LONDON BOROUGH OF CAMDEN

STATEMENT OF ACCOUNTS 2010/11

Contents

EXPLANATORY FOREWORD
By The Director of Finance and Chief Financial Officer

Michael O'Donnell
Director of Finance and Chief Finance Officer

As Director of Finance, I am pleased to present the council's 2010/11 Statement of Accounts.

The purpose of this foreword is to provide a guide to the most significant matters reported in the Council's accounts. Camden's financial statements for 2010/11 have been prepared in accordance with the standard format for local authority accounts recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Statement of Accounts in 2010/11 as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards.
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To aid interpretation of the Council's accounts, the foreword is in three sections:

- Commentary and review of the services provided by the council during 2010/11.
- Commentary on the major changes within the statements of accounts when compared to those presented in 2009/10.
- Technical commentary on the significant items within the accounts that are worthy of note.

Commentary and review of the services provided by the council during 2010/11.

1.0 Review of the Year

The last financial year has proved one of the most challenging for local authorities for some considerable time. The aftermath of the recession caused by the financial crisis will be felt by the public sector for the remainder of the decade. The financial outlook for Camden is bleak with large reductions in Formula Grant confirmed for 2011/12 and 2012/13 and the anticipation of further reductions over the medium term to follow. The Council has rightly spent much of the year planning for the future and has taken decisive action to manage the financial reductions and other pressures facing the Council by agreeing a Savings Programme of £83.4m over the period 2011 to 2014. This medium term approach has allowed the Council to take a more strategic view of its resources and plan service reductions over a longer period of time

These accounts have been prepared against this backdrop and although they represent the last financial year before significant reductions the financial year has not been without its own challenges. The change in national government in May 2010 brought immediate financial challenges to the Council with permanent reductions of £2.3m in the Council's Area Based Grant and further one off reductions of £2.3m. The Council moved swiftly to make in year savings to address this shortfall.

With regards to capital funding, the review of the national Building Schools for the Future programme further adversely affected the Council with reductions of £167m that would have been invested in Camden's schools.

Despite the challenges the Council remains well placed to manage the next few years. The Council has robust reserves to cover known eventualities, unknown challenges and has been able to plan for some of the anticipated events over the next few years. The Council still has an ambitious Capital Programme linked to its Community Investment Programme which will utilise Camden's strong asset base to ensure it continues to have excellent facilities to deliver high quality services. Included within the Capital Programme are a school improvement programme that will tackle the highest backlog maintenance need and provide improved facilities at South Camden Community School, Swiss Cottage/Jack Taylor and the UCL Camden Academy, a complete redevelopment of the Council's Homes for Older People and an Accommodation Strategy to provide a more efficient Council office portfolio.

The focus of the organisation over the next few years will be to deliver the significant Savings Programme and implement the Capital Strategy to ensure that the Council continues to excel in financial management to support the rest of the organisation.

2.0 The 2010/11 General Fund Revenue Outturn

The council's financial position at the end of the year remains secure, with general balances standing at £12.4m. This is in line with a commitment at the February 2011 Cabinet to hold the lowest agreed level of General Balances under the Council's policy. The Council had a revenue under spend of £5.0m which has been allocated to support the Capital Programme and the Camden's People Fund.

The Council was further able to make other allocations to Earmarked Reserves including £7.0m to support the Workforce Remodelling Reserve and £3.2m to support the costs of the Homes for Older People project.

The Council's actual spend compared with its updated budget for 2010/11 is set out below: -

	Final Updated Budget 2010/11 £m	**Final Spend £m**
Departmental Costs	306.0	299.2
Non-departmental Costs	(42.3)	(40.5)
Revenue funding of capital expenditure	10.5	10.5
Contributions into and out of Earmarked Reserves and General Balances	(10.6)	(10.6)
Total Spend	**263.6**	**258.6**
Council Funding	(263.6)	(263.6)
Net Under Spend on Revenue Account	**0.0**	**(5.0)**

Overall, departmental service costs were broadly in line with forecasts with under spends across all service departments. The under spending is not surprising in an organisation that is making reductions of £35m in its General Fund budgets in 2011/12. There have been under spends caused by the early delivery of savings where programmes have officially begun and savings have been delivered prior to 1st April 2011. There have been wider under spends across the Council caused by general cost consciousness shown by service managers in anticipation of the Savings Programme.

The gross expenditure and income (excluding transfers from reserves) of the council was £1,087.1m. The graphs below (Fig 1 and 2) show how the council spent its money and from what sources its money comes from. It should be noted that of the £1,087.1m income, £97.3m (8.9%) was raised from the Council Tax.

Fig.1

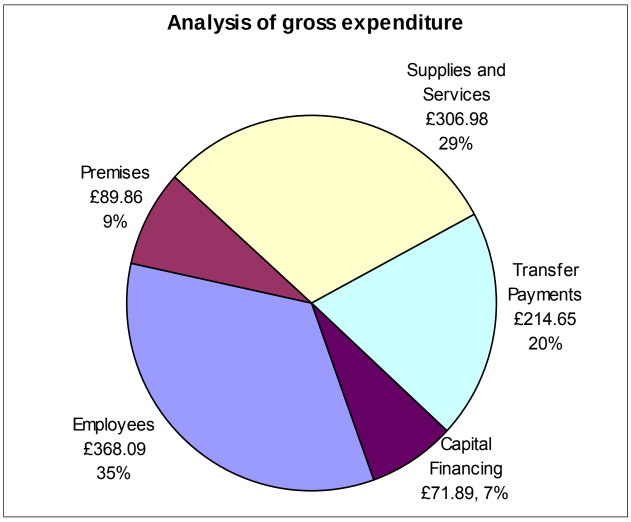
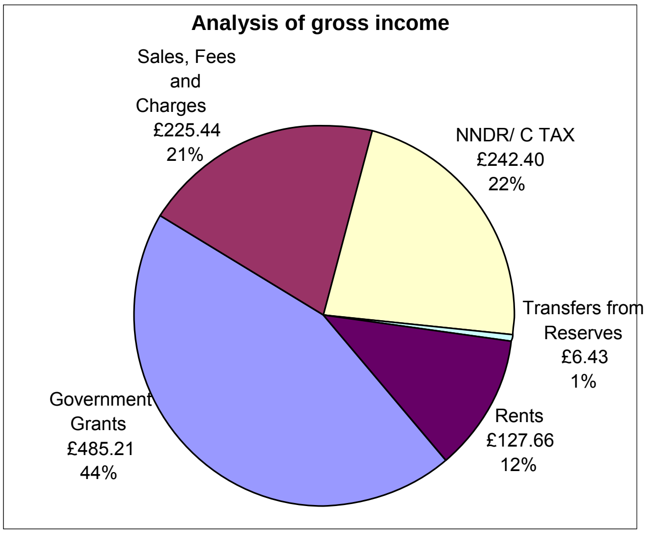


Fig. 2



The levels of reserves and balances are subject to an annual review against the council's reserves and balances policy, undertaken as part of the budget setting process.

Balances held by schools at 31 March 2011 totalled £9.1m.

3.0 The 2010/11 Capital Outturn

Actual capital spend in the year was £124.4m, compared with a revised budget of £132.1m. The main areas of investment were within Housing and Adult Social Care which spent £79.1m, largely on working towards completing the Decent Homes programme. The main area of slippage was within the Finance Department (Corporate Landlord) directorate.

The council has current borrowing facilities with the Public Works Loan Board (PWLB) and with the Cooperative Bank. In addition to new capital resources available in future years from capital receipts and capital grants, the council has at 31 March 2011 revenue contributions of £29.5m (non-HRA) and £20.9m (HRA), and capital receipts of £73.8m in hand to meet the future capital programme's projected expenditure of approximately £838m over the next five years.

During the year, there were no major non-current asset acquisitions and in respect of disposals there was only one property where the capital receipt exceeded £1m.

4.0 Internal and External Sources of Funding

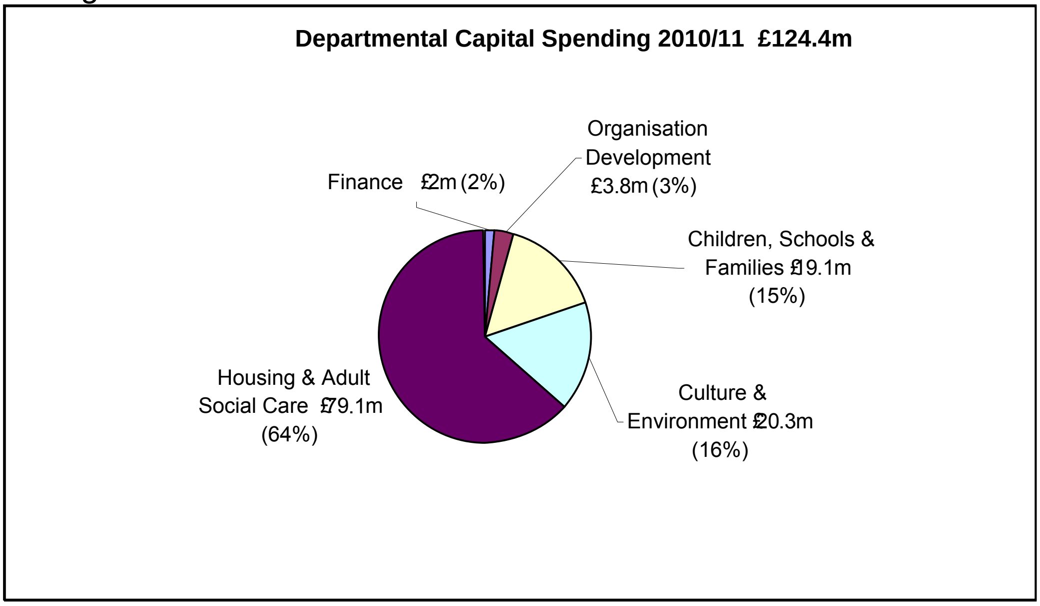
During the year, the council spent £1,087.1m on providing council services and this covered both General Fund and HRA. The source of funding for these services is as follows:

	2010/11		
	General Fund £m	HRA £m	**Total £m**
Internal			
Transfers from Reserves	(0.4)	(6.3)	(6.7)
Total Internal Funding	**(0.4)**	**(6.3)**	**(6.7)**
External			
Council Tax and NNDR	(242.4)	0	(242.4)
Government Grants	(478.3)	(6.9)	(485.2)
Rents	(13.4)	(114.2)	(127.6)
Sales, Fees and Charges	(189.6)	(35.9)	(225.5)
Total External Funding	**(923.7)**	**(157.0)**	**(1,080.7)**
Total Sources of Funding for Spend 2010/11	**(924.1)**	**(163.3)**	**(1,087.4)**

4.1 Capital

The total capital spend of £124.4m in 2010/11 (£127.0m in 2009/10) was financed from a number of sources and included £36.5m from capital grants, £21.2m from revenue contributions and £36.7m from capital receipts. The capital spending in 2010/11 is analysed by department in the following graph (Fig 3).

Fig. 3



4.2 Private Finance Initiative

The Council has 3 Private Finance Initiative projects. Haverstock School and Chalcot Housing have been completed and the revenue costs are met from ongoing base budgets. A third project, the new UCL Academy secondary school and the Swiss Cottage special school co-located at Adelaide Road is under construction.

4.3 Housing

The council is the main provider of rented accommodation in Camden with 23,820 units at 31 March 2011. In 2010/11 average council rents excluding service charges were £85.61 per week, an increase of £1.17, or 1.38%, over the 2009/10 level of £84.44 per week. The HRA in 2010/11 had a planned net deficit of £6.3m, which when taken from its existing reserves of £69.5m resulted in £63.2m being carried forward at 31 March 2011. This reduction was due to a planned use of revenue contributions to the capital programme in the year.

5.0 Material Assets Acquired or Liabilities Incurred

There were no material acquisitions of assets or liabilities incurred during the year.

6.0 Changes in Statutory Functions

In April 2010, the responsibility for commissioning and funding all 16-19 education and training was transferred from the Learning and Skills Council (a former government agency) to local authorities. However, this transfer was reversed by the new government with effect from the start of the academic year in September 2010. Local authorities continue to be responsible for the funding of sixth forms within its schools and have a strategic role as a champion of young people, taking action where significant issues in terms of gaps in supply or quality, particularly in ensuring access among the most vulnerable young people. The financial impact of the short term transfer in responsibilities from April to July 2010 is that an additional £9m of spending is shown under Children, Schools and Families directorate together with an increased government funding of the same amount.

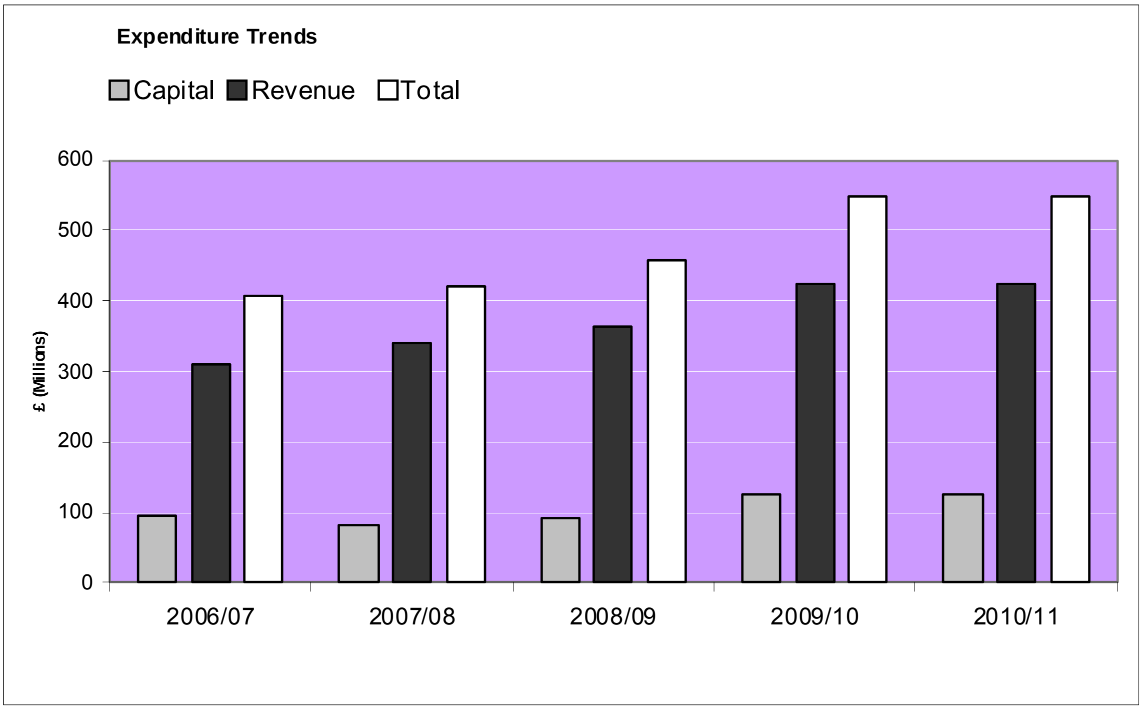
7.0 Illustrative overview

The following diagrams show in broad terms the trend in revenue and capital spend, staffing numbers and the net cost of services per resident over the past few years.

7.1 Trend in revenue and capital spend

The following graph (Fig 4) shows trends in Camden's capital, net revenue spend and total spending. Total spending in 2010/11 was £548.9m, revenue spending rose by 0.3% in 2010/11 compared with the previous year

Fig. 4

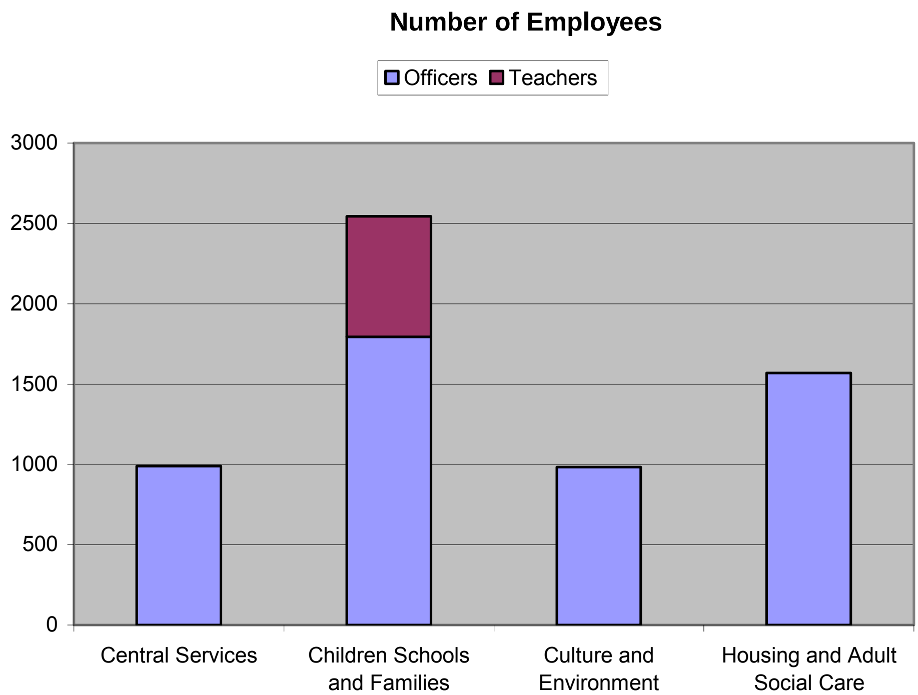


NB. The net revenue spend has been adjusted for Dedicated Schools Grant and before transfers to and from reserves and payments to the Housing capital receipts pool.

7.2 Trend in staffing number over recent years

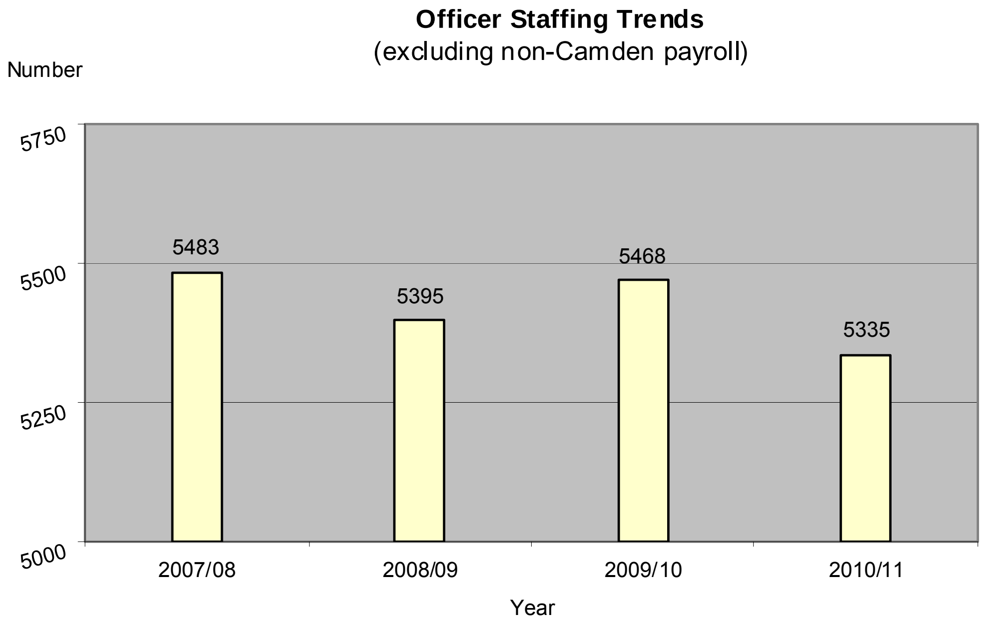
The following graph (Fig 5) shows Camden's staff numbers in 2010/11 for each directorate, expressed in terms of the number of full-time equivalents in post in each category of employment at 31 March 2011. The figures include staff providing services to housing tenants.

Fig. 5



The following graph (Fig 6) shows how Camden staff numbers have changed over recent years. Total FTE staffing decreased by 153 (2.5%) between 2009/10 and 201011.

Fig. 6



Commentary on the major changes within the accounts when compared to those statements presented in 2009/10.

8.0 International Financial Reporting Standards

Prior to April 2010, the council was required to report its financial position based on the United Kingdom Generally Accepted Accounting Practice (UK GAAP). However, as of April 2010, the council is now required to report its financial position under the requirements of International Financial Reporting Standards (IFRS) which are encapsulated within the “Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards”.

9.0 Statement of Accounting Policies

As a consequence of the introduction of IFRS, the councils accounting policies that were applicable under UK GAAP have been comprehensively reviewed and a new set of IFRS based accounting policies were approved by the Audit & Corporate Governance Committee on the 9th March 2011; during the close down process of 2010/11 accounts, no further changes to these policies have been made. To assist readers, at the end of this document is a glossary of terms and abbreviations for the more widely used terms and abbreviations used within the statements and accompanying notes.

10.0 Changes to the Statement of Accounts

This year's accounts include a number of changes, each of which is illustrated below:

10.1 True and Fair View Override

For 2008/09 and earlier years, the Chief Financial Officer certified the accounts under the "presents fairly" requirement of Regulations 7 of the Accounts and Audit Regulations 2003. For 2009/10, the Chief Financial Officer certified under the stronger certification of "true and fair view" under the requirements of Regulation 10(2) of the Accounts and Audit Regulations. For 2010/11, the Chief Financial Officer has to still certify the accounts under the requirement of "true and fair view"; but as a consequence of IFRS, this has introduced the principle of the "true and fair view over-ride". This means, where the chief financial officer considers that to give a true and fair view would actually require the council to provide misleading information i.e. to provide an actual outturn figure would actually show to the reader an unexpected financial position, the chief financial officer is permitted to provide alternative figures providing such divergence from the "true and fair view" is appropriately acknowledged in the notes to the accounts. For 2010/11, the chief financial officer has not had to use the "true and fair view override".

10.2 New Financial Statements

IFRS requires the council to report its financial position via a different set of financial statements, a comparison of this years statements to those of last year under SORP is shown below:

Statements required by

SORP	**IFRS**
Core Statements:	***Core Statements:***
Income & Expenditure Account	Comprehensive Income & Expenditure Statement
Statement of Movement on the General Fund Balance	Movement on Reserves Statement
Statement of Total Recognised Gains and Losses	Comprehensive Income & Expenditure Statement
Balance Sheet	Balance Sheet
Cash Flow	Cash Flow
Supplementary Statements:	*Supplementary Statements:*
Housing Revenue Account	Housing Revenue Account
Collection Fund	Collection Fund
Pension Accounts	Pension Accounts

A more detailed description of each of the statements is shown later in the Explanatory Foreword.

10.3 Grants and Contributions

Prior to the introduction of IFRS, all capital grants and contributions received by the authority were deferred and then applied to assets based on the estimated life of the asset. IFRS now requires all grants and contributions to be assessed in relation to the conditions applicable to the grant and/or contribution. Dependent on whether a grant and/or contribution has a condition, the funding will either be immediately accounted for within the Comprehensive Income and Expenditure Statement or held as Receipts in Advance.

10.4 Component Accounting

With the introduction of IFRS, there is now a requirement for all Property within Non-current assets to be broken into "components". The council has adopted the following components:

- Land,
- Buildings, with Buildings split between:
  - Structure,
  - Fixture and Fittings,
  - Mechanical and Electrical

10.5 Leases

IFRS has introduced a broader review of leases to determine if a lease is either Finance or Operational in nature. Broadly speaking, there are now 7 tests, which are a mix of qualitative and quantitative, and if a lease fails anyone of the tests, this will be a strong indication that the lease is a finance lease. During the transition, a number of plant and equipment leases have become "finance" leases but no property leases have changed their lease categorisation.

10.6 Investment Properties

IFRS has introduced a stricter test to determine those property assets that are to be held as investment properties. For a property to be held as an Investment Property, the property has to be held to either generate cash income or for capital accumulation purposes.

10.7 Assets Held for Sale

IFRS further embeds the concept of "Cash Equivalents" within the various statements outside of that which was included previously for Financial Instruments. In relation to Property, Plant and Equipment, where it is known that such an asset is to be sold within the next year, then that asset is to be removed from "non-current assets" and recategorised within current assets as "current assets held for sale" i.e. the asset is expected to be sold and cash received; the rule of thumb is that the asset will realise its worth within one financial year.

However, there is also a further category within Non-current assets for those assets that are “held for sale” but their worth will not be realised within one year.

10.8 Employee Benefits

IFRS includes the requirement for the council to account for “untaken” staff leave; the standards see such untaken staff leave as a Creditor that has to be recognised in the Comprehensive Income and Expenditure Statement and then transferred to an Unusable Reserve within the Balance Sheet.

10.9 Group Accounts: Associates

Prior to IFRS the Associate categorisation within Group Accounts determined that there had to be “actual control” to identify an Associate group boundary. However, under IFRS the Associate categorisation will be determined based on “power to control”, thus this is a wider definition. A review of the council’s potential group relationships has determined that this new requirements does not introduce any additional group relationships for the council.

10.10 Other Disclosure Changes

As a consequence of the introduction of IFRS, IFRS requires a number of new disclosures and a number of previous “SORP” disclosures to be discontinued.

The main new IFRS disclosures include:

- <u>Estimation uncertainty</u>
  A note to the Accounts that illustrates where estimated figures have been used, based on assumptions made by the Authority about the future or that are otherwise uncertain; for example, the estimate applied to assets for useful economic life.

- <u>Significant Judgements</u>
  A note that illustrates the judgements made by the council to ensure effective and appropriate application of the councils accounting policies. Such judgements have involved making judgements about complex transactions or those involving uncertainty about future events; for example, the future impact of local government funding and the impact on the use of non-current assets.

- <u>Accounting Standards That Have Been Issued but Have Not Yet Been Adopted</u>
  A note to give an illustration of the accounting standards that are not included in the statements currently being reported but will be applicable for the next financial year.

- Amounts Reported for Resource Allocation Decisions (also known as Segmental Reporting)
  A note that will provide a reconciliation between what has been reported to management and what has been reported in the Comprehensive Income and Expenditure Statement. It should be noted that the council does not report to in relation to the council's use of balances.

The disclosures that are no longer required under IFRS include:

- Description of Assets Held
- Net assets analysis between General Fund and HRA
- Details of companies in which the council has a shareholding

Technical commentary on the significant items within the accounts that are worthy of note.

11.0 Explanation of the Core and Supplementary Statements

The core accounting statements comprise: -

11.1 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves', (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. The surplus of (deficit) on the provision of services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the general fund balance and the housing revenue account for council tax setting and dwellings rent setting purposes. The net increase/decrease before transfers to earmarked reserves line shows the statutory general fund balance and housing revenue account balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

The headline figures shown within the Movement in Reserves Statement are as follows:

	Total Usable Reserves £m	Total Unusable Reserves £m
Balance – 31 March 2010	**181.6**	**2,134.1**
Total Comprehensive Expenditure & Income	(340.2)	271.9
Adjustments between accounting & funding basis.	344.9	(345.0)
Net Increase/Decrease before Transfers to Earmarked Reserves	**4.7**	**(73.1)**
Transfers to/from Earmarked Reserves	(0.9)	0.9
Increase/Decrease in 2009/10	**3.8**	**(72.2)**
Balance – 31 March 2011	**185.4**	**2,061.9**

11.2 Comprehensive Income and Expenditure Statement

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

The headline figures shown within the Comprehensive Income and Expenditure Statement are as follows:

	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
Cost of Services	**1,357.0**	**(702.1)**	**654.9**
Other Operating Expenditure	4.1	(5.1)	(1.0)
Financing & Investment Income & Expenditure	50.3	(30.5)	19.8
Taxation & Non-Specific Grant Income	0	(333.9)	(333.9)
(Surplus) or Deficit on Provision of Services	**1,411.4**	**(1,071.6)**	**339.8**
Other CIES adjustments			(271.5)
Total Comprehensive Income & Expenditure			**68.3**

11.3 The Balance Sheet

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

The headline figures shown within the Balance Sheet are as follows:

	31st March 2011
	£m
Long Term Assets	2,952.0
Current Assets	272.2
Current Liabilities	(209.8)
Long Term Liabilities	(767.1)
Net Assets	**2,247.3**
Useable Reserves	185.4
Unusable Reserves	2,061.9
Total Reserves	**2,247.3**

The reserves included within the £185.4m of Useable Reserves shown in the balance sheet include:

	£m
General Fund:	12.4
Housing Revenue Accounts:	63.2
Earmarked Reserves:	98.4
Other:	11.4

11.4 The Cash Flow Statement

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

The headline figures shown within the Cash Flow Statement are as follows:

	31st March 2011 £m
Net cash flows from: operating activities	
- operating activities	76.4
- investing activities	94.6
- financing activities	(143.4)
Net (increase) or decrease in cash and cash equivalents	**27.6**

The supplementary accounting statements comprise:

11.5 The Housing Revenue Account (HRA) Comprehensive Income and Expenditure Statement

There is a statutory duty to account separately for local authority housing provision. The HRA Comprehensive Income and Expenditure Statement shows in detail the income and expenditure on HRA services included in the whole authority Comprehensive Income and Expenditure Statement. It includes the major elements of Council housing revenue expenditure on maintenance, administration and capital financing costs and major income sources such as rents, subsidy and other income.

11.6 The Statement of Movement on the Housing Revenue Account Balance

This shows how the HRA Comprehensive Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year.

11.7 The Collection Fund Revenue Account

The Collection Fund is a separate account into which are paid the amounts raised from local taxation. The council's contribution to the national business rates pool, along with the payments due to preceptors (including Camden itself), are met from this account.

11.8 The Pension Fund Accounts

These show contributions to the council's Pension Fund for employees during 2009/10, together with the pensions and other benefits paid from it, movements in investments during the year and the financial position of the Fund as at 31 March 2010. The accounts do not include liabilities to pay pensions and benefits after that date. There is a new requirement for the Pension Fund to be audited separately from the Accounts this year, and the council’s auditors will report their findings in a report to the Pensions Sub-Committee.

12.0 Material and Unusual Charges or Credit in the Accounts

There are no material and unusual charges or creditors in the accounts.

13.0 Pensions

The requirements of International Financial Reporting Standard 19 are implemented in full in the accounts. The accounts include a net pension liability within the balance sheet. The increase in the figure between years reflects the net change in the estimated employer’s assets and the present value of the scheme liabilities. Although the investment returns were higher than expected, the liabilities increased at an even faster rate mainly due to increasing the allowance for the fact that people are living longer (the so-called longevity risk). The council’s triennial valuation takes a longer-term view and provides a more appropriate measure of pension obligations. The last triennial valuation was completed in November 2010.

14.0 Significant Provisions and Contingencies

14.1 Significant Provisions

The council has established provisions totalling £10.7m as at the 31st March 2011 (£8.7m, 2009/10) and a summary of the provisions is shown below:

	£m
Short Term	
Termination Benefits:	1.4
This provision is to meet the estimated costs of staff rationalisation associated with the change management of the council.	
Long Term	
Self Insurance:	8.7
The council has decided to insure against some forms of risk; namely: • The first £500,000 for property, liability and motor losses. • All risk associated with claims for tree root damage.	
Industrial Leases:	0.4
This provision is to meet the cost associated with tax indemnity clauses relating to the letting of industrial units.	
Miscellaneous Provision:	0.2
This provision is to meet the estimated cost of pending litigations.	
Total Provisions	**10.7**

A more detailed analysis of provisions is shown at Note 21 to the statement of accounts.

14.2 Contingencies

In respect of contingent assets, the council has not made any disclosure for 2010/11 (2009/10, no disclosure). In respect of contingent liabilities, the total disclosed for 2010/11 is £13.2m (2009/10, £11.4m) and a summary of the contingent liabilities is shown below:

		£m
Loan Guarantee The council acts as guarantor for a loan that Paddington Churches Housing Association has taken out with financial institutions.		0.30
Litigations The council has a number of litigations that were ongoing as at the 31st March 2011 but their outcome is not yet determined. A summary of these litigations by type is shown below:		12.2
• Employee Related This contingent liability illustrates the estimated cost of both employee related litigations and the future cost of termination benefits as a consequence of the councils three year rationalisation programme.	7.8	
• Prosecutions The council is undertaking a number of prosecutions and this contingent liability is for the potential costs that the council may have to bear if the cases were lost.	0.2	
• Civil Litigation and Housing Related The council is in dispute in relation to a number of civil and housing related matters and this contingent liability is for the potential costs that the council may have to bear if the cases were lost.	4.2	
Pension Liability		0.7
Total Contingent Liabilities		**13.2**

A more detailed analysis of contingent liabilities is shown at Note 45 to the statement of accounts.

15.0 Material Events After the Reporting Date

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

Further Information

Further information about the accounts is available from the:

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

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

STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS

The Council's Responsibilities

The council is required to:

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

The Director of Finance and Chief Financial Officer's Responsibilities

The Director of Finance and Chief Financial Officer is responsible for the preparation of the council's Statement of Accounts and of it's pension fund statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards.

In preparing this Statement of Accounts, the Director of Finance and Chief Financial Officer has:

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

The Director of Finance and Chief Financial Officer has also:

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

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

Michael O'Donnell, CPFA

Director of Finance and Chief Finance Officer
14th September 2011

CHAIR’S APPROVAL OF STATEMENT OF ACCOUNTS

This is the final Statement of Accounts with all audit activities completed. The Audit and Corporate Governance Committee of the London Borough of Camden at its meeting on 14 September 2011 delegated authority to the Chair to approve the Statement of Accounts.

Councillor Peter Brayshaw

Chair, Audit and Corporate Governance Committee
14th September 2011

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

Opinion on the Authority accounting statements

I have audited the accounting statements of London Borough of Camden for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These 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 Camden in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and Chief Finance Officer and auditor

As explained more fully in the Statement of the Director of Finance and Chief Financial Officer's Responsibilities, the Director of Finance and Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of London Borough of Camden's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and

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

Opinion on other matters

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

Matters on which I report by exception

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

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2011 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These 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 Camden in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and Chief Finance Officer and auditor

As explained more fully in the Statement of the Director of Finance and Chief Financial Officer's Responsibilities, the Director of Finance and Chief Finance Officer is responsible for the preparation of the pension fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on accounting statements

In my opinion the pension fund's accounting statements:

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

Opinion on other matters

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

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

Authority's responsibilities

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

Auditor's responsibilities

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

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

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

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

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, London Borough of Camden put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Delay in certification of completion of the audit

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

Philip Johnstone
District Auditor

Officer of the Audit Commission
1st Floor, Millbank Tower
Millbank
London
SW1P 4HQ
14th September 2011

CORE STATEMENTS

Movement in Reserves Statement for the year ended 31 March 2011

This statement shows the movement in the year on the different reserves held by the authority, analysed into ‘usable reserves’, (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the authority’s services, more details of which are shown in the comprehensive income and expenditure statement. These are different from the statutory amounts required to be charged to the general fund balance and the housing revenue account for council tax setting and dwellings rent setting purposes. The net increase/decrease before transfers to earmarked reserves line shows the statutory general fund balance and housing revenue account balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants unapplied Account £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
					2010/11				
Balance at 31 March 2010 brought forward	**(12,854)**	**(93,903)**	**(69,520)**	**(3,098)**	**0**	**(2,192)**	**(181,567)**	**(2,134,080)**	**(2,315,647)**
Movement in reserves during 2010/11									
Surplus or deficit on provision of services	(151,318)	0	491,126	0	0	0	339,808	0	339,808
Other Comprehensive Expenditure and Income	326	0	57	0	0	0	383	(271,841)	(271,458)
Total Comprehensive Expenditure and Income	**(150,992)**	**0**	**491,183**	**0**	**0**	**0**	**340,191**	**(271,841)**	**68,350**
Adjustments between accounting basis & funding basis under regulations (note 7)	146,050	0	(484,909)	3,098	(8,065)	(1,134)	(344,960)	344,960	0

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants unapplied Account £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Net (Increase)/ Decrease before transfers to Earmarked Reserves	**(4,942)**	**0**	**6,274**	**3,098**	**(8,065)**	**(1,134)**	**(4,769)**	**73,119**	**68,350**
Transfers to/from Earmarked Reserves (note 8)	5,356	(4,444)	0	0	0	0	912	(912)	0
(Increase)/ Decrease movement in 2010/11	**414**	**(4,444)**	**6,274**	**3,098**	**(8,065)**	**(1,134)**	**(3,857)**	**72,207**	**68,350**
Balance at 31 March 2011 carried forward	**(12,440)**	**(98,347)**	**(63,246)**	**0**	**(8,065)**	**(3,326)**	**(185,424)**	**(2,061,873)**	**(2,247,297)**

2009/10
(Restated for IFRS)

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants unapplied Account £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Balance at 31 March 2009 carried forward	**(11,574)**	**(111,961)**	**(73,128)**	**0**	**0**	**0**	**(196,663)**	**(2,199,024)**	**(2,395,687)**
<u>Movement in reserves during 2009/10</u>									
Surplus or (deficit) on provision of services	(4,056)	0	(217,704)	0	0	0	(221,760)	0	(221,760)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	302,047	302,047
Other Gains and Losses	0	0	0	0	0	0	0	(247)	(247)

Movement in Reserves Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants unapplied Account £000	**Total Usable Reserves £000**	Unusable Reserves £000	**Total Authority Reserves £000**
Total Comprehensive Expenditure and Income	**(4,056)**	**0**	**(217,704)**	**0**	**0**	**0**	**(221,760)**	**301,800**	**80,040**
Adjustments between accounting basis & funding basis under regulations (note 7)	20,834	0	221,312	(3,098)	0	(2,192)	236,856	(236,856)	0
Net (Increase) /Decrease before Transfers to Earmarked Reserves	**16,778**	**0**	**3,608**	**(3,098)**	**0**	**(2,192)**	**15,096**	**64,944**	**80,040**
Transfers to/from Earmarked Reserves (note 8)	(18,058)	18,058	0	0	0	0	0	0	0
(Increase)/ Decrease in Year	**(1,280)**	**18,058**	**3,608**	**(3,098)**	**0**	**(2,192)**	**15,096**	**64,944**	**80,040**
Balance at 31 March 2010 carried forward	**(12,854)**	**(93,903)**	**(69,520)**	**(3,098)**	**0**	**(2,192)**	**(181,567)**	**(2,134,080)**	**(2,315,647)**

Comprehensive Income And Expenditure Statement for the year ended 31 March 2011

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

Comprehensive Income and Expenditure Statement

2009/10 (Restated)				2010/11		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
49,249	(31,703)	17,546	Central services to the public	43,051	(30,516)	12,535
106,344	(32,346)	73,998	Cultural, environmental, regulatory and planning services	114,977	(32,731)	82,246
277,939	(205,767)	72,172	Education and children's services	303,021	(233,348)	69,673
49,866	(40,616)	9,250	Highways and transport services	43,205	(41,515)	1,690
(40,814)	(186,938)	(227,752)	Local authority housing (HRA) *	619,021	(132,222)	486,799
253,014	(208,316)	44,698	Other housing services	255,702	(211,512)	44,190
109,284	(21,571)	87,713	Adult social care	109,439	(20,101)	89,338
7,577	(564)	7,013	Corporate and democratic core	6,613	(152)	6,461
1,223	0	1,223	Non distributed costs	(137,980)	0	(137,980)
813,682	**(727,821)**	**85,861**	**Cost Of Services**	1,357,049	(702,097)	654,952
3,566	(12,918)	(9,352)	Other Operating Expenditure (note 9)	4,082	(5,131)	(1,049)
60,373	(29,708)	30,665	Financing and Investment Income and Expenditure (note 10)	50,292	(30,538)	19,754
0	0	0	(Surplus) or Deficit of Discontinued Operations	0	0	0
0	(328,934)	(328,934)	Taxation and Non-Specific Grant Income (note 11)	0	(333,849)	(333,849)
		(221,760)	**(Surplus) or Deficit on Provision of Services**			**339,808**
		(30,577)	Surplus or deficit on revaluation of non current assets			(6,471)
		0	Surplus or deficit on revaluation of available for sale financial assets			0
		332,624	Actuarial gains / losses on pension assets / liabilities			(265,370)
		(247)	Other gains and losses			383
		301,800	**Other Comprehensive Income and Expenditure**			**(271,458)**
		80,040	**Total Comprehensive Income and Expenditure**			**68,350**

***** This includes an adjustment factor which is set by the DCLG and is applied to the total vacant possession valuation based on the beacon valuation. The DCLG has set revised adjustment factors and for London this is 25% - a 12% drop in the adjustment factor from 2005 levels. Further details are shown in Note 4 to the accounts.

Balance Sheet
for the year ended 31 March 2011

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

Balance Sheet

1 April 2009 (Restated) £000	31 March 2010 (Restated) £000		Note	31 March 2011 £000
2,908,124	3,187,241	Property, Plant & Equipment	12	2,751,156
179,853	182,618	Investment Property	13	195,665
1,193	1,538	Intangible Assets	14	4,294
121,802	59,480	Long Term Investments	15	0
1,118	1,012	Long Term Debtors	15	889
3,212,090	**3,431,889**	**Long Term Assets**		**2,952,004**
115,411	119,935	Short Term Investments	15	202,392
1,172	377	Assets held for sale (less than a year)	19	673
225	274	Inventories	16	283
66,961	85,291	Short Term Debtors	17	56,353
10,790	40,221	Cash and Cash Equivalents	18	12,585
194,559	**246,098**	**Current Assets**		**272,286**
(30,105)	(25,719)	Short Term Borrowing	15	(47,984)
(167,896)	(181,744)	Short Term Creditors	20	(160,401)
0	0	Provisions	21	(1,446)
(198,001)	**(207,463)**	**Current Liabilities**		**(209,831)**
(8,090)	(9,990)	Provisions	21	(9,266)
(419,119)	(421,747)	Long Term Borrowing	15	(427,537)
(1,015)	(913)	Other Long Term Liabilities	15	(801)

Balance Sheet

1 April 2009 (Restated) £000	31 March 2010 (Restated) £000		Note	31 March 2011 £000
(21,431)	(21,431)	Capital Grants Receipts in Advance	36	(21,547)
(363,306)	(700,796)	Net Pensions Liability	44	(308,011)
(812,961)	**(1,154,877)**	**Long Term Liabilities**		**(767,162)**
2,395,687	**2,315,647**	**Net Assets**		**2,247,297**
196,663	181,567	**Usable reserves**	22	185,424
2,199,024	2,134,080	**Unusable Reserves**	23	2,061,873
2,395,687	**2,315,647**	**Total Reserves**		**2,247,297**

Michael O'Donnell, CPFA

Director of Finance and Chief Finance Officer
14th September 2011

These financial statements replace the unaudited financial statements certified by Michael O'Donnell (Director of Finance and Chief Finance Officer) on the 30th June 2011.

Cash Flow Statement
for the year ended 31 March 2011

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

31 March 2010 (Restated) £000		**31 March 2011 £000**
(40,459)	Net cash flow from operating activities (note 24)	76,381
59,267	Net cash flows from investing activities (note 25)	94,611
(48,239)	Net cash flows from financing activities (note 26)	(143,356)
(29,431)	**Net (increase) or decrease in cash and cash equivalents**	**27,636**
10,790	Cash and cash equivalents at the beginning of the reporting period	40,221
40,221	Cash and cash equivalents at the end of the reporting period (note 18)	12,585
(29,431)	**Net (increase) or decrease in cash and cash equivalents**	**27,636**

NOTES TO THE CORE STATEMENTS

Note 1. Accounting Policies

Concepts and Principles

General Principles
The Statement of Accounts summarises the council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 based on International Financial Reporting Standards. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets.

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

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

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

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

Grants and Contributions (IAS 20)

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

- not be recognised until there is reasonable assurance that:
    - ➢ the council will comply with the condition attached to the grant, and

- the grants or contributions will be received.

- be accounted for on an accruals basis, and recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the authority has not satisfied.

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

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

Capital
In respect of capital grants and contributions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

  Where the above recognition criteria have been met:

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

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

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

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

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

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

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

Accruals of Income and Expenditure

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

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

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.

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

- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

Overheads and Support Services

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

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

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

Charges to Revenue in respect of Capital

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

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

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance known as the Minimum Revenue Provision. The Minimum Revenue Provision is a proper charge to the General Fund, but does not appear in the Comprehensive Income and Expenditure Statement. Such amounts shall be transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement. The amounts of Minimum Revenue Provision to be charged to the General Fund for the year are set out in the appropriate regulations and statutory guidance.

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

A charge is also made to the HRA from the General Fund equivalent to statutory capital financing charges. It is calculated in a manner determined by the Secretary of

State in accordance with the provisions of Item 8 of part II of Schedule 4 to the Local Government and Housing Act 1989 (the Item 8 determination).

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

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

Reserves

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

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

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

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

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

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

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

Investment Income

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

Value Added Tax

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

Foreign Currency Translations
(IAS 21)

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

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

Events After the Balance Sheet Date

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

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

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

Cash and Cash Equivalents

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

<u>Non-Current Assets</u>

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

❖ **<u>Recognition</u>**
The cost of an item of property, plant and equipment shall be recognised and hence capitalised if:
- it is probable that the future economic benefits or service potential associated with the item will flow to the authority, and
- the costs of the item can be measured reliably.

Costs that meet the recognition principle include:
- initial costs of acquisition and construction, and
- costs incurred subsequently to enhance, replace part of, or service the asset.

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

Qualifying expenditure:

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

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

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

❖ **Measurement**

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

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

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

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

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

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

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

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

Assets included on the Balance Sheet at fair value are valued on a rolling 5-year programme or when there has been a material change in the value. Where there has been a market condition affecting property values, indexation will be applied only if the change in values is found to be material. This will apply to all properties, except

Council Dwellings. The materiality level for this purpose will be deemed to be +/- 3% of current gross value, when the appropriate adjustments will be made.
With respect to:

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

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

Residual values will be nil, unless otherwise stated.

❖ **Componentisation**

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

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

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

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

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

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

Componentisation will not be applied retrospectively and will be considered only for new revaluations carried out after 1st April 2010 and when enhancement and/or acquisition expenditure is incurred after that date.

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

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

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

- Land, and
- Buildings

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

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

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

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

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

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

At revaluation the basis for componentisation is fair value (EUV) for the relevant asset class. The secondary components noted above are considered to have the following EUV's unless otherwise advised by a qualified specialist (Valuer or quantity surveyor) due to the specific building features:

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

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

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

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

Non Council Dwellings

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

Council Dwellings

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

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

❖ **<u>Depreciation</u>**

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

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

An asset shall not be depreciated:

- until it is available for use.
- when the residual value of an asset is equal or greater than the asset's carrying amount.

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

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

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

2010 and Valuers advice. The depreciation for the HRA dwellings will be calculated as a single asset depreciation.

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

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

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

- infrastructure – allocation over 40 years.

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

Componentisation for depreciation purposes will only be applied for assets that have been revalued or enhanced after 1st April 2010 and will not be applied retrospectively.

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

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

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

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

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

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

General Fund depreciation:
Depreciation charged to the Surplus or Deficit on the Provision of Services is not a proper charge to the General Fund; such amounts shall be transferred to the Capital

Adjustment Account and reported in the Movement in Reserves Statement. On a re-valued asset, a transfer between the Revaluation Reserve and Capital Adjustment Account shall be carried out which represents the difference between depreciation based on the re-valued carrying amount of the asset and the depreciation based on the asset's historical cost.

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

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

❖ **De-recognition**

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

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

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

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

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

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

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

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

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

Donated Assets (IAS 20)

Where an asset is donated for:

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

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

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

Lease and Lease Type Transactions

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

Two types of leases are recognised:

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

❖ **<u>Leases Review and Classification</u>**

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

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

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

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

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

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

❖ **Accounting for Leases**

The Council as a Lessor:

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

- **Operating Lease**
  All assets subject to operating leases will be presented on the balance sheet according to the nature of the asset. Costs, including depreciation are

recognised as an expense. Income from operating leases is recognised in the comprehensive Income and Expenditure Statement.

The Council as a Lessee:

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

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

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

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

Private Finance Initiative (PFI)
(IFRIC 12)

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

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

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

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

Investment Properties
(IAS 40; IPSAS 16)

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

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

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

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

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

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

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

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

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

Intangible Assets
(IAS 38)

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue Expenditure Funded from Capital under Statute

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

Impairment of Assets
(IAS 36)

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

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

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

❖ **<u>Recognition</u>**

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

❖ **<u>Reversing an Impairment</u>**

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

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

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

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

Borrowing Costs
(IAS 23)

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

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

Assets held for sale will be:

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

❖ Classification

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

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

- The asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current fair value.
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

❖ Measurement

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

❖ Depreciation

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

❖ Derecognition

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

❖ **Presentation of discontinued operations**

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

❖ **Re-measurement of carrying amounts**

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

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

Current Assets

Inventories
(IAS 2)

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

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

Employee Benefits

Benefits Payable During Employment
(IAS 19; IPSAS 25)

Benefits payable during employment include:

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

- short-term compensated absences
- bonuses and similar payments
- non-monetary benefits

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

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

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

Termination Benefits
(IAS 19)

Termination Benefits are payable as a result of either:

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

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

Post-Employment Benefits
(IAS 19)

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

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

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

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

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

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

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

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

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

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

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

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

    - current service cost, being the increase in liabilities as result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
    - past service cost, being the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- interest cost, being the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is debited to (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- expected return on assets, being the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return. This is credited to (Surplus)/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- gains/losses on settlements and curtailments, being the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited to the Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- actuarial gains and losses, being changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is debited to Other Comprehensive Income and Expenditure.
- contributions paid to the Camden pension fund and LPFA, being cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

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

Financial Instruments

Accounting for Financial Liabilities After Initial Recognition

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

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

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

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

Accounting for Financial Assets After Initial Recognition

Financial assets are classified into two types:

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

❖ **Loans and Receivables**

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

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

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

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

❖ **<u>Available-for-sale Assets</u>**

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

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

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

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

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

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

- **<u>Instruments Entered Into Before 1 April 2006</u>**

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

<u>Liabilities</u>

Contingent Liabilities

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

Provisions
(IAS 36)

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

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

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

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

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

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

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

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

The code of practice on local authority accounting in the United Kingdom 2011/12 (based on International Financial Reporting Standards) confirms that for 2011/12, FRS 30: Heritage Assets, will be adopted. This will entail that such assets will be recognised for the first time in the 2011/12 financial statements. At this time, the council is not aware of any assets that will be categorised as Heritage Assets.

Note 3. Critical Judgements in Applying Accounting Policies

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

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

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

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

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

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

- The only PFI schemes that the council considers fall within the requirements of "service concessions" are those of the Chalcots Council Dwellings Refurbishment and Haverstock School development, both of which are fully disclosed later in the statement of accounts. The net book value of the assets held, as at the 31st March 2011 are £31.913m and £16.700m respectively.

- The council, in the main, does not include Voluntary Aided schools (land and buildings) within it's asset register because the title deeds for these schools name either the respective Diocesan Board or the Trustees as the legal owners of the title. However, the council does own parts of the property assets of 5 voluntary aided schools which are included in the councils asset register; and are valued for 2010/11 as follows:

	£000
Land	16,062
Buildings	1,162

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

- For 2010/11 the council has not included any valuations based on depreciated replacement cost (DRC).

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

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

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

Item	***Uncertainties***	***Effect if actual results differ from assumptions***
Arrears	At 31 March 2011, the Authority had a sundry debtors balance of £87.508m. This balance is the aggregate of a number of various debtor balances, including HRA rents and service charges and various General Fund services, which include revenues, commercial rents and social services. However, it is considered that the council uses flexible but robust impairments for receivables policies (previously known as bad debt provisions). The current policies range from those that are: • High risk debts (e.g. 100% of all debt relating to Bed and Breakfast accommodation for homeless) to • Lower risk debts (e.g. 5% for debts up to 6 months, 25% up to 1 year and 100% thereafter for debts relating to the Sales Ledger). The impairment for receivables for 2010/11 represents 43% (£37.587m) of the debt outstanding.	Considering the current economic climate and the introduction of universal benefits in the near future, the one area where the current bad debt provision impairment could be too low is in relation to council tenant rents. If council tenant debt were to increase by 25%, the council estimates that an additional £0.956m would need to be set aside as a further bad debt provision impairment.

Item	*Uncertainties*	*Effect if actual results differ from assumptions*
Creditors	At 31 March 2011, the council had a creditor balance of £160.401m. This balance is the aggregate of a number of various creditor balances, including employees and trade creditors. Of this balance, 30% (£47.334m) relates to accruals for goods and services that has been received but had not been paid for.	An increase in the council's creditor balances has a direct cash flow benefit in that these balances can be invested in the UK money markets. For example, if the balance of £160.401m was invested in a short term money market deal, it is estimated that this would generate, over a standard 30 day credit period, investment income in excess of £63,280. However, considering the current economic climate, it is possible that suppliers might start to trade on reduced credit terms. Consequently, a reduction to a 7 day credit period would mean a reduction in investment income of £48,516 to £14,766 (76.7%).
Grant Claims yet to be Certified	Over any given year the council receives a number of grants from central government. Most of these grants are awarded based on an agreed amount and are then subject to audit certification. However, Housing Benefit and Council Tax Benefit Subsidy (subsidy) is paid on account, in that an estimate is made at the start of the amount of benefit that will be awarded during the financial year and then the council receives funding in relation to that estimate. At the end of the financial year, the actual amount due is then calculated and an amount is calculated that is owed to the council by government or vice-a-versa.	During 2010/11, the council estimated that it would require £213.266m in subsidy, but the total claim was for £208.785m, thus the council owes central government £4.481m (2.1% of the original estimate). However, to ensure an effective and timely closure of the accounts, the council has included an accrual of £3.635m for over claimed subsidy, this represents 1.7% of the original estimate. Considering the current economic climate, if the actual amount of benefit claims had increased by only 5%, this would have resulted in a total subsidy claimable of £219.225m, thus exceeding that estimated by £5.959m.

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

Item	*Uncertainties*	*Effect if actual results differ from assumptions*
Property Plant & Equipment **(HRA Valuation)**	In England, the Housing Revenue Account (Accounting Practices) Direction 2007 requires authorities to use the specific bases and methods of valuation set out in the *Guidance on Stock Valuation for Resource Accounting* (updated guidance published by the Department for Communities and Local Government (DCLG) in January 2011). EUV–SH is to be arrived at using beacon properties to assess the vacant possession value for properties, adjusted to reflect their occupation by a secure tenant. The adjustment is considered to reflect the additional risk and liability the public sector landlords undertake when compared with private sector investors. The adjustment factor is set by the DCLG and is applied to the total vacant possession valuation based on the beacon valuation. The DCLG has set revised adjustment factors and for London this is 25% - a 12% reduction in the adjustment factor from 2005 levels (37%).	The fair value of the housing dwellings stock as at 1st April 2010 was estimated at £7.112b. Applying the adjustment factor results in a balance sheet value of £1.778b (25% of fair value). Had the adjustment factor stayed at 2005 levels the balance sheet value would have been £2.631b (at 37% of fair value), the difference between adjustment factors is £853m.

Item	*Uncertainties*	*Effect if actual results differ from assumptions*
Provisions (excluding Impairment for Receivables)	The Authority has an overall provision of £10.712m within its balance sheet. The two most significant provisions are for the:	
	• "self-insurance" provision, which totals £8.729m,for the settlement of claims made against the council where allegations of negligence or breach of duty have been made and the council may have to make a payment; including where: ▪ liability has been admitted and the council will have to pay, ▪ claims where investigations are under way but have not been completed (these claims may or may not end up being paid), and ▪ claims where liability has been denied and the decision is either being challenged or are being held open for a period of time in the event that the liability decision may be challenged.	The insurance provision is a snapshot of claims activity at the end of each financial year. It is often volatile from year to year as it depends on actual claims activity for that year. In 2010/11 the total number of outstanding known claims at year end was 737 with a total outstanding value of £8.729m. This gives an average of £11,844 per claim. Based on this average a 10% increase in claim numbers (74 claims) would give an increase in the provision of £876,456. It should be recognised that claims differ in value because: ▪ there is no consistent claim value. ▪ outstanding estimates change to reflect changes in circumstances.
	All claims relating to this period will not have been received as there is often a lag between incidents occurring and the claim being submitted. This aspect is provided for under the (incurred but not yet reported) IBNR part of the Insurance Reserve.	Outstanding reserves also reduce if claim payments are made during the year. If the increase in claim numbers consisted of small low value claims then the increase may not be as large or the provision could actually reduce in value.

Item	Uncertainties	Effect if actual results differ from assumptions
		Depending on claims activity during the year compared to the last year end figures, if a number of large claims closed during the year then claim numbers could increase but the provision could decrease. Equally, if mainly low value claims closed during the year with new claims being larger and of higher value then the increase in the provision would be higher than the average.
	• termination benefits provision, which totals £1.446m. This provision will meet the cost of redundancies that are expected to occur during 2011/12. The redundancy payment is based on an estimate but the amount actually payable will be dependent on an individual's age and length of local government service.	If the costs of actual terminations were increased by 20%, then the additional cost to be met by services would equate to £0.289m.

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

Note 5. Material Items of Income and Expense

The primary purpose of this note is to disclose those material items of income and expenditure that are not part of the ordinary course of business or events of the council (i.e. extraordinary) and during 2010/11 no such items of income or expenditure were incurred (2009/10, nil).

Note 6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Finance on 30th June 2011. Events taking place after this date are not reflected in the financial statements or notes. There have not been any events taking place before this date that have required any material adjustment to the information included within the statement of accounts.

The financial statements and notes have not been adjusted for events which took place after 31 March 2011.

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

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non current assets	(19,373)	(26,350)	0	0	0	45,723
Revaluation losses on Property, Plant and Equipment	(517)	(501,059)	0	0	0	501,576
Movements in the market value of investment properties	1,137	11,425	0	0	0	(12,562)
Amortisation of intangible assets	0	0	0	0	0	0
Capital grants and contributions applied	17,163	5,285	0	0	(1,134)	(21,314)
Movement in the donated assets account	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(2,895)	(65)	0	0	0	2,960
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,604	2,527	(10,333)	0	0	5,202

2010/11	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment	1,476	2,604	0	0	0	(4,080)
Capital expenditure charged against the General Fund and HRA balances	16,098	14,492	0	0	0	(30,590)
Adjustments primarily involving the Capital Grants Unapplied Grant:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve:						
Transfers of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	11,316	0	0	(11,316)

2010/11	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2,115)	0	2,115	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	8,065	0	(8,065)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	0	0	0

2010/11	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	250	0	0	0	0	(250)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see note 44)	97,798	(6,944)	0	0	0	(90,854)
Employer's pensions contributions and direct payments to pensioners payable in the year	31,456	5,105	0	0	0	(36,561)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	1,757	0	0	0	0	(1,757)

2010/11	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for equal pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0	0	0
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	1,211	6	0	0	0	(1,217)
Total Adjustments	**146,050**	**(484,909)**	**3,098**	**(8,065)**	**(1,134)**	**344,960**

2009/10 Comparative Figures **(Restated)**	**General Fund Balance £000**	**Housing Revenue Account £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Capital Grants Unapplied Account £000**	**Movement in Unusable Reserves £000**

Adjustments primarily involving the Capital Adjustment Account:

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:

Charges for depreciation and impairment of non current assets	(27,564)	188,955	0	0	0	(161,391)
Revaluation losses on Property, Plant and Equipment	0	0	0	0	0	0
Movements in the market value of investment properties	6,633	0	0	0	0	(6,633)
Amortisation of intangible assets	(629)	0	0	0	0	629
Capital grants and contributions applied	2,192	0	0	0	(2,192)	0
Movement in the donated assets account	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(1,748)	0	0	0	0	1,748
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	526	12,404	0	0	0	0

2009/10 Comparative Figures **(Restated)**	**General Fund Balance £000**	**Housing Revenue Account £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Capital Grants Unapplied Account £000**	**Movement in Unusable Reserves £000**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	7,217	0	0	0	0	(7,217)
Capital expenditure charged against the General Fund and HRA balances	42,472	12,405	0	0	0	(54,877)
Net book value of assets disposed of incl. revaluation reserve	0	0	0	0	0	11,156
Adjustments primarily involving the Capital Grants Unapplied Grant:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	0
Adjustments primarily involving the Capital Receipts Reserve:						
Transfers of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0

2009/10 Comparative Figures **(Restated)**	**General Fund Balance £000**	**Housing Revenue Account £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Capital Grants Unapplied Account £000**	**Movement in Unusable Reserves £000**
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	19,361	0	0	(19,361)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,627)	0	1,627	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(24,086)	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	0	8,211	0	(37,448)	0	29,237

2009/10 Comparative Figures **(Restated)**	**General Fund Balance £000**	**Housing Revenue Account £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Capital Grants Unapplied Account £000**	**Movement in Unusable Reserves £000**
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	37,448	0	(37,448)
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	477	167	0	0	0	(644)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see note 44)	(36,319)	(6,548)	0	0	0	42,867
Employer's pensions contributions and direct payments to pensioners payable in the year	31,779	5,734	0	0	0	(37,513)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	(820)	0	0	0	0	820

2009/10 Comparative Figures **(Restated)**	**General Fund Balance £000**	**Housing Revenue Account £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Capital Grants Unapplied Account £000**	**Movement in Unusable Reserves £000**
Adjustments primarily involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for equal pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0	0	0
Adjustments primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(1,755)	(16)	0	0	0	1,771
Total Adjustments	**20,834**	**221,312**	**(3,098)**	**0**	**(2,192)**	**(236,856)**

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

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

	Balance at 1 April 2009 (Restated)	Transfers Out 2009/10	Transfers In 2009/10	Balance at 31 March 2010 (Restated)	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011	Purpose of Reserve
	£000	£000	£000	£000	£000	£000	£000	
Reserves to support ongoing revenue activity								
Carbon Reduction Commitment	0	0	259	259	(259)	0	0	A
Dedicated Schools Grant	881	0	243	1,124	0	2,910	4,034	B
Grant for various initiatives	1,641	(1,641)	3,419	3,419	(1,444)	912	2,887	C
Homes for Older People Reserve	0	0	5,248	5,248	0	3,200	8,448	D
Schools Budgets (delegated)	7,645	(59)	0	7,586	0	1,506	9,092	E
Parking Reserve	3,656	0	0	3,656	0	0	3,656	F
Camden Peoples Fund	0	0	0	0	0	700	700	G
Multi Year Budget Reserve	0	0	2,458	2,458	0	976	3,434	H
Mental Health Aftercare Reserve	944	(494)	0	450	0	0	450	I
	14,767	**(2,194)**	**11,627**	**24,200**	**(1,703)**	**10,204**	**32,701**	
Reserves to support the council's service remodelling programme								
Corporate Initiatives	1,810	(873)	95	1,032	(396)	0	636	J
National Efficiency Reserve	0	0	3,946	3,946	(3,946)	0	0	K
Pay Modernisation Reserve	1,938	(717)	0	1,221	(210)	0	1,011	L
Recovery Fund	6,000	(2,530)	0	3,470	(3,003)	0	467	M
Workforce Remodelling and Efficiency Projects	7,918	(1,948)	0	5,970	0	3,210	9,180	N
	17,666	**(6,068)**	**4,041**	**15,639**	**(7,555)**	**3,210**	**11,294**	
Reserves to support ongoing capital activity and asset management								
Commercial Property	2,882	(381)	16	2,517	0	0	2,517	O
Building Schools for the Future	3,192	(933)	874	3,133	(1,194)	0	1,939	P
Future Capital Schemes	45,094	(29,507)	14,945	30,532	(16,100)	14,906	29,338	Q
Haverstock School PFI Reserve	4,541	0	2,668	7,209	(130)	0	7,079	R
Accommodation Strategy	0	0	0	0	0	1,075	1,075	S
	55,709	**(30,821)**	**18,503**	**43,391**	**(17,424)**	**15,981**	**41,948**	

	Balance at 1 April 2009 (Restated)	Transfers Out	Transfers In	Balance at 31 March 2010 (Restated)	Transfers Out	Transfers In	Balance at 31 March 2011	Purpose of Reserve
		2009/10			2010/11			
	£000	£000	£000	£000	£000	£000	£000	
Reserves to mitigate future service risk								
Self-Insurance Reserve	11,176	(525)	0	10,651	0	1,731	12,382	T
	11,176	**(525)**	**0**	**10,651**	**0**	**1,731**	**12,382**	
Reserves to support charitable activity								
Mayors Charity Reserve	22	0	0	22	0	0	22	U
	22	**0**	**0**	**22**	**0**	**0**	**22**	
Discontinued Reserves								
- Departmental								
Finance	0	0	0	0	0	0	0	
Organisational Development	21	(21)	0	0	0	0	0	
Customers, Strategy and Performance	113	(113)	0	0	0	0	0	
Children's, Schools and Families	935	(935)	0	0	0	0	0	
Housing and Adult Social Care	3,904	(5,248)	1,344	0	0	0	0	
Culture and Environment	144	(1,419)	1,275	0	0	0	0	
- Other								
Haverstock School PFI Initial Payment Reserve	2,798	(2,798)	0	0	0	0	0	
Licensing	381	(381)	0	0	0	0	0	
Modernising Government	43	(43)	0	0	0	0	0	
Potential Litigation	670	(670)	0	0	0	0	0	
Revenue Funding Reserve	80	(80)	0	0	0	0	0	
Revenue Support	1,318	(1,318)	0	0	0	0	0	
Risk Management	228	(228)	0	0	0	0	0	
Systems Modernisation Reserve	1,986	(1,986)	0	0	0	0	0	
	12,621	**(15,240)**	**2,619**	**0**	**0**	**0**	**0**	
Total General Fund Earmarked Reserves	**111,961**	**(54,848)**	**36,790**	**93,903**	**(26,682)**	**31,126**	**98,347**	

	2009/10		2010/11	
Total transfers out	(54,848)		**(26,682)**	
Total transfers in		36,790		**31,126**
Net Movement in Earmarked Reserves	(18,058)		**4,444**	

Purpose of Reserve

A	Carbon Reduction Commitment	To provide funding for carbon reduction initiatives.
B	Dedicated Schools Grant	To hold unspent Dedicated Schools Grant which is reserved for the schools budget and which may be carried forward over to future years.
C	Grant for various initiatives	To hold various unspent grant monies that do not have conditions on its use.
D	Homes for Older People Reserve	To fund preparatory work on the Homes for Older People programme
E	Schools Budgets (delegated)	Reserve budgets held by the council on behalf of its schools.
F	Parking Reserve	To hold balances resulting from parking activities.
G	Camden People's Fund	To soften the blow on Camden residents as the impact of the reductions in services and national changes to welfare start to take effect
H	Multi Year Budget Reserve	To fund allocations in future years as part of multi-year budgeting.
I	Mental Health Aftercare Reserve	To meet the repayment of mental health aftercare charges under Section 117 of the Mental Health Act 1983.
J	Corporate Initiatives	To provide funding for corporate initiatives.
K	National Efficiency Reserve	To provide funding to assist the council in meeting the national efficiency savings targets announced by the new government.
L	Pay Modernisation Reserve	To provide funding from unspent budget provisions in 2009/10 and earlier years for the ongoing pay and grading review
M	Recovery Fund	To provide funding to enable the council to respond to effects of the recession within the community.
N	Workforce Remodelling and Efficiency Projects	To fund costs that may arise from workforce remodelling and efficiency projects under the councils Better and Cheaper agenda.
O	Commercial Property	To provide funding to meet the cost associated with dilapidations and other payments in respect of commercial and other property.
P	Building Schools for the Future	To provide funding for the preparatory work on the Building Schools for the Future Programme
Q	Future Capital Schemes	To provide funding to support the councils costs associated with various capital schemes.
R	Haverstock School PFI Reserve	To hold the balance of funding in respect of the Haverstock School PFI project.
S	Accommodation Strategy	To provide funding to facilitate the office accommodation strategy.

T	Self-Insurance Reserve	In addition to the provision for reported claims, the council has a reserve to cover against the cost of claims that have been incurred but not yet reported to the council. This includes claims that are either partially or fully self-insured by the council as well as claims that are uninsured for both the council and the HRA. The reserve also includes provision made for the possible claw back of claims paid on policies taken out before 1 April 1993 by the council with Municipal Mutual Insurance (MMI). MMI went into run off in September 1992 and is subject to a scheme of arrangement whereby any claims paid since January 1994 may be subject to partial or total claw back in the event of insolvency.
U	Mayors Charity Reserve	To hold donations to the Mayor's Charity.

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

2009/10 (Restated) £000		**2010/11 £000**
1,939	Levies	1,967
1,627	Payments to the Government Housing Capital Receipts Pool	2,115
(12,918)	Gains/losses on the disposal of non current assets	(5,131)
(9,352)	**Total**	**(1,049)**

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

2009/10 (Restated) £000		2010/11 £000
30,632	Interest payable and similar charges	30,129
27,184	Pensions interest cost and expected return on pensions assets	18,193
(8,496)	Interest receivable and similar income	(3,892)
(18,706)	Changes in the fair value of investment properties	(24,886)
51	(Gains)/losses on trading operations (note 29)	210
0	Other investment income	0
30,665	**Total**	**19,754**

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

2009/10 (Restated) £000		2010/11 £000
(96,148)	Precept demand from Collection Fund	(97,273)
(2,093)	Prior Year Collection Fund surplus	(838)
(132,736)	Contributions from NNDR Pool	(146,047)
(80,431)	Non-ring fenced government grants	(67,243)
(17,526)	Capital grants and contributions	(22,448)
(328,934)	**Total**	**(333,849)**

Note 12. Property, Plant and Equipment

Movement on Balances – 2010/11:

	Council Dwellings £000	Other Land and Building £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in Property, Plant and Equipment £000
Cost or Valuation:									
At 1 April 2010	**2,255,890**	**741,657**	**13,879**	**205,665**	**15,996**	**16**	**31,006**	**3,264,108**	**85,750**
Additions	72,303	7,858	3,069	14,816	567	0	9,169	**107,782**	15
Donations	0	0	0	0	0	0	0	0	0
Reclassification (movement between asset groups)	0	23,823	2,056	150	2,628	0	(29,114)	**(457)**	39,744
Revaluation increases/(decreases) recognised in the revaluation reserve	319	5,549	0	0	0	0	0	**5,868**	0
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	(525,495)	(10,591)	0	0	0	0	0	**(536,086)**	(73,415)
Derecognition - disposals	(1,352)	(3,323)	0	0	0	0	0	**(4,675)**	0
Derecognition - other	0	(736)	0	0	0	0	0	**(736)**	0
Other movements in cost or valuation	0	0	0	0	0	0	0	**0**	0
At 31 March 2011	**1,801,665**	**764,237**	**19,004**	**220,631**	**19,191**	**16**	**11,061**	**2,835,804**	**52,094**

Accumulated Deprecation and Impairment:									
At 1 April 2010	**(10,164)**	**(25,692)**	**(8,072)**	**(32,933)**	**(6)**	**0**	**0**	**(76,867)**	**(5,951)**
Depreciation charge	(24,640)	(13,226)	(1,784)	(4,663)	(1)	0	0	**(44,314)**	(1,281)
Depreciation written out to the revaluation reserve	556	1,622	0	0	0	0	0	**2,178**	0
Depreciation written out to the surplus/deficit on the provision of services	30,982	1,453	0	0	0	0	0	**32,435**	3,751
Impairment losses/(reversals) recognised in the revaluation reserve	0	0	0	0	0	0	0	**0**	0
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	0	0	0	0	0	0	0	**0**	0
Derecognition - disposal	7	151	0	0	0	0	0	**158**	0
Derecognition - other	1,547	97	0	0	0	0	0	**1,644**	0
Eliminated on reclassification to assets held for sale	0	118	0	0	0	0	0	**118**	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	**0**	0
At 31 March 2011	**(1,712)**	**(35,477)**	**(9,856)**	**(37,596)**	**(7)**	**0**	**0**	**(84,648)**	**(3,481)**
Net Book Value									
At 31 March 2011	**1,799,953**	**728,760**	**9,148**	**183,035**	**19,184**	**16**	**11,060**	**2,751,156**	**48,613**
At 31 March 2010	**2,245,726**	**715,965**	**5,807**	**172,732**	**15,990**	**16**	**31,005**	**3,187,241**	**79,799**

Comparative Movements in 2009/10:

(Restated)	Council Dwellings £000	Other Land and Building £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in Property, Plant and Equipment £000
Cost or Valuation:									
At 1 April 2009	**2,031,175**	**705,725**	**10,613**	**188,135**	**15,902**	**17**	**20,466**	**2,972,033**	**79,027**
Additions	70,689	20,897	1,299	17,530	6	0	22,723	**133,145**	6,723
Donations	0	0	0	0	0	0	0	0	0
Reclassification (movement between asset groups)	0	0	1,967	0	0	0	(12,184)	**(10,217)**	0
Revaluation increases/(decreases) recognised in the revaluation reserve	164,484	17,552	0	0	0	1	0	**182,037**	0
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	0	(2,517)	0	0	0	(2)	0	**(2,519)**	0
Derecognition - disposals	(9,643)	0	0	0	0	0	0	**(9,643)**	0
Derecognition - other	(815)	0	0	0	0	0	0	**(815)**	
Assets reclassified (to)/from held for sale	0	0	0	0	88	0	0	**88**	0
Other movements in cost or valuation	0	0	0	0	0	0	0	**0**	0
At 31 March 2010	**2,255,890**	**741,657**	**13,879**	**205,665**	**15,996**	**16**	**31,005**	**3,264,108**	**85,750**

Accumulated Deprecation and Impairment:									
At 1 April 2009	**(7,316)**	**(22,385)**	**(5,712)**	**(28,491)**	**(5)**	**0**	**0**	**(63,909)**	**(3,507)**
Depreciation charge	(29,860)	(11,334)	(2,360)	(4,442)	(1)	0	0	**(47,997)**	(2,444)
Depreciation written out to the revaluation reserve	26,506	8,027	0	0	0	0	0	**34,533**	0
Depreciation written out to the surplus/deficit on the provision of services	506	0	0	0	0	0	0	**506**	0
Impairment losses/(reversals) recognised in the revaluation reserve	0	0	0	0	0	0	0	**0**	0
Impairment losses/(reversals) recognised in the surplus/deficit on the provision of services	0	0	0	0	0	0	0	**0**	0
Derecognition - disposal	0	0	0	0	0	0	0	**0**	0
Derecognition - other	0	0	0	0	0	0	0	**0**	0
Eliminated on reclassification to assets held for sale	0	0	0	0	0	0	0	**0**	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	**0**	0
At 31 March 2010	**(10,164)**	**(25,692)**	**(8,072)**	**(32,933)**	**(6)**	**0**	**0**	**(76,867)**	**(5,951)**
Net Book Value									
At 31 March 2010	**2,245,726**	**715,965**	**5,807**	**172,733**	**15,990**	**16**	**31,005**	**3,187,241**	**79,799**
At 31 March 2009	**2,023,859**	**683,340**	**4,901**	**159,644**	**15,897**	**17**	**20,466**	**2,908,124**	**75,520**

Capital Commitments

The Council has authorised capital expenditure of £791m to be incurred in the years 2011/12 to 2016/17.

At 31 March 2011, the authority has entered into a number of contracts for the construction or enhancements of property, plant and equipment in 2011/12 and future years budgeted costs are £110.626m. Similar commitments at 31 March 2010 were £138m. The major commitments are:

Scheme	£000
Emmanuel Primary School	4,330
Edith Neville Primary School	15,000
South Camden Community School	24,304
Decent Homes programme	9,436
Alexandra Estate / Rowley Way	5,906
Ampthill - phase 1a	3,375
Wall / Loft insulation programme	2,708
Reducing CO2 emissions	4,506
Holly Lodge Estate Buy Back / decant	1,918
Makepeace Mansions - phase 1a	1,335
Holly Lodge regeneration	3,561

Revaluations

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

The significant assumptions applied in estimating the fair values are:

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

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

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

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

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

- The following work was undertaken in the period to 31st March 2011.

	Council Dwellings	**Other Land and Building**	**Vehicles, Plant, Furniture and Equipment**	**Surplus Assets**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Carried at historical cost	0	202,219	5,786	0	**208,005**
Valued at fair value as at:					
• 31 March 2011	1,799,963	30,423	0	0	**1,830,386**
• 31 March 2010	0	463,662	0	16	**463,678**
• 31 March 2009	0	135,972	0	0	**135,972**
• 31 March 2008	0	6,436	0	0	**6,436**
• 31 March 2007	0	92,255	0	0	**92,255**
Total Cost or Valuation	**1,799,963**	**930,967**	**5,786**	**16**	**2,736,732**

Note 13. Investment Properties

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

2009/10 (Restated) £000		2010/11 £000
(14,579)	Rental income from investment property	(14,084)
2,074	Direct operating expenses arising from investment property	2,355
(12,505)	**Net (gain)/loss**	**(11,729)**

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

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

2009/10 Restated £000		2010/11 £000
179,853	**Balance at start of year**	**182,618**
	Additions:	
611	• purchases	0
0	• construction	0
121	• subsequent expenditure	353
(1,101)	Disposals	(406)
3,158	Net gains/(losses) from fair value adjustments	13,047
	Transfers:	
0	• to/from inventories	0
(24)	• to/from property, plant and equipment	53
0	Other changes	0
182,618	**Balance at end of year**	**195,665**

Note 14. Intangible Assets

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

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1.409m for 2010/11 (£0.629m, 2009/10) was charged to revenue (the IT administration cost centre) and then absorbed as an overhead across all the service headings in the net expenditure of services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2009/10			2010/11		
	Internally Generated Assets	**Other Assets**	**Total**	**Internally Generated Assets**	**Other Assets**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at start of year:						
• gross carrying amounts	398	2,639	3,037	398	3,613	4,011
• accumulated amortisation	(297)	(1,547)	(1,844)	(398)	(2,075)	(2,473)
Net carrying amount at start of year	**101**	**1,092**	**1,193**	**0**	**1,538**	**1,538**
Additions:						
• internal development	0	0	0	0	0	0
• purchases	0	974	974	0	4,165	4,165
• acquired through business combinations	0	0	0	0	0	0
Assets classified as held for sale	0	0	0	0	0	0
Other disposals	0	0	0	0	0	0
Revaluations increases or decreases	0	0	0	0	0	0
Impairment losses recognised or reversed directly in the revaluation reserve	0	0	0	0	0	0
Impairment losses recognised in the surplus/deficit on the provision of services	0	0	0	0	0	0
Reversals of past impairment losses written back to the surplus/deficit on the provision of services	0	0	0	0	0	0
Amortisation for the period	(101)	(528)	(629)	0	(1,409)	(1,409)
Other charges	0	0	0	0	0	0
Net carrying amount at end of year	**0**	**1,538**	**1,538**	**0**	**4,294**	**4,294**
Comprising:						
• gross carrying amounts	398	3,613	4,011	398	7,778	8,176
• accumulated amortisation	(398)	(2,075)	(2,473)	(398)	(3,484)	(3,882)
	0	**1,538**	**1,538**	**0**	**4,294**	**4,294**

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

	Carrying Amount		Remaining Amortisation Period
	2009/10 £000	**2010/11 £000**	
Libraries Radio Frequency Identity project	0	1,244	3 years

Note 15. Financial Instruments

(Restated)

Categories of Financial Instruments
Accounting regulations require "financial instruments" (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the balance sheet are made up of the following categories of "financial instruments".

	Long-Term			Current		
	1 April 2009 £000	31 March 2010 £000	**31 March 2011 £000**	1 April 2009 £000	31 March 2010 £000	**31 March 2011 £000**
Investments						
Loans and receivables (restated)	121,802	59,480	**0**	129,005	159,602	**214,977**
Available-for-sale financial assets (restated)	0	0	0	0	0	0
Financial assets at Fair value through Profit and Loss	0	0	0	0	0	0
Total investments	121,802	59,480	**0**	129,005	159,602	**214,977**
Debtors						
Loans and receivables	1,118	1,012	**889**			
Financial assets carried at contract amounts				17,276	17,030	**17,128**
Total debtors	1,118	1,012	**889**	17,276	17,030	**17,128**
Borrowings						
Financial liabilities at amortised cost	365,040	363,697	**372,659**	826	271	**21,977**
Financial liabilities at fair value through profit and loss	0	0	**0**	0	0	**0**
Other borrowing	1,015	913	**801**	19,751	21,869	**0**
Total borrowings	366,055	364,610	**373,460**	20,577	22,140	**21,977**

Other Long Term Liabilities			
PFI and finance lease liabilities	60,802	58,050	**54,933**
Total other long term liabilities	60,802	58,050	**54,933**

	Long-Term			Current		
	1 April 2009	31 March 2010	**31 March 2011**	1 April 2009	31 March 2010	**31 March 2011**
	£000	£000	**£000**	£000	£000	**£000**
Creditors						
Financial liabilities at amortised cost	0	0	**0**	0	0	**0**
Financial liabilities carried at contract amount	0	0	**0**	36,895	55,642	**32,455**
Total creditors	0	0	**0**	36,895	55,642	**32,455**

Income, Expense, Gains and Losses

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

2010/11	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available-for-sale assets £000	Assets and Liabilities at Fair value through P&L £000	Total £000
Interest expense	(23,459)	0	0	0	(23,459)
Losses on derecognition	0	0	0	0	0
Reductions in fair value	0	0	0	0	0
Impairment losses	0	0	0	0	0
Fee expense	0	0	0	0	0
Total expense in Surplus or (Deficit) on the Provision of Services	**(23,459)**	**0**	**0**	**0**	**(23,459)**
Interest income	0	4,025	0	0	4,025
Interest income accrued on impaired financial assets	0	0	0	0	0
Increase in fair value	0	0	0	0	0
Gains on derecognition	0	0	0	0	0
Fee income	0	0	0	0	0
Total income in Surplus or (Deficit) on the Provision of Services	**0**	**4,025**	**0**	**0**	**4,025**
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	0	0	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0	0	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**0**
Net gain/(loss) for the year	**(23,459)**	**4,025**	**0**	**0**	**(19,434)**

Comparative figures for 2009/10 (Restated)	**Financial Liabilities measured at amortised cost £000**	**Financial Assets: Loans and receivables £000**	**Financial Assets: Available-for-sale assets £000**	**Assets and Liabilities at Fair value through P&L £000**	**Total £000**
Interest expense	(22,416)	0	0	0	(22,416)
Losses on derecognition	0	0	0	0	0
Reductions in fair value	0	0	0	0	0
Impairment losses	0	0	0	0	0
Fee expense					
Total expense in Surplus of Deficit on the Provision of Services	**(22,416)**	**0**	**0**	**0**	**(22,416)**
Interest income	0	8,496	0	0	8,496
Interest income accrued on impaired financial assets	0	0	0	0	0
Increase in fair value	0	0	0	0	0
Gains on derecognition	0	0	0	0	0
Fee income	0	0	0	0	0
Total income in Surplus of Deficit on the Provision of Services	**0**	**8,496**	**0**	**0**	**8,496**
Gains on revaluation	0	0	0	0	0
Losses on revaluation	0	0	0	0	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	0	0	0	0
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**0**
Net gain/(loss) for the year	**(22,416)**	**8,496**	**0**	**0**	**(13,920)**

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

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

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31 March, using bid prices where applicable.
The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing as per rate sheet number 126/11.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

1 April 2009		31 March 2010			**31 March 2011**	
Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000		**Carrying amount £000**	**Fair value £000**
231,113	283,389	232,118	268,780	PWLB - maturity	262,771	277,645
2,892	3,580	2,027	2,530	PWLB – annuity	1,596	2,063
130,861	136,612	130,349	150,874	LOBOs	130,269	145,431
2,908	2,908	0	0	Bank overdraft	0	0
16,843	16,843	21,869	21,869	Short term borrowing	0	0
384,617	443,332	386,363	444,053	**Financial liabilities**	394,636	425,139
0	0	0	0	**Long-term creditors**	0	0

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

1 April 2009		31 March 2010			**31 March 2011**	
Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000		**Carrying amount £000**	**Fair value £000**
13,594	13,594	10,209	10,209	Cash	12,585	12,585
236,868	214,069	209,425	163,449	Deposits with banks and building societies	202,392	202,509
0	30,189	0	48,000	Callable Deposits	0	0
250,462	257,852	219,634	221,658	**Financial assets**	214,977	215,094
1,119	1,119	1,012	1,012	**Long-term debtors**	889	889

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

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

Note 16. Inventories

	Consumable Stores		Maintenance Materials		Total	
	2009/10 £000	**2010/11 £000**	**2009/10 £000**	**2010/11 £000**	**2009/10 £000**	**2010/11 £000**
Balance outstanding at start of year	**47**	**50**	**178**	**224**	**225**	**274**
Purchases	26	28	878	742	904	770
Recognised as an expense in the year	(23)	(33)	(852)	(728)	(875)	(761)
Written off balances	0	0	20	0	20	0
Balance outstanding at year-end	**50**	**45**	**224**	**238**	**274**	**283**

Note 17. Debtors

1st April 2009 (Restated) £000	31st March 2010 (Restated) £000		**31st March 2011** **£000**
19,823	26,201	Central Government Bodies	12,799
0	0	Impairment	0
19,823	**26,201**	**Central Government Bodies (net)**	**12,799**
18,564	16,068	Other Local Authorities	10,847
0	0	Impairment	0
18,564	**16,068**	**Other Local Authorities (net)**	**10,847**
3,855	4,749	NHS Bodies	3,946
0	0	Impairment	0
3,855	**4,749**	**NHS Bodies (net)**	**3,946**
0	0	Public Corporations and Trading Funds	0
0	0	Impairment	0
0	**0**	**Public Corporations and Trading Funds (net)**	**0**
		Other entities and individuals	
3,996	3,588	- Rent Arrears	3,823
13,789	10,994	- Council Tax Payers	10,515
0	0	- Trade Debtors	0
38,470	43,529	Gross Other entities and individual	45,578
(46,971)	(36,909)	Impairment	(37,587)
9,284	**21,202**	**Other entities and individuals (net)**	**22,329**
51,526	**68,220**	**Total Debtors**	**49,921**
15,435	17,071	**Payments in Advance**	6,432
66,961	**85,291**	**Total Short-Term Debtors**	**56,353**

What is referred to as Impairments in the above analysis is what was previously known as Bad Debt Provision.

Note 18. Cash Flow Statement – Cash and Cash Equivalents

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

2009/10 Restated £000		**2010/11** **£000**
100	Cash held by the authority	99
10,109	Bank current accounts	12,486
30,012	Short-term deposits with building societies	0
40,221	**Total cash and cash equivalents**	**12,585**

Note 19. Assets Held for Sale

	Current	
	2009/10 Restated £000	**2010/11** **£000**
Balance outstanding at start of year	**1,172**	**377**
Assets newly classified as held for sale:		
- property, plant and equipment	0	**0**
- intangible assets	0	**0**
- other assets/liabilities in disposal groups	0	**0**
Revaluation losses	(255)	**0**
Revaluation gains	0	**0**
Impairment losses	0	**0**
Assets declassified as held for sale:	0	**0**
- property, plant and equipment	0	**0**
- intangible assets	0	**0**
- other assets/liabilities in disposal groups	0	**0**
Assets sold	(917)	**(281)**
Transfers from non current to current	0	**0**
Enhancements	377	**577**
Balance outstanding at year-end	**377**	**673**

Note 20. Creditors

1st April 2009 Restated £000	31st March 2010 Restated £000		**31st March 2011** **£000**
18,337	21,206	Central government bodies	53,177
843	2,599	Other local authorities	4,380
439	344	NHS bodies	570
0	0	Public corporations and trading funds	212
148,277	157,595	Other entities and individuals	102,062
167,896	**181,744**	**Total creditors**	**160,401**

Note 21. Provisions

2010/11	**Short Term Provision**	**Long Term Provision**			**Total**
	Termination Benefits	**Self Insurance (incl. Tree Roots)**	**Industrial Leases**	**Miscellaneous**	
Explanation:	**1** **£000**	**2** **£000**	**3** **£000**	**4** **£000**	**£000**
Balance at 1 April 2009	**0**	**7,595**	**495**	**0**	**8,090**
Balance at 1 April 2010	**0**	**9,507**	**380**	**103**	**9,990**
Additional provisions made in 2010/11	1,446	3,599	0	90	5,135
	1,446	13,106	380	193	15,125
Amounts used in 2010/11	0	(2,087)	0	(24)	(2,111)
Unused amounts reversed in 2010/11	0	(2,290)	0	(12)	(2,302)
Balance at 31 March 2011	**1,446**	**8,729**	**380**	**157**	**10,712**
	1,446	**9,266**			**10,712**

1. Termination Benefits

Provision has been made to meet the estimated costs of staff rationalisation associated with change management within the council. The posts to be financed from the provision reflect those posts that were identified as to be made redundant by the end of the financial year but where the redundancy will occur within the forthcoming financial year.

2. Self Insurance

2.a Self-Insurance Provision – General

Since 1993, the Council has self insured various property, liability and motor losses up to £100,000. This level of self insurance increased to £500,000 from 1 January 2010. Annual aggregate limits of £1.2 million, £4 million, and £400,000 apply respectively.

The Council previously placed its insurance with the London Authorities Mutual. Due to a legal challenge, this arrangement was ruled to be ultra vires in June 2009. The council arranged temporary replacement insurance from June to December 2009.

The council has since joined a consortium of other London boroughs to procure insurance together. This arrangement commenced on 1 January 2010 with the councils` main insurance programme placed with Zurich Municipal via the consortium

Contributions in the form of internal premiums charged to departments and HRA are made to the provision.

The balance of the provision at 31 March 2011, £4.483m, is an estimate of Councils fund exposure to risks on reported claims at that date.

2010/11	**Self Insurance: General £000**
Balance at 1 April 2009	**4,328**
Balance at 1 April 2010	**4,857**
Additional provisions made in 2010/11	3,179
Amounts used in 2010/11	(1,263)
Unused amounts reversed in 2010/11	(2,290)
Balance at 31 March 2011	**4,483**

2.b Self-Insurance Provision – Tree Root

Since 1994, the Council has fully Self-insured all claims made as a result of damage to private property as a result of the action of the roots of Council owned trees.

This arrangement changed from 1 January 2010 when the council added tree root liability cover to its main liability insurance programme with an excess of £1 million. Claims within the excess continue to be funded via the Council's insurance provision.

The council previously showed a separate provision for the payment of tree root liability claims; however this has now been incorporated into the council's main insurance provision.

2009/10	**Self Insurance: Tree root £000**
Balance at 1 April 2009	**3,267**
Balance at 1 April 2010	**4,650**
Additional provisions made in 2010/11	420
Amounts used in 2010/11	(824)
Unused amounts reversed in 2010/11	0
Balance at 31 March 2011	**4,246**

3. Industrial Leases

Provision has been made for the liability arising under tax indemnity clauses relating to the letting of industrial units. The provision is the estimate of the cost of non compliance of the terms of the lease by tenants of property services and the cost of termination.

4. Miscellaneous Provision

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

Note 22. Balance Sheet – Usable Reserves

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

Note 23. Balance Sheet – Unusable Reserves

2009/10 1st April 2009 Restated £000	2009/10 31st March 2010 Restated £000		2010/11 31st March 2011 £000
58,139	84,960	Revaluation reserve	87,431
2,514,881	2,762,075	Capital adjustment account	2,291,388
(7,041)	(5,919)	Financial instruments adjustment account	(5,670)
(363,306)	(700,796)	Pensions reserve	(308,011)
1,764	944	Collection fund adjustment account	2,702
(5,413)	(7,184)	Accumulating absences account	(5,967)
2,199,024	**2,134,080**	**Total Unusable Reserves**	**2,061,873**

Revaluation Reserve

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

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

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 Restated £000		**2010/11 £000**
58,139	**Balance at 1st April**	**84,960**
30,580	Upward revaluation of assets recognised in the Revaluation Reserve	10,766
0	Downward revaluation of assets and impairment losses charged to the Revaluation Reserve	(4,292)
30,580	**Surplus or deficit on revaluation of on-current assets posted to the Revaluation Reserve**	**6,474**
(2,421)	Difference between fair value depreciation and historical cost depreciation	(2,534)
(1,338)	Accumulated gains on assets sold or scrapped	(1,469)
(3,759)	Amount written off to the capital adjustment account	**(4,003)**
84,960	**Closing Balance**	**87,431**

Capital Adjustment Account

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

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

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

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

2009/10 Restated £000		2010/11 £000
2,514,881	**Balance at 1 April**	**2,762,075**
	Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement:	
(50,321)	- charges for depreciation and impairment of non current assets	(44,313)
(6,656)	- revaluation losses on property, plant and equipment	(501,576)
(629)	- amortisation of intangible assets	(1,409)
(1,747)	- revenue expenditure funded from capital under statute	(2,960)
(9,819)	- amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the comprehensive income and expenditure statement	(5,202)
191,518	- adjusting amounts written out of the revaluation reserve	4,002
122,346	**Net written out amount of the cost of non current assets consumed in the year**	(551,458)
	Capital financing applied in the year:	
19,361	- use of capital receipts reserve to finance new capital expenditure	11,314
37,448	- use of the major repairs reserve to finance new capital expenditure	0
15,333	- capital grants and contributions credited to the comprehensive income and expenditure statements that have been applied to capital financing	20,805
0	- application of grants to capital financing from the capital grants unapplied account	1,420
6,530	- statutory provision for the financing of capital investment charged against the general fund and HRA balances	4,080
39,543	- capital expenditure charged against the general fund and HRA balances	30,590
118,215		**68,209**

2009/10 Restated £000		2010/11 £000
6,633	Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement	12,562
0	Movements in the donated assets account credited to the comprehensive income and expenditure statement	0
2,762,075	**Balance at 31 March**	**2,291,388**

The Financial Instruments Adjustment Account

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

2009/10 Restated £000		2010/11 £000
(7,041)	**Balance at 1 April**	**(5,919)**
0	Premiums incurred in the year and charged to the comprehensive income and expenditure statement	0
0	Proportion of premiums incurred in previous financial years to be charged against the general fund balance in accordance with statutory requirements	0
644	Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	249
478	Other gains and losses	0
(5,919)	**Balance at 31 March**	**(5,670)**

Pensions Reserve

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

2009/10 £000		**2010/11 £000**
(363,306)	**Balance at 1 April**	**(700,796)**
(332,624)	Actuarial gains or losses on pensions assets and liabilities	265,370
(42,867)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement	90,854
37,513	Employer's pensions contributions and direct payments to pensioners payable in the year	36,561
488	Other gains and losses	0
(700,796)	**Balance at 31 March**	**(308,011)**

Collection Fund Adjustment Account

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

2009/10 £000		2010/11 £000
1,764	**Balance at 1 April**	**944**
(820)	Amount by which council tax income credited to the comprehensive income and expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements	1,758
944	**Balance at 31 March**	**2,702**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/10 £000		2010/11 £000
(5,413)	**Balance at 1 April**	**(7,184)**
5,413	Settlement or cancellation of accrual made at the end of the preceding year	7,184
(7,184)	Amounts accrued at the end of the current year	(5,967)
(1,771)	Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,217
(7,184)	**Balance at 31 March**	**(5,967)**

Note 24. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 Restated £000		2010/11 £000
(11,138)	Interest received	(9,777)
24,152	Interest paid	32,153
(53,473)	Other net operating income & expenditure	54,005
0	Dividends received	0
(40,459)	**Net cash flows from operating activities.**	**76,381**

Note 25. Cash Flow Statement – Investing Activities

2009/10 Restated £000		2010/11 £000
111,557	Purchase of property, plant and equipment, investment property and intangible assets	117,600
0	Purchase of short-term and long-term investments	0
0	Other payments for investing activities	0
(24,076)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(10,331)
0	Proceeds from short-term and long-term investments	0
(28,214)	Other receipts from investing activities	(12,658)
59,267	**Net cash flows from investing activities**	**94,611**

Note 26. Cash Flow Statement – Financing Activities

2009/10 Restated £000		2010/11 £000
(119,574)	Cash receipts of short-term and long-term borrowings	(79,750)
(44,565)	Other receipts from financing activities	(178,127)
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0
115,900	Repayments of short-term and long-term borrowing	114,521
0	Other payments for financing activities	0
(48,239)	**Net cash flows from financing activities**	**(143,356)**

Note 27. Amounts Reported for Resource Allocation Decisions

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

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

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

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

Service Income and Expenditure 2010/11	Children's Services	Housing and Adult Social Care	Culture and Environment	Central Services	Housing Revenue Account	Total
	£000	£000	£000	£000		£000
Fees, charges and other services income	(49,386)	(59,989)	(96,438)	(101,496)	(180,880)	(488,189)
Government grants	(204,672)	(17,274)	(3,649)	(204,399)	(6,879)	(436,873)
Total Income	**(254,058)**	**(77,263)**	**(100,087)**	**(305,895)**	**(187,759)**	**(925,062)**
Employee expenses	185,760	44,852	52,578	49,614	38,510	371,314
Other support expenses	128,594	135,457	89,170	245,207	618,549	1,216,977
Support service expenses	14,337	38,840	35,082	19,395	17,240	124,894
Total Expenditure	**328,691**	**219,149**	**176,831**	**314,216**	**674,299**	**1,713,185**
Net Expenditure	**74,633**	**141,886**	**76,743**	**8,321**	**486,540**	**788,123**

Service Income and Expenditure 2009/10	**Children's Services £000**	**Housing and Adult Social Care £000**	**Culture and Environment £000**	**Central Service £000**	**Housing Revenue Account £000**	**Total £000**
Fees, charges and other services income	(44,874)	(64,627)	(122,325)	(114,225)	(179,688)	(525,739)
Government grants	(181,829)	(23,212)	(2,326)	(197,671)	(41,877)	(446,915)
Total Income	(226,703)	(87,839)	(124,651)	(311,896)	(221,565)	(972,654)
Employee expenses	175,518	49,022	48,738	44,701	40,738	358,717
Other support expenses	112,356	144,084	93,985	245,694	113,904	710,023
Support service expenses	12,690	37,950	49,117	38,813	18,445	157,015
Total Expenditure	300,564	231,056	191,840	329,208	173,087	1,225,755
Net Expenditure	73,861	143,217	67,189	17,312	(48,478)	253,101

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

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

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement	**2009/10**	**2010/11**
	£000	**£000**
Cost of Services in Service Analysis	253,101	**788,123**
Add services not included in main analysis	2,942	(133,432)
Add amounts not reported to management	(170,182)	0
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	0	0
Net Cost of Services in Comprehensive Income and Expenditure Statement	**85,861**	**654,691**

Reconciliation to Subjective Analysis

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

Reconciliation to Subjective Analysis (Single Entity)	Service Analysis	Services not in Analysis	Not reported to mgmt	Not included in CIES	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
				2010/11				
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(488,189)	(142,504)	0	0	0	**(630,693)**	0	**(630,693)**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	**0**	210	**210**
Interest and investment income	0	6,272	0	0	0	**6,272**	(24,292)	**(18,020)**
Income from council tax	0	0	0	0	0	**0**	(98,111)	**(98,111)**
Government grants and contributions	(436,873)	0	0	0	0	**(436,873)**	(235,737)	**(672,610)**
Total Income	**(925,062)**	**(136,232)**	**0**	**0**	**0**	**(1,061,294)**	**(357,930)**	**(1,419,224)**

Reconciliation to Subjective Analysis (Single Entity)	Service Analysis	Services not in Analysis	Not reported to mgmt	Not included in CIES	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	2010/11							
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Employee expenses	371,313	2,800	0	0	0	**374,113**	0	**374,113**
Other service expenses	1,216,978	0	0	0	0	**1,216,978**	(595)	**1,216,383**
Support Service recharges	124,894	0	0	0	0	**124,894**	0	**124,894**
Depreciation, amortisation and impairment	0	0	0	0	0	**0**	0	**0**
Interest and investment expenditure	0	0	0	0	0	**0**	44,431	**44,431**
Precepts & Levies	0	0	0	0	0	**0**	1,967	**1,967**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	2,115	**2,115**
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	**0**	(5,131)	**(5,131)**
Total operating expenses	**1,713,185**	**2,800**	**0**	**0**	**0**	**1,715,985**	**42,787**	**1,758,772**

Reconciliation to Subjective Analysis (Single Entity)	2010/11							
	Service Analysis	Services not in Analysis	Not reported to mgmt	Not included in CIES	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
(Surplus) or deficit on the provision of services	**788,123**	**(133,432)**	**0**	**0**	**0**	**654,691**	**(315,143)**	**339,548**

Reconciliation to Subjective Analysis (Single Entity)	2009/10							
	Service Analysis	Services not in Analysis	Not reported to mgmt	Not included in CIES	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(525,739)	0	17,003	0	0	**(508,736)**	0	**(508,736)**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	**0**	0	**0**
Interest and investment income	0	0	0	0	0	**0**	(29,708)	**(29,708)**
Income from council tax	0	0	0	0	0	**0**	(98,241)	**(98,241)**

Reconciliation to Subjective Analysis (Single Entity)	Service Analysis	Services not in Analysis	Not reported to mgmt	Not included in CIES	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
				2009/10				
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Government grants and contributions	(446,915)	0	0	0	0	**(446,915)**	(230,693)	**(677,608)**
Total Income	**(972,654)**	**0**	**17,003**	**0**	**0**	**(955,651)**	**(358,642)**	**(1,314,293)**
Employee expenses	358,717	(27)	1,771	0	0	**360,461**	0	**360,461**
Other service expenses	710,023	2,969	(3,299)	0	0	**709,693**	267	**709,960**
Support Service recharges	157,015	0	0	0	0	**157,015**	0	**157,015**
Depreciation, amortisation and impairment	0	0	(185,657)	0	0	**(185,657)**	0	**(185,657)**
Interest and investment expenditure	0	0	0	0	0	**0**	60,322	**60,322**
Precepts & Levies	0	0	0	0	0	**0**	1,939	**1,939**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	1,627	**1,627**

Reconciliation to Subjective Analysis (Single Entity)	2009/10							
	Service Analysis	Services not in Analysis	Not reported to mgmt	Not included in CIES	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	**0**	(13,134)	**(13,134)**
Total operating expenses	**1,225,755**	**2,942**	**(187,185)**	**0**	**0**	**1,041,512**	**51,021**	**1,092,533**
(Surplus) or deficit on the provision of services	**253,101**	**2,942**	**(170,182)**	**0**	**0**	**85,861**	**(307,621)**	**(221,760)**

Note 28. Acquired and Discontinued Operations

There are no acquired or discontinued operations during 2010/11 (2009/10 nil).

Note 29. Trading Operations

The Authority has established various trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of those units in 2010/11 are as follows:

2009/10 Restated £000		**2010/11 £000**
	Camden Building Maintenance	
	Camden Building Maintenance are part of the housing repairs service and are the Council's in-house building maintenance contractor, carrying out repairs and improvements work.	
	They are responsible for:	
	• work to tenants' homes in Gospel Oak, Camden Town and Kentish Town.	
	• work to void properties (empty homes) in the South area, which covers Kentish Town, Camden Town and Holborn	
	• occupational therapy aids and adaptations work.	
(12,870)	Turnover	(12,580)
12,870	Expenditure	12,580
0	**(Surplus)/Deficit**	**0**

Commercial Waste Service

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

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

(8,578)	Turnover	(8,938)
6,323	Expenditure	6,981
(2,255)	**(Surplus)/Deficit**	**(1,957)**

Building Control Service

The Local Authority Building Control Regulations (included within Cultural, Environmental and Planning Service) require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement shows the total cost of operating the building control unit for chargeable activities.

(908)	Turnover	(1,407)
1,397	Expenditure	1,120
489	**(Surplus)/Deficit**	**(287)**

Street Markets

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

(830)	Turnover	(748)
1,031	Expenditure	1,000
201	**(Surplus)/Deficit**	**252**

Camden Transport Services

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

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

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

(365)	Turnover	(391)
60	Expenditure	241
(305)	**(Surplus)/Deficit**	**(150)**

On-Street Parking

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

(37,835)	Turnover	(36,116)
27,552	Expenditure	15,688
(10,283)	**(Surplus)/Deficit**	**(20,428)**

	Other Trading Operations The consolidated results of the other council's trading operations are:	
(952)	Turnover	(260)
1,003	Expenditure	470
51	**(Surplus)/Deficit**	**210**
(12,102)	**Net (surplus)/deficit on trading operations**	**(22,360)**

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

2009/10 £000		**2010/11 £000**
(12,102)	**Net (surplus)/deficit on trading operations**	**(22,360)**
(11,850)	Net surplus credited to the Cost of Services	(21,898)
201	Support services recharge to Expenditure of Continuing operations	252
51	**Net services credited to Financing and Investment Income and Expenditure**	**210**

Note 30. Agency Services

Camden provides various services for the North London Waste Authority (NWLA) under SLA agreements. The services provided include Finance, Human Resources and Information Technology and the council received in 2010/11 a net payment from the NWLA of £1.670m (£0.581m in 2009/10).

In addition, the council provides payroll and personnel services for both Camden Age Concern and the Local Government Information Unit. The amount of income received for both agencies was £6,926 (£5,587 in 2009/10)

Note 31. Pooled Budgets

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

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

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

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

The ICES budget is a budget which has overspent in the past. The 2010/11 ICES under spend, is for one year only and reflects better than anticipated end of contract costs.

	2009/10 £000		2010/11 £000	
Funding provided to the pooled budget:				
• the Authority	(966)		(961)	
• the Trust	(277)		(282)	
		(1,243)		(1,243)
Expenditure met from the pooled budget:				
• the Authority	1,104		631	
• the Trust	433		371	
		1,537		1,002
Net (surplus)/deficit arising on the pooled budget during the year		**294**		**(241)**
Authority share of 60% of the net surplus arising on the pooled budget		**0**		**(241)**

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

In 2010/11 the local authority transferred £4.744m gross to C&IMHSCT and received £3.178m from C&IMHSCT as a contribution towards its joint services.

The council receives £8.820m from Camden PCT for the provision of continuing care and jointly commissioned health and social care services. £0.264m is received from other PCTs for whom the council acts as agent for payment of Registered Nursing Care Contribution (RNCC).

Note 32. Members Allowance

2009/10 £000		2010/11 £000
944	Allowances	944
3	Expenses	0
947	**Total**	**944**

Note 33. Officers' Remuneration

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

2010/11

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

2009/10 (Restated)

	Non-Schools		Schools		
Pay band (£)	Left before 31.03.10	Employed at 31.03.10	Left before 31.03.10	Employed at 31.03.10	**Total**
50,000 to 54,999	3	85	1	97	**186**
55,000 to 59,999	0	53	0	27	**80**
60,000 to 64,999	0	27	0	22	**49**
65,000 to 69,999	2	19	0	17	**38**
70,000 to 74,999	4	11	0	6	**21**
75,000 to 79,999	0	6	0	4	**10**
80,000 to 84,999	1	4	0	7	**12**
85,000 to 89,999	1	1	0	1	**3**
90,000 to 94,999	0	2	0	1	**3**
95,000 to 99,999	0	3	0	0	**3**
100,000 to 104,999	0	2	0	1	**3**
105,000 to 109,999	0	5	0	3	**8**
110,000 to 114,999	0	5	0	0	**5**
125,000 to 129,999	0	0	0	1	**1**
130,000 to 134,999	0	1	0	0	**1**
140,000 to 144,999	0	1	0	0	**1**
150,000 to 154,999	0	1	0	0	**1**
160,000 to 164,999	0	2	0	0	**2**
210,000 to 214,999	0	1	0	0	**1**
Total	**11**	**229**	**1**	**187**	**428**

2010/11

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

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

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

No.	Job Title	Notes	Salary £	Variable Pay * £	Fees & Allowances £	Total Remuneration excluding pension contributions £	Employers Pension £
1	Director - Housing and Adult Social Care and Deputy Chief Executive (Employee A)	Note 1	133,903	5,000	13,391	152,294	22,350
2	Assistant Director - Strategy and Resources, Children Schools and Families		105,300	3,000		108,300	16,074
3	Assistant Director - Education Access and Inclusion		105,050	3,000		108,050	15,751
4	Assistant Director - Adult Social Care		105,050	3,000		108,050	15,946
5	Assistant Director of Finance and Head of Property Services		104,938	3,000		107,938	15,924

No.	Job Title	Notes	Salary £	Variable Pay * £	Fees & Allowances £	Total Remuneration excluding pension contributions £	Employers Pension £
6	Assistant Director - Culture and Sport (Now Assistant Director, Culture an Customers)		104,821	4,000		108,821	15,618
7	Assistant Director - Finance and Resources, Housing and Adult Social Care (Now Assistant Director, Housing Needs and Resources, Housing and Adult Social Care)		103,991	3,000		106,991	15,498
8	Assistant Director - Corporate ICT		101,476	3,000		104,476	15,263
9	Head of Legal Services		101,135	3,500	10,114	114,749	17,497
10	Assistant Director - Strategic Planning & Jint Commissioning		100,033	2,500		102,533	15,040
11	Assistant Director - Achievement, Children Schools and Families		99,451	4,000		103,451	14,814
12	Deputy Director of Finance		98,202	3,500	9,820	111,522	16,165
13	Assistant Director - Strategy & Resources, Culture and Environment (Now Assistant Director, Communities)		97,003	4,000		101,003	14,565
14	Assistant Chief Executive	Note 2	100,682		6,655	177,146**	15,624
15	Assistant Director - Children's Social Care		95,516	3,000		98,516	14,338
16	Assistant Director - Revenues		94,635	2,500		97,135	14,100
17	Assistant Director- Housing Management		92,268	3,000		95,268	13,744
18	Assistant Director - Planning and Public Protection (Now Assistant Director, Regeneration and Planning)		92,070	3,000		95,070	13,582

No.	Job Title	Notes	Salary £	Variable Pay * £	Fees & Allowances £	Total Remuneration excluding pension contributions £	Employers Pension £
19	Assistant Director - Public Realm and Sustainability (Now Assistant Director, Environment and Transport) (Employee C)	Note 3	73,320	3,000	12,277	88,597	12,421
20	Head of Human Resources Development (Acting up to Assistant Director of Human Resources	Note 4	78,749			78,749	12,127
21	Assistant Director - Housing Repairs and Improvement	Note 5	64,871	2,500	2,500	69,871	12,559
22	Assistant Director - Public Realm and Sustainability (Employee D)	Note 3	32,392			32,392	5,319
23	Assistant Director - Community Safety	Note 6	43,185			43,185	6,132
24	Director - Housing and Adult Social Care (Employee B)	Note 1	49,677			49,677	2,368
25	Assistant Director, Regeneration & Partnerships	Note 7	8,848		885	9,733	1,382

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

Note 1	Employee A in post of Director of Organisation Development from 1/4/10 to 16/5/10 and in post of Director of HASC from 17/5/10 to 31/3/11 Employee B in post from 1/4/10 and left organisation on 16/5/10. Annualised salary of £132,000.
Note 2	On secondment to Department of Communities and Local Government (DCLG) from 1/4/10 to 11/2/11. Annualised salary of £108,014. Includes re-imbursement of salary from DCLG. ** Includes compensation payment for loss of office of £69,809.
Note 3	Employee C acted up to Assistant Director - Public Realm and Sustainability from 1/4/10 to 30/9/10 and appointed to role on permanent basis on 1/10/10. Annualised salary of £89,000 Employee D left organisation on 30/9/10.
Note 4	Director of Organisation Development (including Human Resources division) moved to post of Director of HASC (see Note 1). Head of Human Resources Development currently acting up into interim role of Assistant Director of Human Resources. Annualised salary of £74,000

Note 5	Acted up to Assistant Director, Housing Repairs & Improvement from 5/7/10 to 30/9/10 and appointed to role on permanent basis on 1/10/10. Annualised salary of £89,000
Note 6	In post from 1/4/10 to 3/10/10. Responsibility for community safety now comes under remit of Assistant Director, Communities.
Note 7	In post from 1/4/10 to 30/4/10

2009/10

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

No.	Name	Job Title	Salary £	Variable Pay £	Fees & Allowances £	Total Remuneration excluding pension contributions £	Employers Pension £
1	Gibb M	Chief Executive	199,961	11,481	0	211,442	29,998
2	Stopard R A	Director of Culture and Environment	151,734	8,712	0	160,446	22,783

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

No.	Job Title	Notes	Salary £	Variable Pay £	Fees & Allowances £	Total Remuneration excluding pension contributions £	Employers Pension £
1	Director, Children, Schools and Families		148,400	8,904	-	157,304	21,812
2	Director, Finance		146,864	10,280	-	157,144	23,009
3	Director, Organisation Development and Deputy Chief Executive		126,315	10,105	12,632	149,052	20,585
4	Deputy Director, Housing Adult Social Care		106,172	-	10,617	116,789	17,450
5	Assistant Director, Finance and School Support (Now Assistant Director, Strategy and Resources Children Schools and Families		105,300	6,318	-	111,618	15,815
6	Assistant Director, Education Access and Inclusion		104,156	5,208	-	109,364	15,501
7	Assistant Director, Adult Social Care		103,978	6,239	-	110,217	15,754

No.	Job Title	Notes	Salary £	Variable Pay £	Fees & Allowances £	Total Remuneration excluding pension contributions £	Employers Pension £
8	Assistant Director, Culture and Sport		103,272	5,164	-	108,436	15,229
9	Assistant Director, Finance and Resources, Housing Adult Social Care		102,961	5,148	-	108,109	15,334
10	Assistant Director, Finance and Head of Property Services		102,880	7,202	441	110,523	15,588
11	Assistant Director, Public Realm and Sustainability		101,234	5,489	-	106,723	15,125
12	Assistant Director, Corporate ICT		100,223	6,013	-	106,236	14,903
13	Head of Legal Services		99,152	4,958	9,915	114,025	17,237
14	Assistant Director, Housing and Adult Social Care (Now Assistant Director, Strategic Planning and Joint Commissioning)		98,072	5,884	-	103,956	14,596
15	Deputy Director of Finance		96,990	5,819	9,699	112,508	15,800
16	Assistant Director, Revenues		93,236	4,662	-	97,898	13,621
17	Assistant Director, Strategy and Resources, Culture & Environment		92,826	5,570	-	98,396	14,036
18	Assistant Director, Children's Social Care		90,967	5,458	-	96,425	13,659
19	Assistant Director, Housing Management		90,459	4,523	-	94,982	13,466
20	Assistant Director, Planning and Public Protection		88,492	3,576	-	92,068	12,566
21	Assistant Director, Needs and Access (acting up to Director – Housing and Adult Social Care) – A	Note 1	74,101	7,129	14,214	95,444	18,958
22	Head of Strategy Performance and Information (acting up to Assistant Director Partnerships, Strategy & Commissioning		69,989	-	-	69,989	12,008
23	Director, Housing and Adult Social Care - B	Note 1	67,100	-	-	67,100	9,528

No.	Job Title	Notes	Salary £	Variable Pay £	Fees & Allowances £	Total Remuneration excluding pension contributions £	Employers Pension £
24	Assistant Director, Learning and School Effectiveness (Now Assistant Director, Achievement, Children Schools and Families)	Note 2	60,020	4,875	-	64,895	8,523
25	Assistant Director, Community Safety - A	Note 3	50,015	-	-	50,015	7,782
26	Head of Strategy & Commissioning (acting up to Assistant Director - Needs and Access)		42,673	2,132	-	44,805	12,063
27	Head of Public Realm and Transport Policy (Acting up to Assistant Director, Public Realm & Sustainability)		25,196	-	2,520	27,716	9,894
28	Assistant Director, Community Safety - B	Note 3	20,565	-	-	20,565	2,920

<u>Notes</u>

Note 1	Director - Housing and Adult Social Care - A with an annualised salary of £136,740 was in the post until 25.09.2009 and was replaced by Director - Housing and Adult Social Care - B on 28.09.2009 at an annualised salary of £132,000.
Note 2	Appointed as Assistant Director - Learning and School Effectiveness on 20.08.2009 and the annualised salary was £97,500.
Note 3	Assistant Director - Community Safety - A with an annualised salary of £85,333 was in the post until 30.11.2009 and was replaced by Assistant Director - Community Safety - B on 04.01.2010 at an annualised salary of £85,000.
Note 4	The performance award column is consistent with the 'bonus' categorisation included in 2009 Statutory Instrument 3322
Note 5	Camden made no payments in the following categories: expense allowances, compensation for loss of office, benefits in kind, other emoluments.

Note 34. External Audit Costs

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

2009/10 £000		2010/11 £000
364	Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	**373**
20	Fees payable to the Audit Commission in respect of statutory inspections	**0**
67	Fees payable to the Audit Commission for the certification of grant claims and returns for the year	**120**
88	Fees payable in respect of other services provided by Deloitte & Touche LLP during the year	**18**
539	**Total**	**511**

The fees in respect of others services payable in 2009/10 and 2010/11relates to work undertaken by Deloitte Touche LLP on objections made on the council's accounts when they were the appointed auditor, as yet the accounts for those years are not closed. The certification fee value for 2010/11 is an estimate and the 2009/10 certification fees have been adjusted with the actual fee paid.

Note 35. Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2010/11 are as follows:

2009/10 Capital Expenditure £000	2009/10 ISB £000	2009/10 Total £000		2010/11 Capital Expenditure £000	2010/11 ISB £000	2010/11 Total £000
		(128,449)	Final DSG for the financial year			**(134,074)**
		(606)	Brought forward from the previous year	(1,029)	0	(1,029)
		0	Budget share clawed back, brought forward from previous year	0	0	(95)
		0	Carry forward to next financial year agreed in advance			0
(23,542)	**(105,513)**	**(129,055)**	Agreed budgeted distribution in the year	**(25,490)**	**(109,708)**	**(135,198)**
22,513	0	22,513	Actual central expenditure	21,456	0	21,456
0	105,513	105,513	Actual ISB deployed to schools	0	109,708	109,708
(1,029)	0	(1,029)	Carry forward to DSG in next financial year	(4,034)	0	(4,034)
		(95)	Budget share clawed back from schools to be reallocated in next financial year			0
		(1,124)	**Total DSG carry forward**			**(4,034)**

Note 36. Grant Income

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statements in 2010/11.

2009/10 Restated £000		2010/11 £000
	Credited to taxation and non specific grant income	
30,637	Revenue Support Grant	21,207
49,794	Area Based Grant	44,290
80,431	**Total ***	**65,497**
	Credited to Services	
	Capital Grants & Contributions Applied	
7,069	TfL	4,740
100	Scottish and Southern	485
190	Sure Start Children's Centres	357
459	Target Funding	1,128
137	Social Care/Mental Health	337
536	Standards Fund Capital	2,106
934	IT Demonstrator Grant	1,034
1,158	Homes & Communities Agency	2,809
0	BSF	5,428
2,217	Other small grants & Contributions	601
1,736	S106 Recognised in I&E:	1,428
799	Other Contributions	352
	Capital - Grants & Contributions Unapplied	
0	Housing & Planning Deliver Grant - Capital	69
0	Social Care/Mental Health Grants	471
2,192	Contractors & third parties Contributions (Unapplied)	1,102
17,527	**Total Capital Grants**	**22,447**
97,958	**Total ***	**87,944**

	Credited to Services	
1,336	Asylum Seekers	1,166
5,200	Childcare Development	8,471
1,118	Council Tax grants	1,192
126,085	Dedicated Schools Grant	134,074
41,360	HRA Subsidy	6,391
1,243	Homelessness Strategy Implementation Grant	1,701
17,036	Learning & Skills Council	28,260
510	London Pay Grant	740
4,896	School Standards Grant	5,496
15,691	Standards Fund	20,773
2,263	Sure Start	2,262
1,335	Transport for London	985
80	Connexions	51
1,717	PFI grant	1,717
194	New Opportunities Fund	0
329	Local Authority Business Growth Incentive (LABGI)	0
22	Working Neighbourhood Fund	0
1,819	LPSA	0
3,565	Other grants	6,818
225,799	**Total**	**220,097**

* As a consequence of the Coalition Governments review of service specific and non-specific grants following the general election in May 2010, a number of grants were discontinued (e.g. Local Authority Business Growth Initiative; Housing & Planning Development Grant) and other grants were rolled into Area Based Grant (e.g. Supporting People Grant).

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

	2010/11	
	£000	£000
Capital Grant Receipts in Advance		
<u>Included in Short Term Liabilities</u>		
Target Funding	7,543	
Standards Fund	4,508	
IT Demonstrator Grant	1,112	
Homes and Communities Agency	1,700	
BSF	3,504	

Other grants	720	
Other contributions	71	19,158
Including in Long Term Liabilities		
Section 106	21,349	
Fire-ins	198	21,547
Total		**40,705**

Revenue Grant Receipts in Advance	
Childcare Development	2,243
Learning & Skills Council Fund	451
Social Care Reform Grant	3,123
Education Standards Fund	1,677
Sure Start	256
Other grants	1,124
Total	**8,874**

Note 37. Related Parties

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

Central government

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

2010/11 Related Party Disclosures

With regard to the 2010/11 disclosures received from:

- officers and a review of the Register of Interests, those officers have not declared any interests.
- members and a review of the Register of Interests, there are organisations that members have declared an interest in but also where Camden has provided financial support to or the organisation has provided services to the council. Due consideration has been given to the member disclosures made in relation to the materiality of transactions between the council and the organisation concerned and these are listed below.

Organisations from Register of Interests	Spend by Camden (£)	Brief Description of Major Items of Spend	Member by Name	Members Declared Position within Organisation	Relationship (Personal Or Corporate)
Camden & Islington NHS Foundation Trust	7,787,857.37	Camden Pooled Funds and Delegated Budgets	Tulip Siddiq Heather Johnson	Governor Governor	Corporate Corporate
Corporation of Westminster Kingsway College	5,368,052.41	Support for the Adult Community Learning Programme	Russell Eagling	Governor	Personal
Coram's Field Management Committee	993,545.00	Grants in relation to Youth and Negotiated Funding Agreement	Awale Olad Julian Fulbrook Milena Nuti	On management committee Custodian Trustee Custodian Trustee	Corporate Corporate Corporate
Tavistock and Portman Foundation NHS Trust	882,119.98	Payments in respect of Drug and Mental Health services provided via Service Level Agreements	Patricia Callaghan	Governor	Corporate
Camden Jobtrain	751,954.30	Funding for vocational and education training for young people in Camden	Phil Jones	Board Member	Corporate
Castlehaven Community Association	593,769.02	Grant for Senior YIP programme	Abdul Quadir	Director	Personal
Camden Chinese Community Centre	380,324.37	Funding for Negotiated Funding Agreement	Linda Chung	None Stated	Personal
Camden Community Law Centre	364,005.56	Grant Funding	Maryam Eslamdoust Phil Jones	Full Full	Corporate Corporate
Highgate Newtown Community Centre	303,148.74	Funding for Negotiated Funding Agreement	Maya de Souza	Board Member	Personal
Lee Valley Regional Park Authority	290,614.92	Annual Levy Fee	Heather Johnson	Full	Corporate
The Winchester Project	276,687.34	Universal Grant	Mike Katz	On Management Committee	Personal
Kings Cross and Brunswick Neighbourhood Association	241,399.00	Funding for Negotiated Funding Agreement	Milena Nuti Nasim Ali OBE	Trustee Executive Director	Personal Personal
Working Men's College	196,491.05	Provision of Arts and Design programme for	Abdul Quadir Roger Robinson	Director On Governing Body	Personal Corporate

Organisations from Register of Interests	Spend by Camden (£)	Brief Description of Major Items of Spend	Member by Name	Members Declared Position within Organisation	Relationship (Personal Or Corporate)
		adult community			
West Euston Partnership	189,825.37	Funding for Negotiated Funding Agreement	Heather Johnson Tulip Siddiq	Full Full	Corporate Corporate
Kentish Town Community Centre	182,163.00	Funding for Negotiated Funding Agreement	Jenny Headlam-Wells	None Stated	Personal
Queen's Crescent Community Association	175,471.35	Funding for Negotiated Funding Agreement	Georgia Gould	Trustee	Personal
Mary Ward Legal Centre	164,147.52	Grant Funding	Maya De Souza	Board Member	Personal
Calthorpe Project	138,344.29	Funding for Negotiated Funding Agreement	Jonathan Simpson	None Stated	Personal
Abbey Community Centre	101,677.75	Funding for Negotiated Funding Agreement	Mike Katz	Co-opted trustee	Personal
Royal Free Hampstead NHS Trust	96,514.24	Grant Funding for Hospital Foundation Trust	Don Williams	Full	Corporate
Camden Arts Centre	95,521.75	Grant Funding	Flick Rea Mike Katz	Trustee Trustee	Personal Corporate
UCL Hospital Governing Body	88,772.13	Salary payments for agency staffs and nurses	Adam Harrison Peter Brayshaw	Governor None Stated	Corporate Personal
Dragon Hall Community Centre Trust	81,517.92	Funding for Negotiated Funding Agreement	Sue Vincent	None Stated	Personal
	19,743,924.38				

The Council received £12.262m from local Health Trusts during the year for the provision of combined health and community care services. This comprised:

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

North London Waste Authority (NLWA)

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

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

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

In 2010/11 the council paid £8.339m (£9.126m 2009/10) to the NLWA and received £0.560m (£0.672m in 2009/10). The council held £21.741m on behalf of NLWA at 31 March 2011 (£23.351m at 31 March 2010) and this is included in the cash at bank balances and as temporary loans to the council in the accounts.

Further disclosures in respect of NLWA are shown in note 30 on agency services.

London Pension Fund Authority (LPFA)

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

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

The council is the lead borough for the London Committee for Action Against Fraud (LCAAF) and the London Ecology Unit (LEU). In respect of LCAAF and LEU, the council held £0.047m on its behalf at 31 March 2011 (£0.047m at 31 March 2010) and is included in the cash at bank balances and as temporary loans to the council in the accounts

Note 38. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2009/10 £000		**2010/11 £000**
517,693	*Opening capital financing requirement*	525,242
	Capital investment:	
	From Capital Expenditure:	
115,740	Property, plant and equipment	109,040
0	Investment properties	83
974	Intangible assets	3,447
10,280	Revenue expenditure funded from capital under statute	11,803
	Other Investments:	
6,723	PFI Assets	4,259
1,019	Finance Leases	1,095
134,736		**129,727**
	Sources of finance	
9,457	Capital receipts	36,716
69,095	Government grants and other contributions	48,641
	Sums set aside from revenue:	
31,982	- direct revenue contributions	21,156
9,895	Pre-application of capital receipts	(25,401)
10	Special repayment of debt - housing assoc loans	(1)
505	- MRP	320
6,025	- MRP in relation to PFI	2,905
218	- MRP in relation to Finance Leases	855
127,187		**85,191**
525,242	***Closing Capital Financing Requirement***	**569,778**
7,549	***Change in CFR***	**44,536**
	Explanation of movements in year	
13,881	Increase in underlying need to borrowing (supported by government financial assistance)	14,239
2,579	Increase in underlying need to borrowing (unsupported by government financial assistance)	3,621

2009/10 £000		2010/11 £000
1,019	Assets acquired under finance leases	1,095
6,723	Assets acquired under PFI/PPP contracts	4,259
(9,895)	Pre-application of capital receipts	25,401
(10)	Special repayment of debt - housing assoc loans	1
(505)	- MRP	(320)
(6,025)	- MRP - PFI	(2,905)
(218)	- MRP - Finance Leases	(855)
7,549	**Increase/(decrease) in Capital Financing Requirement**	**44,536**

Note 39. Leases

All comparatives restated

Authority as Lessee

Finance Leases

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

2009/10 1st April 2009 £000	2009/10 31st April 2010 £000		2010/11 31st March 2011 £000
0	0	Other land and buildings	0
2,091	2,977	Vehicles, plant, furniture and equipment	3,370
2,091	**2,977**		**3,370**

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

2009/10 £000		2010/11 £000
	Finance lease liabilities (net present value of minimum lease payments):	
672	• current	862
1,745	• non current	1,808
165	Finance costs payable in future years	146
2,582	Minimum lease payments	**2,816**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
Not later than one year	754	941	672	862
Later than one year and not later than five years	1,828	1,874	1,745	1,808
Later than five years	0	0	0	0
	2,582	**2,815**	**2,417**	**2,670**

Operating Leases

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

2009/10 £000		2010/11 £000
273	Not later than one year	248
394	Later than one year and not later than five years	234
0	Later than five years	0
667		**482**

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

2009/10 £000		2010/11 £000
439	Minimum lease payments	318
0	Contingent rents	0
439		**318**

In addition to the leases disclosed above, Camden has entered into a contract with Veolia Environmental Services for waste management. The contract has been reviewed and it has been concluded that the substance of the transaction between Veolia and Camden for the use of Veolia's vehicles in effect represents an operating lease where Camden is the lessee. Based on estimates of the fair values of the assets were they to be acquired in a commercial environment, it is estimated that Camden would have paid £1.669m for the use of these assets in 2010/11 (£1.600m in 2009/10).

Authority as Lessor

Operating Leases

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

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

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

2009/10 £000		2010/11 £000
13,730	Not later than one year	13,157
38,293	Later than one year and not later than five years	31,777
48,058	Later than five years	42,837
100,081		**87,771**

The Council has a policy of reviewing leases every three years. The amount of possible increases or decreases is indeterminable; therefore, the minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into. In 2010/11 no contingent rents were receivable by the Council (2009/10 nil).

Note 40. Private Finance Initiatives and Similar Contracts

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

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

Haverstock School PFI

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

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

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

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

	Payment for Services	**Reimbursement of Capital Expenditure**	**Interest**	**Total**
	£000	**£000**	**£000**	**£000**
Payable in 2011/12	780	383	1,145	**2,308**
Payable within two to five years	3,444	1,771	4,220	**9,435**
Payable within six to ten years	5,532	2,361	4,395	**12,288**
Payable within eleven to fifteen years	6,056	3,542	3,306	**12,904**
Payable within sixteen to twenty years.	5,089	5,545	1,345	**11,979**
Total	**20,901**	**13,602**	**14,411**	**48,914**

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

	2009/10	**2010/11**
	£000	**£000**
Balance outstanding at start of year	14,279	13,903
Payments during the year	(376)	(301)
Capital expenditure incurred in the year	0	0
Balance outstanding at year-end	**13,903**	**13,602**

Chalcot's Housing PFI

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

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

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

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

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2011/12	2,422	2,797	4,701	**9,920**
Payable within two to five years	10,820	14,422	15,371	**40,613**
Payable within six to ten years	18,759	25,484	8,800	**53,043**
Payable within eleven to fifteen years	0	0	0	**0**
Payable within sixteen to twenty years*	0	0	0	**0**
Total	**32,001**	**42,703**	**28,872**	**103,576**

* This analysis continues in steps of five years for as long as amounts remain payable.

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

	2009/10 £000	2010/11 £000
Balance outstanding at start of year	50,149	45,307
Payments during the year	(11,565)	(2,604)
Capital expenditure incurred in the year	6,723	0
Balance outstanding at year-end	**45,307**	**42,703**

Note 41. Impairment Losses

During 2010/11 the authority has had no impairment losses.

Revaluation losses on operational properties and changes in the fair value of investment properties have been disclosed elsewhere in the Statement (the Movement in Reserves Statement, Note 12: Fixed Assets and Note 13: Investment Properties).

Note 42. Termination Benefits

The council has announced that over the forthcoming few years 970 posts are potentially to be made redundant. However, it should be noted that this was not a definitive list but only an indication of the number of posts there were likely to be deleted from the council's establishment to enable it to meet the required savings target.

For 2010/11, the council has charged to the Comprehensive Income and Expenditure Account a total of £6.505m for the termination of a number of employee contracts. Of this total, £5.060m is for the termination of contracts that have occurred during 2010/11 and a £1.446m provision has been established for terminations that will occur within 12 months of the balance sheet date. Of terminations charged to 2010/11, this is for 330 posts that are spread across the full range of council services.

Note 43. Pensions Schemes Accounted for as Defined Contribution Schemes

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

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

In 2010/11 the Council paid £8.855m to Teachers' Pensions in respect of teachers' retirement benefits (£8.665m in 2009/10, restated), representing 15.56% of pensionable pay (14.11% in 2009/10, restated). There were no contributions remaining payable at the year-end.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 44.

(b) Ex ILEA
In 2010/11 the Council paid £0.299m to the London Pensions Fund Authority (£0.328m in 2009/10) in respect of former ILEA employees' pension costs, which represents 21.05% of ex-ILEA employees' pensionable pay (20.94% in 2009/10). In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2010/11 these amounted to £0.053m, (£0.053m in 2009/10) representing 3.75% of pensionable pay (3.40% in 2009/10).

(c) Other Employees
In 2010/11 the Council's level of contribution into the Pension Fund was 23.3% (23.3% in 2009/10) for those employees paying between 5.50% and 7.50% of pensionable pay. The actual cash payments made into the Fund by the Council were £33.059m (£32.988m in 2009/10) which represents 23.97% of Camden employees' pensionable pay (23.87% in 2009/10).

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

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

In addition, the Council is responsible for all pension payments relating to added year benefits it has awarded, together with the related increases. In 2010/11 these amounted to £2.786m, representing 2.02% of pensionable pay (£2.839m and 2.05% in 2009/10).

The capital cost of discretionary increases in pension payments (e.g. discretionary added years) agreed by the authority in 2010/11 was nil (nil in 2009/10).

Note 44. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

- London Borough of Camden Pension Fund,
- London Pensions Fund,
- Teachers Superannuation Scheme.

With reference to the:

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

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

London Borough of Camden Pension Fund

	Local Government Pension Scheme	
	2010/11	**2009/10**
	£000	**£000**
Comprehensive Income & Expenditure Statement		
Cost of Services:		
- current service cost	28,667	14,250
- past service costs/(gains)	(136,254)	144
- settlement and curtailments	1,374	892
Financing and Investment Income and Expenditure		
- interest cost	74,101	61,525
- expected return on scheme assets	(56,493)	(35,434)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(88,605)	41,377
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- actuarial (gains) and losses	0	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(88,605)	41,377
Movement in Reserves Statement		
- reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(88,605)	41,377
Actual amount charged against the General Fund Balance for Pensions in the year		
- employers' contributions payable to scheme	36,200	37,415

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a loss of £177.425m.

Assets and Liabilities in Relation to Post-employment Benefits

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

Reconciliation of defined benefit obligation

Year Ended:	**31 Mar 2011 £(000)**	**31 Mar 2010 £(000)**
Opening Defined Benefit Obligation	**1,453,360**	**896,649**
Current Service Cost	28,667	14,250
Interest on Obligation	74,101	61,525
Contributions by Members	9,555	9,648
Actuarial Losses / (Gains)	(274,594)	505,313
Past Service Costs / (Gains)	(136,254)	144
Losses / (Gains) on Curtailments	1,374	892
Liabilities Extinguished on Settlements	0	0
Liabilities Assumed in a Business Combination	0	0
Exchange Differences	0	0
Estimated Unfunded Benefits Paid	(3,045)	(3,101)
Estimated Benefits Paid	(37,708)	(31,960)
Closing Defined Benefit Obligation	**1,115,456**	**1,453,360**

Reconciliation of fair value of employer assets

Year Ended:	**31 Mar 2011 £(000)**	**31 Mar 2010 £(000)**
Opening Fair Value of Employer Assets	**772,040**	**539,304**
Expected Return on Assets	56,493	35,434
Contributions by Members	9,555	9,648
Contributions by the Employer	33,155	34,314
Contributions in respect of Unfunded Benefits	3,045	3,101
Actuarial Gains / (Losses)	(22,236)	185,300
Assets Distributed on Settlements	0	0
Assets Acquired in a Business Combination	0	0
Exchange Differences	0	0
Unfunded Benefits Paid	(3,045)	(3,101)
Benefits Paid	(37,708)	(31,960)
Closing Fair Value of Employer Assets	**811,299**	**772,040**

Balance sheet

Year Ended:	**31 Mar 2011 £(000)**	**31 Mar 2010 £(000)**
Fair Value of Employer Assets	811,299	772,040
Present Value of Funded Obligations[1]	(1,074,581)	(1,406,667)
Net (Under) / Overfunding in Funded Plans	(263,282)	(634,627)
Present Value of Unfunded Obligations[2]	(40,875)	(46,693)
Unrecognised Actuarial (Gain) / Loss	0	0
Unrecognised Past Service Cost	0	0
Unrecognised Transition (Asset) / Liability	0	0
Net Asset / (Liability)	**(304,157)**	**(681,320)**
Amount in the Balance Sheet:		
Liabilities	304,157	681,320
Assets		

¹ Actuary estimated that this liability comprises of approximately £443,176,000, £225,855,700 and £405,548,800 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2011. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain types of employer. However, the actuary satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

² This liability comprises of approximately £33,119,400 in respect of LGPS unfunded pensions and £7,756,000 in respect of Teachers' unfunded pensions as at 31 March 2011. It is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the member's death.

Please note that following the Chancellor's budget statement on 22 June 2010, the actuary have based their calculations on future pension increases being linked to the Consumer Prices Index (CPI) and not the Retail Prices Index (RPI). The effect of this change comes through as a negative past service cost item in the revenue account. The capitalised gain from this change in pension increase policy from RPI to CPI is calculated at £136.254m.

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

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

The actual return on scheme assets in the year is a loss of £67.704m (2009/10; loss of £220.896m).

Scheme History

	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000
Fair Value of Employer Assets	811,299	772,041	539,304	664,652	698,526
Present Value of Defined Benefit Obligation	(1,115,456)	(1,453,361)	(896,649)	(915,814)	(998,200)
Surplus / (Deficit)	(304,157)	(681,320)	(357,345)	(251,189)	(299,674)
Experience Gains / (Losses) on Assets	(22,236)	185,300	(186,804)	(92,700)	(7,179)
Percentage of assets	(2.7%)	24.0%	(34.6%)	(13.9%)	(1.0%)
Experience Gains / (Losses) on Liabilities	171,831	9,473	(220)	(18,243)	(945)
Percentage of liabilities	(15.4%)	(0.7%)	0.0%	2.0%	0.1%
Actuarial Gains / (Losses) on Employer Assets	(22,236)	185,300	(186,804)	(92,700)	(7,179)
Actuarial Gains / (Losses) on Obligation	274,594	(505,313)	84,480	134,980	60,105
Actuarial Gains / (Losses) recognised in SRIE	252,358	(320,012)	(102,324)	42,280	52,926
Differences between the expected and actual returns on assets	(124,197)	(256,330)	91,601	(78,027)	(7,208)
As a percentage of assets	(15.3%)	(3.2%)	17.0%	(11.7%)	(1.0%)

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £304.157m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2011 is £33.155m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2011 is £3.045m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government

Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Camden Pension Fund being based on the latest full valuation of the scheme as at 1 April 2011.

The principal assumptions used by the actuary have been:

Financial assumptions

Year Ended:	**31 Mar 2011** **% p.a.**	**31 Mar 2010** **% p.a.**
Pension Increase Rate	2.8%	3.8%
Salary Increase Rate*	5.1%	5.3%
Expected Return on Assets	7.0%	7.3%
Discount Rate	5.5%	5.5%

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

Breakdown of the expected return on assets by category

Year Ended:	**31 Mar 2011** **% p.a.**	**31 Mar 2010** **% p.a.**
Equities	7.5%	7.8%
Bonds	4.9%	5.0%
Property	5.5%	5.8%
Cash	4.6%	4.8%

Mortality

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

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

* Future pensioners are assumed to be age 45.

Historic mortality

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

Year Ended	**Male**	**Female**
31 March 2010	year of birth, medium cohort and 1% p.a. minimum improvements from 2007	year of birth, medium cohort and 1% p.a. minimum improvements from 2007
31 March 2009	calendar year 2033	calendar year 2033
31 March 2008	calendar year 2033	calendar year 2033
31 March 2007	calendar year 2017	calendar year 2004

Age ratings were applied to the above tables based on membership profile.

Please note that the allowance for future life expectancy has changed at this year end. Please refer to the Employer's 2010 report for historic average future life expectancies at age 65.

Commutation

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

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

Year Ended:	**31 Mar 2011 £000**	**31 Mar 2010**	**31 Mar 2011 £000**	**31 Mar 2010**
Equities	657,152	81%	617,632	80%
Bonds	97,356	12%	100,365	13%
Property	40,565	5%	38,602	5%
Cash	16,226	2%	15,441	2%
Total	**811,299**	**100%**	**772,040**	**100%**

The above asset values as at 31 March 2011 are at bid value as required under IAS19. The bid value of assets for the Fund as a whole as at 28 February 2011 were provided by the Administering Authority.

London Pensions Fund Authority Pension Fund

	Local Government Pension Scheme	
	2010/11	**2009/10**
	£000	**£000**
Comprehensive Income & Expenditure Statement		
Cost of Services:		
- current service cost	348	314
- past service costs/(gains)	(3,182)	0
- settlement and curtailments	0	83
Financing and Investment Income and Expenditure		
- interest cost	2,307	2,225
- expected return on scheme assets	(1,722)	(1,132)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(2,249)	1,490
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- actuarial (gains) and losses	0	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(2,249)	1,490
Movement in Reserves Statement		
- reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(2,249)	1,490
Actual amount charged against the General Fund Balance for Pensions in the year		
- employers' contributions payable to scheme	361	586

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

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of defined benefit obligation

Year Ended:	**31 Mar 2011 £(000)**	**31 Mar 2010 £(000)**
Opening Defined Benefit Obligation	**48,329**	**33,040**
Service Cost	348	314
Interest Cost	2,307	2,225
Actuarial Losses / (Gains)	(7,091)	14,585
Losses / (Gains) on Curtailments	0	83
Liabilities Extinguished on Settlements	0	0
Liabilities Assumed in a Business Combination	0	0
Estimated Benefits Paid net of transfers in	(2,153)	(1,982)
Past Service Costs / (Gains)	(3,182)	0
Contributions by Scheme participants	87	126
Unfunded Pension payments	(62)	(62)
Closing Defined Benefit Obligation	**38,583**	**48,329**

Reconciliation of fair value of employer assets

Year Ended:	**31 Mar 2011 £(000)**	**31 Mar 2010 £(000)**
Opening Fair Value of Employer Assets	**28,853**	**27,080**
Expected Return on Scheme assets	1,722	1,132
Actuarial Gains / (Losses)	5,921	1,973
Contributions by the Employer	299	524
Contributions in respect of Unfunded Pension payments	62	62
Contributions by Scheme participants	87	126
Assets Acquired in a Business Combination	0	0
Estimated Benefits Paid net of transfers in	(2,153)	(1,982)
Unfunded Pension payments	(62)	(62)
Receipt / (Payment) of bulk transfer value	0	0
Closing Fair Value of Employer Assets	**34,729**	**28,853**

Balance sheet

Year Ended:	**31 Mar 2011 £(000)**	**31 Mar 2010 £(000)**
Present Value of Funded Obligations	37,722	47,377
Fair Value of Employer Assets (bid value)	(34,729)	(28,853)
Net Liability	**2,993**	**18,524**
Present Value of Unfunded Obligations	861	952
Unrecognised Actuarial (Gain) / Loss	0	0
Unrecognised Past Service Cost	0	0
Unrecognised Transition (Asset) / Liability	0	0
Net Liability in Balance Sheet	**3,854**	**19,476**

Please note that following the Chancellor's budget statement on 22 June 2010, the actuary have based their calculations on future pension increases being linked to the Consumer Prices Index (CPI) and not the Retail Prices Index (RPI). The effect of this change comes through as a negative past service cost item in the revenue account. The capitalised gain from this change in pension increase policy from RPI to CPI is calculated at £3.182m.

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

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

The actual return on scheme assets in the year is a loss of £2.015m (2009/10; loss of £3.104m).

Scheme History

	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000	2006/07 £000
Defined Benefit Obligation (Funded + Unfunded)	(38,583)	(48,329)	(33,040)	(34,331)	(40,229)
Scheme assets	34,729	28,853	27,080	31,120	30,406
Surplus / (Deficit)	(3,854)	(19,476)	(5,960)	(3,211)	(9,823)
Experience adjustments on scheme liabilities	888	109	(26)	3,348	20
Percentage of liabilities	(2.3%)	(0.2%)	0.1%	(9.8%)	0.0%
Experience adjustments on scheme assets	5,921	1,973	(4,473)	1,113	1
Percentage of assets	17.0%	6.8%	(16.5%)	3.6%	0.0%
Cumulative Actuarial Gains and Losses	(5,370)	(18,382)	(5,770)	(3,706)	(10,858)
Differences between the expected and actual returns on assets	(3,737)	(4,236)	1,347	258	1
As a percentage of assets	(10.8%)	(14.7%)	5.0%	0.8%	0.0%

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £3.854m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2011 is £0.299m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2011 is £0.062m.

Basis for Estimating Assets and Liabilities
Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government

Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the London Pensions Fund Authority Pension Fund being based on the latest full valuation of the scheme as at 1 April 2011.

The principal assumptions used by the actuary have been:

Financial assumptions

Assumption as at	**31 Mar 2011**		**31 Mar 2010**	
	% p.a.	**Real**	**% p.a.**	**Real**
RPI Increases	3.5%	0	3.9%	0
CPI Increases	2.7%	(0.8%)	n/a	n/a
Salary Increases	4.5%	1.0%	5.4%	1.5%
Pension Increases	2.7%	(0.8%)	3.9%	0
Discount Rate	5.5%	1.9%	5.5%	1.5%

These assumptions are set with reference to market conditions at 31 March 2011. The discount rate is the yield on the iBoxx AA rated over 15 year corporate bond index as at this date which has been chosen to meet the requirements of IAS19. The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England. This measure has historically overestimated future increases in the RPI and so we have made a deduction of 0.25% to get the RPI assumption of 3.5%. As future pension increases are expected to be based on CPI rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.7%.

Salary increases are then assumed to be 1.0% above RPI in addition to a promotional scale but we have also assumed that there is a pay freeze for all members earning over £21,000 per annum until 31 March 2012.

Breakdown of the expected return on asset class

Year Ended:	**31 Mar 2011**	**31 Mar 2010**
	% p.a.	**% p.a.**
Cash Flow Matching	4.4%	4.5%
Equities	7.2%	7.3%
Target Return Portfolio	5.0%	5.0%
Cash	3.0%	3.0%

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2010 for the year to 31 March 2011). The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

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

The assumed life expectations from age 65 are:

Life Expectancy from age 65 (years)	**31 March 2011**	**31 March 2010**
Retiring today : Males	19.7 years	21.0 years
Retiring today : Females	23.2 years	23.4 years
Retiring in 20 years : Males	21.8 years	22.0 years
Retiring in 20 years : Females	25.1 years	24.2 years

We have also made the following assumptions:

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

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

Year Ended:	**31 Mar 2011 £000**	**31 Mar 2010**	**31 Mar 2011 £000**	**31 Mar 2010**
Cash Flow Matching	12,155	35%	10,964	38%
Equities	4,167	12%	3,174	11%
Target Return Portfolio	18,754	54%	15,581	54%
Cash	(347)	(1%)	-866	(3%)
Total	**34,729**	**100%**	**28,853**	**100%**

Note 45. Contingent Liabilities

The councils Contingent Liabilities cover various ongoing litigations and guarantees, the detail of which is shown below. The total expected value of these liabilities is £13.2m (£11.4m in 2009/10, restated).

Restated 2009/10 Estimated value of contingent liability (£000)	Details of contingent liabilities	2010/11 Estimated value of contingent liability (£000)
	Loan guarantee	
	Paddington Churches.	
250	The Council acts as guarantor for a loan that Paddington Churches Housing Association has taken out with financial institutions. The loan was taken out to purchase properties that have subsequently been leased to the Council to use as social housing. The value of the loan is currently £5.1million; however the risk of the RSL defaulting is considered relatively low but it is prudent to register this as a Contingent Liability until the loan principal is reduced further.	250
250	**Total for Loan Guarantees**	**250**
	Litigations	
	Shown below are the details of various litigations that were ongoing as at March 31, 2011.	
	Employee Related	
113	A registered social landlord was in dispute with the council regarding a pension shortfall for a former member of staff who transferred to the company; the landlord has now reimbursed the council.	0
627	Various employment related litigations	375
0	The council is currently undertaking a three year rationalisation programme and has to date terminated the employment of a number of posts, which has been disclosed elsewhere within the statement of account. However, the rationalisation programme still has some way to go and further termination benefits are expected to be incurred.	7,430

Restated 2009/10 Estimated value of contingent liability (£000)	Details of contingent liabilities	2010/11 Estimated value of contingent liability (£000)
	<u>Prosecutions</u>	
	The council:	
225	- may prosecute in relation to a case regarding a breach of Health and Safety and two cases for the non-payment of National non-Domestic Rates. These cases remain as Contingent Liabilities. If the council is unsuccessful in these prosecutions, then the council may be liable for costs and associated compensation.	225
30	- was being prosecuted in relation to a case of Noise Nuisance.	0
	<u>Civil Litigation and Housing Related</u>	
	The council is currently in dispute on a number of issues, which are summarised below:	
2,629	- procurement/contracting disputes	2,372
294	- damages for council actions	390
1,980	- leaseholder related services	343
147	- disrepair of property	577
4,700	- car parking related services	410
0	- debt recovery	133
10,745	**Total for Litigations**	**12,255**
	<u>Pension Liability</u>	
385	London Pension Fund Authority back funding for closed sub-fund deficit for former GLA, ILEA and LRB employees	**716**
385	**Total for Pension Liabilities**	**716**
11,380	**Total**	**13,221**

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

Reconciliation of the restated 2009/10 comparative to that previously reported	
	£000
Contingent Liabilities for 2009/10 disclosed in the statement of accounts	10,753
Employment Related Litigations not previously disclosed	627
Contingent Liabilities for 2009/10 Restated	**11,380**

Note 46. Nature and Extent of Risks Arising From Financial Instruments

All comparative restated

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

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

The Council's management of treasury risks actively works to minimise the Council's exposure to the effects of the unpredictability of financial markets and to protect the financial resources available to fund services. Risk management is carried out by a central treasury team under policies approved by the Council in the annual treasury management strategy report (last agreed by Council on 28 February 2011). The Council has fully adopted and implemented the CIPFA Code of Practice on Treasury Management which was revised in 2009. In particular, it has set up twelve treasury management practices covering all areas of treasury management. These specify in detail the policies of the council, the procedures on how these policies are to be put into effect and who is responsible for all aspects of treasury management. These policies cover such areas as credit risk, liquidity risk and market risk. The treasury team have also fully implemented the investment guidance (English authorities) of the CLG which has been operational since 1 April 2010.

Credit Risk

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

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

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

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

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

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

At the 31 March 2011 the Council had investments with the following banks.

Country	Counterparty
UK	HSBC
UK	Lloyds
Australia	National Australia Bank
UK	Nationwide Building Society
UK	RBS
UK	Santander

At the 31 March 2011 the Council had investments with the following local authorities.

Country	Counterparty
UK	Lancashire County Council
UK	London Borough of Brent
UK	Thurrock Borough Council

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £202.392m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of the council not being able to recover its funds applies to all of the Council's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise. The Council expects full repayment on the due date of deposits placed with its counterparties.

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions. During the year one counterparty limit was breached as funds were fully committed with Lloyds up to the then credit limit of £40m. However, HBOS, also part of the Lloyds Banking Group, had an investment of £10m and this over committed the group limit of £40m. These transactions occurred in 09/10 and resolved themselves on 12 April 2010 when a £10m maturity occurred.

	Amount as 31 March 2011	Historical experience adjusted for market conditions at 31 March 2001	Estimated maximum exposure to default and uncollectability at 31 March 2011	Estimated maximum exposure at 31 March 2011
	£000	%	£000	£000
	A	C	(A x C)	
Deposits with banks and other financial institutions	202,392	0	0	0
Bonds	0	0	0	0
Customers	17,128	23	3,974	4,087
			3,974	4,087

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

31 March 2010 £000		**31 March 2011 £000**
6,613	Less than three months	6,814
6,613	Three to six months	6,152
2,775	Six months to one year	1,435
1,029	More than one year	2,727
17,030		**17,128**

Liquidity Risk

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

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

31 March 2010 £000		31 March 2011 £000
228,866	Public Works Loans Board	258,595
124,000	Market Debt	124,000
21,869	Temporary Borrowing	0
374,735	Total	**382,595**
22,141	Less than one year	15,155
	Between:	
15,640	one and two years	0
30,797	two and five years	63,340
57,157	five and ten years	16,400
249,000	More than 10 years	287,700
374,735		**382,595**

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

In the more than 10 years category there are six LOBOs (market loans) amounting to £124m which have regular half yearly call dates and therefore may be called in the next 12 months. Our treasury consultants estimate that the given the current market conditions the probability of a call is less than 4%.

Market Risk

<u>Interest Rate Risk</u>
The Council is exposed to 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 Surplus or Deficit on the Provision of Services 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 Surplus or Deficit on the Provision of Services 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 Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the

Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 50% of its 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. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

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

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	1,240
Increase in interest receivable on variable rate investments	0
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	**1,240**
Share of overall impact debited to the HRA	**0**
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	**0**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	**(47,978)**

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

Foreign Exchange Risk

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

Note 47. Trust Funds and Other Accounts

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

	Balance at 1 April 2010	Receipts	Payments	Balance at 31 March 2011
	£	£	£	£
Education	**(8,832)**	(46)	0	**(8,878)**
Social Services	**(37,390)**	(162)	0	**(37,552)**
Other Funds	**(157,480)**	(683)	0	**(158,163)**
Water low Park	**(239,065)**	(282,505)	308,279	**(213,291)**
Lauderdale House Charity	**(252,248)**	(11,990)	7,491	**(256,747)**
Emmanuel Vincent Harris Trust	**(4,071,409)**	(17,254)	148,125	**(3,940,538)**
Total	**(4,766,424)**	**(312,640)**	**463,895**	**(4,615,169)**

Assets and liabilities on the funds as at 31 March 2011 were:

	2009-10	2010-11
	£	£
Fixed Assets	491,313	470,038
Investments	4,275,111	4,145,131
	4,766,424	**4,615,169**
Represented by Trust Funds	**4,766,424**	**4,615,169**

In addition, the authority administers funds on behalf of Adult Social Care service clients including funds administered by officers as Court appointee or receiver. The amount of these funds as at 31st March 2011 was £4.446 million (£4.572 million as at 31st March 2010).

Note 48. Translation to IFRS

As required under IFRS 1, detailed below is a reconciliation of reported reserves under previous UK GAAP (known as the Code of Practice on Local Authority Accounting in the UK, a Statement of Recommended Practice; SORP) to reserves under IFRS (Code of Practice on Local Authority accounting in the UK, based on International Financial Reporting Standards, the Code) at the date of transition, together with the affect on the 2009/10 general fund surplus.

BALANCE SHEET	Former SORP Reserves used under the IFRS Format							New IFRS Reserve	**Total Useable Reserves**	**Total Unuseable Reserves**	**Total Reserves**
	General Balances	Locally Managed Schools	HRA	Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserve	Useable Capital Receipts Reserve	Capital Grants & Contributions Unapplied			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance Sheet at 31 March 2008 under UK GAAP	**11,574**	**7,645**	**73,128**	**102,675**	**0**	**0**	**0**	**0**	**195,022**	**2,092,837**	**2,287,859**
IFRS adjustments											
Holiday accrual	0	0	0	0	0	0	0	0	**0**	**(5,413)**	**(5,413)**
Leases	0	0	0	0	0	0	0	0	**0**	**988**	**988**
Government Grants Deferred & Capital Contributions Deferred	0	0	0	0	0	0	0	0	**0**	**110,939**	**110,939**
Assets Held for Sale	0	0	0	0	0	0	0	0	**0**	**0**	**0**
Investment Properties	0	0	0	0	0	0	0	0	**0**	**(327)**	**(327)**
Revenue Grants	0	0	0	1,641	0	0	0	0	**1,641**	**0**	**1,641**
Total of IFRS adjustments	**0**	**0**	**0**	**1,641**	**0**	**0**	**0**	**0**	**1,641**	**106,187**	**107,828**
Balance Sheet at 31 March 2009 under IFRS	**11,574**	**7,645**	**73,128**	**104,316**	**0**	**0**	**0**	**0**	**196,663**	**2,199,024**	**2,395,687**
Balance Sheet at 31 March 2009 under UK GAAP	**12,854**	**7,586**	**69,520**	**82,898**	**0**	**0**	**3,098**	**0**	**175,956**	**2,018,902**	**2,194,858**
IFRS adjustments											
Prior Year	0	0	0	1,641	0	0	0	0	**1,641**	**106,187**	**107,828**
Holiday accrual	0	0	0	0	0	0	0	0	**0**	**(1,771)**	**(1,771)**
Leases	0	0	0	0	0	0	0	0	**0**	**(428)**	**(428)**
Government Grants Deferred & Capital Contributions Deferred	0	0	0	0	0	0	0	0	**0**	**11,134**	**11,134**
Assets Held for Sale	0	0	0	0	0	0	0	2,192	**2,192**	**0**	**2,192**
Investment Properties	0	0	0	0	0	0	0	0	**0**	**0**	**0**
Revenue Grants	0	0	0	1,778	0	0	0	0	**1,778**	**0**	**1,778**
	0	0	0	0	0	0	0	0	**0**	**56**	**56**
Total of IFRS adjustments	**0**	**0**	**0**	**3,419**	**0**	**0**	**0**	**2,192**	**5,611**	**115,178**	**120,789**
Balance Sheet at 31 March 2010 under IFRS	**12,854**	**7,586**	**69,520**	**86,317**	**0**	**0**	**3,098**	**2,192**	**181,567**	**2,134,080**	**2,315,647**

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT	£'000
Income and Expenditure Account at 31 March 2010 under UK GAAP	
Deficit/(Surplus) for the year	**(15,453)**
IFRS adjustments	
Holiday Accrual	1,771
Leases	428
Revenue Grants	(1,778)
Capital Grants	(13,326)
Fair Value for Investment Properties	(6,631)
Impairment Reversal	(186,771)
Total of IFRS adjustments	**(206,307)**
Income and Expenditure Account at 31 March 2010 under IFRS	**(221,760)**

NOTE: MOVEMENT IN RESERVES STATEMENT
- adjustments between Accounting basis and funding basis under Regulations

Statement of Movement on the General Fund Balance under UK GAAP	**14,173**
IFRS adjustments	
Holiday Accrual	(1,771)
Leases	(428)
Revenue Grants	1,778
Capital Grants	13,326
Fair Value for Investment Properties	6,631
Impairment Reversal	186,771
Total of IFRS adjustments	206,307
MiRS – adjustments between Accounting basis and funding basis under Regulations under IFRS	**220,480**

MOVEMENT IN RESERVES STATEMENT
(summary analysis to confirm IFRS translation for General Fund Balance)

Statement of Movement of General Fund Balance under	**under UK GAAP**	**IFRS adjustments**	**under IFRS**
	£'000	£'000	£'000
Income and Expenditue	(15,453)	(206,307)	(221,760)
MiRS – adjustments between Accounting basis and funding basis under Regulations	14,173	206,307	220,480
Net Movement in General Fund Balance	**(1,280)**	**0**	**(1,280)**
General Fund Balance brought forward	(11,574)		(11,574)
General Fund Balance carried forward	**(12,854)**		**(12,854)**

SUPPLEMENTARY STATEMENTS

Housing Revenue Account Comprehensive Income and Expenditure Statement
for the year ended 31 March 2011

2009/10 Restated £000		Notes	2010/11 £000
	Expenditure		
47,754	Repairs and maintenance		**46,054**
23,966	Supervision and management – General		**21,884**
21,569	– Special services		**21,938**
2,490	PFI Costs		**2,334**
15,245	Rents, rates and other charges		**12,984**
(934)	Increased/(decreased) provision for bad debts		**7**
31,256	Depreciation	7	**26,350**
(185,324)	Revaluation loss charged to income & expenditure	7	**501,060**
183	Debt Management Expenses		**139**
(43,795)	*Total expenditure*		**632,750**
	Income		
(103,275)	Dwelling rents	1,2,3,5	**(104,321)**
(1,496)	Non-dwelling rents		**(1,741)**
(20,089)	Charges for services and facilities		**(19,450)**
(12,509)	Leaseholder charges – revenue		**(11,881)**
(7,404)	Leaseholder charges – capital		**(4,021)**
(41,360)	HRA Subsidy	4	**(6,391)**
(517)	Supporting People Grant		**(469)**
(186,650)	*Total income*		**(148,274)**
(230,445)	*Net Cost of HRA Services per whole authority Comprehensive Income and Expenditure Statement*		**484,476**
2,693	HRA services share of Corporate and Democratic Core		**2,506**

(227,752)	**Net Income/Expenditure for HRA Services**		**486,982**

2009/10 Restated £000		**Notes**	**2010/11** **£000**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
0	Revaluation changes on investment properties		**(11,425)**
(12,404)	(Gain) or loss on sale of HRA non-current assets		**(2,527)**
28,066	Interest payable and similar charges	6	**27,337**
(7,483)	Investment Income		**(6,856)**
(2,369)	Government Grants Deferred		**(13,416)**
4,238	Pensions interest cost and expected return on pensions assets	8	**2,644**
(217,704)	**(Surplus) or deficit for the year on HRA services**		**482,739**

2009/10 Restated £000		**Notes**	**2010/11** **£000**
	Statement of Movement on the HRA Balance		
(73,128)	Balance on the HRA at the end of the previous year		**(69,520)**
(217,704)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		**482,739**
221,312	Adjustments between accounting basis and funding basis under statute	9	**(476,465)**
3,608	Net (increase) or decrease before transfers to or from reserves		**6,274**
0	Transfers to or (from) reserves		**0**
3,608	(Increase) or decrease in year on the HRA		**6,274**
(69,520)	Balance on the HRA at the end of the current year		**(63,246)**

Note 1. Gross Rent Income

Gross rent income is the total rent income due for the year after allowance is made for vacant properties. During the year 1.77% of properties used for permanent accommodation were vacant (1.60% in 2009/10). The average rent for all stock excluding service charges was £85.61 per week in 2010/11, an increase of £1.17 or 1.38%, over the 2009/10 level of £84.44 per week.

Note 2. Housing Stock

The Council was responsible at 31 March 2011 for managing self-contained and shared dwellings. The stock was as follows:

2009/10 No.	**Property**	**2010/11 No.**
9,942	Bedsitter/1 Bed accommodation	**9,939**
7,469	2 Bed accommodation	**7,435**
4,895	3 Bed accommodation	**4,886**
1,411	4 Bed+ accommodation	**1,394**
	Multi-occupied dwellings	
173	Shared units *	**166**
23,890	**Total**	**23,820**

*Dwelling equivalent

The change in stock can be summarised as follows:

2009/10 No.		**2010/11 No.**
24,085	Stock at 1 April	**23,890**
(195)	Less sales, demolitions, etc	**(70)**
23,890	Stock at 31 March	**23,820**

Note 3. Rent Arrears

The arrears at 31 March 2011 were £4.887m (£4.751m at 31 March 2010). Amounts written off during the year totalled £0.286m (£0.894m in 2009/10) and the provision for bad debts at the year-end totalled £3.623m (£3.116m at 31 March 2010).

Note 4. HRA Subsidy

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

Restated 2009/10 £000		2010/11 £000
	Notional expenditure	
65,515	Management and maintenance	65,353
37,449	Major Repairs Allowance	23,065
27,650	Charges for capital	27,694
6,824	PFI	6,824
8,056	Other	6,595
145,494	Total notional expenditure	**129,531**
	Notional income	
(104,131)	Rents	(108,137)
(4)	Other	(3)
(104,135)	Total notional income	**(108,140)**
41,360	HRA Subsidy	21,391
0	Prior Year Adjustment	(15,000)
41,360		**6,391**

Note 5. Rent Rebates

Assistance with rents is available under the Housing Benefits scheme for those on low incomes. About 67% of the Council's tenants were receiving some help with the costs of rent charges at 31 March 2011.

Restated 2009/10 £000		2010/11 £000
103,275	Gross rent income	104,321
9,782	Gross tenant service charge income	10,741
113,057	Total	**115,062**
74,673	Rent rebates	74,862
66%	Rebates as % of rent income	65%

Housing Benefit is administered by the Finance Department under regulations laid down by the Department for Work and Pensions (DWP). The cost of rent rebates granted to council tenants is covered by government subsidy. Any residual net amount is met by council tax payers and details are given in Note 3 to the Comprehensive Income and Expenditure Statement.

Note 6. Interest Charges

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

Note 7. Depreciation

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

Restated 2009/10 £000		**2010/11 £000**
29,861	Operational Assets-dwellings	24,640
1,395	Operational Assets-other	1,710
(185,324)	Revaluation loss charged to income and expenditure	501,060
(154,068)	Total	**527,410**

Note 8. HRA Contribution to the Pension Reserve

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

Note 9. Note to the Statement of Movement on the HRA Balance

Restated 2009/10 Net Expenditure £000		Notes	2010/11 Net Expenditure £000
	Items included in the HRA Comprehensive Income and Expenditure Statement but excluded from the movement on the HRA Balance for the year		
167	Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year in accordance with statute		**203**
12,404	Gain/loss on sales of HRA fixed assets		**2,527**
0	REFCUS		**65**
0	Revaluation changes on Investment Properties recognised in I&E		**11,426**
(16)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.		**(6)**
(6,548)	Net charges made for retirement benefits in accordance with IAS19	8	**(6,887)**
6,007	**Total**		**7,328**
	Amounts not included in the HRA Comprehensive Income and Expenditure Statement but required to be included by statute when determining the Movement on the HRA Balance for the year		
8,211	Transfer from the Major Repairs Reserve		**(15,745)**
188,955	Transfer from Capital Adjustment Account re Revaluation loss charged income & expenditure		**(500,995)**
4,844	Capital Expenditure funded by the HRA		**18,408**
7,561	RCCO – Leaseholder contributions		**9,434**
5,734	Employers contributions payable to the pension funds and retirement benefits payable direct to pensioners	8	**5,105**
215,305	**Total**		**(483,793)**
221,312	**Net additional amount required by statute and non-statutory proper practices to be credited or debited to the HRA Balance for the year**		**(476,465)**

Collection Fund Revenue Account
for the year ended 31 March 2011

Restated 2009/10 £000	Restated 2009/10 £000		Notes	2010/11 £000	2010/11 £000
		Amounts required by statute to be credited to the Collection Fund			
		Council Tax			
(102,479)		Income from council tax (net of benefits)	1,2,3,4	(102,806)	
(26,411)	(128,890)	Council Tax benefits		(26,601)	(129,407)
	365	Decrease in provision for uncollectable amounts	5,6		(157)
		Income collectable from business ratepayers			
		NNDR			
	(334,142)	Income collectable from business ratepayers	8		(360,591)
		Business Rate Supplement			
	0	Income collectable from business ratepayers	9		(17,514)
		Contribution towards previous year's estimated Collection Fund Deficit			
		Distribution of surplus/(collection of deficit)			
0		- LB Camden		(919)	
0	0	- Greater London Authority		(278)	(1,197)
	(462,667)	**Total**			**(508,866)**
		Amounts required by statute to be debited to the Collection Fund			
		Precepts and demands from major preceptors and the authority			
		Precepts and Council demand			
96,147		- LB Camden (including Garden Squares)	10	97,273	
29,154	125,301	- Greater London Authority	10	29,495	126,768
		Business Rates			
4,141		NNDR allowable costs and adjustments	8	1,994	
330,001	334,142	Contribution to the NNDR pool	8	358,597	360,591

Restated 2009/10 £000	Restated 2009/10 £000		Notes	2010/11 £000	2010/11 £000
		Business Rate Supplement			
0		Payments to Greater London Authority's Business Rate Supplement Account	9	17,306	
0	0	Administrative costs		208	17,514
		Impairment of debts/appeals			
	497	Amounts written off/(on)			1,703
		Contribution towards previous year's estimated Collection Fund Surplus			
		Distribution of surplus/(collection of deficit)			
2,912		- LB Camden		0	
883	3,795	- Greater London Authority		0	0
	463,735	**Total**			**506,576**
	1,068	**Deficit/(Surplus) for the year**	10		**(2,290)**
		Collection Fund Balance			
	(2,299)	Surplus at beginning of year			(1,231)
	1,068	Deficit/(Surplus) for the year			(2,290)
	(1,231)	**Surplus at end of year**	7,10		**(3,521)**

Note 1. General

The Collection Fund was established on 1 April 1990 under the provisions of the Local Government Finance Act 1988. It accounts for all transactions on council tax, business rates and residual community charge. Although it is kept separate from the Comprehensive Income and Expenditure Statement, Camden's share of the Collection Fund balance forms part of the Balance Sheet.

Note 2. Council Tax

The Council Tax is a property-based tax with a system of personal discounts, based upon the nature and degree of occupation of the property concerned. For the purpose of assessing the tax, all domestic properties were valued by the HM Revenue and Customs and placed in one of eight bands, depending upon the estimated market value at 1 April 1991.

Note 3. Council Demand

The Council's demand on the Collection Fund represents the balance of spending for the year to be met from local taxes, together with any deficit or surplus met in that year in respect of community charge.

Regulations prescribe that any surplus or deficit in respect of Council Tax items in the Collection Fund is to be split between the Council and major preceptors. These adjustments are determined at the time of tax setting and included in the precepts and Council demand.

Note 4. Council Tax Bands

Market Value in April 1991	Band	2010/11 Council Tax £	Number of properties at 31 March 2011	Number of properties at time of tax setting	Fraction 2010/11	Tax base for tax setting £
Less than £40,000	A	887.57	3,939	3,754	6/9	1,878.83
£40,000 - £52,000	B	1,035.49	10,904	10,813	7/9	6,334.47
£52,000 - £68,000	C	1,183.43	19,781	19,564	8/9	13,652.66
£68,000 - £88,000	D	1,331.35	24,638	24,496	9/9	19,721.86
£88,000 - £120,000	E	1,627.21	16,968	16,826	11/9	16,786.09
£120,000 - £160,000	F	1,923.06	10,654	10,496	13/9	12,633.94
£160,000 - £320,000	G	2,218.92	11,879	11,700	15/9	16,809.76
£320,000 or more	H	2,662.70	4,256	4,162	18/9	7,382.41
Total			**103,019**	**101,811**		**95,200.02**

By law, the tax for each band is set as a fraction of the band D charge. For 2010/11, the Council estimated that a band D charge of £1 would produce an income of £95,200. This figure is used by the preceptors and the Council to set the band D charge and is known as the Council Tax Base or the total of band D equivalent properties. The base is determined by taking the number of properties in each band, adjusting for discounts (including that for single occupancy of 25%), exemptions and non-collection, and multiplying by the appropriate fraction for that band. Following a change in the law, since 1 April 2004 discounts on unoccupied, furnished property have been set at 10% and there is no discount on unoccupied, unfurnished property.

In 2010/11 the council tax for band D was set as follows:

	£
Camden	**1,021.53**
Greater London Authority	**309.82**
Total	**1,331,35**

This was the same amount as in 2009/10 and 2008/09.

Note 5. Community Charge

As the provision for bad debts covers 100% of the arrears outstanding, any further collections of community charge will be credited to the Collection Fund as income. Genuine arrears are still being collected by instalments. Regulations require that any deficit or surplus in respect of community charge be transferred to the Council's General Fund.

Note 6. Council Tax - Uncollectable Amounts

The provision to cover bad debts stood at £8.903m on 31 March 2011 (£9.060m on 31 March 2010). This represents 56.83% of the outstanding arrears (55.97% on 31 March 2010, restated).

Note 7. Fund Balance

The balance on the Collection Fund at 31 March 2011 represents deficits and surpluses that have arisen since 1 April 2004 in respect of council tax. These may be analysed as follows:

2009/10 Camden £000	2009/10 Greater London Authority £000	2009/10 Total £000		2010/11 Camden £000	2010/11 Greater London Authority £000	2010/11 Total £000
			Change in Council Tax (Surplus)/Deficit for 2010/11			
(919)	(278)	(1,197)	Estimated Council Tax (Surplus)/Deficit in the January preceding the financial year-end	(2,985)	(905)	(3,890)
(944)	(287)	(1,231)	Actual (Surplus)/Deficit at 31 March	(2,702)	(819)	(3,521)
(1,863)	(566)	(2,428)	**Difference between Estimated and Actual (Surplus)/Deficit**	283	86	369

2009/10 Camden £000	2009/10 Greater London Authority £000	2009/10 Total £000		2010/11 Camden £000	2010/11 Greater London Authority £000	2010/11 Total £000
			Movement in Fund Balances			
(1,764)	(535)	(2,299)	Collection Fund Balances as at 31st March 2010	(944)	(287)	(1,231)
820	248	1,068	Movement in Collection Fund Balance during 2010/11	(1,758)	(532)	(2,290)
(944)	(287)	(1,231)	**Collection Fund Balance as at 31st March 2011**	(2,702)	(819)	(3,521)

Note 8. Collection of National Non-Domestic Rates

Under the arrangements for National Non-Domestic Rates (NNDR) the Council collects business rates for its area, which are based on local rateable values and a multiplier set by the Government. From 1 April 2005 there are two multipliers, the small business non-domestic rating multiplier, which is applicable to those that qualify for the small business relief and the non-domestic rating multiplier, which is applicable to all other businesses and includes a supplement to pay for small business relief. The small business non-domestic rating multiplier for 2010/11 is 40.7p and the non-domestic rating multiplier is 41.4p (48.1p and 48.5p in 2009/10 respectively). The total amount collectable, less certain reliefs and deductions, is paid into a national pool.

At 31 March 2011, the non-domestic rateable value of the borough was £1,211.056m (£823.989m at 31 March 2010). On 1 April 2010 a national revaluation of all commercial properties was undertaken by the Valuation Office, which resulted in the significant increase in the rateable value of the borough. Transitional arrangements have limited changes to bills. These arrangements are being phased out over five years.

Appeals against the original rateable values continue to be received. A significant number of these are backdated downward revaluations that resulted in lower income being received from business ratepayers.

Restated 2009/10 £000	Restated 2009/10 £000		2010/11 £000	2010/11 £000
		Income from business ratepayers		
	382,423	Non-domestic rate charge		**476,779**
	1,702	SBBR Supplement		**6,719**
1,922		Transitional relief (2009/10 restated)	**(66,318)**	
(36,346)		Less - mandatory charity relief	**(38,807)**	
(14,902)		- empty property relief	**(17,152)**	
(657)	(49,983)	- discretionary relief	**(630)**	**(122,907)**
	334,142	**Income due from business ratepayers**		**360,591**
(1,118)		NNDR collection costs, credited to the Council's General Fund	**(1,192)**	
(2,639)		Bad debt provision/losses on collection	**(797)**	
		Discretionary relief charged to:		
447		The Council's General Fund	**423**	
(831)	(4,141)	Interest on refunds	**(428)**	**(1,994)**
	330,001	**Contribution to NNDR Pool**		**358,597**

Restatement of the 2009/10 Income from business rate payers

The above 2009/10 comparator has been restated to reflect the effects of transitional relief that were previously "netted off" of income from business ratepayers. The following reconciliation shows the movement from the figures reported in the 2009/10 statement of accounts to the revised 2010/11 comparator shown above.

	As per the 2009/10 Statement of Accounts £000	Adjustment £000	Restated for 2010/11 Comparator £000
Non-domestic rate charge	384,345	(1,922)	**382,423**

Note 9. Business Rate Supplement

Under the arrangements of the Business Rates Supplement Act 2009, local authorities are able to impose a levy on non-domestic ratepayers to raise money for expenditure or projects expected to promote economic development. In 2010/11 Camden began collecting an additional levy from non-domestic business rate payers to fund the Crossrail project on behalf of the Greater London Authority.

As noted within the Collection Fund Statement, in 2010/11, the council collected £17.514m in respect of Business Rates supplement and paid to the Greater London Authority £17.306m (nil for 2009/10 for both collection and payment to the Greater London Authority).

Note 10. Restatement of the 2009/10 Collection Fund Balance

As a result of an error in presentation, it has been established that the 2009/10 Collection Fund Balance was understated in the Statement of Accounts; whereas documentation provided to the Greater London Authority and information within the council's own General Ledger showed the correct balance.

Although the adjustment is not in itself material, it is considered that as the correction affected the reported 2009/10 Collection Fund Balance it would be appropriate to restate the comparative within the 2010/11 Collection Fund.

	As per the 2009/10 Statement of Accounts		Adjustment		Restated for 2010/11 Comparator	
			Misstatement	Rounding		
	£000	£000	£000	£000	£000	£000
Amounts required by statute to be credited to the Collection Fund						
Council Tax						
Income from council tax (net of benefits)	(102,479)				(102,479)	
Council Tax benefits	(26,411)	(128,890)			(26,411)	(128,890)
Decrease in provision for uncollectable amounts		365				365
Total		**(128,525)**				**(128,525)**
Amounts required by statute to be debited to the Collection Fund						
Precepts and demands from major preceptors and the authority						

- LB Camden (including Garden Squares)	96,148			(1)	96,147	
- Greater London Authority	29,164	125,312	(10)		29,154	125,301
Impairment of debts/appeals						
Amounts written off/(on)		497				497
Contribution towards previous year's estimated Collection Fund Surplus						
Distribution of surplus/(collection of deficit)						
- LB Camden	2,912				2,912	
- Greater London Authority	883	3,795			883	3,795
Total		**129,604**	**(10)**	**(1)**		**129,593**
Deficit/(Surplus) for the year		**1,079**	**(10)**	**(1)**		**1,068**
Collection Fund Balance						
Surplus at beginning of year		(2,299)				(2,299)
Deficit/(Surplus) for the year		1,079	(10)	(1)		1,068
Surplus at end of year		**(1,220)**				**(1,231)**

PENSION FUND

Explanatory Foreword

Introduction

The Council is the administrating authority for the Camden Pension Fund. The Fund is operated under the provisions of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, as amended.

The Accounts have been prepared in accordance with the LGPS Regulations 1997 and the 2010 Code of Practice on Local Authority Accounting in the United Kingdom, issued by CIPFA.

All employees can become contributors on appointment with Camden or a scheduled or admitted body. The Fund's income is derived from employees, contributions from employing authorities and income from investments.

The Fund operates as a defined benefit scheme and provides retirement pensions and lump sum allowances, widows' and children's pensions and death gratuities.

Fund Management

The day-to-day management of the rest of the Fund is carried out by the six professional fund managers, Aberdeen Asset Managers Ltd, Fidelity International Ltd, Goldman Sachs Asset Management International, Legal and General Assurance (Pensions Management) Ltd, CB Richard Ellis Collective Investors Ltd and Partners Group Real Estate SICAR. Each manager operates within investment management agreements and targets originally determined by the Council's Audit and Corporate Governance (Pensions) Sub-Committee. There also remains accrued income with previous fund managers Schroder Investment Management Ltd and UBS Global Asset Management (UK) Ltd which will be transferred across to current fund managers once the cash is realised. There are a small number of assets that are held directly by the Council, which are managed under the delegation of the Director of Finance.

Overall investment strategy is the responsibility of the Audit and Corporate Governance (Pensions) Sub-Committee, which consists of eight councillors who receive advice from the Chief Executive, the Director of Finance and the Head of Legal Services, Hymans Robertson LLP and Pensions Investment Research Consultants Ltd and the six Fund Managers. Trade Union representatives, admitted bodies and retired members are also invited to attend the Sub Committee as observers. Sub Committee meetings are held on a quarterly basis. The details of the Sub Committee meetings, including agendas, minutes and regular reports on the Fund's performance, can be found through the Camden website:

http://democracy.camden.gov.uk/ieListMeetings.aspx?CommitteeId=180

The market value of the assets (including cash & income receivable) held by the Fund Managers, the Custodian and the Council as at 31 March 2011 is as follows:

Fund Managers	£000	%
Aberdeen Asset Managers Ltd	**259,466**	**27%**
Fidelity International	**247,992**	**26%**
Goldman Sachs Asset Management International	**99,286**	**10%**
Legal & General Assurance (Pensions Management) Ltd	**282,508**	**30%**
CB Richard Ellis Collective Investors Ltd	**47,098**	**5%**
Partners Group Real Estate SICAR	**12,775**	**1%**
Schroder Investment Management Ltd	**492**	**0%**
UBS Global Asset Management (UK) Ltd	**378**	**0%**
JPM Custodian Cash Account	**882**	**0%**
Council	**4,804**	**1%**
	955,681	**100%**

Actuarial Valuations

The Fund is subject to actuarial valuation every three years. The actuary is required to specify the employer's rate of contribution to the Fund necessary to ensure that present and future commitments can be met. The last actuarial valuation of the Fund was carried out as at 31 March 2010.

The market value of the Fund's assets at the valuation date was £877m. The actuarial value of the Fund's accrued liabilities, allowing for future pay increases, was £1.154bn; therefore there was a shortfall of £277m (24%).

The employer's contribution rates have been calculated using the projected unit actuarial method and the main actuarial assumptions were as follows:

CPI Price Inflation	**3.3%** per annum
Pay increases *	**5.3%** per annum
Gilt-based discount rate	**4.5%** per annum
Funding basis discount rate	**6.1%** per annum

* Pay increases assumed to be 1% p.a. for 2010/11 and 2011/12, reverting to 5.3% p.a. thereafter.

Assets were valued at the discounted value of future income assuming a 1.6% per annum dividend growth on income reinvested, known as the asset outperformance adjustment, and also assuming that dividend income would be re-invested in the FT

All-Share Index, and would share in the long-term growth in capital value of equities listed in that index.

At the prior actuarial valuation on 31 March 2007 the assets were valued as sufficient to meet 80% of the liabilities. The employer's contribution rate from 2008/09 to 2010/11 was calculated as 23.3% of pensionable pay.

The recommended rate of employer's contributions following the 31 March 2010 valuation, with the asset valuation meeting only 76% of the liabilities was calculated as 28.1% of pensionable pay. This is the average employer contribution rate required for the three years starting in 2011/12.

Related Party Transactions

There were no transactions with related parties other than those which are disclosed elsewhere within the accounts. In 2010/11 £0.461m was paid to the council for pensions administration (£0.555m in 2009/10) and £0.113m was paid for accountancy services (£0.165m in 2009/10). As at 31 March 2011, cash of £4.614m was held by the Council on behalf of the Fund (£6.574m at 31 March 2010).

Fund Portfolio and Diversification

The Regulations require that the Members of the Audit & Corporate Governance (Pensions) Sub Committee and Fund Managers should pay regard to the need to diversify investments and also to the suitability of particular investments. The Fund's Statement of Investment Principals and Funding Strategy Statement can be found on the Pension Fund website:

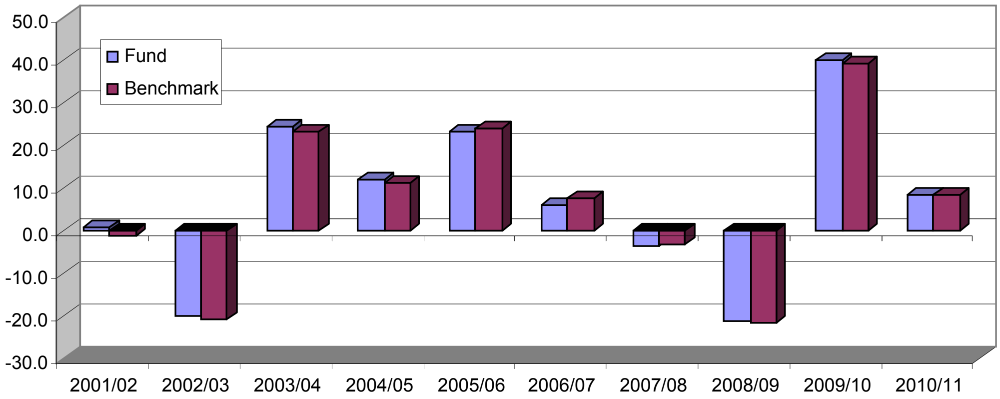
www.camden.gov.uk/pensions

Scheduled Bodies

The Children's Hospital School is the only scheduled body which made contributions to the Fund in 2010/11.

Returns

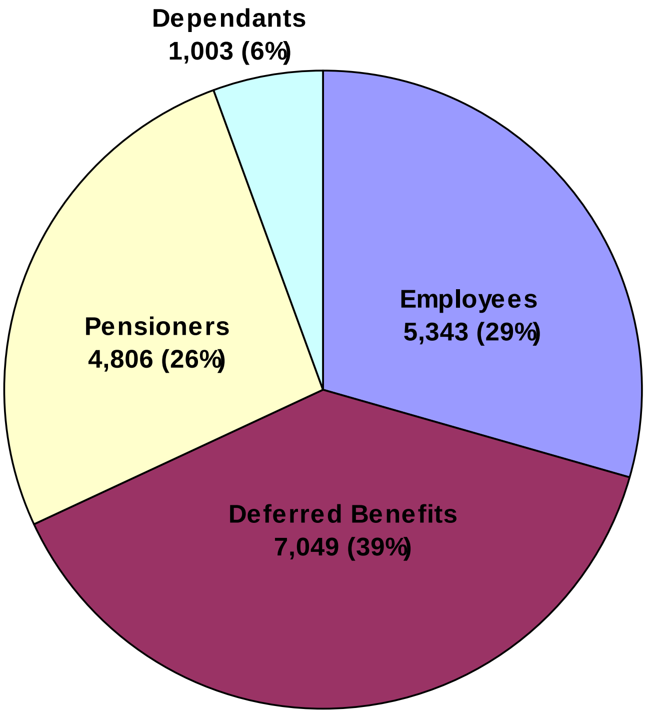
The overall value of the Fund has risen by 93% during the last ten years. The diagram below, based on figures prepared by the WM Company, provides a comparison between the performance of Camden's Fund and that of the average of other participating funds, including company pensions, for each year over this period. It shows the time-weighted return on investments for each calendar year.



Since 1 January 2006 Camden has had a specific benchmark. The comparison is therefore based against five years WM average and five years of the specific benchmark. The benchmark weightings are as follows: -
UK Equities 25%, Global Equities 50%, Bonds 15% and Property 10%.

Membership

Total membership of the Fund at 31 March 2011 was 18,201 (17,973 in 2010). Within the totals shown in the pie chart below are 437 employees, 786 deferred benefits, 476 pensioners and 42 dependants attributable to admitted bodies and scheduled bodies.



Total Membership 18,201

Pension Fund Account
for the year ended 31 March 2011

2009/10 £000		Notes	**2010/11 £000**
	Contributions receivable:		
37,836	From Employers	2	**37,615**
11,428	From Members	2	**11,531**
2,567	Pension Strain	2,3	**2,740**
51,831			**51,886**
	Transfers in from other pension funds:		
9,326	Transfers in (individual)		**9,705**
	Benefits payable:		
(32,125)	Retirement pensions	2	**(33,995)**
(7,468)	Commutation of pensions and lump sum retirement benefits	2	**(9,240)**
(566)	Lump sum death benefits	2	**(886)**
(40,159)			**(44,121)**
	Payments to and on account of leavers:		
(11,129)	Transfers out (individual)		**(9,597)**
(18)	Refund of contributions		**(12)**
5	Contribution Equivalent Premiums	4	**(3)**
(11,142)			**(9,612)**
	Other Payments:		
(774)	Administration costs		**(660)**
595	Cost of transition		**-**
(319)	Other expenditure	5	**(309)**
(498)			**(969)**
9,358	**Net additions from dealing with members**		**6,889**
	Returns on investments		
13,066	Investment income	6	**14,801**
(619)	Tax deducted from investment income		**(293)**
(1,588)	Management fees	7	**(2,864)**
235,957	Change in market value of investments	8	**59,801**
246,816	**Net returns on investments**		**71,445**
256,174	Net increase/(decrease) in the fund		**78,334**
620,624	Net assets at 1 April 2010 *		**877,347**
876,798	**Net assets at 31 March 2011**		**955,681**

* In compiling the 2010/11 Statement of Accounts and moving forward The London Borough of Camden are using investment data from the custodian, JP Morgan, instead of the individual fund managers. This will ensure more uniform reporting and improved data management. Consequently, the figures relating to 2009/10 have been restated.

As JP Morgan became custodians of the Fund in November 2009 they do not hold a complete set of accounts for 2009/10, and so the 2009/10 investment returns above were taken from last year's fund manager figures. The Custodian valuation of the Fund as at 31st March 2010 is higher by £0.549m, or 0.06%.

Pension Fund Net Assets Statement as at 31 March 2011

1 April 2009 £'000	31 March 2010 £000		Notes	**31 March 2011 £000**
		Investments at market value		
35	32	Public Sector fixed interest securities	10,11	**33**
16,935	18,707	Public Sector index linked securities	10,11	**19,975**
66,892	94,306	Pooled investment vehicles	10,11	**99,286**
195,235	293,816	UK equities	10,11	**322,827**
275,569	400,767	Overseas equities	10,11	**437,743**
40,020	39,147	Property	10,11	**58,389**
24	24	Venture capital	10,11,13	**11**
9,174	20,891	Cash deposits	10,11	**9,091**
1,937	2,890	Investment Income Receivable	10,11	**3,566**
605,821	870,580			**950,921**
		Other net assets		
14,619	6,575	Cash held by Camden	10,11	**4,614**
817	751	Current assets	12	**1,418**
(633)	(559)	Current liabilities	12	**(1,272)**
620,624	877,347	**Total net assets**		**955,681**

Both the 2010 and 2011 valuations above are drawn from the custodian accounts. The April 2009 valuations are taken from the 2009/10 Statement of Accounts, and are based on the investment manager valuations.

The net asset statement includes all assets and liabilities of the fund at 31 March 2011, but excludes long-term liabilities to pay pensions and benefits in future years. The only unlisted securities held are the Venture Capital holdings, which is a legacy investment in run-off.

Note 1. Accounting Policies

i) All income and expenditure has been accounted for in the revenue account on an accruals basis, with the exception of liabilities to pay pensions and other benefits in the future, and transfer values. These are not accrued, in accordance with SORP 2007 Financial Reports of Pension Schemes.

ii) Investments are shown in the Net Assets Statement at market value. Market valuations are as provided by the Custodian and are based on bid values as at the Net Assets Statement date. Prices in foreign currencies are translated at the closing rates of exchange as at 31st March.

iii) Assets and liabilities in overseas currencies are translated into sterling at the exchange rates prevailing at the balance sheet date. Transactions during the year are translated at rates applying at the transaction dates.

iv) The cost of administration is charged directly to the fund by the Administering Authority, London Borough of Camden.

v) Income due from equities is accounted for on the date stocks are quoted ex-dividend.

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

vii) Income from other investments is accounted for on an accruals basis.

viii) The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profit and losses realised on sales of investments and unrealised changes in market value.

ix) When foreign exchange contracts are in place in respect of assets and liabilities in foreign currencies, the contract rate is used. Other assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at year end. Income from overseas investments is translated into sterling at an average rate for the period.

x) Surpluses and deficits arising on conversion are dealt with as part of the change in market values of the investments.

xi) Normal contributions, both from members and employers, are accounted for in the payroll month to which they relate, at rates as specified in the rates and adjustments certificate. Additional contributions from employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.

xii) Under the rules of the scheme, members may receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised.

xiii) In 2010/11 the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 Based on International Financial Reporting Standards was adopted. This led to no material change to the reporting of the Pension Fund accounts.

Note 2. Analysis of Contributions and Benefits

2009/10 £000		**2010/11 £000**
	Contributions receivable	
50,811	Administering authority	**44,627**
362	Scheduled Bodies	**26**
9,989	Admitted bodies	**7,233**
61,162		**51,886**
	Benefits payable	
(45,633)	Administering authority	**(37,263)**
(267)	Scheduled Bodies	**(6)**
(6,523)	Admitted bodies	**(6,852)**
(52,423)		**(44,121)**

In the 2009/10 accounts it was stated that the LGIU was a scheduled body, however it was an admitted body. The only scheduled body is the Children's Hospital School.

Note 3. Pension Strain

This is a payment to the Pension Fund from departmental budgets to make up for the funding shortfall following early retirement or ill health retirement.

Note 4. Contributions Equivalent Premiums

This is a payment to the Contributions Agency to reinstate employees into the State Earnings Related Pension Scheme. This applies only to employees who have received a refund of contributions.

Note 5. Other Expenditure

Other Expenditure included the following items:

2009/10 £000		**2010/11 £000**
152	Actuarial & Investment Advice	**120**
0	Audit	**31**

85	Custodian	**69**
60	Corporate Governance	**68**
22	Statistical Services	**21**
319	**Total**	**309**

In 2009/10 the Pension Fund audit fee was paid as part of the Council's audit fee.

Note 6. Pension Fund Investment Income

A detailed breakdown of this figure is shown below:

2009/10 £000		**2010/11 £000**
1	Fixed interest securities	**2**
1	Index linked securities	**0**
(7)	Pooled investment vehicles	**245**
1,773	UK equities	**2,277**
9,331	Overseas equities	**10,438**
1,880	Property unit trusts	**1,800**
87	Interest on cash deposits	**39**
13,066	**Total income**	**14,801**

Note 7. Management Fees

The fees levied by the Fund Managers were as follows:

2009/10 £000		**2010/11 £000**
665	Aberdeen	**1,283**
464	Fidelity	**983**
112	Goldman Sachs	**227**
145	Legal & General	**144**
0	CB Richard Ellis	**77**
0	Partners Group	**150**
53	Schroders	**0**
82	UBS	**0**
67	Baille Gifford	**0**
1,588	**Total**	**2,864**

The management fees have not previously been accrued at year end, and as such there were five quarterly payments recorded in 2010/11 for Aberdeen, Fidelity, Goldman Sachs and Legal & General.

Note 8. Change in Market Value of Investments for the year ended 31 March 2011

	2010/11 £000
Fixed interest securities	**1**
Index linked securities	**1,268**
Pooled Investment Vehicles	**8,044**
UK equities	**26,040**
Overseas equities	**21,149**
Property unit trusts	**3,841**
Venture capital	**(13)**
Currency	**(529)**
Total	**59,801**

Note 9. Purchases & Sales

Pension Fund Purchases and Sales by Asset Type for the year ended 31 March 2011:

2009/10 £000		**2010/11 £000**
	Purchases	
0	Public Sector fixed interest securities	**0**
0	Public Sector index linked securities	**0**
0	Life funds	**0**
15,000	Pooled Investment Vehicles	**5,124**
19,939	UK equities	**19,513**
189,161	Overseas equities	**155,888**
0	Property Unit Trusts	**12,105**
224,100	**Total purchases**	**192,630**
	Sales	
0	Public Sector fixed interest securities	**0**
0	Public Sector index linked securities	**0**
(358)	Life funds	**0**
0	Pooled Investment Vehicles	**54**
(21,599)	UK equities	**(16,544)**
(186,459)	Overseas equities	**(144,143)**
0	Property Unit Trusts	**(863)**
(208,416)	**Total Sales**	**(161,496)**

The Fund has held investments in fixed interest and index linked securities throughout the year without addition or disposal.

Note 10. Pension Fund Analysis of Investments at Market Value

31 March 2010 £000		31 March 2011 £000
	Securities	
32	Government fixed interest UK	**33**
18,707	Government index linked UK	**19,975**
97,838	Fixed Pooled Vehicle UK	**106,976**
116,577		**126,984**
	UK Equities	
52,696	Quoted	**60,294**
241,120	UK Equities Pooled Vehicle	**262,533**
293,816		**322,827**
	Overseas Equities	
7,395	Argentina	**7,839**
14,352	Australia	**16,535**
0	Austria	**414**
1,789	Belgium	**1,047**
713	Bermuda	**942**
8,314	Brazil	**12,669**
13,609	Canada	**17,359**
581	Cayman Islands	**0**
2,007	China	**4,354**
1,775	Denmark	**2,116**
28,765	Emerging Markets Pooled Vehicle	**32,849**
446	Finland	**702**
15,282	France	**12,670**
21,652	Germany	**16,760**
882	Greece	**0**
772	Guernsey, C.I.	**1,651**
10,276	Hong Kong	**10,328**
1,771	Ireland	**2,516**
0	Israel	**255**
12,755	Italy	**12,437**
44,863	Japan	**43,030**
1,022	Luxembourg	**0**
0	Mexico	**2,620**
5,959	Netherlands	**7,692**
4,254	Netherlands Antilles	**5,735**
674	Norway	**2,122**
467	Papua New Guinea	**212**
629	Portugal	**0**
4,489	Singapore	**4,400**
8,150	South Korea	**6,657**

31 March 2010 £000		31 March 2011 £000
7,125	Spain	**3,025**
9,912	Sweden	**11,476**
26,956	Switzerland	**38,537**
7,192	Taiwan	**8,851**
135,704	USA	**149,781**
235	Virgin Islands	**163**
400,767		**437,744**
	Property Unit Trusts	
18,516	Schroder Exempt	**0**
17,100	UBS Triton 11	**0**
0	CB Richard Ellis	**37,923**
35,615		**37,923**
	Real Estate Secondary	
0	Partners Group	**12,775**
	Venture Capital	
24	Midland Growth Fund	**11**
2,891	Investment Income Receivable	**3,566**
20,890	Cash Deposits	**9,091**
6,574	Cash at Authority	**4,614**
192	Net Debtors / Creditors at Authority	**146**
877,347	**Total Asset Value**	**955,681**

The 31 March 2010 figures have been restated this year as all the figures are now independently secured from the Council's custodian JP Morgan. Prior to this the figures came directly from the individual Investment Managers.

Note 11. Valuations by Fund Manager

	Bid Price £000
Council	
- Public sector fixed interest securities	33
- Venture Capital	11
- Cash	4,614
- Net Debtors & Creditors	146
Aberdeen Asset Managers Ltd	
- UK equities	41,547
- Overseas equities	211,483
- Cash	4,798
- Income Receivable	1,637
Fidelity International	
- UK equities	18,747
- Overseas equities	193,407
- Pooled investment vehicle	32,849
- Cash	2,490
- Income Receivable	500
Goldman Sachs Asset Management International	
- Pooled investment vehicle	99,286
Legal & General Assurance (Pensions Management) Ltd	
Pooled investment vehicle	
- Index linked securities	19,975
- UK equities	262,533
Schroder Investment Management Ltd	
- Income Receivable	492
UBS Ltd Fixed interest securities	
- Income Receivable	378
CB Richard Ellis Collective Investors Ltd	
- Overseas equities	4
- Pooled investment vehicle	7,691
- Property unit trusts	37,923
- Cash	921
- Income Receivable	559
Partners Group Real Estate SICAR	
- Property SICAR	12,775
JPM Custodian Account	
- Cash	882
Total	**955,681**

The public sector fixed interest securities held directly by the Council are valued using the Debt Management Office gilt reference prices from the DMO website as of 31st March.

Note 12. Analysis of Net Current Assets and Liabilities

2009/10 £000		**2010/11 £000**
	Assets	
249	Capital Costs receivable	**1,002**
502	Admitted Authorities payments receivable	**416**
751		**1,418**
	Liabilities	
(173)	Creditors	**(1,015)**
(386)	Unpaid Benefits	**(257)**
(559)		**(1,272)**
192	**Net Total**	**146**

Note 13. Venture Capital

The venture capital holdings are a legacy investment in The Midland Growth Fund, established in 1985. The fund was set to be wound up by March 2003, although a number of extensions have been agreed to realise the remaining unquoted investment. Members of the Audit & Corporate Governance (Pensions) Sub Committee agreed to allow the investment to run off.

The investment was valued at bid price on the 31st March 2011, in accordance with BVCA guidelines.

Note 14. Direct Transaction Costs

The amount of direct transaction costs incurred by each Fund Manager was as follows:

2009/10 £		**2010/11 £**
134,064	Aberdeen	**153,560**
394,341	Fidelity	**301,639**
0	Goldman Sachs	**0**
0	Legal & General	**0**
0	CB Richard Ellis	**6,855**
0	Partners Group	**0**
0	Schroders	**0**
0	UBS	**0**
528,405	**Total**	**462,054**

Note 15. Additional Voluntary Contributions

Additional voluntary contributions are not included in the Pension Fund Accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998.

The providers of Additional Voluntary Contributions are Phoenix Life Ltd and Prudential Assurance Company Ltd (from 1 April 2009).
Phoenix operates two funds, the deposit fund and the managed fund and employees can contribute to either fund.

Prudential offer eleven funds, with the risk appetite ranging from minimal to higher risk. The employee has the option to choose a combination of up to ten of these funds. Also the employee has the choice to invest in the default fund (with profits) or a lifestyle option, which commences with higher risk investments and is gradually switched to lower risk investments as the employee moves closer to retirement. Prudential are a new provider for Camden, and have recently been promoting the benefits of its services to members, hence the increase in contributions.

The value and transaction summary of the AVC funds were as follows:

	Prudential £
Value at 31 March 2010	178,788
- Contributions and Transfers Received	585,335
- Investment Return	16,478
- Paid Out	(110,621)
Value at 31 March 2011	**669,980**

	Phoenix Life Ltd £
Value at 31 December 2009	1,254,981
- Contributions and Transfers Received	61,322
- Investment Return	104,919
- Paid Out	(257,593)
Value at 31 December 2010	**1,163,629**

GLOSSARY OF FINANCIAL TERMS AND ABBREVIATIONS

FINANCIAL TERMS

Accrual

The recognition of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

Balances

Unallocated reserves held to resource unpredictable expenditure demands.

Capital Charges

Charges made to service department revenue accounts, comprising depreciation (where appropriate) based on the value of the asset employed.

Capital Expenditure

Expenditure on new assets such as land and buildings, or on the enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

Capital Financing Charges

The annual cost of depreciation, leasing charges and other costs of funding capital expenditure.

Capital Receipts

Income received from the sale of land, buildings and other capital assets.

Contingent Liabilities

Potential losses for which a future event will establish whether a liability exists. As it is not appropriate to establish provisions for such amounts, they are not accrued in the financial statements, but disclosed separately in a note to the Balance Sheet.

Creditors

Amounts owed by the Authority at 31 March for goods received or services rendered but not yet paid for.

Debtors

Amounts owed to the Authority which are collectable or outstanding at 31 March.

Dedicated Schools Grant

A specific grant for the funding of schools and which is ring-fenced to the Schools Budget.

Deferred Capital Income

This consists mainly of income due from former tenants who have purchased their homes and taken out mortgages with the Council.

Earmarked Reserves

Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Formula Grant

The main grant paid by central government to a local authority towards the costs of all its services.

Provisions

Monies set aside for liabilities and losses which are likely to be incurred but where exact amounts or dates on which they will arrive are uncertain.

Revenue Expenditure from Capital under Statute (REFCUS)

Spending on items normally classed as revenue but which are defined by statute as capital e.g. improvement grants.

Revenue Expenditure

Spending on day-to-day items, including salaries and wages, premises costs and supplies and services.

Transfer Payments

Benefits paid over to tenants and homeowners towards rent and council tax which is then reimbursed by central government.

ABBREVIATIONS

AVC	Additional Voluntary Contributions
BSF	Building Schools for the Future
BVACOP	Best Value Accounting Code of Practice
BVCA	British Venture Capital Association
C&IMHSCT	Camden and Islington Mental Health Social Care Trust
CFR	Capital Financing Requirement
CGRA	Capital Grants Received in Advance
CIPFA	Chartered Institute of Public Finance and Accountancy
CPCT	Camden Primary Care Trust
CPFA	Chartered Public Finance Accountant
DCLG	Department for Communities and Local Government
DCSF	Department for Children, Schools and Families (formerly DfES – Department of Education and Skills) (Central Government)
DHC	Depreciated historical cost
DMO	Debt Management Office
DRC	Depreciated replacement cost
DWP	Department of Work and Pensions (Central Government)
EUV	Existing Use Value
FMV	Fair Market Value
FTE	Full Time Equivalent
GLA	Greater London Authority
HMRC	HM Revenue & Customs
HRA	Housing Revenue Account
IAS	International Accounting Standards

ICES	Integrated Community Equipment Store
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ILEA	Inner London Education Authority
IPSAS	International Public Sector Financial Reporting Standards
ISB	Independent School Bursary Scheme
LCAAF	London Committee for Action Against Fraud
LEP	Local Education Partnership
LEU	London Ecology Unit
LGIU	Local Government Information Unit
LGPS	Local Government Pension Scheme
LOBO	Lender Option Borrower Option financial instrument
LPFA	London Pensions Fund Authority
LRB	The former London Residuary Body (residual functions of the Greater London Council and ILEA)
MMI	Municipal Mutual Insurance
MRA	Major Repairs Allowance
MRP	Minimum Revenue Provision
NBV	Net Book Value
NNDR	National Non Domestic Rates (Business Rates)
NPV	Net Present Value
NWLA	North London Waste Authority
OEIC	Open Ended Investment Company
PFI	Private Finance Initiative
PPE	Property, Plant and Equipment

PWLB	Public Works Loans Board
RICS	Royal Institution of Chartered Surveyors
RNCC	Registered Nursing Care Contribution
RPI	Retail Price Index
RSL	Registered Social Landlord
SBBR	Small Business Rate Relief
SIC	Standing interpretations Committee
SLA	Service Level Agreement
SOLACE	Society of Local Authority Chief Executives
SORP	Statement of Recommended Practice
SSAP	Statement of Standard Accounting Practice
TfL	Transport for London
TSS	Teachers Superannuation Scheme
UK GAAP	UK Generally Accepted Accounting Principles