)		(39,223)	
Deferred Liabilities		0		(7)	
Unused Capital Contributions	50	(1,320)		(1,309)	
Unused Government Grant	50	(3,291)		(9,017)	
Government Grant Deferred	51	(71,742)		(48,662)	
Provisions	53	(2,571)	(117,158)	(4,042)	(103,606)
Defined benefit pension scheme liability	25		(113,491)		(74,003)
<b>TOTAL NET ASSETS</b>			<b>441,833</b>		<b>508,815</b>

# THE CORE FINANCIAL STATEMENTS

## NET WORTH

	Note	As at 31 March 2009		Restated As at 31 March 2008	
		£000	£000	£000	£000
<b>Represented By:</b>					
Revaluation Reserve	56		(31,757)		(19,729)
Capital Adjustment Account	56		(464,851)		(498,229)
PFI Financing Reserve Account	56		(3,716)		(3,146)
Deferred Capital Receipts	56		(350)		(432)
Usable Capital Receipts Reserve	56		(7,833)		(11,272)
Home Loans Unit Capital Receipts	56		(113)		(174)
<b>TOTAL CAPITAL RESERVES</b>			<b>(508,620)</b>		<b>(532,982)</b>
Pensions Reserve	57	113,491		74,003	
Schools' Reserves	57	(5,937)		(6,389)	
Earmarked Reserves	57	(28,844)		(30,191)	
Home Loans Unit	57	(107)		(109)	
Collection Fund attributable to the Council	57	(361)	78,242	(1,053)	36,261
General Fund Balance	57		(11,455)		(12,094)
<b>TOTAL NET WORTH</b>			<b>(441,833)</b>		<b>(508,815)</b>

**CASH FLOW STATEMENT**

	Notes	2008/09		2007/08	
		£000	£000	£000	£000
<b>Net cash (inflow) / outflow from Revenue Activities</b>	63		<b>1,671</b>		<b>(10,804)</b>
<b>Returns on Investments and Servicing of Finance</b>					
<b>Cash Outflows:</b>					
Interest Paid		4,683		4,863	
<b>Cash Inflows:</b>					
Interest Received		(5,784)	<b>(1,101)</b>	(4,768)	<b>95</b>
<b>Capital Activities</b>					
<b>Cash Outflows:</b>					
Purchase & Investment in Fixed Assets		36,986		32,957	
Purchase of Long-Term Investments		15,400		7,000	
Other capital cash payments		6,500		6,822	
Total capital outflows		58,886		46,779	
<b>Cash Inflows:</b>					
Sale of fixed assets		(2,942)		(5,042)	
Capital grants received		(23,138)		(19,891)	
Other Capital Cash Receipts		(2,353)		(851)	
Total capital inflows		(28,433)		(25,784)	
<b>Net capital outflows</b>			<b>30,453</b>		<b>20,995</b>
<b>Net Cash Outflow before financing</b>			<b>31,023</b>		<b>10,286</b>
<b>Management of Liquid Resources</b>					
Net decrease in short term deposits	67		(30,569)		(4,661)
<b>Financing</b>					
<b>Cash Outflows:</b>					
Repayments of amounts borrowed	67	1,188		2,000	
<b>Cash Inflows:</b>					
New long term loans raised	67	0		(5,000)	
New short term loans raised	67	(126)	1,062	(2,951)	(5,951)
<b>Net (increase) / decrease in cash</b>	66		<b>1,516</b>		<b>(326)</b>

## NOTES TO THE CORE FINANCIAL STATEMENT

### Note 1 PRIOR YEAR CHANGES

There are two changes in the SORP 2008 that require changes to accounting policies with effect from 1 April 2008. These changes affect the basis on which the relevant items are reported in 2008/09 and necessitate the restatement of prior year comparative figures.

#### Investment assets

Pension Fund investment assets are required to be recognised at fair value from 1 April 2008 and in practice this requires investments to be valued at 'bid price' (the highest price that a buyer, or bidder, is willing to pay) where previously they were generally valued at 'mid-price' (the average of the bid price and the offer price). This change affects the value of investment assets in the Pension Fund accounts (reported separately and included in this Statement of Accounts) and also impacts on the disclosure of pension costs and liabilities for the Council where actuarial calculations under FRS17 are now based on the bid price of investments. This restatement of £2m is further discussed in Note 21.

#### Disposal of Fixed Assets

Following changes in the SORP 2006, gains or losses on the disposal of fixed assets are required to be recorded in the Income and Expenditure Account. These are then reversed in the Statement of Movement on the General Fund Balance so the effect on the General Fund is nil. Guidance at that time allowed assets to be revalued at the point of sale where their carrying amount did not reflect current value (local authority assets being revalued on a five-year rolling cycle, meaning that some assets are carried at values up to 5 years old). This meant that gains or losses on asset disposals were limited to losses arising from the cost of sale (legal fees etc.) or where assets were known to be disposed of at a premium or discount.

Guidance issued with the 2008 SORP does not allow assets to be revalued at the time of disposal so that the Income and Expenditure Account now records all gains or losses over the carrying amount of the asset when disposed. The amount by which assets were revalued immediately prior to disposal for 2007/08 was £3.133m (see Note 56 Revaluation Reserve movement).

### Note 2 ANALYSIS OF NET COST OF SERVICES

The following tables provide analysis of the Net Cost of Services shown in the Income and Expenditure Account based on the standard service expenditure analysis under the Best Value Accounting Code of Practice (BVACOP). BVACOP 2008 has been updated to reflect minor changes to the SORP and a review of service expenditure analysis. CIPFA have changed some of the names of BVACOP categories of expenditure. These changes are reflected in the below tables.

As a result of changes in the SORP in 2007/08, all asset revaluations that result in a downward valuation have to be charged as a revaluation loss to the relevant service unless they can be offset against an accumulated revaluation gain in the Revaluation Reserve. All land and buildings are valued once every 5 years on a rolling basis (see Note 36), which reduces the year on year comparability of figures at this level. This has an effect on a number of services in the Income and Expenditure Account. The charge for revaluation losses is reversed in the Statement of Movement on the General Fund Balance so there is no impact on the General Fund. Services affected are marked \* in the following table.

# NOTES TO THE CORE FINANCIAL STATEMENTS

	2008/09	2007/08
	Net Expenditure	Net Expenditure
	£000	£000
<b>Central Services - Local Taxation</b>		
Council Tax	2,335	2,335
Business Rates	118	201
	<b>2,453</b>	<b>2,536</b>
<b>Other Central Services to the Public</b>		
Elections	445	527
Registration of Births, Deaths & Marriages	215	225
Emergency Planning	216	459
Local Land Charges	(250)	(657)
General Grants, Bequests, Donations	809 *	934
	<b>1,435</b>	<b>1,488</b>
<b>Adult Social Care</b>		
Service Strategy	753	619
Older People	24,957 *	22,039
Adults with Physical Disabilities	5,758	4,421
Adults with Learning Disabilities	14,792	13,919 *
Mental Health	4,520	3,546
Other Adult Services	871	637
Supported Employment	0	16
	<b>51,651</b>	<b>45,197</b>
<b>Children's and Education Services</b>		
<b>Education Services</b>		
Nursery Schools	432	622
Primary Schools	67,741 *	55,429 *
Secondary Schools	53,460 *	40,203 *
Special Schools	13,810 *	11,067
Non-School Funding	7,523 *	6,482 *
Dedicated Schools Grant	(91,127)	(85,924)
<b>Children's Social Care</b>		
Service Strategy	92	81
Children's Services -Commissioning & Social Work	5,229	5,306 *
Looked After Children	4,398	4,493
Family Support Services	1,661 *	1,438
Youth Justice	506	392
Asylum Seekers	406	302
Other Children & Family Services	1,585	1,767 *
	<b>65,716</b>	<b>41,658</b>
<b>Culture, Environmental, Regulatory and Planning Services</b>		
Culture & Related Services	12,341 *	11,508
Environmental and Regulatory Services	14,334	15,086
Planning & Development Services	5,780 *	2,615 *
	<b>32,455</b>	<b>29,209</b>

Table continued on next page

# NOTES TO THE CORE FINANCIAL STATEMENTS

Table continued from previous page

	2008/09 Net Expenditure £000	2007/08 Net Expenditure £000
<b>Highways and Transport Services</b>		
Transport Planning, Policy & Strategy	611	625
Structural Maintenance	2,537	2,927
Environmental, Safety and Routine Maintenance	2,137	2,418
Street Lighting	1,546	1,376
Winter Service	185	166
Traffic Management & Road Safety	1,114	1,235
Parking Services	(5,459)	(5,588) *
Public Transport	6,257	6,432
	<b>8,928</b>	<b>9,591</b>
<b>Housing Services</b>		
Housing Strategy	593	912
Housing Advice	378	239
Homelessness	2,408	2,414
Housing Benefit Payments	(179)	(390)
Housing Benefit Administration	758	670
Other Council Property	(38)	(82)
Supporting People	164	134
	<b>4,084</b>	<b>3,897</b>
<b>Corporate and Democratic Core</b>		
Corporate Management	1,389	1,746
Democratic Representation & Management	2,587	2,812
	<b>3,976</b>	<b>4,558</b>
<b>Non-distributed Costs</b>	<b>3,324</b>	<b>579</b>
<b>Net Cost of Services</b>	<b>174,022</b>	<b>138,713</b>

### Note 3 GENERAL GOVERNMENT GRANT

The Area Based Grant (ABG) is a new non-ringfenced general grant that replaces Local Area Agreement Grant in 2008/09. The Council has full local control over how the funding is used. The ABG is therefore disclosed with the general Revenue Support Grant on the Income and Expenditure Account, as it is not ringfenced to a specific service area. The table below provides a breakdown of the Government Grants not attributable to a specific service and the NDR distribution for 2008/09.

	2008/09 £000	2007/08 £000
<b>Formula Grant</b>		
Revenue Support Grant (RSG) entitlement	(3,321)	(3,455)
Distribution from non-domestic rate (NNDR) pool	(23,857)	(20,586)
	<b>(27,178)</b>	<b>(24,041)</b>
<b>Area Based Grant</b>	(6,263)	0
<b>Total General Government Grant</b>	<b>(33,441)</b>	<b>(24,041)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Note 4 LEVIES

The Council is required to make certain payments to other bodies in respect of services that they provide within the local, or London area. The most significant levy charged to the Council's Income and Expenditure Account is paid to the West London Waste Authority for waste disposal. The following table lists the levies that the Council pays to other organisations that are included in the Income and Expenditure Account:

LEVYING BODY	2008/09	2007/08
	£000	£000
West London Waste Authority (WLWA)	5,538	4,793
Lee Valley Regional Park	269	265
London Pensions Fund Authority	371	262
Environment Agency Flood Defence	178	161
Coroners' Service	127	119
<b>Charge to the Income and Expenditure Account</b>	<b>6,483</b>	<b>5,600</b>

## Note 5 TRADING OPERATIONS

The majority of support services are charged out to front line services on the basis of actual cost, but some services make charges that are based on a pre-determined charge basis (for example a fixed schedule of rates for specified works). These services are treated as Trading Operations within the definition applied under the Best Value Accounting Code of Practice (BVACOP).

The following table shows services that are charged out on a pre-determined charging basis (as opposed to actual cost) with turnover and trading result. The charges made to other services are shown within the relevant service under Net Cost of Services in the Income and Expenditure Account with the net total cost shown separately below the Net Cost of Services.

The second part of the table shows services that are treated as Trading Operations, but form an integral part of a particular service, and therefore, they are charged within the appropriate area under Net Cost of Service in the Income and Expenditure Account, (see individual notes below).

	2008/09		2007/08	
	Turnover	(Surplus) / Deficit	Turnover	(Surplus) / Deficit
	£000	£000	£000	£000
<b>CHARGED TO NET OPERATING EXPENDITURE</b>				
Building Maintenance	0	0	1,131	(19)
Vehicle Workshops / Contract Hire *	3,224	(28)	0	0
Vehicle Maintenance Contract	0	0	94	(63)
<b>Total Trading Operations</b>	<b>3,224</b>	<b>(28)</b>	<b>1,225</b>	<b>(82)</b>
<b>CHARGED WITHIN NET COST OF SERVICES</b>				
Print Unit	372	85	391	96
Building Maintenance	974	54	0	0
Catering Services	248	181	232	197
Transport Operations *	3,820	350	6,694	908
Highways **	0	0	861	87
<b>Total</b>	<b>5,414</b>	<b>670</b>	<b>8,178</b>	<b>1,288</b>
<b>Total All Trading Accounts</b>	<b>8,638</b>	<b>642</b>	<b>9,403</b>	<b>1,206</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

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- \* These services were shown as one line for 2007/08
- \*\* Highways no longer operates as a trading account and is now shown in net cost of services

The following notes describe the nature of Trading Accounts:

**Building Maintenance:**

The Building Maintenance Service carries out reactive maintenance and repairs to all Council buildings including schools and colleges. Turnover has fallen in 2008/09 due mainly to less maintenance work on parking meters (arising from a replacement programme of new meters) and less maintenance for schools. The net deficit of £54k was apportioned to the relevant category under net cost of services at year-end and consequently now shows in the bottom half of the table.

**Vehicle Workshops / Contract Hire:**

Following a reorganisation in 2007/08, the Transport service was split into two elements. Vehicle Workshops / Contract Hire (repairs to Council owned vehicles and provision of vehicles to service users) remained within the Environment Directorate and now operates as a separate unit. Transport Operations Services was transferred to Adult and Community Services (see below). As these accounts only had a residual balance at year-end, this balance is shown in the Income and expenditure account as surplus on trading activities (in line with the SORP).

**Vehicle Maintenance Contract:**

The Council previously carried out maintenance on vehicles for the London Borough of Ealing under a contract that expired in 2008.

**Print Unit:**

The Print Unit is responsible for the provision of both general and specialised printing services for all Council departments. Council departments have discretion over whether they use the Print Unit or buy in services from external suppliers. In view of the continuing level of deficits, the Head of Facilities is currently undertaking a review to determine available options with a view to eradicating this deficit.

**Catering Services:**

During 2008/09 this service comprised of a staff canteen, trolley service and the provision of refreshments for Council, committee meetings and other meetings and functions. In view of the continuing level of deficits, the service is currently being reviewed.

**Transport Operations:**

Following a reorganisation in 2007/08, the client Transport Operations Services was transferred to Adult and Community Services. This service provides transport for clients in Adult Social Care and Children's Services.

The turnover for transport operations increased by approx £250k during 2008/09 due to a revision of the SEN transport charges. The net deficit of £350k was apportioned to the relevant category under net cost of services at year-end and consequently now shows in the bottom half of the table.

## Note 6 BUILDING CONTROL ACCOUNT

The following table provides the disclosure of information required under the Local Authority Building Control Regulations. The non-chargeable activities include providing general advice and liaising with other statutory authorities.

Under the Building (Local Authority Charges) Regulations 1998, the Council is required to ensure that, over a three-year period, it sets charges sufficient to cover its costs in respect of Chargeable

## NOTES TO THE CORE FINANCIAL STATEMENTS

Expenditure. In 2008/09, there was a deficit in respect of chargeable expenditure and a surplus over the last three financial years (2006/07 to 2008/09).

Chargeable Income has exceeded Chargeable Costs by 2.1% over the last three years. (5.9% for the preceding three financial years).

	2008/09			2007/08
	Chargeable £000	Non- Chargeable £000	Total £000	Total £000
<b>Expenditure</b>				
Employee Costs	674	90	764	768
Transport	40	5	45	21
Supplies and Services	33	4	37	102
Third Party Payments	78	0	78	0
Support Costs	207	28	235	235
<b>Total Expenditure</b>	<b>1,032</b>	<b>127</b>	<b>1,159</b>	<b>1,126</b>
<b>Income</b>				
Building Regulations Charges	(990)	0	(990)	(1,076)
Other Charges	0	(11)	(11)	(15)
<b>Total Income</b>	<b>(990)</b>	<b>(11)</b>	<b>(1,001)</b>	<b>(1,091)</b>
<b>Deficit for the year</b>	<b>42</b>	<b>116</b>	<b>158</b>	<b>35</b>
<b>Three-year outturn on Chargeable Expenditure:</b>	<b>2008/09 £000</b>	<b>2007/08 £000</b>	<b>2006/07 £000</b>	
Chargeable Expenditure	1,032	1,004	902	
Chargeable Income	(990)	(1,076)	(933)	
(Surplus) / Deficit	<b>42</b>	<b>(72)</b>	<b>(31)</b>	
Percentage of expenditure	4.06%	(7.17%)	(3.4%)	

### Note 7 LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Local Authorities (Goods and Services) Act 1970 requires local authorities to disclose in the notes to their accounts the expenditure incurred, and related income received, in respect of non-statutory services provided to other local authorities. The Council has two areas, which fall under this requirement:

#### Careline / Telecare Services to the Royal Borough of Kingston upon Thames

Richmond is currently in the third year of a five-year contract for the provision of alarm fitting and monitoring services for Social Services clients in the Royal Borough of Kingston upon Thames. The value of this service was £50,972 in 2007/08 compared to £53,399 in 2008/09.

#### Administration Services to the South West Middlesex Crematorium Board

The South West Middlesex Crematorium Board is a Joint Board established by an Act of Parliament and made up of elected members from five constituent authorities. The London Borough of Richmond upon Thames provides various administrative services to the Board including accountancy, creditors, payroll, legal and internal audit. The Board paid the Council an annual fee of £28,500 in both 2008/09 and 2007/08, which covered the costs of the services provided.

### Note 8 NHS ACT 2006 – POOLED FUNDS

The Council entered into an agreement in March 2004 to operate a joint integrated community equipment service with the Richmond and Twickenham Primary Care Trust (R&T PCT). This arrangement falls within section 75 of the NHS Act 2006.

# NOTES TO THE CORE FINANCIAL STATEMENTS

The basis of the funding arrangement is that the Council and R&T PCT contribute jointly to a pooled fund for the provision of a daily living and nursing equipment service comprising of the procurement, storage, delivery, installation, maintenance, collection, cleansing and recycling of equipment. This service includes minor works adaptations and the servicing of hoists and other equipment.

The Agreement was signed in March 2004 and commenced on 1<sup>st</sup> April 2004. The basis on which costs are shared is reviewed periodically to reflect usage of equipment by different client groups. The outcome of the latest review is shown in the funding basis:

## Funding Basis

	2008/09	2007/08
London Borough of Richmond upon Thames	54.60%	43.20%
Richmond and Twickenham Primary Care Trust	45.40%	56.80%

	2008/09	2007/08
	£000	£000
<b>POOLED BUDGET ACCOUNT</b>		
Budget	1,078	1,060
Outturn Expenditure	1,052	1,213
(Under)/Overspend	<b>(26)</b>	<b>153</b>
<b>CONTRIBUTIONS FROM PARTNERS</b>		
London Borough of Richmond upon Thames	574	524
Richmond and Twickenham Primary Care Trust	478	689
	<b>1,052</b>	<b>1,213</b>

## Note 9 DISCRETIONARY EXPENDITURE

Section 137 of the Local Government Act 1972 (s137) allows local authorities to spend a limited amount of money on activities for which it has no specific power. The Council is required to make a disclosure of its expenditure under s137 in its Statement of Accounts.

The Local Government Act 2000 repealed parts of s137, and also provided additional and wider discretionary powers to local authorities. The Council subsequently relied upon these powers to incur its discretionary expenditure (mainly in respect of grants to voluntary organisations) unless the circumstances of a particular transaction require the application of s137 powers.

There was no expenditure under s137 powers in 2008/09 or 2007/08.

## Note 10 EXPENDITURE ON PUBLICITY

The following table provides the disclosure of information relating to publicity expenditure, which is required under section 5 of the Local Government Act 1986:

	2008/09	2007/08
	£000	£000
Recruitment Advertising	618	576
Public Notices	55	63
Other Public Advertising	182	293
<b>Total</b>	<b>855</b>	<b>932</b>

## Note 11 MEMBERS' ALLOWANCES

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Local Authorities (Members' Allowances) (England) Regulations 2003 provide for the circumstances in which allowances are payable to members, and to the maximum amounts payable in respect of certain allowances. In accordance with the Local Government Act 2000, the Council established a Members' Allowances Scheme. The scheme is a public document and sets out details of all allowances that are paid to Council Members. Changes to the scheme are made by full Council at its annual meeting. Further details of the scheme are available from the following link:

[http://www.richmond.gov.uk/councillors\\_allowances](http://www.richmond.gov.uk/councillors_allowances)

The total payments made to members were as follows:

	2008/09 £000	2007/08 £000
The following amounts were paid as Members' Allowances	829	808

### Note 12 OFFICERS' EMOLUMENTS

The number of employees, including teaching staff, whose remuneration was in excess of £50,000 is shown in the following table. These figures include redundancy / compensation payments in both years, as required by legislation.

Range of Emoluments		2008/09	2007/08
From £	To £	Number of Employees	Number of Employees
50,000	59,999	102	93
60,000	69,999	47	35
70,000	79,999	14	11
80,000	89,999	3	4
90,000	99,999	10	10
100,000	109,999	1	0
110,000	119,999	2	3
120,000	129,999	2	1
130,000	139,999	0	0
140,000	149,999	0	0
150,000	159,999	0	0
160,000	169,999	1	2
170,000	179,999	1	0
		<b>183</b>	<b>159</b>

### Note 13 AUDIT COSTS

## NOTES TO THE CORE FINANCIAL STATEMENTS

The following table provides a breakdown of the external audit and inspection fees incurred:

	2008/09	2007/08
	£000	£000
Fees payable to the Audit Commission in respect of external audit services carried out by the appointed auditor	208	218
Fees payable to the Audit Commission in respect of statutory inspection	27	154
Fees payable to the Audit Commission for the certification of grant claims and returns	34	75
Fees payable in respect of other services provided by the appointed auditor	21	0
	<b>290</b>	<b>447</b>

Statutory inspection fees in 2007/08 include the costs of a corporate inspection that is carried out periodically, the previous inspection being in 2002. The fees for other services payable in 2008/09 related to:

- Response to a complainant regarding recycling collection services (£2k)
- Audit work relating to the National Fraud Initiative (£2k)
- Audit work relating to questions from the public regarding the Twickenham Riverside project (£17k).

### Note 14 OPERATING LEASES

The Council acts as both a lessor, where it leases assets to third parties, and as lessee, where it acquires the economic use of assets owned by third parties. The following tables disclose relevant information in respect of all leases, other than those at a peppercorn or similar de minimis values.

#### Assets leased from other parties:

The following table shows payments made under lease agreements:

	2008/09			2007/08		
	Other land and buildings £000	Vehicles, Plant and equipment £000	Total £000	Other land and buildings £000	Vehicles, Plant and equipment £000	Total £000
Total rentals paid under operating leases	1,273	75	1,348	1,273	201	1,474

## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council is committed to making payments of £1.325 million under operating leases in 2009/10, comprising the following elements:

	2008/09		
	Other land and buildings	Vehicles, Plant and equipment	Total
	£000	£000	£000
Leases expiring within one year	0	3	3
Leases expiring between one and five years	621	49	670
Leases expiring in over five years	652	0	652
<b>Total lease payment commitments for the next financial year</b>	<b>1,273</b>	<b>52</b>	<b>1,325</b>

### Assets leased to other parties:

The total rental income received by the Council under operating leases is shown in the following table:

	2008/09	2007/08
	£000	£000
Total rentals received under operating leases	1,714	1,776

This income relates wholly to leases in respect of other land and buildings, there being no leases made by the Council in respect of other assets. The gross value of assets held for use in operating leases at 31 March 2009 was £51.044m that was subject to £1.463m depreciation at that date.

### **Note 15      MINIMUM REVENUE PROVISION**

The Local Government and Housing Act 1989 requires the Council to set aside a minimum provision from the Income and Expenditure Account for the repayment of external debt. This is based upon the underlying need to borrow (capital assets financed from borrowing) represented by the Capital Financing Requirement (see Note 37).

Under the change in regulations made in Statutory Instrument SI 2008/414 the Council makes prudent provision on the same basis as previous years as explained in detail in the Treasury management Strategy considered by Cabinet on 23 February and approved by Council in March 2009. The basis of calculation for 2008/09 and 2007/08 makes use of the transitional provision to continue to provide on the previous basis for these years as allowed for in the above regulation.

	2008/09	2007/08
	£000	£000
<b>Notional Calculation</b>		
Minimum Revenue Provision (contribution for repayment of loans)	1,452	1,363
Less adjustment for commuted loans	(267)	(442)
Minimum Revenue Provision to be made	<b>1,185</b>	<b>921</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Note 16 PREMIUM PAID OR DISCOUNT RECEIVED EARLY ON REDEMPTION OF LOANS

The Council's long-term debt is regularly reviewed and, when there is economic advantage loans are repaid prematurely and this invariably results in premiums being paid or discounts received on the carrying value of the loan to reflect the present value of future interest payments that would have been paid under the terms of the loan on a continuing basis.

There have been no premature repayments of loans in 2008/09. In 2007/08 two variable rate Public Works Loan Board (PWLB) loans totalling £2m were repaid prematurely and a discount of less than £1,000 was received.

## Note 17 ANALYSIS OF INTEREST PAYABLE AND INVESTMENT INCOME

The following table provides a detailed analysis of interest and investment income:

	2008/09	2007/08
	£000	£000
<b>External Interest Payments</b>		
PWLB	1,638	1,664
Money Market loans	389	229
Civic Centre lease	2,410	2,436
Other	188	272
	<b>4,625</b>	<b>4,601</b>
<b>Investment Income</b>		
Money Market investments	(4,958)	(5,881)
Local Authority Bond	(259)	(255)
Other	(19)	(15)
	<b>(5,236)</b>	<b>(6,151)</b>

## Note 18 HOME LOANS UNIT – REVENUE ACCOUNT

In 1988 the Council took over the responsibility for the former Greater London Council (GLC) mortgage portfolio. The details of the transfer of this function and the terms on which the Council undertakes the function are set out in the London Government Reorganisation (Mortgages) Order 1988, SI 1988 (1747). The Council administers these loans on behalf of all London Boroughs and distributes any surpluses from the operation of the loan portfolio to the Boroughs annually. As no new advances are made, the redemption of existing mortgages will eventually extinguish this account.

The following table provides details of the Home Loans Unit Revenue Account:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2008/09	2007/08
	£000	£000
<b>Income</b>		
Interest Due		
On advances to mortgagors	(19)	(26)
On temporary investments	(5)	(28)
<b>Other Income</b>		
Insurance commission – buildings	(6)	(7)
Insurance commission – other	(96)	(96)
Rents	(59)	(59)
Miscellaneous (fees and charges)	(7)	(9)
	<b>(192)</b>	<b>(225)</b>
<b>Expenditure</b>		
Employees	66	81
Premises	1	2
Supplies and services	15	22
Central support costs	12	13
	<b>94</b>	<b>118</b>
<b>Net Operating Surplus</b>	<b>(98)</b>	<b>(107)</b>
Distribution to London Boroughs	100	60
Transfer to Earmarked Reserve	(2)	47
<b>Net effect on the General Fund Balance</b>	<b>0</b>	<b>0</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Note 19 HOME LOANS UNIT – BALANCE SHEET

The Council administers all transactions, assets and liabilities relating to the previously made mortgages of the Home Loans Unit on behalf of all London Boroughs. The following table provides details of the Home Loans Unit's Balance Sheet:

	As at 31 March 2009		As at 31 March 2008	
	£000	£000	£000	£000
<b>Long Term Assets</b>				
Equity shares in property	4,814		4,913	
<b>Current Assets</b>				
Temporary Investments	213		191	
Sundry Debtors	251		321	
Cash and Bank	330	5,608	319	5,744
<b>Current Liabilities</b>				
Sundry Creditors	(325)		(322)	
Bank Overdrawn	(29)	(354)	(6)	(328)
<b>Provisions</b>		(220)		(220)
<b>Total Assets less Liabilities</b>		<b>5,034</b>		<b>5,196</b>
<b>Represented By:</b>				
Capital Reserve - Equity Shares in Property		(4,814)		(4,913)
Revenue Account Surplus		(107)		(109)
Capital Appropriation Account		(113)		(174)
		<b>(5,034)</b>		<b>(5,196)</b>

### Long Term Assets

These are equity share properties that are 50% owned by the individual mortgagors and 50% owned by the HLU.

### Capital Receipts

Capital receipts are in respect of mortgage principal repayments. The Council administers the Home Loans Unit on behalf of all London Boroughs, and therefore, all receipts are distributed to these Boroughs at the year-end.

## Note 20 HOME LOANS UNIT – CAPITAL DISTRIBUTION

This table provides a summary of the mortgage payments made to the Home Loans Unit, and the amount distributed to all London Boroughs:

	2008/09	2007/08
	£000	£000
Balance brought forward	(174)	(238)
Surplus for the year	(99)	(336)
	(273)	(574)
Amounts distributed to London Boroughs	160	400
<b>Balance carried forward</b>	<b>(113)</b>	<b>(174)</b>

The capital distribution relates to mortgage repayments and receipts from the freehold element of equity share mortgages that have been purchased by mortgagors.

## Note 21 INFORMATION ON PENSION SCHEMES

### Participation in pension schemes

The Council participates in two pension schemes:

#### **The Local Government Pension Scheme (the LGPS) – Defined Benefit Scheme:**

This scheme is administered by the Council (as the administering authority) and is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. All employees of the Council (excluding those eligible to join the Teachers' Pension Scheme) are entitled to join the LGPS.

#### **Teachers' Pension Scheme (TPS) – Defined Benefit Scheme accounted for as a Defined Contribution Scheme:**

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Children, Schools and Families. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

In 2008/09, the Council paid £5.8m (£5.6m in 2007/08) to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay in both years. There was £0.679m owed to the TPS at year end.

The Scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits are fully accrued in the pensions liability described in Note 22.

### Change of accounting policy

Under the 2008 SORP the Council has adopted the amendment to FRS 17, *Retirement benefits*. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31<sup>st</sup> March 2008 has been restated from £277m to £275m, a decrease of £2m, resulting in an increase of the pension deficit of £2m (31<sup>st</sup> March 2007 showed an increased deficit of £1.5m). Current and prior year General Fund position has been unaffected by this change.

### Transactions relating to retirement benefits

In the Income and Expenditure Account, the cost of retirement benefits is recognised in the Net Cost of Services when these are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is adjusted in the Statement of Movement in the General Fund Balance, so that the charge to the General Fund reflects cash payable for the year. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year to reflect this accounting treatment:

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Note 22      TRANSACTIONS RELATING TO RETIREMENT BENEFITS

The following table represents the outturn figures shown in the Council's main statements.

	2008/09 £000	2007/08 £000
<b>Net Cost of Services:</b>		
Current Service Cost	7,653	10,530
Past Service Cost	2,717	98
Cost of Settlements & Curtailments	176	165
	<b>10,546</b>	<b>10,793</b>
<b>Net Operating Expenditure:</b>		
Interest Cost	24,112	21,315
Expected Return on Assets in the Scheme	(19,842)	(20,741)
	<b>4,270</b>	<b>574</b>
<b>Net Charge to the Income and Expenditure Account</b>	<b>14,816</b>	<b>11,367</b>
<b>Additional Charges made for retirement benefits in the Statement of movement in the General Fund Balance (in accordance with FRS17):</b>		
Movement in Pensions Reserve	1,094	3,016
<b>Actual amount in respect of pension costs charged against Council Tax:</b>		
Employer's contributions payable to the Scheme and Unfunded Discretionary Payments	<b>15,910</b>	<b>14,383</b>

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £40.852m (£18.206m gain in 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses is £22.382 loss at 31<sup>st</sup> March 2009.

### Assets and liabilities in relation to retirement benefits

## Note 23      RECONCILIATION OF PRESENT VALUE OF THE SCHEME LIABILITIES

This table shows the movement in the scheme liabilities during the year as estimated by the Council's Actuary.

	2008/09 £000	Restated 2007/08 £000
<b>1st April</b>	<b>349,492</b>	<b>394,852</b>
Current service cost	7,641	10,613
Interest cost	24,112	21,315
Contributions by scheme participants	3,854	3,332
Actuarial gains and losses	(31,320)	(66,388)
Benefits paid	(14,486)	(14,495)
Past service costs	2,717	98
Settlements	176	165
Curtailments	0	0
<b>31st March</b>	<b>342,186</b>	<b>349,492</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Note 24 RECONCILIATION OF FAIR VALUE OF THE SCHEME ASSETS

This table shows the movement in the scheme assets during the year as estimated by the Council's Actuary.

	2008/09 £000	Restated 2007/08 £000
<b>1st April</b>	<b>275,489</b>	<b>286,518</b>
Expected rate of return	19,842	20,741
Actuarial gains and losses	(71,909)	(34,978)
Employer contributions	15,905	14,370
Contributions paid by scheme participants	3,854	3,333
Benefits paid	(14,486)	(14,495)
<b>31st March</b>	<b>228,695</b>	<b>275,489</b>

The expected return on scheme assets is determined by the current investment policy. Expected returns on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The expected return on scheme assets in the year was £19.842m (£20.741m in 2007/08).

## Note 25 SCHEME HISTORY

	2008/09 £000	Restated 2007/08 £000	Restated 2006/07 £000	* 2005/06 £000	* 2004/05 £000
Present value of liabilities	(342,186)	(349,492)	(394,852)	(396,129)	(334,159)
Fair value of assets in the scheme	228,695	275,489	286,518	263,747	210,261
Deficit in the scheme	(113,491)	(74,003)	(108,334)	(132,382)	(123,898)

\* The council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS 17 (as revised).

The liabilities show the underlying commitments that the Council has, over the long term, to pay retirement benefits. The total liability of £342.186m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £113.491m for the Pension Reserve.

However, statutory arrangements for funding the deficit mean that the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The total contributions as estimated by the Actuary to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 is £14.954m

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 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 scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries.

## Note 26 LONG TERM EXPECTED RATE OF RETURN ON ASSETS IN THE SCHEME

The principal assumptions used by the actuary have been:

	2008/09 £000	2007/08 £000
Equity investments	7.0%	7.7%
Bonds	5.4%	5.7%
Property	4.9%	5.7%
Cash	4.0%	4.8%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	19.6	19.6
Women	22.5	22.5
Longevity at 65 for future pensioners:		
Men	20.7	20.7
Women	23.6	23.6
Rate of inflation	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%
Rate of increase in pensions	3.1%	3.6%
Rate for discounting scheme liabilities	6.9%	6.9%
Expected Return on Assets	6.5%	7.1%
Take-up of option to convert annual pension into retirement lump sum	25.0%	25.0%

## Note 27 SCHEME ASSETS

The Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2009		Restated 31 March 2008	
	£000	%	£000	%
Equity investments	169,234	74%	192,799	70%
Bonds	38,878	17%	47,205	17%
Property	16,009	7%	25,153	9%
Cash	4,574	2%	10,332	4%
	228,695	100%	275,489	100%

# NOTES TO THE CORE FINANCIAL STATEMENTS

## **Note 28 MATERIAL TRANSACTIONS WITH RELATED PARTIES**

The Council is required to disclose material transactions with related parties (bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council). Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Council. Central Government 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 re-distribution of non-domestic rates, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in the table below:

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
<b>Income:</b>		
Formula Grant	(27,178)	(24,041)
Area Based Grant	(6,263)	0
Housing Benefit subsidy	(47,373)	(44,813)
Council Tax Benefit subsidy	(11,176)	(10,523)
Housing and Council Tax benefit admin subsidy	(1,305)	(1,338)
<u>Service related grants:</u>		
Corporate Services	(55)	(516)
Children's Services & Culture	(109,113)	(104,731)
Environmental Services	(336)	(1,045)
Housing Services	(3,417)	(2,819)
Adult & Community Services	(1,758)	(5,961)
VAT recovery	(18,710)	(19,230)
Other - Corporate Income	(900)	(365)
<b>Total Income from Government</b>	<b>(227,584)</b>	<b>(215,382)</b>
<b>Expenditure:</b>		
Contribution to Non-Domestic Rates Pool	69,944	64,707
National Insurance, PAYE & other deductions	32,637	33,627
VAT	1,705	1,698
<b>Total Expenditure to the Government</b>	<b>104,286</b>	<b>100,032</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

Members of the Council have direct control over the Council's financial and operating policies. During the year Members of the Council (or their immediate family) were also Members or employees of the following organisations with which the Council had material transactions:

Organisation	Nature of Material Transaction	2008/09	2007/08
		£000	£000
London Councils	Subscription Paid	972	850
Audit Commission	Fees Paid	290	447
Greater London Authority	Precept & Surplus Paid	27,544	26,730
Local Government Association	Subscription Paid	65	58
London Pensions Fund Authority	Levy Paid	371	295
Petersham Common	Payment for Maintenance	18	21
Richmond Churches Housing Trust	Supported and Other Housing Services	668	791
Richmond Housing Partnership	Supported and Other Housing Services	811	718
Richmond Theatre	Lease guarantee	683	600
Richmond & Twickenham PCT	Joint Commissioning / Funding	12,425	14,703
West London Waste Authority	Levy Paid	5,538	4,793
Environment Agency	Levy Paid	178	161
Solace Enterprises	Consultancy Services	42	74
South West Middlesex Crematorium	Support Services & Investment	770	786

### Voluntary Organisations

It is the nature of local government that the majority of Council Members are heavily involved in the local community through various organisations such as voluntary bodies, societies, groups etc., often as an appointed Council representative. Members' interests are formally disclosed in a register of interests, and the relevant Cabinet Member approves the amount of grant aid awarded to voluntary organisations annually. Both the register of Members' Interests and schedule of grant aid are public documents and further details are available on request. ~~These transactions are not regarded as material and are not separately disclosed in this note.~~

### The Pension Fund

The Pension Fund is a separate entity from the Council with its own Statement of Accounts. The following material transactions took place between the Council and the Pension Fund:

	2008/09	2007/08
	£000	£000
<b>Payments:</b>		
Pension contributions from the Council - employers' contributions	14,441	12,954
Pension contributions from employees - deductions paid over	3,995	3,365
Interest	90	116
	<b>18,526</b>	<b>16,435</b>
<b>Receipts</b>		
Indirect support costs recovered from the Pension Fund	<b>(378)</b>	<b>(375)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Senior Officers

Except for the following three declarations, Directors within the Council, who are in a position to significantly influence the policies of the Council, held no positions of influence during the year with any potential related parties where material transactions occurred:

- The Chief Executive has declared an interest as an officer of the SOLACE (Society of Local Authority Chief Executives) in 2008/09, of which Solace Enterprises is a subsidiary. The transactions with Solace Enterprises are disclosed in the table above.
- The Director of Finance and Corporate Services has declared an interest as Treasurer to the South West Middlesex Crematorium Board. The Council provides support services to the Board and also holds investment of surplus balances on behalf of the Board.
- The Director of Adult and Community Services has declared an interest as a co-opted member of the board for Richmond and Twickenham PCT. There is partnership working between the PCT and the Council including joint commissioning and funding arrangements.

The transactions with these organisations are disclosed in the table above.

## Amounts Due to and from Related Parties

Amounts outstanding in respect of related parties, including Central Government at the year-end are set out in the following table:

	2008/09		2007/08	
	Amount owed by the Related party	Amount owed to the Related party	Amount owed by the Related party	Amount owed to the Related party
	£000	£000	£000	£000
<b>Central Government:</b>				
Grants - Received in Advance	0	1,517	0	2,047
- Due	1,918	0	1,453	0
Amounts due from NNDR Pool	1,970	0	915	0
National Insurance	0	1,265	0	1,274
Income Tax	0	1,507	0	1,693
VAT	2,476	0	2,222	0
<b>Total Central Government</b>	<b>6,364</b>	<b>4,289</b>	<b>4,590</b>	<b>5,014</b>
<b>Other:</b>				
Audit Commission	0	72	0	98
South West Middlesex Crematorium	398	0	285	0

## Note 29 LONG-TERM CONTRACTS (PFI) – UNDISCHARGED OBLIGATIONS

The Council has a number of contracts, both of a capital and revenue nature, that extend beyond the accounting period covered by these accounts. Revenue contracts that extend beyond one year are normally for periods not exceeding 10 years and are index-linked for inflation with charges to services in the Income and Expenditure Account reflecting the actual cost of services provided in the financial year.

The only contracts for revenue expenditure that are for periods beyond 10 years are in respect of two Private Finance Initiative (PFI) contracts for the provision of residential care homes and primary schools. Under these contracts a private sector company provides and maintains the assets over the contract period for which the Council pays annual charges, known as unitary charges.

# NOTES TO THE CORE FINANCIAL STATEMENTS

Both PFI contracts include construction and facilities management. In addition, the social services scheme provides operational services such as the provision of care. Payments under these contracts in 2008/09 were £5.3m (residential care homes) and £2.8m (primary schools).

The charges paid to the contractors cover all contract costs, including financing costs. The costs of the contracts are offset by government grant towards PFI schemes. The purpose of this grant is to offset the notional capital element within the costs of each PFI scheme. The amount of grant received each year does not, however, directly match the related annual expenditure under the unitary charge, the grant being more than required in the early years of the contract and less in later years.

The effect of this incidence of PFI grant payments is that revenue surpluses arise on service accounts in the early years of the contract with deficits in later years. The surpluses are transferred to an earmarked reserve (in the Statement of Movement in the General Fund Balance) and drawn down in later years to fund deficits.

## Undischarged Obligations

The outstanding liabilities have been calculated based on real costs to be incurred, i.e. reflecting estimated inflation over the life of the contract as recommended in the appointed consultants' indicative financial models.

The following table shows the total outstanding undischarged obligations arising out of these long-term contracts:

	2008/09	2007/08
	£000	£000
<b>Social Services - Residential Care Homes</b>	121,465	127,144
(Contract for 25 years, commencing May 2001) This obligation will be fulfilled by charges to revenue over the remaining 17 years of the contract.		
<b>Education - Primary Schools</b>	80,716	83,817
(Contract for 30 years, commencing September 2002) This obligation will be fulfilled by charges to revenue over the remaining 23 years of the contract.		
<b>Total Outstanding Undischarged PFI Obligations</b>	<b>202,181</b>	<b>210,961</b>

## Note 30 ASSETS HELD UNDER PFI CONTRACTS

The Council has entered into two PFI contracts for the provision of residential homes and primary schools. Under the terms of these contracts the assets do not vest to the Council until the end of the contracts. A long-term debtor is built up in the accounts, based on the annual proportion of the estimated asset value on vesting to the Council, net of depreciation. These are shown in the following table:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	31 March 2009			31 March 2008
	Primary Schools	Residential Homes	Total	Total
	£000	£000	£000	£000
Estimated net Value of assets at the end of each contract	5,590	8,933	14,523	12,783
Amount, net of depreciation, recognised as a long-term debtor.	186	383	569	481
Cumulative amount, as at 31 <sup>st</sup> March 2009, recognised in the accounts as a long-term debtor.	1,301	2,415	3,716	3,146

### Note 31 SUMMARY OF CAPITAL EXPENDITURE AND FINANCING

The following Table demonstrates how capital expenditure on each class of asset has been financed within the year.

	Note	2008/09	2007/08
		£000	£000
<b>Capital Expenditure</b>			
<b>Operational Assets:</b>			
Land and Buildings	34	17,108	17,225
Vehicles, Plant, Furniture and Equipment	34	2,220	3,877
Infrastructure Assets	34	11,083	11,019
Community Assets	34	2,001	1,915
<b>Non-operational assets:</b>			
Investment Properties	34	120	166
Assets Under Construction	34	4,931	0
Deferred Charges (revenue expenditure charged to capital under statue)		6,377	6,757
<b>Total Capital Expenditure</b>		<b>43,840</b>	<b>40,959</b>
<b>Financing</b>			
Borrowing		2,164	3,149
Capital Grants	51	27,342	16,057
Section 106 Planning Obligations	* 51	173	376
LSVT (transfer of housing stock) Receipt		172	1,099
Capital Receipts		6,424	10,343
Direct Revenue Funding		6,035	9,240
Contributions	51	1,530	695
<b>Total Financing</b>		<b>43,840</b>	<b>40,959</b>

- *In this Table, Section 106 receipts are shown as a discrete source of finance but for accounting purposes they are treated as either revenue financing (creditors or receipts in advance) or capital contributions, analysed as follows:*

## NOTES TO THE CORE FINANCIAL STATEMENTS

	2008/09 £000	2007/08 £000
Direct Revenue Financing (Creditors and Receipts in Advance)	34	282
Capital Contributions	139	94
<b>Total s106 Funding</b>	<b>173</b>	<b>376</b>

### Note 32      COMMITMENTS UNDER CAPITAL CONTRACTS

The following capital schemes had future expenditure commitments (individual contracts) in excess of £0.5 m at 31<sup>st</sup> March 2009:

Scheme	Outstanding Commitment £000	Total Value of Contract £000	Estimated Completion
Teddington School – new build contract	22,295	29,036	March 2011

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Note 33 INFORMATION ON ASSETS HELD

The following table is intended to give a descriptive insight into the range of assets that make up the fixed asset balances in the Balance Sheet. Assets used but not owned (e.g. leased office accommodation) are not included:

	31 March 2009	31 March 2008
<b>Land and Buildings:</b>		
Nursery schools	1	1
Primary schools (excludes VA & PFI Schools)	22	22
Secondary schools (excludes VA & PFI Schools)	7	7
Special schools	2	2
Child guidance centre	1	1
Youth and community centre	5	5
Lending Libraries	12	12
Reference Library	1	1
Art Galleries	1	1
Cemeteries	6	6
Sports Centres	4	4
Allotment land (including leased plots) - in hectares	27.54	27.54
Swimming pools	2	2
Public halls	4	4
Offices (excludes leased accommodation)	10,231m <sup>2</sup>	9,436m <sup>2</sup> *
Conventional Public conveniences	5	5
Depots	1	1
Day centres for older people	8	8
Under 5's centres	2	2
Day Centres for people with mental health needs	0	1
Day Centres for people with physical disabilities	1	1
Day Centre for people with learning difficulties	1	1
Training Centre	1	1
Residential care home for people with learning disabilities	1	1
Supported housing	2	2
Garages	91	91
Hostels	3	3
<b>Vehicles &amp; Plant</b>	117	120
<b>Infrastructure:</b>		
Roads	405kms	405kms
Bridges and other structures	53	53
Car parks	27	27
<b>Community assets:</b>		
Ornamental parks	4	4
Parks / recreation grounds	16	16
Sports grounds	36	36
Open spaces	63	63
Conservation areas	72	72

\* Office space is now measured on the basis of usable space and the increase reflects the impact of Richmond Works (removal of corridors etc.)

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Note 34 MOVEMENTS IN FIXED ASSETS

Movements in Fixed Assets can be due to additions and enhancements (result of capital expenditure during the year), disposals (sale of assets), revaluation (by the Council's Valuer as part of a rolling five year programme), impairment (physical or economic) or depreciation (which allows for loss of value of an asset over time). The following table provides details of the movements in the value of tangible and intangible fixed assets held by the Council from 1 April 2008 to 31 March 2009:

	Intangible Assets £000	Operational Assets				Total Operational Assets £000	Non-Operational Assets £000	Total Fixed Assets £000
		Land & Buildings £000	Vehicles Plant & Equipment £000	Infra-structure Assets £000	Community Assets £000			
<b>1. Gross Book Value</b>								
Value at 1 April 2008	50	528,803	7,883	64,335	11,996	613,017	26,665	639,732
Additions / Enhancements	0	17,108	2,220	11,083	2,001	32,412	5,051	37,463
Disposals	0	(820)	0	0	0	(820)	(424)	(1,244)
Impairments	0	(38,528)	0	0	0	(38,528)	(406)	(38,934)
Revaluations	0	7,677	0	0	0	7,677	61	7,738
Value at 31 March 2009	50	514,240	10,103	75,418	13,997	613,758	30,947	644,755
<b>2. Accumulated Depreciation</b>								
Value at 1 April 2008	(5)	(14,602)	(2,315)	(6,927)	0	(23,844)	(31)	(23,880)
Depreciation Charge for the Year	(3)	(6,050)	(1,563)	(1,648)	0	(9,261)	0	(9,264)
Disposals	0	25	0	0	0	25	7	32
Impairments	0	2,241	0	0	0	2,241	12	2,253
Revaluations	0	4,865	0	0	0	4,865	0	4,865
Value at 31 March 2009	(8)	(13,521)	(3,878)	(8,575)	0	(25,974)	(12)	(25,994)
<b>3. Net Book Value</b>								
Value at 1 April 2008	45	514,201	5,568	57,408	11,996	589,173	26,634	615,852
Total net Movement	(3)	(13,482)	657	9,435	2,001	(1,389)	4,301	2,909
Value at 31 March 2009	42	500,719	6,225	66,843	13,997	587,784	30,935	618,761

There is one Intangible Asset that is an open-ended licence to use software, and is therefore depreciated on a straight-line basis using the recommended maximum life of 20 years. All assets shown in this table are owned by the Council. There are no financing leased or PFI assets held as fixed assets by the Council.

# NOTES TO THE CORE FINANCIAL STATEMENTS

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## **Note 35      DEPRECIATION OF FIXED ASSETS**

Tangible assets other than land, community assets and non-operational assets are written down for depreciation on a straight-line basis over their estimated life. These lives are assessed on an individual basis for buildings, vehicles, plant and equipment, and on a standard basis for other classes of assets, as follows:

### **Operational assets**

- Buildings are depreciated over the period of their useful life.
- Vehicles are depreciated over the period of their useful life.
- Infrastructure assets are depreciated over 40 years.
- Community assets are not depreciated.

Non-operational assets are not depreciated as the value of these assets is maintained to ensure the Council is able to maintain the income stream these assets represent.

Annual checks are carried out for any known material changes in the value or usefulness of assets. One asset was demolished in 2008/09 and written down as a result of this impairment review. The Council regularly commissions professionals to conduct a Conditions Survey, which is used to inform the Asset Management Plan priorities for works. Priority is given to assets identified as being most in need of works, which prevents any significant impairment occurring.

## **Note 36      VALUATION OF FIXED ASSETS**

The basis on which assets are valued in the balance sheet before depreciation is as follows:

Tangible assets:

- Land and buildings are valued at open market value on existing use basis with the exception of certain specialised operational assets (mainly leisure centres & schools) where the evidence of market value for existing use may not be available and alternative use value has been used.
- Vehicles, plant and equipment are valued at historic cost.
- Infrastructure assets are valued at historic cost.
- Community assets are valued at historic cost.
- Non-operational assets are valued at open market value.

Assets valued on a market value basis are subject to a rolling five-year programme of valuations. These valuations are carried out by the Council's internal Valuer, Peter Southcombe MRICS. The last time that a full revaluation of all assets was carried out was 1994 when these were first required and subsequently revaluations are undertaken on a rolling five-year programme.

The following table is required to show the progress of the Council's five-year rolling programme for the revaluation of fixed assets (the dates and amounts of valuations). This table shows the value of assets that have been re-valued in the last five years only. The value of assets not included in the revaluation programme is also shown for information. As this table shows only changes due to revaluation and excludes purchase, sale or enhancements to assets, it will not reconcile to any other assets' analysis in this document.

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Land & Buildings £000	Vehicles, Plant & Equipment £000	Infra- structure Assets £000	Community Assets £000	Non- Operational Assets £000	Total £000
Assets Valued at Historic Cost	0	6,225	66,843	11,900	0	84,968
Assets Valued at Current Value in the following years:						
2004/05	75,336	0	0	0	11,115	86,451
2005/06	37,870	0	0	0	1,356	39,226
2006/07	101,417	0	0	2,097	5,213	108,727
2007/08	125,945	0	0	0	2,433	128,378
2008/09	167,990	0	0	0	1,086	169,076
<b>Total Valuations at 31 March 2009</b>	<b>508,558</b>	<b>0</b>	<b>0</b>	<b>2,097</b>	<b>21,203</b>	<b>531,858</b>

### Note 37 CAPITAL FINANCING REQUIREMENT

Since the introduction of the Prudential Code, local authorities are required to calculate a number of indicators that help to determine whether it can maintain its borrowing within prudent and sustainable levels. One of the key indicators is the Capital Financing Requirement (CFR). The CFR represents the Council's underlying need to borrow, which is the value of assets, which have not been financed from existing resources and therefore require borrowing to fund them.

	31 March 2009 £000	31 March 2008 £000
Fixed Assets	618,761	615,852
PFI Long Term Debtors / Creditors	7,817	7,447
Revaluation Reserve	(31,757)	(19,729)
Capital Adjustment Account	(464,851)	(498,229)
PFI Financing Reserve	(3,716)	(3,146)
Government Grants Deferred	(71,742)	(48,662)
<b>Capital Financing Requirement</b>	<b>54,512</b>	<b>53,533</b>

### Note 38 STOCKS AND WORK IN PROGRESS

The following table provides an analysis of stocks and works in progress:

	31 March 2009 £000	31 March 2008 £000
<b>Stock</b>		
Highways Salt	10	40
Print Unit	34	29
Transport Fuel	33	88
Customer Services (small items for sale)	1	3
Catering	9	7
	87	167
<b>Work in Progress</b>		
Works chargeable to third parties	191	260
	<b>278</b>	<b>427</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Note 39 INVESTMENTS

The Council holds significant reserves to finance its expenditure and also receives regular cash receipts from sources including government grants and local taxpayers. These amounts are actively invested to maximise returns on cash balances with respect to the security of principal invested.

The following table summarises the Council's investment portfolio:

Principal - by period to maturity	31 March 2009				31 March 2008			
	Building Societies	Banks	Public Sector Entities	Total	Building Societies	Banks	Public Sector Entities	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Less than one Month	0	21,297	0	21,297	5,062	6,704	0	11,766
One to Three Months	5,000	3,900	0	8,900	19,871	1,576	0	21,447
Three to Six Months	4,800	7,300	0	12,100	2,150	10,883	0	13,033
Six Months to One Year	2,000	0	0	2,000	12,346	0	0	12,346
Over one Year	13,900	8,000	2,250	24,150	12,363	12,265	2,335	26,963
	<b>25,700</b>	<b>40,497</b>	<b>2,250</b>	<b>68,447</b>	<b>51,792</b>	<b>31,428</b>	<b>2,335</b>	<b>85,555</b>
Interest Received from Treasury Investments	3,294	1,663	260	5,217	3,954	1,927	270	6,151

## Note 40 LONG TERM DEBTORS

The following table provides an analysis of the Council's long-term debtors (debt with a remaining life of over a year):

Analysis by Type	31 March 2009	31 March 2008
	£000	£000
Mortgages	342	423
Car Loans	109	100
Loan to South West Middlesex Crematorium Board	33	40
PFI Schemes - Deferred Consideration	4,101	4,301
PFI Schemes - Long Term Debtors	3,716	3,146
	<b>8,301</b>	<b>8,010</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Note 41 DEBTORS AND CREDITORS

The following table shows payments in advance and receipts in advance included within gross debtors and creditors and the provision for impairment of bad and doubtful debts:

	31 March 2009		31 March 2008	
	Debtors	Creditors	Debtors	Creditors
	£000	£000	£000	£000
Debtors/Creditors	34,829	(32,825)	29,677	(31,246)
Receipts/Payments in Advance	3,866	(8,317)	3,826	(7,639)
Less Provision for impairment of Bad Debts	(9,095)	0	(8,729)	0
<b>Total Debtors / Creditors in Balance Sheet</b>	<b>29,600</b>	<b>(41,142)</b>	<b>24,774</b>	<b>(38,885)</b>
<b>ANALYSIS BY TYPE:</b>				
<b>Tax Payers:</b>				
National Non-Domestic Rates	2,298	(3,222)	1,740	(3,791)
Council Tax	7,226	(5,089)	6,646	(4,404)
	9,524	(8,311)	8,386	(8,195)
<b>Government &amp; Government Agencies</b>				
National Insurance	0	(1,265)	0	(1,274)
Value Added Tax	2,476	0	2,222	0
Pay As You Earn	0	(1,507)	0	(1,693)
Teachers' Pension contributions	0	(679)	0	(703)
Government Grants	1,918	(1,517)	699	(2,361)
National Non-Domestic Rates Pool	1,970	0	915	0
Other Government	531	(1,455)	138	(932)
	6,895	(6,423)	3,974	(6,963)
<b>Other Public Bodies</b>				
Other local authorities	2,189	(2,684)	2,016	(2,300)
Health Authorities & Trusts	24	(2,485)	251	(610)
	2,213	(5,169)	2,267	(2,910)
<b>General</b>				
Rents	2,267	(176)	1,735	0
Housing Benefit Claimants	2,033	0	1,762	(288)
Council Mortgagees	228	(325)	303	(322)
Other Debtors / Creditors *	10,105	(17,533)	8,685	(17,743)
	14,633	(18,034)	12,485	(18,353)
<b>Treasury Management</b>				
Banks & Other Financial Institutions	1,392	(368)	966	0
<b>Capital - General</b>				
	4,038	(2,837)	5,425	(2,465)
	5,430	(3,205)	6,391	(2,465)
<b>Total Debtors / Creditors</b>	<b>38,695</b>	<b>(41,142)</b>	<b>33,503</b>	<b>(38,886)</b>
<b>Less Provision for Bad Debts</b>	<b>(9,095)</b>	<b>0</b>	<b>(8,729)</b>	<b>0</b>
<b>Total Debtors / Creditors in Balance Sheet</b>	<b>29,600</b>	<b>(41,142)</b>	<b>24,774</b>	<b>(38,886)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Note 42 LONG TERM CREDITORS

The following tables provide an analysis of long-term creditors:

	31 March 2009 £000	31 March 2008 £000
<b>Analysis by Type</b>		
Performance Bonds	14	14
Section 106 receipts repayable if work not completed	1,372	1,332
	<b>1,386</b>	<b>1,346</b>

## Note 43 TEMPORARY AND LONG TERM BORROWING

The following tables provide an analysis of temporary and long-term borrowing:

	31 March 2009 £000	31 March 2008 £000
<b>Analysis by Type</b>		
PWLB - Fixed Rate	31,848	32,146
Market Loans	7,000	13,363
Other non-treasury balances	5,224	
	<b>44,072</b>	<b>45,509</b>
<b>Analysis by Age</b>		
Less than one year	7,224	6,286
Between 1 and 5 years	3,000	5,067
Between 5 and 10 years	5,000	0
Over 10 years	28,848	34,156
	<b>44,072</b>	<b>45,509</b>

## Note 44 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. For the Council this means that all treasury contracts (borrowings and investments) are recognised as financial instruments as well as trade receivables and payables and bank deposits. Statutory charges and payments (e.g. amounts due from Council Tax) are not recognised as financial instruments as these do not arise from contractual agreements and are outside the scope of the accounting treatment for financial instruments.

The following financial instruments are recognised in the Council's accounts for 2008/09:

Financial Liabilities (at amortised cost)

- Borrowings
- Trade and other payables
- Bank overdrafts

Financial Assets (at amortised cost)

- Investments and Loans receivable
- Trade and other receivables
- Bank deposits

# NOTES TO THE CORE FINANCIAL STATEMENTS

## **Note 45 ANALYSIS OF FINANCIAL INSTRUMENT BALANCES IN RESPECT OF INVESTMENTS AND BORROWINGS**

Borrowing and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current		TOTAL	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008	31 March 2009	31 March 2008
	£000	£000	£000	£000	£000	£000
Financial liabilities at amortised cost	(36,848)	(39,223)	(7,224)	(6,286)	(44,072)	(45,509)
<b>Total Borrowings</b>	<b>(36,848)</b>	<b>(39,223)</b>	<b>(7,224)</b>	<b>(6,286)</b>	<b>(44,072)</b>	<b>(45,509)</b>
Loans and Receivables	24,150	26,962	44,297	58,593	68,447	85,555
<b>Total Investments</b>	<b>24,150</b>	<b>26,962</b>	<b>44,297</b>	<b>58,593</b>	<b>68,447</b>	<b>85,555</b>

## **Note 46 GAINS AND LOSSES ON FINANCIAL INSTRUMENTS**

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

	Financial Liabilities		Financial Assets		Total	
	Measured at Amortised Cost		Loans and Receivables			
	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
	£000	£000	£000	£000	£000	£000
Interest Expense	4,625	4,601	0	0	4,625	4,601
Interest Income	0	0	(5,236)	(6,151)	(5,236)	(6,151)
<b>Net (gain)/loss for the year</b>	<b>4,625</b>	<b>4,601</b>	<b>(5,236)</b>	<b>(6,151)</b>	<b>(611)</b>	<b>(1,550)</b>

## **Note 47 ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE**

### **Financial liabilities at amortised cost**

The Council's financial liabilities consist of long and short-term borrowing and trade creditors. These are not carried at fair value as they do not meet the criteria for a fair valuation basis (that is - they are not held for trading, do not show evidence of being managed for short term profit making and are not derivatives).

The interest payable on these loans is either fixed at the prevailing market rate at the time of the loan, or varies with market seven day lending rates.

Long term fixed rate debt is anticipated to be held to maturity to finance the Council's need to borrow as calculated in the Capital Financing Requirement (see Note 37). The majority of the Council's long-term debt is held by the Public Works and Loans Board (PWLb) that is part of the Government.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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The Council holds one long-term market loan (£5m) where the lender has the option to vary the rate on every 5<sup>th</sup> anniversary of the loan. If the lender exercises this option, the Council has the option to accept the new rate of interest or redeem the loan with no penalty. The next option to vary occurs in 2013.

Short-term debt is with other public bodies or charities and therefore varies with the needs of the counterparty to realise their investment. There is an element of cash flow lending to related public bodies such as the South West Middlesex Crematorium Board under the arrangements by which the Council acts as their financial administrators. The terms of these loans allow for repayment on demand by the counterparty, and interest is paid to them based on the average 7-day market rate. Where maturity is within 12 months the amortised cost is assumed to be equivalent to fair value.

Trade creditors are also considered short term as the Council's policy is to pay all creditors within their agreed terms (usually 28 days or 10 days to local small businesses). Where maturity is within 12 months the amortised cost is assumed to be equivalent to fair value.

### Loans and Receivables

The Council's financial assets consist of short and long term investments, bank deposit accounts and trade debtors. These are not carried at fair value as they do not meet the criteria for a fair valuation basis (that is - they are not held for trading, do not show evidence of being managed for short term profit making and are not derivatives).

Short-term investments are mainly fixed term deposits with financial institutions, although there is a small loan to a local charity. There is no trading and interest is fixed at the time the deposit is made. Where maturity is within 12 months the amortised cost is assumed to be equivalent to fair value.

Long-term investments are fixed term deposits mainly with financial institutions but also one other Local Authority. Again, interest is usually set at the time of the investment, although two of the deposits held at year-end have the option for the borrower to repay early at set points on the anniversary of the agreement date.

Bank deposits (including instant and short notice deposit accounts) accrue variable rate interest. Where maturity is within 12 months the amortised cost is assumed to be equivalent to fair value.

Trade debtors are considered short term, as the Council's policy is to pursue recovery of debt on a prompt basis, unless there are over-riding service considerations, which would mainly occur for clients contributing to the cost of their care. Where maturity is within 12 months the amortised cost is assumed to be equivalent to fair value.

### Note 48 FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- PWLB loans are valued using the PWLB "premature repayment" rates in force on 31<sup>st</sup> March 2009
- Other loans and borrowings were valued individually using the comparable rate at the balance sheet date for a loan with the same maturity and similar counterparty
- The fair value of trade and other receivables is taken to be the invoiced or billed amount
- The fair value of trade and other receivables is taken to be the invoiced amount.

# NOTES TO THE CORE FINANCIAL STATEMENTS

The following table shows fair values that are different to their carrying value in the balance sheet.

	31 March 2009		31 March 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
<b>Assets</b>				
Loans and Receivables	68,447	72,946	85,555	86,884
<b>Liabilities</b>				
Financial Liabilities	(44,072)	(49,023)	(45,509)	(47,515)

**Financial Assets:** The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the Council would receive if it agreed to early repayment of the loans.

**Financial Liabilities:** The fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

## **Note 49 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND HOW THE COUNCIL MANAGES THOSE RISKS**

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
- 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 for treasury instruments is carried out under policies approved by the Council in the annual treasury management strategy and policy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

### **Credit Risk**

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

In respect of investment assets, the Council's investment strategy:

- Sets out clear procedures for determining the type of asset class to be used
- Restricts investments to those denominated in sterling to avoid any exchange rate risk
- Prescribes maximum periods for investments in each asset class
- Prescribes financial limits to be invested in each asset class
- Prescribes the maximum amount to be held in short-term investments (i.e. those that may be redeemed or repaid within 12 months of the investment).
- Limits the amount to be invested over 12 months to 40% of the investment portfolio

For Investments and Loans receivable:

## NOTES TO THE CORE FINANCIAL STATEMENTS

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The Council's investment objectives are to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. Overall levels of investment are governed by cash flow, and cash flow projections are used to determine the duration of investments made to ensure sufficient liquidity. Liquidity is further enhanced by the use of "instant access" deposit accounts, market borrowing and as a last resort the Public Works and Loans Board (PWLB) would offer short term loans to cover any cash flow deficit. There was no requirement to use PWLB borrowing in this way during 2008/09 or 2007/08.

In respect of the security of its investment assets, the Council's policy uses credit ratings published by Fitch (one of the major international credit rating agencies) to measure the credit quality and risk of each counterparty with which it invests. Credit ratings are continuously monitored and, in addition to notification of changes by the credit rating agency, the Council's treasury team receives regular updates from its external financial advisors as well as using its own assessment of changes to individual risks. This assessment is used to determine appropriate limits for each category of investment. These limits are set out in the Treasury Management Strategy that can be viewed via the following link:

[http://modern.gov.richmond.gov.uk/Published/C00000163/M00001968/AI00017644/\\$11aAppendixATMStrategy.docA.ps.pdf](http://modern.gov.richmond.gov.uk/Published/C00000163/M00001968/AI00017644/$11aAppendixATMStrategy.docA.ps.pdf)

The following are a summary of relevant limits approved for 2008/09:

Banks that are on the Financial Services Authority authorised list, that are incorporated within the UK – a total investment limit of between £10 and £15 m.

Banks that are on the Financial Services Authority authorised list, that are incorporated outside the UK - a total investment limit of between £5 and £10 m.

Building Societies that are incorporated within the UK with assets in excess of £1 billion, a total investment limit of between £5 and £10 m depending on the value of their assets.

These limits on amounts to be placed with counterparties are based both on the credit assessment of the counterparty, and with a view to limiting the Council's exposure with any one institution.

During 2008/09, Councillors were advised of the necessity to tighten the investment criteria, and regular reports were made to Cabinet from October onwards. These reports covered the need to weigh up the security of investing with a shorter list of counterparties of perceived higher quality at higher overall limits which would increase the loss if any one failed, against the risk of spreading investments over more counterparties to limit the cash value with any one counterparty but increase the perceived probability of any one failing.

The approved counterparty list was also amended to include institutions fully and partially owned by the Government, such as Northern Rock.

Further information on the changes made and risks discussed is available in the relevant Cabinet reports.

### For Trade Receivables:

Customers are assessed, taking into account their financial position, past experience and other factors, with credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and collection data over the last five financial years (four years for customers), adjusted to reflect current market conditions:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Amount at 31 March 2009 £000	Historical experience of default %	Historical experience of default adjusted for market conditions at 31 March 2009 %	Estimated maximum exposure to default and uncollectability £000
	A	B	C	(A x C)
Deposits with banks and financial institutions	65,900	0	0	0
Loans with Other Local Authorities	2,250	0	0	0
Customers	<u>6,454</u>	3.4%	5.4%	349
	<u><b>74,604</b></u>			<u><b>349</b></u>

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and loans. The Council did not have any exposure to Icelandic banks during 2008/09. The Council has taken advice from their Treasury Advisors who have confirmed there is no adjustment for market conditions at 31<sup>st</sup> March 2009 on the basis of the counterparty assessments the Council undertakes before making any investment.

The historic experience of default on customer debt has averaged 3.4% (3.8% as at 31 March 2008) on debt outstanding at year-end over the last five years (comparative data is only available from the introduction of new systems in 2004/05). In the previous year (2007/08), in view of the onset of potentially more difficult collection circumstances due to the recession, the default rate used to project the potential risk of default on customers' debts was assessed as equivalent to the average of the two worst years experience in the past four years. On the evidence of collection rates in 2008/09 (as evidenced by the table below), and taking into account the continuing difficult economic climate, the same default rate of 5.4% is assumed in the current projection of risk exposure to default on these outstanding debts.

The Council does not generally allow credit for customers, such that £3.576m of the £6.454m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	Amount at 31 March 2009 £000	Amount at 31 March 2008 £000
Less than three months	1,141	1,997
Three to six months	511	507
Six months to one year	460	700
More than one year	<u>1,464</u>	<u>1,768</u>
	<u><b>3,576</b></u>	<u><b>4,972</b></u>

### Liquidity risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. To limit the risk of having to refinance or repay a significant amount of loans at any one time, the Council sets maturity limits of loans. Possible repayment and new borrowing considers the maturity curve of debt while weighing this against the interest costs of different loans. The maturity analysis of treasury financial liabilities is as follows:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Lower Limit 2008/09 %	Upper Limit 2008/09 %	Outturn 2008/09 %
Under 1 year	0%	30%	16%
1 to 2 years	0%	40%	0%
2 to 5 years	0%	50%	7%
5 to 10 years	0%	60%	5%
10 to 15 years	} 20%	} 85%	33%
15 to 25 years			28%
over 25 years			11%

### Market risk

#### Interest rate risk

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

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to set a limit of a maximum of 50% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. For most local authorities the risk of loss will be ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs. As the Council's Formula Grant is paid at the guaranteed minimum level, there is no amelioration of this risk from that source.

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

According to this assessment strategy, at 31 March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	Amount at 31 March 2009 £000	Amount at 31 March 2008 £000
Increase in interest payable on variable rate borrowing	52	63
Increase in interest receivable on variable rate investments	(440)	(574)
Increase in government grant received for financing costs	0	0
<b>Impact on Income and Expenditure Account</b>	<b>(388)</b>	<b>(511)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

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

## Price risk

The Council does not generally invest in equity shares. The Council is consequently not exposed to losses arising from movements in the prices of the shares.

## Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates. The Council occasionally transacts in foreign currency but the value and frequency of these transactions does not indicate any currency hedging or other risk control measure would be beneficial.

## **Economic Environment**

The economic downturn during 2008/09 has been well documented in the media and the impact on various Council services has been reported to Cabinet and Council Members.

The impact of the recession on trade receivables and payables is detailed above.

The impact on counterparty risk in terms of treasury management is that all institutions with high street customers would be exposed to increased defaults. The concerns of commercial institutions, which continue to limit inter bank lending to mitigate their own risks, further pressurise institutions at risk. This could lead to further defaults and possible failure of financial institutions. The Council's policy limits the counterparties it would invest with by using credit ratings produced by Fitch. Ratings agencies have been criticised for delays in reviewing ratings. The move to a shorter list during 2008/09 would not avoid any counterparty risk, but setting higher standards leaves more room for ratings to decrease without undue risk of the counterparty failing.

Of the investments held at 31<sup>st</sup> March 2009, there were none with counterparties that did not meet the formal criteria approved by Council. There were investments of £18.4m with Building Societies that were not on the restricted list, which was being used for new investments at that point. These were not recognised as at risk due to no Building Society having formally failed at that point.

A summary of the investments by institution type on 31<sup>st</sup> March 2009 is given below for further information:

<b><u>Institution</u></b>	<b><u>Investment</u></b> <b><u>£000</u></b>
<b>Building Societies</b>	
- Nationwide Building Society	7,300
- Other	18,400
<b>UK Banks</b>	
- Northern Rock	6,000
- Royal Bank of Scotland	9,300
- Lloyds Group	9,450
- Other UK Banks	15,450
<b>Local Authorities</b>	<b>2,250</b>
<b>TOTAL *</b>	<b>68,150</b>

\* excludes cash held in banks for cash flow purposes

## **Note 50 UNUSED CAPITAL CONTRIBUTIONS AND GRANT**

The following table shows the movement on government grants for capital expenditure and capital contributions from third parties, for example from schools (in relation to expenditure on their buildings).

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Balance at 1 April 2008 £000	Grant / Contribution Received £000	Grant / Contribution Used £000	Balance at 31 March 2009 £000
Capital Contributions	1,309	1,570	(1,559)	1,320
Government Grant	9,017	21,616	(27,342)	3,291

### Note 51 GOVERNMENT GRANT DEFERRED

The following table shows the amount of government grant (and other external contributions) that has been applied to finance capital expenditure in the year (government grant deferred) and written down to the Capital Adjustment Account through the Income and Expenditure Account.

	2008/09		2007/08	
	£000	£000	£000	£000
Balance Brought Forward		(48,662)		(37,048)
Applied in Year:				
Government Grants	(27,342)		(16,057)	
Section 106 Receipts*	(140)		(94)	
Other Capital Contributions	(1,530)	(29,012)	(695)	(16,846)
		(77,674)		(53,894)
Written down to Capital Adjustment Account through the Income & Expenditure Account		5,932		5,232
<b>Balance Carried Forward at 31 March</b>		<b>(71,742)</b>		<b>(48,662)</b>

\* In this Table, Section 106 receipts are shown as a discrete source of finance but for accounting purposes they are treated as either revenue financing (creditors or receipts in advance) or capital contributions.

### Note 52 INSURANCE

The Council has two methods of insurance. External insurance is bought for unmanageable scenarios, such as catastrophic loss. Self-insurance is used for smaller possible losses (e.g. vandalism, replacement of stolen equipment) where the cost would be below the excess of the external policy.

The Council held the following insurance policies with external insurers with material excess limits:

Policy	2008/09		2007/08	
	Total Sum Insured	Excess	Total Sum Insured	Excess
	£000	£000	£000	£000
Property	649,056	100	617,551	100
Public Liability	30,000	112	30,000	108
Employer's Liability	30,000	112	30,000	108
Vehicles	n/a	157	n/a	151

The sums insured include cover for terrorism for which there is an additional premium.

The Council maintains an Insurance Fund set aside as self-insurance for uninsured risks. The Fund is split between existing and un-discharged claims at 31<sup>st</sup> March that will, with reasonable certainty, give rise to expenditure by the Council (recognised as a Provision) and an amount set aside to fund unknown or future losses (recognised as a Reserve). The total Fund is regularly

## NOTES TO THE CORE FINANCIAL STATEMENTS

reviewed by external assessors to ensure that sufficient cover is provided, with the last valuation and review in 2006.

<b>Insurance Fund</b>	<b>31 March 2009</b>	<b>31 March 2008</b>
	<b>£000</b>	<b>£000</b>
Recognised as a Reserve	3,659	2,923
Recognised as a Provision	1,395	1,943
<b>Total Fund at 31st March</b>	<b>5,054</b>	<b>4,866</b>

### Note 53 PROVISIONS

The following table provide an analysis of movement in provisions:

	<b>Balance at 1 April 2008</b>	<b>Provision Made</b>	<b>Provision Used</b>	<b>Balance at 31 March 2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Insurance Fund	(1,943)	(1,395)	1,943	(1,395)
Section 117	(411)	0	411	0
Excluded Pupils	(226)	0	10	(216)
Home Loans Unit	(220)	0	0	(220)
Single Status	(701)	0	701	0
Tideway Service Charges	0	(100)	0	(100)
Other Provisions	(541)	(499)	400	(640)
	<b>(4,042)</b>	<b>(1,994)</b>	<b>3,465</b>	<b>(2,571)</b>

The provision for bad debts is netted off against debtors in the Balance Sheet as an estimate of the reduction in the value of outstanding debts at 31<sup>st</sup> March. Details of the provisions set out in the above table are as follows:

#### Insurance Fund

In common with most local authorities, the Council operates an Insurance Fund as a means of self-insurance. The Fund is periodically valued by external assessors to ensure that it is maintained at an appropriate level, sufficient to meet claims on a 'worst year in nine' basis. The Insurance Fund is held as a reserve (see

Note 57), except that part of the Fund that relates to claims made upon the fund and outstanding at 31<sup>st</sup> March. The value of these claims is held as a provision to meet future expenditure that the Fund is likely to incur in meeting the claims. Details of the Insurance Fund are provided in the Note on Insurances (Note 52).

#### Section 117

A provision of £1.5m was set aside in 2002/03 for the cost of reimbursing people who were unlawfully charged for mental health after-care services provided under section 117 of the Mental Health Act. A policy for identifying people for reimbursement was agreed by Cabinet in 2003. During 2007/08 the provision was re-assessed and reduced to reflect a lower certainty of payments being made. In 2008/09, the provision has been reduced to nil to reflect the uncertainty of any future claimants. A reserve has been established to cover any future commitments (see Note 57).

#### Excluded Pupils

Excluded pupils that are placed in alternative accommodation in other local authorities' schools are subject to future retrospective claims for Formula Funding (other local authorities have up to 6 years to make a claim). The provision has been established to meet claims that are anticipated after 31<sup>st</sup> March 2009.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Home Loans Unit

The Council operates the Home Loans Unit on behalf of all London Boroughs. A provision has been established for future disbursements to these Boroughs arising from past transactions.

## Single Status

At 31 March 2008 the Council had a number of outstanding claims in respect of Single Status (equal pay). All of these known claims were settled during 2008/09 and the Council no longer requires either a provision or a reserve. Should there be any future claims (from any staff that have previously left the Council employment), these will be met from the revenue budgets.

## Tideway Service Charges

A provision is recognised in 2008/09 for service charges due in respect of property leased by the Council. These charges are subject to a dispute between the parties but following negotiations the position at 31 March 2009 is that whilst there is still uncertainty over the timing and exact amount of payment due, a provision can be recognised in accordance with FRS 12.

## Other Provisions

The Council maintains a number of smaller provisions within both Adult and Children's Social Care areas that relate to funds received from third parties to finance expenditure in specific service areas. The Council has an obligation to incur the particular expenditure for which funds have been received.

## Note 54 SUMMARY OF MOVEMENT IN RESERVES

The following table summarises the movement in all the Council's reserves as set out in the Balance Sheet. It analyses the movement in reserves between those that are included in the Income and Expenditure Account and those that are separately recognised in the Statement of Total Recognised Gains and Losses.

Details of movements in the Pension Fund Reserve, Capital Reserves and Revenue Reserves are set out in subsequent notes:

	Total Recognised Gains and Losses					Balance at 31 March 2009 £000
	Restated Balance at 1 April 2008 £000	Net Revenue (Surplus) /Deficit in the I&E £000	Revaluation (Gains)/ Losses £000	Net Capital Movement £000	Collect ion Fund £000	
<b>Capital Reserves</b>						
Revaluation Reserve	(19,729)	574	(12,602)	0	0	(31,757)
Capital Adjustment Account	(498,229)	43,572	0	(10,194)	0	(464,851)
PFI Financing Reserve Account	(3,146)	(570)	0	0	0	(3,716)
Deferred Capital Receipts	(432)	0	0	82	0	(350)
Usable Capital Receipts Reserve	(11,272)	(1,961)	0	5,401	0	(7,832)
Home Loans Unit Capital Reserve	(174)	160	0	(99)	0	(113)
<b>TOTAL CAPITAL RESERVES</b>	<b>(532,982)</b>	<b>41,775</b>	<b>(12,602)</b>	<b>(4,810)</b>	<b>0</b>	<b>(508,619)</b>
<b>Revenue Reserves</b>						
Earmarked Revenue Reserves	(30,191)	(3,463)	0	4,810	0	(28,844)
Schools' Reserves	(6,389)	452	0	0	0	(5,937)
Collection Fund	(1,053)	0	0	0	692	(361)
Home Loans Unit	(109)	2	0	0	0	(107)
General Fund Balance	(12,094)	639	0	0	0	(11,455)
	(49,836)	(2,370)	0	4,810	692	(46,704)
Pensions Reserve	74,003	(1,094)	40,582	0	0	113,491
<b>TOTAL REVENUE RESERVES</b>	<b>24,167</b>	<b>(3,464)</b>	<b>40,582</b>	<b>4,810</b>	<b>692</b>	<b>66,787</b>
<b>TOTAL RESERVES / NET WORTH</b>	<b>(508,815)</b>	<b>38,311</b>	<b>27,980</b>	<b>0</b>	<b>692</b>	<b>(441,832)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Note 55 PENSION FUND RESERVE

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	2008/09 £000	Restated 2007/08 £000	Restated 2006/07 £000	* 2005/06 £000	* 2004/05 £000
Difference between the expected and actual return on assets	(71,909)	(34,978)	1,555	35,637	8,453
As % of present value of assets	(31.4%)	(12.7%)	0.5%	13.5%	4.0%
Experience gains and losses on liabilities	344	9,402	720	(36)	19,930
As % of present value of liabilities	0.1%	2.7%	0.2%	0.0%	6.0%

\* The council has elected not to restate for 2004/05 and 2005/06 as permitted by FRS 17 (as revised).

## Note 56 ANALYSIS OF CAPITAL RESERVES

	31 March 2009 £000	31 March 2008 £000
<b>Revaluation Reserve</b>		
Balance brought forward at 1 April	(19,729)	0
Revaluations upwards	(12,602)	(23,159)
Depreciation on current cost value	574	297
Disposal - current value	0	3,133
<b>Balance carried forward at 31 March</b>	<b>(31,757)</b>	<b>(19,729)</b>
<b>Capital Adjustment Account (CAA)</b>		
Balance brought forward at 1 April	(498,229)	(499,230)
Capital Receipts applied	(6,596)	(11,442)
Capital Grants applied	(5,932)	(5,232)
Revenue financing	(6,069)	(9,522)
MRP	(1,185)	(921)
PFI long-term debtors - consideration	200	200
Depreciation - historic cost	8,690	8,008
Write-off of revenue expenditure treated as capital under statute	6,378	6,757
Disposals - historic cost	1,213	1,628
Revaluation downwards / impairment	36,679	11,525
<b>Balance carried forward at 31 March</b>	<b>(464,851)</b>	<b>(498,229)</b>
<b>PFI Financing Reserve Account</b>		
Balance brought forward at 1 April	(3,146)	(2,665)
PFI deferred debtors	(570)	(481)
<b>Balance carried forward at 31 March</b>	<b>(3,716)</b>	<b>(3,146)</b>

*Table continues on the next page*

# NOTES TO THE CORE FINANCIAL STATEMENTS

Table continues from previous page

	31 March 2009 £000	31 March 2008 £000
<b>Deferred Capital Receipts</b>		
Balance brought forward at 1 April	(432)	(630)
Written down	81	198
<b>Balance carried forward at 31 March</b>	<b>(351)</b>	<b>(432)</b>
<b>Usable Capital Receipts Reserve</b>		
Balance brought forward at 1 April	(11,272)	(17,527)
Capital receipts	(3,224)	(5,248)
Payment to Government (Pooling Payment)	66	61
Capital receipts applied	6,596	11,442
<b>Balance carried forward at 31 March</b>	<b>(7,834)</b>	<b>(11,272)</b>
<b>Home Loans Unit Capital Receipts</b>		
Balance brought forward at 1 April	(174)	(238)
Capital receipts	(99)	(336)
Capital distribution	160	400
<b>Balance carried forward at 31 March</b>	<b>(113)</b>	<b>(174)</b>
<b>Total Capital Reserves</b>	<b>(508,622)</b>	<b>(532,982)</b>

## Note 57 ANALYSIS OF REVENUE RESERVES

DESCRIPTION / PURPOSE	Balance at 31 March 2008 £000	Movement in Year £000	Balance at 31 March 2009 £000
<b>APPLICATION GOVERNED BY STATUTE:</b>			
Collection Fund	(1,052)	691	(361)
Home Loans Unit	(109)	2	(107)
	<b>(1,161)</b>	<b>693</b>	<b>(468)</b>
<b>APPLICATION OUTSIDE THE COUNCIL'S DIRECT CONTROL:</b>			
Schools' Balances	(6,389)	452	(5,937)
	<b>(6,389)</b>	<b>452</b>	<b>(5,937)</b>
<b>EARMARKED FOR CERTAIN OR PROBABLE EXPENDITURE OUTSIDE THE COUNCIL'S CONTROL:</b>			
General Insurance Reserve	(2,923)	(736)	(3,659)
Vehicles Insurance Reserve	(152)	(25)	(177)
Schools Maternity and Supply cover scheme	(300)	(157)	(457)
	<b>(3,375)</b>	<b>(918)</b>	<b>(4,293)</b>
<b>EARMARKED FOR POSSIBLE EXPENDITURE / LOSS OF INCOME OUTSIDE THE COUNCIL'S CONTROL:</b>			
Provision for VAT Liabilities	(164)	0	(164)
Single Status Reserve	(180)	180	0
	<b>(344)</b>	<b>180</b>	<b>(164)</b>

Table continues on the next page

# NOTES TO THE CORE FINANCIAL STATEMENTS

Table continues from previous page

DESCRIPTION / PURPOSE	Balance at 31 March 2008	Movement in Year	Balance at 31 March 2009
<b>EARMARKED FOR FUTURE INVESTMENT IN BUILDING &amp; TECHNOLOGY INFRASTRUCTURE AND MAINTENANCE:</b>			
Infrastructure Reserve	(8,510)	3,284	(5,226)
Project Development Reserve	(2,549)	1,044	(1,505)
Repairs and Renewals Fund	0	(159)	(159)
Libraries Trading Account	(100)	35	(65)
IT Systems Reserve - E Government and Land Charges	(7)	0	(7)
Maintenance of Graves	(25)	0	(25)
Staff Common Room Lets	(1)	0	(1)
Education - Field House Holding A/C	(39)	2	(37)
	<b>(11,231)</b>	<b>4,206</b>	<b>(7,025)</b>
<b>EARMARKED FOR PURCHASE, REPAIR &amp; MAINTENANCE OF VEHICLES, PLANT &amp; EQUIPMENT:</b>			
Social Services Special Equipment and Furniture Fund	(145)	(116)	(261)
	<b>(145)</b>	<b>(116)</b>	<b>(261)</b>
<b>EARMARKED FOR SPECIFIC PURPOSES WITHIN SPECIFIC SERVICES OR HELD ON BEHALF OF THIRD PARTIES:</b>			
Carry Forwards Reserve	(1,075)	(448)	(1,523)
PFI Reserve (Education and Social Services)	(6,304)	(375)	(6,679)
Waste and Recycling Reserve	(1,103)	42	(1,061)
Youth Development Fund	(1,000)	0	(1,000)
Community Development Fund	(966)	754	(212)
Climate Change Reserve	(990)	159	(831)
Efficiency Reserve	0	(983)	(983)
Section 106 Interest Reserve	(1,029)	(79)	(1,108)
Section 117 Reserve	(660)	(362)	(1,022)
Redundancy Reserve	(296)	296	0
Economic Development Fund	(575)	(179)	(754)
St. Luke's Day Centre Holding A/C	(70)	(3)	(73)
Way to Work Modern Apprenticeship Scheme Reserve	(13)	(41)	(54)
Salaries and General Oncost Account	(568)	80	(488)
Public Service Agreement Revenue	(335)	(704)	(1,039)
Youth Centres Reserve	0	(70)	(70)
Thames Landscape Strategy - Funds held for third party	(45)	(63)	(108)
Other Minor Earmarked Reserves	(68)	(29)	(97)
	<b>(15,097)</b>	<b>(2,005)</b>	<b>(17,102)</b>
<b>TOTAL EARMARKED FOR SPECIFIC PURPOSES HELD AS A GENERAL CONTINGENCY FOR ANY PURPOSE:</b>	<b>(37,742)</b>	<b>2,492</b>	<b>(35,250)</b>
General Fund Balance	(12,094)	639	(11,455)
<b>TOTAL USABLE REVENUE RESERVES:</b>	<b>(49,836)</b>	<b>3,131</b>	<b>(46,705)</b>
Pensions Reserve (2007/08 figure restated)	74,003	39,488	113,491
<b>TOTAL REVENUE RESERVES</b>	<b>24,167</b>	<b>42,619</b>	<b>66,786</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Note 58 DEDICATED SCHOOLS GRANT

The basis on which government financial support for the funding of schools changed in 2006/07. Previously funding was provided as part of the Council's overall Formula Grant. In 2008/09, the Council continued to receive a specific grant - the Dedicated Schools Grant (DSG). £91.127m has been credited against the Education outturn in the Income and Expenditure Account, compared to £85.924m in 2007/08.

## Note 59 SCHOOLS' BUDGETS AND BALANCES

The Council's expenditure on schools is funded by grant provided by the Department for Children, Schools and Families (DCSF) – the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be spent on expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on a Council-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on these two elements are required to be accounted for separately. The Council supplemented the Schools Budget from its own resources by £29,000 in 2008/09.

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG	(13,672)	(77,455)	(91,127)
Brought forward from 2007/08	32	0	32
<b>Agreed budgeted distribution in 2008/09</b>	<b>(13,640)</b>	<b>(77,455)</b>	<b>(91,095)</b>
Actual central expenditure	13,669	0	13,669
Actual ISB deployed in schools	0	77,907	77,907
<i>Sub Total</i>	29	452	481
Local Authority Contribution for 2008/09:			
From Council Resources	(29)	0	(29)
From Schools' balances brought forward	0	(452)	(452)
Carry forward to 2009/10	<b>0</b>	<b>0</b>	<b>0</b>

## Summary Revenue and Capital Balances held with Schools

This table shows the total of school balances held at the start of the year, movements in the year and closing balances.

	Revenue £000	Capital £000
Schools' balances at 1 April 2008	(6,389)	(1,099)
Revenue Balances Drawn Down	452	0
Capital Balances Accrued	0	(136)
Schools' balances at 31 March 2009	<b>(5,937)</b>	<b>(1,235)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Range of Size of Balances

	31 March 2009 £000	31 March 2008 £000
<b>Range of size of revenue balances:</b>		
Largest Overdrawn Balance	313	76
Largest Surplus Balance	(492)	(449)
<b>Range of size of capital balances:</b>		
Largest Overdrawn Balance	0	3
Largest Surplus Balance	(106)	(93)

Balances on individual schools' budgets are carried forward to the next financial year and held in an earmarked reserve. Unspent balances are added to the school's budget for the following year and overspendings are deducted. Schools are required to maintain a balanced budget taking one year with another.

## Note 60 CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities and assets relate to possible expenditure or income arising from a past event that has not been recognised in the Statement of Accounts due to the probability that a transfer of economic benefits will not arise. A review is undertaken annually to identify potential contingent assets and liabilities. There are always a number of claims and potential costs outstanding against the Council of which those with material financial costs and realistic chances of having to be met are included in the following disclosure:

### Richmond Theatre

The Council is party to an agreement under which it guarantees annual lease rental payments in respect of Richmond Theatre that are due to the Royal Bank of Scotland (Industrial Leasing) Limited and payable by Ambassadors Theatre Group. The agreement commenced in 1999 and the final payment is due on 31 March 2013. This agreement supersedes a previous loan guarantee that ran from 1992 to 1999, which has been discharged.

Up to 31 March 2009 the council has paid £1.6 m under the loan guarantee agreement and £5.4 m under the lease rental guarantee agreement. Total future lease rentals, for which the Council may be liable, total £3.4 m of which £0.7 m is due in 2009/10. The present value of the total future contingent liability is £3.1 m. The Council has made planned resources available in its medium term financial plan to accommodate this potential expenditure.

### VAT Refund due under Fleming Ruling

The Council has submitted a claim for overpayment of VAT and compound interest on that overpayment to HMRC. The overpayment relates to the change in regulations on reclaiming VAT. The refund of VAT is technically due to the Council but depends on HMRC agreeing our evidence is sufficient to make the claim. The amount of VAT claimed is £0.7m with interest of £0.7m on this balance. Overall the Council may receive up to £1.4m if the claim is settled in full, in our favour.

## Note 61 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts is authorised for issue on 29 June 2009 (see page 98). There are no events that occurred after 31 March 2009 that either require adjustment to the accounts nor any non-adjusting events that should be disclosed, other than that separately reported in the Pension Fund Accounts (see Note 94) relating to changes in market values of investment assets.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Note 62 TRUST FUNDS

The following table provides a summary for the main Trust Funds held by the Council, and gives details of the total value and movement for the other, smaller Trust Funds. The Trust Funds are separate entities, and not part of the Council's Income and Expenditure Account or Consolidated Balance Sheet.

Trust Fund	Balance at 1 April 2008 £000	Income £000	Expenditure £000	Balance at 31 March 2009 £000
Riverside House	1,750	78	0	1,828
Endres Bequest Trust Fund	61	2	0	63
Richmond Chapel	158	6	3	161
Other minor Trust Funds	30	0	1	29
	<b>1,999</b>	<b>86</b>	<b>4</b>	<b>2,081</b>

### Riverside House

The site of Orleans Gallery, Riverside House, Garden Cottage and the River Lawn were transferred to the Council as part of the Ionides bequest in 1963. Riverside House was sold to the resident leaseholder in 2003/04 and the proceeds paid into an earmarked Trust Fund as an interim arrangement, pending clarification of detailed legal issues and consultation on the basis for permanent arrangements in respect of this bequest. In addition, the Trust Fund includes annual rental income in respect of Garden Cottage. The income for the year represents interest earned on the Fund. It is intended that proposals on the future of this Trust Fund will be considered by the Council in the near future.

### Endres Bequest

The Endres Bequest was established to provide funds for the exchange of cultural and educational values between the residents of Richmond and other countries.

### Richmond Chapel

This Trust was established from the proceeds of the sale of the chapel and the interest received is used to maintain the grounds around the area.

The assets of these Trust Funds are held as cash balances with the Council, and there were no other assets or liabilities attached to these funds as at 31 March 2009.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Note 63 RECONCILIATION OF NET CASH FLOW FROM REVENUE ACTIVITIES

	2008/09 £000	Restated 2007/08 £000
<b>Deficit on the Income and Expenditure Account</b>	<b>38,311</b>	<b>11,161</b>
Net additional amount required by statute and non statutory proper practices to be debited or credited to the general fund balance for the year	(37,672)	(11,161)
<b>Decrease in General Fund Balance</b>	<b>639</b>	<b>0</b>
Add : Deficit on Collection Fund relating to the Council	692	686
<b>Net Deficit</b>	<b>1,331</b>	<b>686</b>
<b>Non Cash Transactions</b>		
Decrease in Provisions	1,107	(67)
Decrease in Earmarked Reserves	1,801	6,843
Revenue Financing of Capital Expenditure	(7,254)	(10,382)
<b>Accruals &amp; Other Items</b>		
Decrease in Stock	(149)	139
Increase in Revenue Debtors	4,992	(3,993)
Increase in Revenue Creditors	(769)	(5,580)
Net Change in Investments / Borrowing Interest	612	1,550
<b>Net Cash (inflow)/outflow from Revenue Activities</b>	<b>1,671</b>	<b>(10,804)</b>

## Note 64 RECONCILIATION OF MOVEMENT IN CASH AND NET DEBT

	2008/09 £000	2007/08 £000
Cash (inflow) / outflow from Revenue Activities (as above)	1,671	(10,804)
Interest on Investments and Servicing of Debt	(1,101)	95
Capital Activities	15,053	13,995
<b>Movement in Net Funds</b>	<b>15,623</b>	<b>3,286</b>
<b>Balance of Net Funds at 1 April</b>	<b>(35,458)</b>	<b>(38,744)</b>
Movement during the Year	15,623	3,286
<b>Balance of Net Funds at 31 March</b>	<b>(19,835)</b>	<b>(35,458)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Note 65 ANALYSIS OF CHANGE IN NET FUNDS

	2008/09	2007/08
	£000	£000
Cash at 1 April (overdrawn balance)	3,023	3,349
Borrowing at 1 April	45,134	39,183
Investments at 1 April	(83,615)	(81,276)
<b>Net Debt at 1 April</b>	<b>(35,458)</b>	<b>(38,744)</b>
<b>Cash Inflows:</b>		
Decreases in Cash	1,516	0
New Borrowing	126	7,951
Decrease in Investments	15,168	0
	<b>16,810</b>	<b>7,951</b>
<b>Cash Outflows:</b>		
Increases in Cash	0	(326)
Repaid Borrowing	(1,188)	(2,000)
Increase in Investments	0	(2,339)
	<b>(1,188)</b>	<b>(4,665)</b>
<b>Net Debt at 31 March</b>	<b>(19,836)</b>	<b>(35,458)</b>

## Note 66 ANALYSIS OF MOVEMENT IN CASH

	Balance as at 1 April 2008	Movement in 2008/09	Balance as at 31 March 2009
	£000	£000	£000
Cleared Balances at Bank	382	(38)	344
Cash in Hand	50	(5)	45
	432	(43)	389
Payments made –not yet cleared *	(5,451)	(605)	(6,056)
Income received –not yet cleared	1,996	(868)	1,128
<b>Total</b>	<b>(3,023)</b>	<b>(1,516)</b>	<b>(4,539)</b>

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Note 67 FINANCING AND MANAGEMENT OF LIQUID RESOURCES

	2008/09 Movement £000	2007/08 Movement £000
<b>Cash Flow Statement</b>		
<b>Management of Liquid Resources</b>		
Net increase/(decrease) in short term deposits	(30,569)	(4,661)
<b>Financing</b>		
Repayments of amounts borrowed	1,062	(5,951)
	<b>(29,507)</b>	<b>(10,612)</b>
<b>Balance Sheet</b>		
Movement in Short term Investments	(30,569)	(4,661)
Movement in Short term Borrowing	1,188	2,000
Movement in Long term Borrowing	(126)	(7,951)
	<b>(29,507)</b>	<b>(10,612)</b>

## Note 68 EXPLANATION OF LIQUID RESOURCES

Liquid resources comprise short-term asset investments that can be sold or converted into cash without any material impact or consequential effect, financial or otherwise, upon the Council.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Note 69 ANALYSIS OF GOVERNMENT GRANT (for Cash Flow Statement – Cash Basis)

	2008/09		2007/08	
	£000	£000	£000	£000
<b>Grants Received</b>				
<b>Education &amp; Children's Services</b>				
Dedicated Schools Grant	91,127		85,924	
Education Support Grants	3,938		3,751	
Schools Standard Fund	5,311		6,316	
PFI	2,683		1,677	
Learning Skills council	1,468		941	
Surestart	2,828		2,286	
Home Office (Asylum)	630		827	
Other	670	108,655	3,819	105,541
<b>Finance &amp; Corporate Services</b>				
Council Tax Benefit *	10,584		10,392	
Benefits Administration Grant *	1,207		1,436	
LABGI	244		261	
LPSA Reward Grant	328		0	
Other	29	12,392	791	12,880
<b>Environment</b>				
Planning Delivery Grant	227		461	
London Recycling Fund	0		48	
Other	49	276	254	763
<b>Adult Social Services</b>				
Preserved Rights**	0		1,187	
PFI	852		1,065	
Access & Systems Capacity **	0		1,646	
Mental Health Specific Grant **	0		514	
Carers Grants**	0		528	
Community Safety	127		209	
Other	292	1,271	1,006	6,155
<b>Housing Services</b>				
Rent Allowances *	46,659		43,576	
Supporting People	2,848		2,996	
Other	966	50,473	231	46,803
<b>Total</b>		<b>173,067</b>		<b>172,142</b>

\* Grants received from the Department for Work and Pensions (DWP) in respect of benefits.

\*\* Grants have been merged into grants not attributable to a specific service (ABG and Formula Grant)

**COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT**

There is a statutory requirement for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax, National Non-domestic Rates, and any residual Community Charge.

<b>Income</b>	<i>Note</i>	<b>2008/09</b>	<b>2007/08</b>
		<b>£000</b>	<b>£000</b>
Income from Council Tax		(125,675)	(120,181)
Transfers from the General Fund:			
Council Tax Benefits	(11,366)		(10,680)
Transitional Relief	(4)	(11,370)	(6)
Income collectable from business ratepayers	65	(70,801)	(65,476)
		<b>(207,846)</b>	<b>(196,343)</b>
<b>Expenditure</b>			
Precepts:			
Payment to LB Richmond upon Thames	108,683		103,889
Payment to Greater London Authority	27,288	135,971	26,602
Business rate:			
Payment to National Pool	69,944		64,707
Costs of Collection	308	70,252	310
Bad and doubtful debts and appeals:			
Write offs Council Tax	472		475
Write offs NNDR	474		745
Provisions Council Tax	212		136
Provisions NNDR	75	1,233	(286)
Contributions – distribution of previous year's surplus			
LB Richmond upon Thames	1,000		500
Greater London Authority	256	1,256	128
		<b>208,712</b>	<b>197,206</b>
<b>Movement on Fund Balance</b>			
Net Deficit for year		866	863
Surplus Brought Forward at 1 April		(1,320)	(2,183)
<b>Surplus Carried Forward at 31 March</b>		<b>(454)</b>	<b>(1,320)</b>

The Collection Fund balance attributable to the Greater London Authority is recognised in the Balance Sheet as a creditor and the balance attributable to the Council as a revenue reserve as part of Net Worth as follows:

	<b>31 March</b>	<b>31 March</b>
	<b>2009</b>	<b>20/08</b>
	<b>£000</b>	<b>£000</b>
Greater London Authority (Creditor)	(93)	(268)
LB Richmond upon Thames (Reserve)	(361)	(1,052)
<b>Balance on the Collection Fund</b>	<b>(454)</b>	<b>(1,320)</b>

# NOTES TO THE COLLECTION FUND

## Note 70 INCOME FROM NATIONAL NON-DOMESTIC RATES (NNDR)

This table provides a summary of the calculation of the amount of NNDR collectable:

	2008/09 £000	2007/08 £000
Total NNDR rateable value	176,717	178,198
NNDR rate multiplier	45.8 pence	44.1 pence
Gross NNDR yield	80,936	78,585
Less allowances, reliefs etc.	(10,135)	(13,109)
<b>Net Income collectable from NNDR</b>	<b>70,801</b>	<b>65,476</b>

## Note 71 COUNCIL TAX BASE

The following table shows the number of properties within each Council Tax band and the calculation of the Council Tax base:

Valuation Band	2008/09			2007/08
	Number of Properties (after discounts and exemptions)	Ratio	Equivalent Band D Properties	Equivalent Band D Properties
A*	2	5/9	1	1
A	426	6/9	284	278
B	1,682	7/9	1,308	1,329
C	10,183	8/9	9,051	8,897
D	17,244	9/9	17,244	17,242
E	17,673	11/9	21,600	21,679
F	10,595	13/9	15,304	15,151
G	11,437	15/9	19,062	18,973
H	2,803	18/9	5,606	5,502
	<b>72,045</b>		<b>89,460</b>	<b>89,052</b>
Less Adjustment for Collection Rate			(1,431)	(1,558)
Plus Ministry of Defence Properties			49	49
<b>Council Tax Base</b>			<b>88,078</b>	<b>87,543</b>
Note Band A* attracts disabled relief				

## Note 72 PRECEPTS ON THE COLLECTION FUND

Both the Council and the Greater London Authority (GLA) make precepts on the Collection Fund, as shown in the following table:

	2008/09 £000	2007/08 £000
London Borough of Richmond upon Thames	108,683	103,889
Greater London Authority	27,288	26,602
	<b>135,971</b>	<b>130,491</b>

# PENSION FUND ACCOUNTS

## PENSION FUND ACCOUNTS

The Pension Fund Accounts were approved by the Pension Fund Committee at its meeting on 22<sup>nd</sup> June. The relevant parts of the accounts are included in the Council's Statement of Accounts (as the Administering Authority) as set out in the following pages.

### FUND ACCOUNT

	Note	2008/09		2007/08 Restated	
		£000	£000	£000	£000
<b>DEALINGS WITH MEMBERS AND EMPLOYERS</b>					
<b>Contributions receivable</b>					
From employers:	78				
Normal		(11,628)		(9,074)	
Augmentation		(309)		123	
Deficit funding		(6,052)	(17,989)	(7,154)	(16,105)
From members (Normal)	78		(4,988)		(4,209)
Transfers In:					
Group transfers from other schemes		(16)		0	
Individual transfers from other schemes		(1,916)	(1,932)	(2,968)	(2,968)
			(24,909)		(23,282)
<b>Benefits payable</b>	78				
Pensions		12,286		11,455	
Commutation of pensions and lump sum retirement benefits		2,752		2,953	
Lump sum death benefits		161	15,199	142	14,550
<b>Payments to and on account of Leavers</b>	79				
Refunds of Contributions		54		31	
Transfers Out (Individual Transfers from other Schemes or Funds within the LGPS)		1,173	1,227	2,303	2,334
<b>Administrative and other Expenses borne by the Scheme</b>	81		524		496
<b>Net Additions from Dealings with Members</b>			<b>(7,959)</b>		<b>(5,902)</b>
<b>RETURNS ON INVESTMENTS</b>					
<b>Investment income</b>					
Interest from fixed interest securities		(567)		(696)	
Dividends from equities		(3,512)		(4,192)	
Income from index linked securities		(52)		(42)	
Income from pooled investment vehicles		(7,336)		(8,008)	
Interest on cash deposits		(329)		(633)	
Other		(4)	(11,800)	(2)	(13,573)
<b>Change in market value of investments:</b>					
Realised (gains) / losses		17,894		(8,983)	
Unrealised losses		54,420	72,314	36,748	27,765
<b>Investment management expenses</b>	91		731		830
<b>Net Returns on Investments</b>			<b>61,245</b>		<b>15,022</b>
Net decrease in the Fund during the year			53,286		9,120
Opening net assets of the Fund			(325,214)		(334,334)
<b>Closing net assets of the Fund</b>			<b>(271,928)</b>		<b>(325,214)</b>

### NET ASSET STATEMENT

## PENSION FUND ACCOUNTS

	Note	2008/09		2007/08
		£000	£000	Restated £000
<b>Investment Assets</b>				
<b>Fixed interest securities:</b>	87			
Public sector			0	17,402
<b>Equities</b>			0	96,395
<b>Index-linked securities</b>	87			
Public sector			0	3,243
<b>Pooled investment Vehicles :</b>	87 & 89			
Unit trusts:				
Property		19,079		28,399
Other		72,316	91,395	97,815
Unitised insurance policies:				
Other		124,559	124,559	0
Open ended investment companies (OEICS):				
Other		51,645	51,645	49,351
Other Pooled Vehicles:				
Other		0	0	20,235
Cash (Interest Bearing Deposits)			3,948	11,571
<b>Total assets invested</b>			<b>271,547</b>	<b>324,411</b>
<b>Other investment balances</b>				
Investment debtors:				
Investment income accrued		1,133		602
Investment creditors:				
Investment settlements outstanding		(1,027)	106	0
			<b>271,653</b>	<b>325,013</b>
<b>Net Current Assets and Liabilities</b>				
Debtors:				
Monthly Contributions due from employers		386		274
Other		171	557	296
Creditors:				
Unpaid benefits (lump sum entitlements)		(20)		(178)
Investment management expenses		(109)		(89)
Other		(153)	(282)	(102)
			<b>275</b>	<b>201</b>
<b>Total Net Assets</b>	83 & 85		<b>271,928</b>	<b>325,214</b>

### LIABILITIES TO PAY PENSIONS AND OTHER BENEFITS AFTER THE BALANCE SHEET DATE

Unlike most financial statements, pension funds' financial statements do not take account of any liabilities in respect of pension and other benefit liabilities due beyond the year of account. This aspect of the Pension Fund's financial position is specifically covered by the actuarial valuation and report by the Fund's actuary in the following notes.

## NOTES TO THE PENSION FUND ACCOUNTS

### Note 73 DESCRIPTION AND OPERATION OF THE FUND

#### Description of the Fund

Employees of the Council are generally entitled to join an occupational pension scheme. Non-teaching staff can join the Local Government Pension Scheme (the LGPS). The LGPS is a statutory scheme, and rules in respect of membership and benefits etc. are prescribed under regulation. The LGPS is a defined benefits scheme, in which members of the scheme make a contribution based on a percentage of pensionable salary, and on retirement receive a guaranteed, index-linked pension based on their final pensionable salary and the period of scheme membership. Full details on the LGPS can be found at the following website:

[www.lgps.org.uk](http://www.lgps.org.uk)

#### Responsibilities of the Council to administer the Pension Fund

The Council is an Administering Authority under the Local Government Pension Scheme (Administration) Regulations 2008 (SI 2009/1025), and as such is required to operate the LGPS on its own behalf and on behalf of other nominated employers (see below). The Fund is a separate entity for accounting purposes and its Fund Account and Net Asset Statement are separate financial statements although they are also presented, but not consolidated, in the Council's accounts for information because the Council is the administering authority.

The Council as an employer within the Pension Fund is responsible for collecting and paying over employee contributions to the Fund. Under the LGPS rules, employee contributions are periodically set by the government, whereas employer contributions have to be set at a level sufficient to meet the long-term obligations of the Fund, as determined by the triennial Actuarial Valuation. The Council is therefore effectively responsible for the financial liabilities of the Fund (in respect of its employees) and, for this reason, the disclosure notes in respect of the financial position of the Fund's liabilities are attributed to the Council.

The role of the Pension Fund is to collect employees' and employers' contributions from the Council and the other employer bodies, invest surplus funds and make payment of benefits out of the Fund. It is also responsible for making and receiving transfer payments for members joining and leaving the Fund. The Fund's accounts and disclosure notes reflect these responsibilities as opposed to those of the Council.

#### Governance arrangements for the Fund

Until May 2008, the Council had appointed the Investment Committee to have responsibility for Pension Fund matters that were principally related to the Fund's investments. Following changes to LGPS regulations, that included the requirement to publish an annual report, and a decision by the Audit Commission to make the accounts of local authority pension funds separate audit engagements (they were previously audited as part of the administering authority's accounts – in this case the Council's accounts), the terms of reference and title of the Investment Committee were changed and the Pension Fund Committee became responsible for all Pension Fund matters, including the accounts and audit.

The Pension Fund Committee (and previously the Investment Committee) meets at least four times each year. The membership of both Committees during 2008/09 was:

Councillor C. Percival (Chair)  
Councillor J. Elloy (Vice-Chair)  
Councillor G. Acton  
Councillor G. Evans  
Councillor E. Stanier

In addition to these Councillors, Mr L Johnson is a non-voting attendee at meetings of the Committee as staff observer.

# NOTES TO THE PENSION FUND ACCOUNTS

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The Fund's investment advisor (Mr J Hastings of Hymans) also attends Committee meetings to provide professional investment advice and representatives of appointed fund managers attend as required. The Fund's independent auditor attends the Committee to present both the audit plan and report on matters arising from the audit of the Pension Fund accounts.

## **Investment management arrangements**

The Fund has appointed fund managers to undertake its investment management responsibilities. During 2007/08 the Fund employed two managers (Henderson Global Investors and Schroder Investment Management Limited), each with roughly half of the Fund's investments. During 2008 the Investment Committee appointed Legal & General Investment Management Limited to replace Schroders in respect of all the latter's non-property assets. Details of investments under management are provided in Note 84 to Note 88.

In addition, the Fund has an investment in a property unit trust – the Local Authorities Property Fund (LAPF), managed by Local Authorities Mutual Investment Trust (LAMIT).

The Fund has also made the following external appointments:

Investment advisors –	Hymans Robertson LLP
Independent auditors –	PKF (this appointment is made directly by the Audit Commission)
Custodians –	JPMorgan Chase & Co

Other professional advice (e.g. legal advice) is provided by Council officers.

## **Note 74 PENSION FUND ACCOUNTING POLICIES**

### **Basis of Preparation**

The Fund's accounts are prepared in accordance with proper accounting practice that represents compliance with:

- The Code of Practice on Local Authority Accounting in the UK 2008; A Statement of Recommended Practice (the local government SORP), and
- Financial Reports of Pension Schemes; A Statement of Recommended Practice (Revised May 2007) – (the Pensions SORP).

The Pension Fund accounts are prepared on the basis that they will be incorporated within the Pension Fund Annual Report to be published later in 2009. This report includes more detail on the actuarial valuation, governance arrangements for the Fund and includes the Statement of Investment Principles (SIP).

### **Change in Accounting Policy**

The Pensions SORP applies to the accounts of local authority pension funds from 1 April 2008. The SORP requires investment assets to be recognised at Fair Value and this is a change in accounting policy from the previous basis of recognition that was generally at mid-market prices. This is described in more detail in the paragraph below on valuation of investments. In accordance with FRS 3 and FRS 18, the comparative figures for 2007/08 are re-stated on the basis of Fair Value, with the effect of reducing the Fund balance at 31 March 2008 by £1.421million (0.43%), from £326.635million previously stated, to £325.214million.

### **Accounting Policies**

#### General Policies

The general accounting policies that are adopted by the Administering Authority – the Council of the London Borough of Richmond upon Thames, are applied to the accounts of the Pension Fund where they are applicable.

# NOTES TO THE PENSION FUND ACCOUNTS

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The accounts are prepared on an accruals basis with the significant exception that no recognition is made in respect of liabilities to pay pensions and other benefits after the year-end of account. This treatment is prescribed in the Pensions SORP on the basis that future liabilities that are subject to actuarial valuation are best considered in the context of the full actuarial valuation and the consequent funding statement and funding policy. As the future net liabilities are required to be funded by employer contributions, these are covered in some detail in the Council's accounts where the full impact of future pension liabilities are disclosed in accordance with FRS17.

The only other exception to the accruals basis is in respect of transfer values. Transfer payments are made normally when an employee changes employer and moves from one pension scheme to another. Occasionally, following a reorganisation for example, a group of employees may transfer to different pension scheme. In normal circumstances, the receiving pension scheme will not be liable for any pension benefits in respect of the transferring member until the relevant assets (the transfer value) have been received. Transfer values are therefore accounted for on the basis of when they are paid or received as required under the Pensions SORP.

Specific accounting policies are adopted in relation to investments. These are covered in the following statements.

## Valuation of Investments

Investments are recognised at Fair Value. This is the amount for which an asset could be exchanged, or a liability settled, between unrelated, willing and knowledgeable parties, in an arms-length transaction, and is generally taken as the appropriate market value at the quoted bid price. These are taken at close of business on 31<sup>st</sup> March or the last prior trading day for relevant markets.

The majority of the Fund's investments are held in pooled vehicles. These are valued on the basis of bid prices with the exception of pooled vehicles managed by Hendersons where the values are recognised on the basis of the quoted mid-price less a percentage liquidation fee that reflects the price the Fund would receive if it realised these investments.

In respect of investments managed by Schroders, bid prices for investments held at 31 March 2008 have not been provided to the Fund. To arrive at Fair Value the investment values provided at mid-price have been discounted to effective bid-price by using an appropriate 'spread' between mid and bid-price at 31 March issued by another of the Fund's managers.

Further details of the valuation of investment assets are provided in Note 85.

## Foreign Currency Translation

All non-sterling transactions and valuations are translated using the closing rate of exchange as at the date of valuation.

Overseas income is translated at rates of exchange applicable when remitted.

All gains and losses arising from currency transactions in the purchase of non-sterling investments are shown in the Fund Account as realised gains or losses.

Gains or losses arising from currency futures contracts are only recognised when contracts are closed and are accounted for as either realised gains or losses.

## Administrative Expenses charged by the Administering Authority

The administrative costs of the Fund are set out in Note 81. Administration and processing costs (such as salaries, accommodation and ICT costs) are initially borne by the Council (as the Administering Authority) and charged to the Fund on appropriate bases such as time spent on work related to the Fund and floor area of office accommodation occupied by those staff.

# NOTES TO THE PENSION FUND ACCOUNTS

## Note 75 MEMBERSHIP OF THE FUND

Although the Fund is administered by the Council, it also includes the employees of certain other bodies. These are either scheduled bodies (required by statute to be members of the Fund) or admitted bodies (admitted to the Fund by agreement).

The scheduled and admitted bodies act as employers in the same way as the Council and all are responsible for making deductions from their employees and paying these and their own employer's contributions to the Fund on a regular basis. The Fund makes pension and other benefit payments directly to Fund members.

Membership details as at 31<sup>st</sup> March are summarised in the following table:

*(Note admitted bodies marked \* had no contributing members in 2008/09 and paid no contributions to the Fund in that year).*

FUND MEMBERSHIP	31 March 2009				31 March 2008
	Contributors	Members with Preserved Benefits	Pensioners and Dependents	Total Members	Total Members
<b>Admitted Bodies:</b>					
Association of District Councils*	0	3	19	22	21
Hampton School	60	17	12	89	83
Notting Hill Housing Trust	1	9	10	20	20
St. Mary's College	159	79	76	314	280
SW Middlesex Crematorium Board	11	7	13	31	31
Richmond CAB *	0	0	1	1	2
Housing Organisations Mobility & Exchange Services *	0	10	3	13	14
Richmond Council for Voluntary Services*	0	4	4	8	10
Richmond upon Thames Music Trust	7	2	2	11	9
Christ's Community Management Body *	0	2	0	2	2
IRRV	12	21	3	36	36
Project for Children with Special Needs *	0	2	2	4	4
St. Catherine's School	3	7	1	11	10
Museum of Richmond*	0	2	0	2	2
Richmond Housing Partnership	23	30	13	66	71
Twining Enterprises	1	9	3	13	13
Mears Building Contractors Ltd	1	6	6	13	13
Scout Solutions *	0	16	8	24	23
Veolia (formerly Cleanaway)	44	11	8	63	63
<b>Total Admitted Bodies</b>	<b>322</b>	<b>237</b>	<b>184</b>	<b>743</b>	<b>707</b>
<b>Scheduled Bodies:</b>					
Richmond Magistrates' Court*	0	33	9	42	44
Richmond upon Thames College	229	170	110	509	487
Richmond Adult & Community College	63	138	29	230	216
<b>Total Scheduled Bodies</b>	<b>292</b>	<b>341</b>	<b>148</b>	<b>781</b>	<b>747</b>
LBRUT	2,767	2,752	2,507	8,026	7,576
<b>TOTAL MEMBERSHIP</b>	<b>3,381</b>	<b>3,330</b>	<b>2,839</b>	<b>9,550</b>	<b>9,030</b>

# NOTES TO THE PENSION FUND ACCOUNTS

## Note 76 BASIS OF ACTUARIAL VALUATION

The latest actuarial valuation of the Fund was completed as at 31<sup>st</sup> March 2007. The actuarial method used to determine the contribution rate required to meet liabilities accruing in the future is known as the Projected Unit Method. The principal financial assumptions adopted in the valuation were as follows:

<b>Investment Return</b>	
Composite	6.0%
<b>Increases in Liabilities</b>	
Salary Increases	4.7%
Pension Increases	3.2%

The market value of the scheme's assets at the date of valuation in March 2007 are shown in the following table.

ASSET CATEGORY	Valuation as at 31 March 2007	
	£000	%
UK Equities	144,305	43.0%
UK Fixed Interest Gilts	15,028	4.5%
UK Corporate Bonds	22,328	6.5%
UK Index Linked Gilts	2,204	0.7%
Overseas Equities	100,087	29.8%
Overseas Bonds	5,242	1.6%
Property	34,631	10.3%
Cash	11,036	3.3%
Net Debtors & Creditors (net current assets)	930	0.3%
<b>Total Net Assets at Valuation Date</b>	<b>335,791</b>	<b>100.0%</b>

## Note 77 ACTUARIAL VALUATION – RESULTS

The results of the last actuarial valuation undertaken as at 31 March 2007 are summarised in the Actuarial Statement included in the Fund's Annual Report. Employers' contributions are then set taking into account the results of the valuation and the Funding Strategy for the Fund, which is also included in the Annual Report. The key elements in this process are:

### Level of Funding

The results of the last revaluation at 31<sup>st</sup> March 2007 indicated that the actuarial value of the available assets of £335.8m (see table above) were sufficient to cover 82.1% of the accrued liabilities to that date.

### Funding Policy

The Council is required to set employers' contributions rates to the Fund such as to ensure that the Fund is sufficient to meet 100% of its liabilities.

In accordance with the Funding Strategy, employers' contributions to the Fund are being made up over a period of 15 years, to bring the funding level up to a fully solvent position. The additional contribution rate set to achieve this is 8.2%, and this funding policy applies to all employers in the Fund.

# NOTES TO THE PENSION FUND ACCOUNTS

## Note 78 CONTRIBUTIONS AND BENEFITS

The following tables analyse contributions and benefits received and paid by the Fund by reference to the different scheme employers:

### Contributions

	2008/09			2007/08		
	Employers	Members	Total	Employers	Members	Total
	£000	£000	£000	£000	£000	£000
<b>Contributions</b>						
Administering Authority (LBRUT)	14,441	3,995	18,436	12,954	3,366	16,320
Scheduled Bodies	1,448	423	1,871	1,361	367	1,728
Admitted Bodies	2,100	570	2,670	1,790	476	2,266
<b>Total Contributions</b>	<b>17,989</b>	<b>4,988</b>	<b>22,977</b>	<b>16,105</b>	<b>4,209</b>	<b>20,314</b>

### Benefits

	2008/09	2007/08
	£000	£000
<b>Benefits</b>		
Administering Authority (LBRUT)	13,422	12,915
Scheduled Bodies	792	749
Admitted Bodies	985	886
<b>Total Benefits</b>	<b>15,199</b>	<b>14,550</b>

## Note 79 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

The following table provides details of the payments made to, and on account of, leavers in respect of the Council's Pension Fund:

	2008/09	2007/08
	£000	£000
Individual transfers to other schemes	1,173	2,303
Refunds to members leaving service	54	31
	<b>1,227</b>	<b>2,334</b>

## Note 80 ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Council is required to offer the facility for Additional Voluntary Contributions (AVCs). These contributions are voluntary and are paid over to the AVC provider for investment on behalf of the members concerned. These transactions are not included in the Fund Account or the Fund Net Assets Statement but details are given in the following table:

## NOTES TO THE PENSION FUND ACCOUNTS

	31 March 2009	31 March 2008
	£000	£000
<b>Value of Investments</b>		
Clerical Medical	1,175	1,190
Equitable Life	954	1,105
<b>Total</b>	<b>2,129</b>	<b>2,295</b>
<b>Number of Members Participating</b>		
Clerical Medical	119	120*
Equitable Life	200	159*
<b>Total</b>	<b>319</b>	<b>279*</b>
	<b>2008/09</b>	<b>2007/08</b>
	£000	£000
<b>Contributions received from members in year</b>	<b>174</b>	<b>152</b>

\* Note: figures for AVC members for 31 March 2008 were not notified in time for publication in the accounts and were included on an estimated basis.

### Note 81 ANALYSIS OF ADMINISTRATIVE COSTS

The following table provides details of the administrative costs of the Fund.

	2008/09	2007/08
	£000	£000
<b>Administration Costs</b>		
Administration and processing	378	375
Actuarial fees	71	66
Audit Fees	33	0
Communication with Members	25	25
Other	17	30
<b>Total Benefits</b>	<b>524</b>	<b>496</b>

### Note 82 INVESTMENT PRINCIPLES

Local authority pension schemes are required to publish a Statement of Investment Principles (SIP) and to include disclosure of the extent of compliance with the investment principles issued by the Government. The Fund's SIP is included in its Annual Report, published later in 2009, in which these accounts will be included.

### Note 83 RECONCILIATION OF MOVEMENT IN INVESTMENTS

The following table reconciles the movement in the Fund's investment assets in the year.

## NOTES TO THE PENSION FUND ACCOUNTS

	Value as at 1 April 2008 Restated £000	Purchases £000	Sale proceeds £000	Profit / Loss on Disposal £000	Change in Market Value £000	* Other £000	Value as at 31 March 2009 £000
Legal & General	0	130,662	0	0	(6,104)	0	124,558
Henderson	145,215	58,672	(34,424)	135	(38,222)	0	131,376
Schroders	162,933	44,264	(172,779)	(17,986)	(8,288)	635	8,779
LAMIT (property)	4,692	0	0	0	(1,806)	0	2,886
	<b>312,840</b>	<b>233,598</b>	<b>(207,203)</b>	<b>(17,851)</b>	<b>(54,420)</b>	<b>635</b>	<b>267,599</b>
Cash deposits	11,571	Foreign Exchange Gain / Loss		(43)			3,948
<b>Total assets invested</b>	<b>324,411</b>						<b>271,547</b>
Net Current Assets	803			<b>(17,894)</b>			381
<b>Total Net Assets</b>	<b>325,214</b>						<b>271,928</b>

\* Other: Capitalisation of income distribution

### Note 84 INVESTMENT TRANSACTION COSTS

Transaction costs are included in the costs of purchases and sale proceeds. Transaction costs include costs charged directly to the Fund, such as commission, stamp duty and other fees. These were:

	2008/09 £000	2007/08 £000
Investment transaction costs	289	251

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

### Note 85 INFORMATION ON ASSETS UNDER MANAGEMENT

#### Change of Investment Manager

A change in investment policy was made in 2008/09 to switch a proportion of the Fund from active management to passive management. Schroders' investment mandate was to operate an actively managed fund and, following a selection process, Legal & General were appointed to replace Schroders with a passive management mandate. This change took place in November 2008 together with some minor consequential adjustments to the Fund's investments to maintain various benchmark allocations.

# NOTES TO THE PENSION FUND ACCOUNTS

## Summary of investment assets under management

Type of Asset	31 March 2009				31 March 2008 Restated		
	L&G £000	Schroders £000	Henderson £000	Total £000	Schroders £000	Henderson £000	Total £000
UK Investments							
Listed	75,831	8,779	84,522	169,132	106,417	98,402	204,819
Overseas Investments							
Listed	48,727	0	46,854	95,581	56,516	46,813	103,329
Cash	0	965	(726)	239	5,038	2,738	7,776
<b>Total Under Management</b>	<b>124,558</b>	<b>9,744</b>	<b>130,650</b>	<b>264,952</b>	<b>167,971</b>	<b>147,953</b>	<b>315,924</b>
Percentage of Fund under management	47%	4%	49%	100%	53%	47%	100%
<b>Other investment assets:</b>							
Directly held UK investments (LAMIT)			2,886			4,692	
Cash (interest bearing deposits)			3,709			3,795	
Other investment balances - debtors and creditors			106	6,701		602	9,089
<b>Total investment assets</b>				<b>271,653</b>			<b>325,013</b>
Other net current assets				275			201
<b>Total Net Assets</b>				<b>271,928</b>			<b>325,214</b>
<b>Analysis of all investments:</b>							
Total UK Investments (includes directly held LAMIT investment)				172,018			209,511
Total Overseas Investment				95,581			103,329
Cash and deposits				239			7,776
<b>Total invested</b>				<b>267,838</b>			<b>320,616</b>
All investments are in pooled investment vehicles with quoted prices							

## Note 86 ASSETS UNDER MANAGEMENT – TRANSACTIONS

The following table provides a summary of investment transactions for each fund manager.

	2008/09				2007/08		
	L&G £000	Schroders £000	Henderson £000	Total £000	Schroders £000	Henderson £000	Total £000
Purchases	130,662	44,264	58,672	233,598	54,312	14,887	69,199
Sales	0	172,779	34,424	207,203	41,541	9,421	50,962
<b>Total Transactions</b>	<b>130,662</b>	<b>217,043</b>	<b>93,096</b>	<b>440,801</b>	<b>95,853</b>	<b>24,308</b>	<b>120,161</b>

## Note 87 STATUS OF INVESTMENTS UNDER MANAGEMENT

This note provides details of the investments held by each manager at year-end. It gives details of each of the pooled vehicles used by each manager and the percentage that each investment represents of the total of Fund. All fund managers are incorporated and registered in the UK with the exception of Henderson, which is incorporated and registered in Jersey.

The types of pooled vehicles are shown by the following abbreviations:

AUT     Authorised Unit Trust

# NOTES TO THE PENSION FUND ACCOUNTS

PUT	Property Unit Trust
UUT	Unauthorised Unit Trust
OEIC	Open Ended Investment Company
USM	United States Mutual Fund
UCITS	Fund managed under the EU Directives: Undertakings for Collective Investments in Transferable Securities

## Status of individual investments under management

The three managers with responsibility for the Fund's investments during the relevant period are shown below.

**(A) Henderson Global Investors** Investments are managed by five separate entities and each of these invests in a number of pooled vehicles:

	Value of Assets Under Investment			
	31 March 2009		31 March 2008 Restated	
	£000	% of Fund	£000	% of Fund
<b>Pooled Investments</b>				
<u>Henderson Investment Funds Limited</u>				
UK Equity Enhanced Trust 'Z' (AUT)	51,611	19	63,620	20
Exempt North American Enhanced Equity 'Z' (UUT)	20,705	8	14,490	5
	<b>72,316</b>	<b>27</b>	<b>78,110</b>	<b>25</b>
<u>Henderson Strategic Investment Funds</u>				
European Enhanced Equity Fund 'Z' (OEIC)	12,208	4	14,830	5
Japan Enhanced Equity 'I' (OEIC)	3,325	1	5,721	2
Asia Pacific Ex Japan Enhanced Equity Fund 'I' (OEIC)	3,977	2	4,766	2
	<b>19,510</b>	<b>7</b>	<b>25,317</b>	<b>9</b>
<u>Henderson Global Funds</u>				
Henderson Overseas Bond Fund 'I' (OEIC)	0	0	3,712	1
Emerging Markets Fund 'I'	6,639	2	3,294	1
	<b>6,639</b>	<b>2</b>	<b>7,006</b>	<b>2</b>
<u>Henderson UK &amp; Europe Funds</u>				
Henderson UK Gilt Fund 'I' (OEIC)	7,715	3	0	0
Henderson Index Linked Bond Fund 'I' (OEIC)	0	0	2,877	1
Henderson All Stock Credit 'I' (OEIC)	14,747	6	3,547	1
Henderson Long Dated Credit Fund 'I' (OEIC)	3,034	1	10,603	3
	<b>25,496</b>	<b>10</b>	<b>17,027</b>	<b>5</b>
<u>Henderson Property Management (Jersey) Limited</u>				
UK Property Fund Units (PUT)	7,415	3	10,532	3
	<b>7,415</b>	<b>3</b>	<b>10,532</b>	<b>3</b>
<b>Segregated Investments</b>				
Fixed interest - public sector	0	0	7,223	2
<b>Total invested</b> (Note 83)	<b>131,376</b>	<b>49</b>	<b>145,215</b>	<b>46</b>
Cash	(726)	0	2,738	1
<b>Total all Henderson Funds</b>	<b>130,650</b>	<b>49</b>	<b>147,953</b>	<b>47</b>

**(B) Legal and General** Investments managed by Legal and General Investment Management Ltd . These are held in two unitised insurance policies providing passive management based on index-linked returns covering the benchmark portfolio allocation.

## NOTES TO THE PENSION FUND ACCOUNTS

	Value of Assets Under Investment			
	31 March 2009		31 March 2008 Restated	
	£000	% of Fund	£000	% of Fund
<b>Pooled Investments</b>				
Legal and General Assurance (Pensions Management) Limited				
Policy Number 35334-2/000 (Insurance Policy)	62,279	23.5	0	0
Policy Number 35336-7/000 (Insurance Policy)	62,279	23.5	0	0
	<b>124,558</b>	<b>47</b>	<b>0</b>	<b>0</b>

**(C) Schroders** Investments managed by Schroder Investment Management Ltd were managed on an active basis with holdings directly in pooled investment funds, and equities and fixed interest securities held on a segregated basis. No individual segregated investment exceeded 5% of the Fund's total asset value.

	Value of Assets Under Investment			
	31 March 2009		31 March 2008 Restated	
	£000	% of Fund	£000	% of Fund
<b>Pooled Investments</b>				
<u>Schroder Unit Trusts Limited</u>				
Institutional UK Smaller Cos. Fund (AUT)	0	0	755	0
Japan Smaller Cos. Fund Income Units (AUT)	0	0	162	0
Intermediate Corporate Bond Fund 'X' Accumulation (AUT)	0	0	13,284	4
Institutional International Bond Fund 'X' Accumulation (AUT)	0	0	1,251	1
	<b>0</b>	<b>0</b>	<b>15,452</b>	<b>5</b>
<u>Schroder Investment Management North America Inc</u>				
Global Series Trust North America Equity Fund (USM)	0	0	20,189	6
	<b>0</b>	<b>0</b>	<b>20,189</b>	<b>6</b>
<u>Schroder Investment Management (Luxembourg) SA</u>				
International Selection Fund Taiwanese Equity Class 'I' Distribution (UCITS)	0	0	47	0
	<b>0</b>	<b>0</b>	<b>47</b>	<b>0</b>
<u>Schroder Investment Management (Guernsey) Limited</u>				
Institutional Developing Markets Fund 'A' Units (UUT)	0	0	4,253	1
	<b>0</b>	<b>0</b>	<b>4,253</b>	<b>1</b>
<u>Schroder Property Investment Management Limited</u>				
Schroder Exempt Property Unit Trust (PUT)	8,779	3	13,175	4
	<b>8,779</b>	<b>3</b>	<b>13,175</b>	<b>4</b>
<b>Segregated Investments</b>				
Fixed interest - public sector	0	0	10,179	3
Index linked - public sector	0	0	3,243	1
Fixed interest - other	0	0	0	0
Equities - UK	0	0	65,781	21
Equities - other	0	0	30,614	10
	<b>0</b>	<b>0</b>	<b>109,817</b>	<b>35</b>
<b>Total invested (Note 83)</b>	<b>8,779</b>	<b>3</b>	<b>162,933</b>	<b>51</b>
Cash	965	1	5,038	2
<b>Total all Schroders Funds</b>	<b>9,744</b>	<b>4</b>	<b>167,971</b>	<b>53</b>

# NOTES TO THE PENSION FUND ACCOUNTS

## **Note 88 VALUATION OF FUNDS UNDER MANAGEMENT**

The Pension SORP 2007 requires investments to be valued at their Fair Value basis. Where there is an active market for a particular investment, the bid price is usually the appropriate quoted price to represent the fair value of that investment. The following paragraphs describe the valuation basis used:

### Henderson

Investments are held in a variety of pooled investment vehicles. Units in these are all valued at a 'mid-price'. There is no 'bid' price quoted for these vehicles so Fair Value of these investments is determined by applying a "dilution levy" issued on a monthly basis by the manager for each investment vehicle. This levy reflects the estimated liquidation cost of the underlying assets based on the current conditions and liquidity of the relevant market and is designed to protect the interests of ongoing unit holders. Mid price less the dilution levy represents the minimum realisable value of the investment and represents the fair value of these assets. The exception to this is Henderson's Property Unit Trust, where a conventional unit bid value is quoted by the manager.

### L&G

Investments with L&G are held via two insurance policies. Under this arrangement, which is the conventional form of UK passive fund management, the surrender value of the policy is directly linked to underlying units in L&G's index-tracking funds, held (and maintained) in proportion to the policy holder's required asset distribution. The policy holder has no title to or direct beneficial ownership of either the units or underlying physical securities, which are the property of L&G. The policy values have been shown in the accounts in accordance with the bid values of the reference units issued by L&G, representing the effective surrender value of the policy.

### Schroders

Schroders' Property Unit Trust has been valued at the official unit bid value issued by the manager for each respective year end. In view in of the unavailability of specific bid values for both Schroders' segregated and unitised investments as at 31 March 2008, equivalent figures have been estimated using figures issued by another of the fund's managers for similar vehicles in the relevant asset classes.

## **Note 89 RESTRICTIONS AFFECTING THE REALISATION OF INVESTMENTS**

There were no formal restrictions affecting the ability of the Fund to realise its investments at their carrying value at year-end. However, in common with most, if not all property-related pooled vehicles, it is likely that a delay would arise in the event of the Fund realising its holdings in any of the LAMIT, Henderson and Schroder property vehicles, if actual disposals were required within the relevant pooled vehicle.

## **Note 90 INFORMATION ON ASSETS DIRECTLY HELD**

In addition to funds under the management of fund managers, the Fund directly holds 1,485,701 units in the Local Authorities Property Fund (LAPF). This is a property unit trust to which the trustee is the Local Authorities Mutual Investment Trust (LAMIT), responsible for the appointment of the property manager, CCLA Investment Management Limited.

	31 March 2009		31 March 2008 Restated	
	£000	% of Fund	£000	% of Fund
LAMIT Local Authorities Property Fund (PUT)	2,886	1	4,692	1

# NOTES TO THE PENSION FUND ACCOUNTS

There were no purchases or sales in these units by the Fund during 2008/09 or 2007/08. The fund assets are valued by surveyors appointed by the trustee managers of the trust and the units are carried in the balance sheet at bid price, reflecting their fair value. There were no restrictions affecting the ability of the Fund to realise its investments at their carrying value at year-end.

## **Note 91      ANALYSIS OF INVESTMENT MANAGEMENT COSTS**

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
Investment management expenses:		
Investment managers' fees	667	772
Custodian Fees	17	24
Investment advisor's fees	35	22
Performance Measurement Fees	12	12
	<b>731</b>	<b>830</b>

## **Note 92      MATERIAL TRANSACTIONS WITH RELATED PARTIES**

The Pension Fund is a separate entity from the Council with its own Fund Account and Net Asset Statement. The following material transactions took place between the Council and the Pension Fund:

	<b>2008/09</b>	<b>2007/08</b>
	<b>£000</b>	<b>£000</b>
<b>Income:</b>		
Pension Contributions-from the Council (employer's contributions)	(14,441)	(12,954)
Pension Contributions-from employees (deductions paid over)	(3,995)	(3,365)
Interest	(90)	(116)
<b>Total Income</b>	<b>(18,526)</b>	<b>(16,435)</b>
<b>Expenditure:</b>		
Indirect support costs provided by the Council	<b>378</b>	<b>375</b>

## **Note 93      CONTINGENT ASSETS AND LIABILITIES**

Apart from future pension and benefit liabilities, the Pension Fund had no contingent assets or liabilities as at 31<sup>st</sup> March 2009.

## **Note 94      EVENTS AFTER THE BALANCE SHEET DATE**

The accounts for the Pension Fund are authorised for issue on the date that the Statement of Responsibilities for these accounts was signed – 22<sup>nd</sup> June 2009. There are no events after 31<sup>st</sup> March 2009 that require adjustment to the accounts.

The only non-adjusting event that is reported is that investment values have generally increased since 31<sup>st</sup> March and are approximately 23% higher (based on the valuation at end of August), equivalent to around £62million more than reported in the Net Asset Statement.

## STATEMENT OF ACCOUNTING POLICIES

### General Principles

The Statement of Accounts has been prepared and presented in accordance with 'proper practices' in relation to the Accounts' as required by the Accounts and Audit Regulations. These proper practices represent compliance with:

- All relevant Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRS) and Urgent Issues Task Force (UITFs) Abstracts issued by the Accounting Standards Board (ASB)
- The Code of Practice on Local Authority Accounting in the UK 2008; A Statement of Recommended Practice (SORP)
- The Best Value Accounting Code of Practice 2008 (BVACOP) issued by the Chartered Institute of Public Finance & Accountancy

These policies apply to all the statements except those relating to the Pension Fund, for which separate accounting policies are set out within its notes, and any specific exceptions that are referred to in detail in the following paragraphs.

### Changes in Accounting Policies

The following changes have been made in accounting policies in 2008/09:

#### Investment Assets

Arising from changes in the SORP 2008 and the Pensions SORP (see Note 74), Pension Fund investments are required to be recognised at fair value from 1 April 2008. This affects the Pension Fund accounts (in respect of the value of investment assets in its Net Asset Statement) and the Council's accounts (in respect of the recognition of assets in relation to retirement benefits etc. as required under FRS17). The impact of this change is that investments are now effectively valued at the market 'bid-price' for investments as opposed to the 'mid-price' previously used, which provides a slightly lower value for these assets.

#### Gains and losses on disposal of assets

Guidance on the accounting treatment for the disposal of fixed assets has changed and it is no longer appropriate to revalue assets prior to disposal. Prior to this change, assets were revalued at the time of sale to recognise that the carrying value of assets in the balance sheet was in most cases out of date as local authority assets are only revalued on a rolling five-year basis. This practice meant that there were no gains or losses recognised against carrying values, and losses on disposal only reflected the costs of disposal. New guidance does not allow assets to be revalued at the time of disposal, so the Income and Expenditure Account now reports the full gain or loss of the disposal against the carrying value of the asset.

These changes in accounting policy are disclosed in Note 1 in the accounts.

### Existing Accounting Policies

#### 1. Accruals Basis

The accounts are prepared on an accruals basis, with the exception of regular utility payments. Accruals are made for outstanding invoices (for example fourth quarter not paid by 31<sup>st</sup> March) but no accruals are calculated for consumption of utilities that have not been billed at 31<sup>st</sup> March. This departure from the SORP is made on the basis that taking one year with another the effect of this treatment on the accounts is negligible and does not justify the additional time and cost necessary to accurately estimate consumption figures for the numerous cost centres affected.

#### 2. Estimation

The following material estimations are made in preparation of the Statement of Accounts:

# STATEMENT OF ACCOUNTING POLICIES

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## **Creditors**

All creditor accruals at 31<sup>st</sup> March are based on the value of orders placed, invoices received or on an estimated basis where orders or invoices are not available (e.g. in respect of payments to and from government in respect of grants, Business Rates (NNDR) etc. where payments are made on the basis of claims, returns etc. usually completed after year-end).

## **Debtors**

Debtors are raised for amounts owed to the Council up to 31<sup>st</sup> March. Provision for impairment of debts is estimated having regard to the age of debt and the status of recovery procedure. Separate bad debt provisions are made for general debtors, Collection Fund (Council Tax and NNDR) and housing debts (short term lets and bed and breakfast).

## **De Minimis levels**

The Council has set a general de minimis level for accruals of creditors that are calculated manually at year-end in order to avoid additional time and cost to accurately estimate and record all accruals. This level is reviewed annually and is currently set at £10,000. There has been no change in this level since last year.

## **3. Revenue Recognition of Revenue Expenditure, Interest Income and Interest Expenditure**

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the balance sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.
- Interest payable and receivable on borrowings is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant revenue account, unless they properly represent capital receipts or capital expenditure.

## **4. Fixed Assets**

Expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis.

Assets are brought into the balance sheet on the basis of valuation less depreciation. The basis of valuation for each class of asset is as follows:

### **Operational assets - Valuation**

- Intangible assets are valued at historic cost.
- Land and buildings are valued at open market value on existing use basis except Specialised Operational assets (see below).
- Specialised Operational assets (mainly leisure centres and schools) are valued on open market value - alternative use basis because there is insufficient evidence of market value on existing use basis. This is in accordance with the Royal Institute of Chartered Surveyors (RICS) guidance.
- Vehicles, plant and equipment are valued at historic cost. This basis of valuation is used because the effect is presently not material to the accounts (the total value of this category of assets is in the region of £6.2m) and the time and cost involved in revaluing a disparate inventory of vehicles and plant is not justified.
- Infrastructure assets are valued at historic cost.
- Community assets are valued at historic cost.

## **Non-Operational assets - Valuation**

- Non-operational assets are valued at open market value.

Assets other than land, community and investment assets (which are not depreciated) are written down for depreciation on a straight-line basis over their estimated life. These lives are assessed on an individual basis for vehicles, plant and equipment and on a standard basis for other classes of assets as follows:

## **Operational assets - Depreciation**

- Intangible assets are depreciated over the period of their useful life.
- Buildings are depreciated over the period of their useful life, up to 60 years depending upon the type of structure.
- Infrastructure assets are depreciated over a standard period of 40 years.
- Vehicles, plant and equipment are depreciated over the period of their useful lives. These vary from between 3 to 25 years and are based upon technical or professional advice at the time of acquisition.

## **Non-operational assets are not depreciated.**

Land and buildings, including those that are non-operational, are valued on a rolling programme over 5 years. A full simultaneous valuation of all assets has not been carried out since capital financing regulations first required current valuations in April 1994.

## **5. Sale of Fixed Assets**

Sales of fixed assets give rise to capital receipts that are credited to the Usable Capital Receipts Reserve and are available to finance further capital expenditure. An exception to this policy arises in respect of the Home Loans Unit that manages a mortgage portfolio on behalf of all London Boroughs. Capital receipts that arise from the repayment and redemption of mortgages in respect of the Home Loans Unit are not available to the Council and are distributed to all London Boroughs, as set out in the disclosure note to the Home Loans Unit Accounts.

There is a change of policy from 2008/09, reported above, relating to the basis on which assets are valued prior to disposal. Gains or losses on disposal are reported in the Income and Expenditure Account but reversed in the Statement of Movement on the General Fund Balance so there is no effect on the General Fund.

## **6. Basis of Charges to Revenue in Respect of Fixed Assets**

Capital charges are made to the revenue account of individual services on the basis of depreciation, as set out above net of write down of Government Grant Deferred and impairment.

## **7. Revenue Expenditure charged to Capital under Statute**

Where the Council incurs capital expenditure that does not result in the creation or enhancement of an asset for the Council (where no asset is created or where an asset is created or enhanced that is the property of a third party), this is amortised to revenue over an appropriate period consistent with the consumption of the economic benefits controlled by the Council.

## **8. Leases**

The Council has no finance leases. Operating leases allow the Council to have the use, but not the ownership, of assets over the term of the lease. Lease rentals are regular payments and are charged to revenue as they occur.

## **9. Financial Liabilities**

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

# STATEMENT OF ACCOUNTING POLICIES

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Long-term borrowing is reviewed on a regular basis and where there is economic advantage loans are repaid prematurely. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement.

## **10. Financial Assets – Loans and receivables**

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

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 Income and Expenditure Account.

## **11. Stocks and Works in Progress**

Stocks are valued on a weighted-average basis, taking account of all items in stock at their purchase cost. Work in progress is valued at cost. This policy does not comply with the SORP that requires stocks and work in progress to be valued at the lower of cost or net realisable value. The effect of this non-compliance is regarded to be not material.

## **12. Government Grants**

Government grants and contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. This now includes the PSA Reward Grant where the Council's improvement in prior years makes them eligible to receive grant in future years.

Revenue grants and contributions are credited to the relevant service and matched with the expenditure to which they relate, with grants that cannot be attributed to a particular revenue service taken to the Income and Expenditure Account as corporate income. Formula Grant and the contribution in respect of Non-Domestic Rates are made to finance the general activities of the Council and are credited to the Income and Expenditure Account (as corporate income) in the year that they are receivable.

Where the acquisition of a fixed asset is financed either wholly or partly by a government grant or contribution the contribution is taken to the government grants-deferred account and written down to the service revenue account over the useful life of the asset to which it relates. This policy results in the grant amortising in line with the depreciation of the asset to which the grant relates.

## **13. Allocation of Support Costs**

Support costs are fully allocated to services in accordance with the Best Value Accounting Code of Practice (BVACOP). BVACOP also requires that the cost of the Corporate and Democratic Core and of Non-Distributed Costs be treated as two objective cost centres in the Income and Expenditure Account.

Support costs are allocated using the most appropriate basis available (primarily staff numbers or staff time) in respect of mainly staff driven costs; and floor area for accommodation costs.

## **14. Long Term Contracts**

Some contracts for capital expenditure extend beyond one financial year. Expenditure on these contracts is charged to capital expenditure on an accruals basis in the relevant financial year. These assets are initially valued at cost and the value of the asset will increase in the balance sheet in line with each year's capital expenditure. As part of the rolling five-year valuation process these assets will be re-valued as described in the earlier paragraph on Fixed Assets.

# STATEMENT OF ACCOUNTING POLICIES

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The Council has a number of revenue contracts, for example for the provision of IT support services that extend over a number of years. The periods relating to these contracts vary, but are usually for periods of between 5 to 10 years. Expenditure on these contracts is charged, on an accruals basis, to revenue in the financial year in which value (goods or services) are received.

The Council has entered into two PFI contracts that have substantially longer periods than usual. Details of these two contracts and their financing arrangements are set out in the notes to both the Income and Expenditure Account and the balance sheet. As a result of the effect of government grant on the financing of these contracts, an earmarked reserve has been established into which surpluses in the early years of these contracts are paid. The reserve will be used to fund deficits in the later years of the contracts. The effect of this accounting treatment is that the Cost of Services in the Income and Expenditure Account reflects the actual net cost of the PFI contracts for each financial year taking into account the full unitary charge and government grant received, but the appropriation to or from the PFI reserve adjusts the amount to be met by Council Tax in each year effectively smoothing the effect of the incidence of the government grant over the period of each PFI contract.

## **15. Revenue Provisions and Reserves**

Amounts are set aside from revenue both revenue provisions and reserves.

Provisions are established where a future loss or liability is recognised but the timing and value are uncertain. In the balance sheet, the provision for bad debts is deducted from current debtors.

Reserves are established in a prudent manner to meet future expenditure needs that are non-specific at the balance sheet date, including general contingencies and cash flow management in respect of the General Fund Balance. Earmarked reserves are set aside for specific purposes.

## **16. Pension Costs**

The Council operates a Pension Fund as an administering authority for the Local Government Pension Scheme. This is a funded, defined benefits scheme, details of which are given in the notes to the Pension Fund Accounts.

The Council's contributions to the Fund are based upon periodic actuarial valuation and set at a level sufficient to enable the Fund to meet its accrued liabilities. The last valuation was for 31<sup>st</sup> March 2007, at which time the Fund covered 82.1% of its accrued liabilities, and the Council's contributions are increasing annually to make up the deficit. The Council's contributions are set as a percentage of pensionable pay and charged to service expenditure alongside employees' pay.

In accordance with FRS 17 'Retirement Benefits' in local authority accounts, additional disclosure notes are included in the Statement of Accounts in relation to the Income and Expenditure Account. These disclosure notes are in accordance with the accounting policy requirements of FRS17, which has the effect of standardising the assumption on the growth of invested pension funds. The required adjustment results in organisations' accounts becoming more comparable.

## STATEMENT OF RESPONSIBILITIES

### Responsibilities of the Council

The Council is required to:

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

### Responsibilities of the Director of Finance and Corporate Services

The Director of Finance and Corporate Services is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in United Kingdom, is required to present fairly the financial position of the Council at the accounting date, and its income and expenditure for the year ended 31<sup>st</sup> March 2009.

In preparing this Statement of Accounts, the Director of Finance and Corporate Services has:

- Selected suitable accounting policies, and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Director of Finance and Corporate Services has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Ensured the Council's Statement of Accounts presents fairly the financial position of the Council at 31<sup>st</sup> March 2009, and its income and expenditure for the year ended 31<sup>st</sup> March 2009.

### Certificate

I certify that the Statement of Accounts presents fairly the financial position of Richmond upon Thames Council at the end of the period to which it relates and its income and expenditure for that period.

**Mark Maidment**

**Director of Finance and Corporate Services**

**28<sup>th</sup> September 2009**

### APPROVAL OF THE ACCOUNTS AND DATE AUTHORISED FOR ISSUE

These financial statements replace the unaudited financial statements approved by the Statutory Accounts Committee 29<sup>th</sup> June 2009.

**Councillor Serge Lourie**

**Chair**

**Statutory Accounts Committee**

**28<sup>th</sup> September 2009**

**THIS STATEMENT OF ACCOUNTS IS AUTHORISED FOR ISSUE ON 30<sup>th</sup> SEPTEMBER 2009.**

In accordance with Financial Reporting Standard 21 (FRS 21), this is the date up to which any events will have been considered in the Statement of Accounts.

## INDEPENDENT AUDITORS' REPORT

### Opinion on the Authority accounting statements

We have audited the accounting statements and related notes of London Borough of Richmond upon Thames Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of London Borough of Richmond upon Thames in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective responsibilities of the Director of Finance and Corporate Services and auditors

The Director of Finance and Corporate Services responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Financial statements.

Our responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year;

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

We read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

# INDEPENDENT AUDITORS' REPORT

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We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

## Opinion

In our opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Signature:

Date: 30<sup>th</sup> September 2009

Name: Leigh Lloyd Thomas  
for and on behalf of PKF (UK) LLP  
London, UK

## Opinion on the pension fund accounts

We have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Members of London Borough of Richmond upon Thames Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective responsibilities of the Director of Finance and Corporate Services and auditors

The Director of Finance and Corporate Services responsibilities for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

We read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the

# INDEPENDENT AUDITORS' REPORT

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pension fund accounts and related notes. Our responsibilities do not extend to any other information.

## **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

## **Opinion**

In our opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Signature:

Date: 30<sup>th</sup> September 2009

Name: Leigh Lloyd Thomas  
for and on behalf of PKF (UK) LLP  
London, UK

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Authority's Responsibilities**

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

### **Auditors' Responsibilities**

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

# INDEPENDENT AUDITORS' REPORT

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## Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, we are satisfied that, in all significant respects, London Borough of Richmond upon Thames Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

## Certificate

### Delay in certification of completion of the audit

We are required to give an opinion on the financial statements of the pension fund included in the Pension Fund Annual Report of the London Borough of Richmond upon Thames. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by the 1 December 2009. As the Authority has not yet prepared the Annual Report, we have not yet been able to read the other information to be published with those financial statements and we have not issued our report on those financial statements. Until we have done so, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signature:

Date: 30<sup>th</sup> September 2009

Name: Leigh Lloyd Thomas  
for and on behalf of PKF (UK) LLP  
London, UK

## ANNUAL GOVERNANCE STATEMENT

### Proper Practice

The preparation and publication of an annual governance statement in accordance with the CIPFA / SOLACE Framework is necessary to meet the statutory requirement set out in regulation 4(2) of the Accounts & Audit Regulations 2003, as amended by the Accounts and Audit regulations (Amendment) (England) Regulations 2006 which requires authorities to “conduct a review at least once in a year of the effectiveness of its system of internal control” and to prepare a statement on internal control “in accordance with proper practices”.

### **Scope of responsibility**

The Council of the London Borough of Richmond Upon Thames (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The 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, the 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.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is available on our website:

#### **Link to document:**

[http://www.richmond.gov.uk/home/council\\_government\\_and\\_democracy/council/decision\\_making\\_council/council\\_constitution.htm](http://www.richmond.gov.uk/home/council_government_and_democracy/council/decision_making_council/council_constitution.htm)

(see Part 5)

This statement explains how the Council has complied with this code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations (Amendment) (England) Regulations 2006 in relation to the publication of an Annual Governance Statement.

### **The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council 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 the 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 the 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.

# ANNUAL GOVERNANCE STATEMENT

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The governance framework has been in place at the Council for the year ended 31 March 2009 and up to the date of the approval of the annual governance statement and statement of accounts.

## **The governance framework**

The Council has adopted a Code of Corporate Governance in accordance with the CIPFA / SOLACE recommended best practice guidance. A revised Code of Practice was considered and agreed by Cabinet and Standards Committee, before being adopted by full Council in April 2008. This is based on the 6 key values that good governance means:

### **a) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area**

The Council has a Community Plan in place that identifies 7 key priorities for the Richmond Borough area for 2007 – 2017. The Community Plan was formulated after a major consultation exercise and included all major partners and partnerships. The Local Strategic Partnership has agreed Terms of Reference and is responsible for delivery and achievement of the Local Area Agreement. Underlying the Community Plan and Local Area Agreement, the Council has a Corporate Plan that sets out its own specific key service priorities and objectives.

In terms of communication with stakeholders and accountability, the Council publishes a Forward Plan which identifies all upcoming key decisions to be taken, and publishes Annual Accounts and a Report on Performance. The Medium and Long Term Financial Strategy details both revenue and capital budgets and forward plans.

The Corporate Performance Assessment for 2008 has rated the Council as a 4 star, improving strongly Council, the highest accolade possible. The Council has again been assessed at the highest level for, and provides, excellent value for money.

The Local Strategic Partnership has continued to provide strong leadership of all the partners in the Borough, and is driving forward to achieve the objectives set out in the Community Plan. The Council has undertaken a Place Survey and this together with information from a Joint Needs Assessment provides the Council and its partners with data to ensure our services are focussed on meeting community needs.

### **b) Members and officers working together to achieve a common purpose with clearly defined functions and roles**

The roles of Members and officers are clearly defined in the Council's Constitution that is kept under regular review and updated accordingly. The Constitution also contains an agreed Scheme of Delegation to Members and officers, and sets out decision making processes. It also includes regulatory procedures e.g. Contract Standing orders, and Financial Regulations.

The Council has a Chief Executive responsible for overall strategic and operational management, a S151 officer responsible for financial control and a Monitoring Officer responsible for ensuring that agreed procedures and regulations are followed, or if not, are reported publicly. Roles and responsibilities of all senior managers are clearly defined in job descriptions.

There is a Performance Management framework that translates priorities and objectives into performance targets for all members of staff. There are regular reports to Cabinet Members and quarterly reports on budget and performance monitoring to Cabinet and Overview & Scrutiny Committees; this has been subject to review by a Scrutiny Task Group during 2008/09 and improvements to the process and reporting have been implemented.

### **c) Promoting high values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour**

There are Members and Officers Codes of Conduct, and a Members Protocol all of which are kept under regular review.

There is a Standards Committee that is responsible for ensuring high standards of conduct in the Council, and there is a published Annual Report on Standards. For Members, Register of Interests are available via the public website and Declarations of Interests are recorded at meetings and recorded in the minutes.

For officers, there are Registers of Interest in Directorates and annual reminders are issued to remind staff to declare any conflicts of interest and to record any gifts and / or hospitality received.

There is a system of staff appraisal that is based around specific targets and the Council's 5 values (Aspire, Innovate, Take responsibility, Be clear, honest and open, and Be inclusive). The Council has an Equalities Scheme and Corporate Equality and Diversity Action Plan 2007 – 2010. The Council has been externally assessed at Level 3 for Equalities and Diversity and is working towards achieving Level 4.

**d) Taking informed and transparent decision which are subject to effective scrutiny and managing risk**

All Committee meeting agendas and minutes are published on the Council's website, including Members' Decisions. A programme of meetings is published when agreed by Council. The Council has a Cabinet (Executive) and from May 2008, a new structure of Scrutiny Committees has been in place. There is an Annual Report on Scrutiny and during the year, there have been a number of Scrutiny Task Groups set up to review specific service areas, including performance management and public consultation.

All reports to Cabinet must include a risk assessment and are subject to financial and legal scrutiny prior to decision making. Decision making reports also include policy and equality implications and an Environmental Statement Section, which predicts and evaluates the likely significant environmental impacts of proposals.

The Council operates an Audit Committee in accordance with CIPFA recommended best practice, and this committee has overall responsibility for ensuring controls are adequate and working effectively, and also for ensuring the Council's risk management processes are working effectively. The Council has an Anti Fraud and Corruption Strategy and operates a Whistle Blowing policy; the processes and procedures for fraud and whistle blowing have been reviewed and reissued to staff and partners during 2008/09.

**e) Developing the capacity and capability of members and officers to be effective**

There are both Members and officers induction and ongoing training programmes, with full records of members' past and future training and development.

The Council has a Workforce Development Plan 2005 – 2009 which is currently being reviewed and updated. A major restructure of the Council's Departments is now fully implemented and all senior management posts are filled.

During 2008/09, there have been regular senior management development days, and also development days for senior managers with Executive Members.

Inspiring Leaders is a new leadership development programme for middle managers which has been established to help develop leadership skills and to enable staff to play a full and fulfilling part in Richmond's future development.

**f) Engaging with local people and other stakeholders to ensure robust public accountability**

The Council carries out consultations with the public and other stakeholders on the quality of services provided, on budgets and on new proposals (e.g. Twickenham riverside development, environmental car parking charges). A Citizen's Panel has been in existence since 2001; a new panel was recruited in 2007 and has approximately 1500 members.

# ANNUAL GOVERNANCE STATEMENT

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A number of ways are used to encourage the community to engage / contribute / participate, including providing specialist facilities for individuals where required, such as interpreters and providing crèche facilities for individuals with young children.

## **Corporate Governance review**

A review against this Corporate Governance Code of Practice is carried out annually by the Joint Heads of Internal Audit to ensure compliance with the standards is maintained and the results are reported to Cabinet and Standards Committee,

## **Review of effectiveness**

The 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 Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also comments made by the external auditors and other review agencies and inspectorates.

In carrying out this review of effectiveness, the following have been taken into account:

- ❖ Audit Committee reports (internal controls and risk management processes)
- ❖ Scrutiny Committee reports
- ❖ Standards Committee reports
- ❖ Reports of External Audit
- ❖ External Inspection reports
- ❖ Council's Risk Management and Assurance Framework processes
- ❖ Assurances from key partners
- ❖ Joint Heads of Internal Audit Annual report.

We have been advised on the implications of the review of the effectiveness of the governance framework and have drawn up a plan to address weaknesses and ensure continuous improvement of the system is in place.

## **Significant governance issues**

Whilst there are no significant governance or control issues, there are several areas where improved controls are required. These are: Payroll & Pensions, Contracts, ICT issues, Parking income, and Data Quality.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

**Signed:**

Councillor Serge Lourie  
**Leader of the Council**

Gillian Norton  
**Chief Executive**

**Date: 29<sup>th</sup> June 2009**

## **GLOSSARY OF TERMS**

### **ACCRUALS**

Amounts charged to the accounts for goods or services received during the year for which payments have not yet been made, and for income due, which has not yet been received.

### **AREA BASED GRANT (ABG)**

A general non-ringfenced grant that replaces Local Area Agreement grant in 2008/09. It is allocated according to specific policy criteria rather than general formulae.

### **BALANCE SHEET**

A statement of the Council's assets and liabilities at the balance sheet date.

### **BEST VALUE CODE OF PRACTICE (BVACOP)**

This code of practice was introduced in support of the Government's modernisation agenda for local government and, in particular, the process of performance management and best value. The code modernises the system of local authority accounting and reporting and provides a common service cost to facilitate comparison between authorities.

### **BUDGET**

An estimate of amounts expected to be spent or received during the year. This can refer to the Council's overall budget, the budget for a particular area (e.g. Capital Budget or Education Budget) or for a specific item (e.g. Printing Budget).

### **BUSINESS RATES**

Also referred to as national non-domestic rates (NNDR). This is a national tax based on the rateable value of business properties. The tax is administered by the government, who also determine the level of the tax. The Council collects business rates on behalf of the government and pays over the proceeds after costs of collection. The proceeds are re-distributed to local authorities based on the size of their population.

### **CAPITAL ADJUSTMENT ACCOUNT**

This reserve contains the balance of depreciation against the Minimum Revenue Provision (MRP), additional debt repayments over the MRP, reserved capital receipts and usable capital receipts and grants etc. applied to meet capital expenditure.

### **CAPITAL EXPENDITURE**

Spending on assets that have a significant value and a useful life beyond one year.

### **CAPITAL FINANCING REQUIREMENT**

With the introduction of the Prudential Code on 1 April 2004, each local authority has to calculate a number of indicators that help to determine whether the authority can maintain its borrowing with prudent and sustainable levels. One of the key indicators is the Capital Financing Requirement (CFR) that represents the Council's underlying need to borrow.

### **CAPITAL CHARGES**

Charges made to service revenue accounts, based on the consumption of fixed assets used by the service, and consisting of depreciation and impairment, net of government grant deferred credits where applicable.

### **CAPITAL GRANTS**

Government departments and Transport for London (part of the Greater London Authority) support Council capital expenditure through capital grants that can be specific to a particular capital scheme or can be more general support to a particular policy programme or government initiative. These grants are used to finance the relevant element of capital expenditure to which the grant relates.

### **CAPITAL RECEIPTS**

Income received from the sale of land, buildings and other capital assets or the Council's share of such sales by other bodies. These may be used to finance capital expenditure but are not available to finance revenue expenditure.

### **CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)**

This is an accountancy body that produces standards and codes of practice for accounting and financial functions in the public sector. It is one of the bodies responsible for the two principal codes of practice that determine how the Council presents its accounts (see the next paragraph).

### **CODES OF PRACTICE**

In addition to the BVACOP (see above) the principal code of practice that governs the presentation of local authority accounts is the Code of Practice on Local Authority Accounting in the United Kingdom. This code is a Statement of Recommended Practice (or SORP) that is approved by the Accounting Standards Board and is recognised by statute as representing proper accounting practice.

### **COLLECTION FUND**

Local authorities that are required by law to collect Council Tax and Business Rates must establish a 'Collection Fund' that records the amounts collected from Council Tax and Business Rates separately from the Council's own accounts. The Collection Fund also shows payments made to the government and precepting authorities, and transfers to the Council's General Fund.

### **COMMUNITY ASSETS**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples include parks and historic buildings.

### **CONTINGENCIES**

Money set aside from a budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

### **CAPITAL CONTRIBUTIONS**

Some capital schemes receive contributions from third parties that have an interest in supporting a capital scheme. The most common source of capital contributions is from Schools that contribute part of their own resources towards a capital scheme in which they have an interest.

### **CORPORATE AND DEMOCRATIC CORE**

Under the terms of BVACOP, all support costs are allocated to services except for Corporate and Democratic Core and Non Distributed Costs. Corporate and Democratic Core includes corporate policy making and all other member-based activities, and activities that relate to the corporate management of the Council.

### **COUNCIL TAX**

The main source of local taxation to local authorities. It is levied on households within the Council's area based on property values and the proceeds are paid into the Collection Fund for distribution to precepting authorities, which include the Council's own General Fund.

### **COUNCIL TAX BENEFIT**

Assistance provided by the Council to adults on low incomes to help them pay their Council Tax bill. The cost to the Council of Council Tax benefit is largely met by government grant.

### **CREDITORS**

Organisations and individuals to whom the Council owes money.

### **CURRENT ASSETS**

These are assets that will be consumed within the next accounting period (i.e. less than one year). Examples are stock, cash and debtors.

### **CURRENT LIABILITIES**

Those amounts which will become payable or could be called upon in the next accounting period (i.e. less than one year).

### **DEBTORS**

Organisations and individuals who owe money to the Council.

### **DEPRECIATION**

The writing down of the value of a fixed asset in the balance sheet in line with its expected useful life.

### **EARMARKED RESERVES**

Amounts set aside for specific purposes falling outside the definition of provisions.

### **FINANCIAL INSTRUMENTS**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

### **FIXED ASSETS**

These are assets that are likely to be in use by the Council for more than one year, such as land and buildings.

### **FORMULA GRANT**

A grant paid by central government in support of Council services in general as opposed to specific grants that may only be used for specific purposes.

### **FRS**

Financial Reporting Standards issued by the Accounting Standards Board.

### **GENERAL FUND**

This is the main revenue account of the Council and includes the net cost of all services.

### **INCOME AND EXPENDITURE ACCOUNT**

A Core Financial Statement that provides a summary of the resources generated and consumed by the Council in the year.

### **INFRASTRUCTURE ASSETS**

These are fixed assets that are not marketable, for example, roads.

### **INTANGIBLE FIXED ASSETS**

Intangible fixed assets that are likely to be in use by the Council for more than one year are recognised where there is no 'physical' asset but the Council controls future economic benefits from the asset.

### **LABGI**

This is the Local Authorities Business Growth Incentive Scheme, where some local authorities are able to retain a percentage of their annual growth in business rates.

### **LONG TERM BORROWING**

This is external borrowing for a period of one year or more. Temporary borrowing is defined as external borrowing for 364 days or less.

### **LSVT RECEIPT**

This term relates to the 'Large Scale Voluntary Transfer' (LSVT) of Council housing stock in 2000 in which all the Council's housing was transferred to Richmond Housing Partnership (RHP), a local registered social landlord, under a government supported scheme. This resulted in a capital receipt (see earlier explanation) that is separately identified for use in respect of social housing schemes.

### **MINIMUM REVENUE PROVISION (MRP)**

The minimum amount which must be charged to the General Fund each year and set aside as provision for debt repayment, as required by the Local Government Act 1989 and Capital Financing Regulations (as amended).

### **MRICS**

This term designates a Member of the Royal Institution of Chartered Surveyors.

### **NATIONAL NON-DOMESTIC RATES**

Also referred to as Non-domestic Rates (NNDR), this is explained in the paragraph on Business Rates.

### **NON-DISTRIBUTED COSTS**

This category of expenditure under BVACOP comprises the costs of any unused IT facilities and long term unrealisable assets as well as a number of adjustments in relation to pension costs that are not attributable to the current cost of frontline services.

### **OPERATIONAL ASSETS**

These are fixed assets that are held, occupied, used or consumed by the Council in the direct delivery of its services.

### **OPERATIONAL LEASE**

Sometimes referred to as Operating Leases, this is a type of lease, usually of office, computer equipment or vehicles under which lease rentals are paid for the use of the asset over the period of the lease. The asset remains the property of the lessor and has to be returned at the end of the lease.

### **PRECEPT**

A charge made by prescribed public authorities that do not administer the local Council Tax on the Collection Fund.

### **PREMATURE REPAYMENT OF DEBT**

The Council's long-term debt is regularly reviewed and when there is economic advantage loans are repaid prematurely. Such repayments are usually, but not necessarily, replaced by new borrowing at a more advantageous interest rate.

### **PDF**

The Project Development Fund is one of the Council's earmarked reserves.

### **PROVISIONS**

Amounts set aside for liabilities and losses which are likely to occur but where the exact amount or timing is uncertain.

### **PWLB**

The Public Works Loan Board is a government body that makes long-term loans to local authorities.

### **REVALUATION RESERVE**

This reserve contains the balance on the revaluation of fixed assets and any subsequent movement in the current cost of assets arising from depreciation or disposals of those assets.

### **REVENUE EXPENDITURE**

Day to day payments on the running of Council services such as salaries and wages, operating costs and charges for the use of assets.

### **REVENUE EXPENDITURE CHARGED TO CAPITAL UNDER STATUTE**

Capital expenditure that does not result in a new or enhanced asset in the Council's accounts. An example is improvement grants made to individuals. This expenditure is referred to as revenue expenditure classified as capital by statute.

### **SECTION 106 RECEIPT**

Under Section 106 of the Town and Country Planning Act, 1990, developers and local authorities can enter into planning obligations to enable developments to proceed that might otherwise not be approved. These obligations are commonly referred to as Section 106 (S106) agreements and in some cases these provide for the developer to make financial payments to the Council that have to be used for compensatory works or measures that facilitate the proposed development. For example, a proposed new housing development may require compensatory transport measures (e.g. traffic management such as junction improvements, signalling etc.). Most S106 receipts are applied to capital expenditure but can be used for revenue purposes, such as subsidised bus services to alleviate traffic problems.

### **SORP**

This is the Statement of Recommended Practice in preparing local authority accounts.

### **SPECIFIC GRANTS**

A term used to describe government grants to local authorities that are related to a specific service or policy and are each subject to conditions. A list of the main specific grants received is provided in the notes to the Cash Flow Statement.

### **STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

A Core Financial Statement showing how the balance of resources generated and consumed in the year has to be reconciled with statutory requirements for setting Council Tax.

### **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

A Core Financial Statement that demonstrates how the movement in Net Worth in the Balance Sheet is represented by the surplus or deficit on the Income and Expenditure Account and other unrealised gains and losses.

### **TANGIBLE FIXED ASSETS**

Tangible fixed assets are 'physical' assets that provide future economic benefit and are likely to be in use by the Council for more than one year.

### **TEMPORARY AND LONG TERM INVESTMENTS**

The Council has cash surpluses that reflect its usable revenue and capital reserves and the incidence of cash flows. These investments are in loans to banks and other financial institutions. The majority of investments are short term, i.e. with repayment in less than 365 days. Longer term investments (365 days or longer) include one long term loan to another local authority.

### **TEMPORARY BORROWING**

This is defined as external borrowing for 364 days or less. Long-term borrowing is external borrowing for a period of one year or more.

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## ALTERNATIVE FORMATS

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## FEEDBACK

We continuously try to improve our communications with the public and welcome any comments or suggestions on this publication. Please send any comments to:

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In addition to this Statement of Accounts that has to be produced in a format that complies with legislation and professional guidance, the Council publishes a range of other reports covering finance and performance.

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