

# **LONDON BOROUGH** **OF CAMDEN**

**ANNUAL FINANCIAL REPORT**

**2014/15**

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## **EXPLANATORY FOREWORD**

### **By The Director of Finance and Responsible Financial Officer**



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

I am pleased to present the Council's 2014/15 Annual Financial Report.

This foreword provides a guide to the most significant matters reported in the Council's accounts. Camden's financial statements for 2014/15 have been prepared in accordance with the standard format for local authority accounts which is recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the Statement of Accounts in 2014/15 as prescribed by the Code of

Practice on Local Authority Accounting in the United Kingdom 2014/15, which, in turn, is based on International Financial Reporting Standards.

In previous years, this Annual Financial Report was known as the Statement of Accounts. The elements on which the auditors are required to give a true and fair view are listed below the subheading of "Core Statements" within the Contents page.

The Foreword is in three sections to aid interpretation of the Council's accounts:

- Commentary and review of the services provided by the Council during 2014/15.
- Commentary on the major elements of the statement of accounts and a comparison to those statements presented in 2014/15.
- 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 2014/15.**

### **1 Review of the Year**

The Council and local government more broadly continue to operate in a challenging financial environment. The Government has maintained its commitment to reduce public sector spending, and central government funding to local government continues to decrease significantly. Faced with considerably reduced resources, the Council's comprehensive savings programme delivered savings of £83m between 2010 and 2014. By building on opportunities generated by the delivery of the savings programme, the Council has been able to achieve £10m of efficiencies in 2014/15 without affecting front-line service delivery.

The contraction of local government funding is expected to continue well into the medium term. The Medium Term Financial Strategy updates in September and December 2014 presented the scale of financial challenge faced by the Council, and proposed £73m of savings to be delivered between 2015/16 and 2017/18 to close the budget deficit while allowing us to invest in priority areas such as improving working conditions for staff in external homecare contracts.

During 2014/15 we developed an outcomes-based budgeting approach and a 3 year medium-term financial strategy with an additional view on potential pressures in 2018 and beyond. The Financial Strategy has been shaped by the core objectives of the Camden Plan. This sets out our ambition to address a range of challenging social issues that local authorities have struggled with for decades, whilst continuing to deliver high quality services for local people in a climate of decreasing resources. At its heart, the Camden Plan is about tackling inequality and giving every person who lives in Camden the chance to succeed.

We also held the largest pre-budget engagement exercise in the borough's history, involving thousands of people across the borough to consider how we tackle the challenge together. The Council committed to an open and honest discussion as early as possible about the sort of spending decisions we needed to make. This enabled us to face the challenge together much earlier than formal consultation. From these early conversations, we were able to further develop the radical thinking and new ideas required to help protect our borough from the unprecedented funding cuts it faces. This exercise was something we decided to do over and above our legal requirements to consult on some of the proposals.

The Council's Accommodation Strategy progressed strongly in 2014/15, with the new offices at 5 Pancras Square having opened its doors last summer. The new building has the majority of staff located under one roof, facilitating a step change in collaborative working and increased efficiency. The building also features two public swimming pools, as well as a library and access centre. The building has been granted an 'outstanding' BREEAM environmental rating, and cut carbon emissions by 64 per cent as well as leading to annual energy savings over £0.5 million compared to the previous portfolio – savings that we are reinvesting to keep vital services going.

We are now three years into the life of the Community Investment Programme (CIP) and have made strong progress. The CIP is our 15 year programme that brings together a range of investment projects focussed on making the best use of the Council's property assets, whilst simultaneously addressing a critical capital funding gap. A few highlights include:

- We are on track to deliver the projected 3,050 new homes through CIP, including 1,400 new and replacement affordable homes.
- The CIP will also improve 9,000 square metres of community facilities and spaces, including investing in community centres such as the St Pancras Community Centre.
- The CIP will also invest £161 million by 2019/20 in 53 of Camden's schools and children's centres.

It is important that our financial plans continue to reflect our wider strategic objectives and the CIP is making a strong contribution to the Camden Plan - meeting housing needs, reducing overcrowding, creating apprentice opportunities in partnership with our developers, and providing new and improved school, community & health facilities. We are tackling some of the borough's biggest challenges while working closely alongside the communities affected.

## 2 2014/15 Final Outturn Position

### 2.1 The 2014/15 General Fund Revenue Outturn

The Council had a net General Fund revenue budget of £265.82m in 2014-15 and delivered a final outturn underspend, before agreed transfers to reserves, of £(5.155)m. This was in line with in-year forecasts and reflects the approach taken by finance and service management to drive down costs and deliver savings earlier than planned where possible.

The Council's actual spend compared with its updated budget for 2014/15 is set out below:

	<b>Final Updated Budget 2014/15</b>	<b>Final Spend</b>
	£m	£m
Departmental Costs	311.30	303.92
Non-departmental Costs	(56.59)	(57.96)
Revenue funding of capital expenditure	10.24	10.24
Contributions into and out of Earmarked Reserves and General Balances	0.87	0.87
Allocations agreed in December MTFS*	0.00	3.60
<b>Total Spend</b>	<b>265.82</b>	<b>260.67</b>
Council Funding	(265.82)	(265.82)
<b>Net Under Spend on Revenue Account</b>	<b>0.00</b>	<b>(5.16)</b>

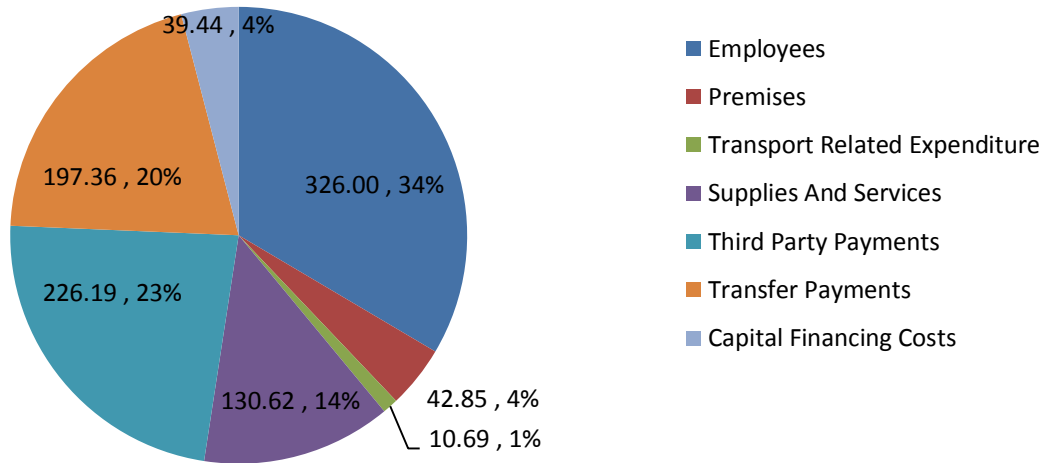
\* In December 2014, Cabinet agreed to allocate one-off 2014/15 budget savings of £3.600m towards the High Speed 2 Programme (£0.800m) and capital investment related to childcare places for disadvantaged two-year-olds (£2.800m).

As at 31 March 2015, General fund balances stood at £13.6m, which is in line with a commitment at Cabinet (February 2012) to hold the level of General Balances at the low end of Council Policy. Balances held by schools totalled £16.600m.

The chart below shows what the actual gross expenditure in the year by type.

Fig.1

**Analysis of General Fund Gross Expenditure - Total (£973.15m)**



\* Excludes internal support costs (recharges)

**2.2 Internal and External Sources of Funding for Revenue**

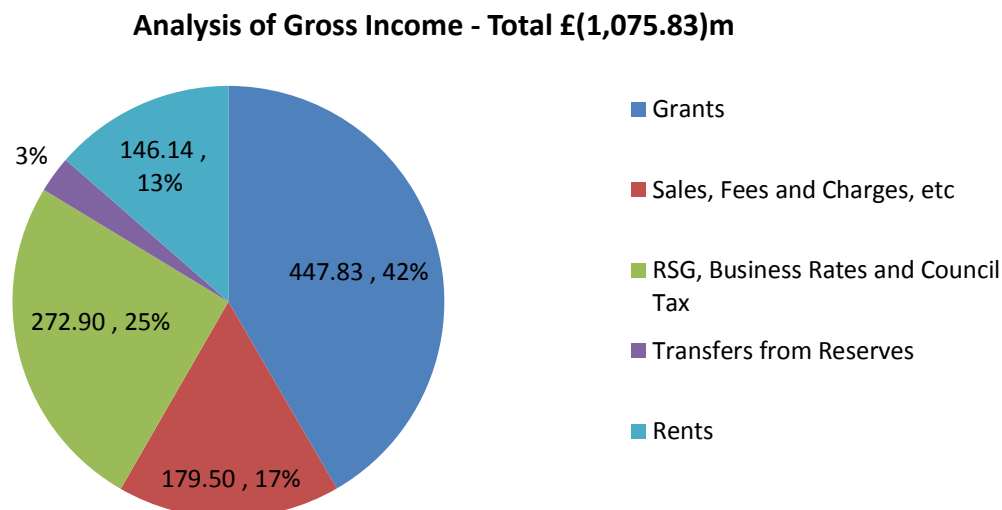
During the year, the Council spent £1,075.83m on providing council services and this covered both General Fund and HRA. The source of funding for these services is as follows:

	<b>GF</b>	<b>HRA</b>	<b>Total</b>
Grants	440.70	7.13	447.83
Sales, Fees and Charges, etc	142.34	37.17	179.50
RSG, Business Rates and Council Tax	272.90	-	272.90
Transfers from Reserves	29.46	-	29.46
Rents	14.10	132.04	146.14
<b>Total</b>	<b>899.49</b>	<b>176.33</b>	<b>1,075.83</b>

\* General Fund expenditure exceeds income in figure 1 due to the inclusion of capital charges in expenditure and the exclusion of recharges between the HRA and General Fund in income.



Fig.2



### 2.3 The 2014/15 Capital Outturn

The Council has a large capital programme with planned expenditure running through to 2024/25. The programme consists of a number of major initiatives to enhance or replace assets alongside backlog maintenance. The funding for the programme comes from a variety of sources, but remains heavily dependent on capital receipts from the sale of fixed assets. Actual capital spend in the year was £213.7m, compared to a budget of £270.2m. The main areas of investment were as follows:

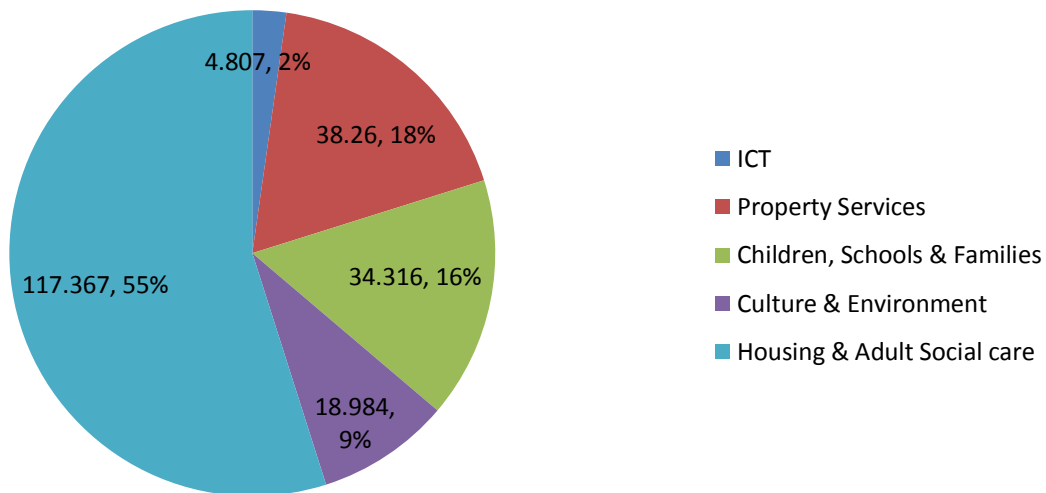
- Housing and Adult Social Care which spent £117.4m, primarily on the Better Homes programme and Estate Regeneration,
- The Corporate Landlord which spent £38.3m delivering the new Kings Cross building comprising a leisure complex with a swimming pool, a community library, a customer services centre and council offices, and
- The Netley development, a Community Investment Programme project to refurbish and rebuild the school on the Regents Park Estate, providing 10 town houses for council housing, and 70 new build private flats.

The Council has current borrowing facilities with the Public Works Loan Board (PWLB). In addition to new capital resources, the Council has, at 31 March 2015, revenue contributions of £27.7m (non-HRA) and capital receipts of £112.2m in hand to meet the future capital programme's projected expenditure of approximately £1,164m over the next five years.

The total capital spend of £213.7m in 2014/15 (£196.8m in 2013/14) was financed from a number of sources including £49.0m from capital grants, £10.2m from revenue contributions (GF) and £39.7m from the HRA, £22.1m from HRA prudential borrowing, £11.0m from GF prudential borrowing, £6.9m from Section 106 and other contributions and £74.8m from capital receipts. The capital spending in 2014/15 is analysed by department in the following graph (Fig 3).

Fig. 3

### Capital Expenditure 2014/15 (£213.73m)



#### 2.4 Housing

The Council is the main provider of rented accommodation in Camden with 23,256 units at 31 March 2015. In 2014/15, average council rents (excluding service charges) were £110.23 per week, an increase of £5.95, or 5.71%, compared to the 2013/14 level of £104.28 per week. In 2014/15, the HRA had a planned net surplus of £6.051m, which when added to its existing reserves of £34.9m resulted in £41m being carried forward at 31 March 2015.

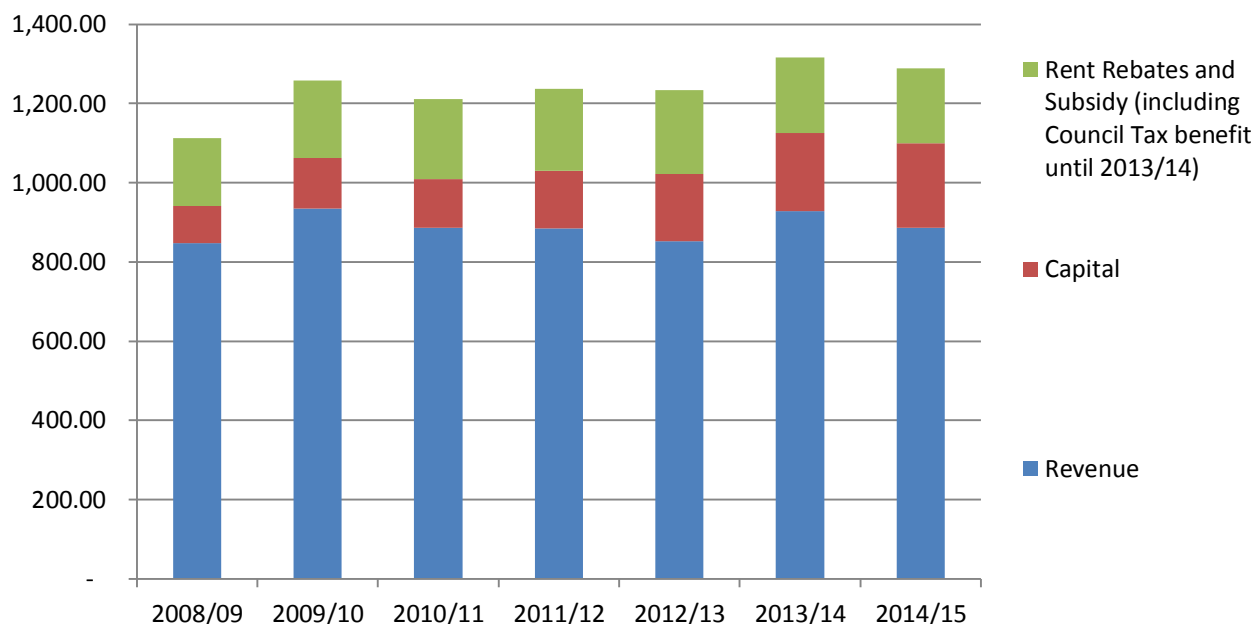
#### 3 Illustrative overview

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.

##### 3.1 Trend in revenue and capital spend

Figure 4 below shows trends in Camden’s capital, gross revenue spend and total spending. Total spending in 2014/15 was £1,290m; this includes revenue spending (General Fund, Housing Revenue Account & Dedicated Schools Grant), capital spending and the payment of benefits.

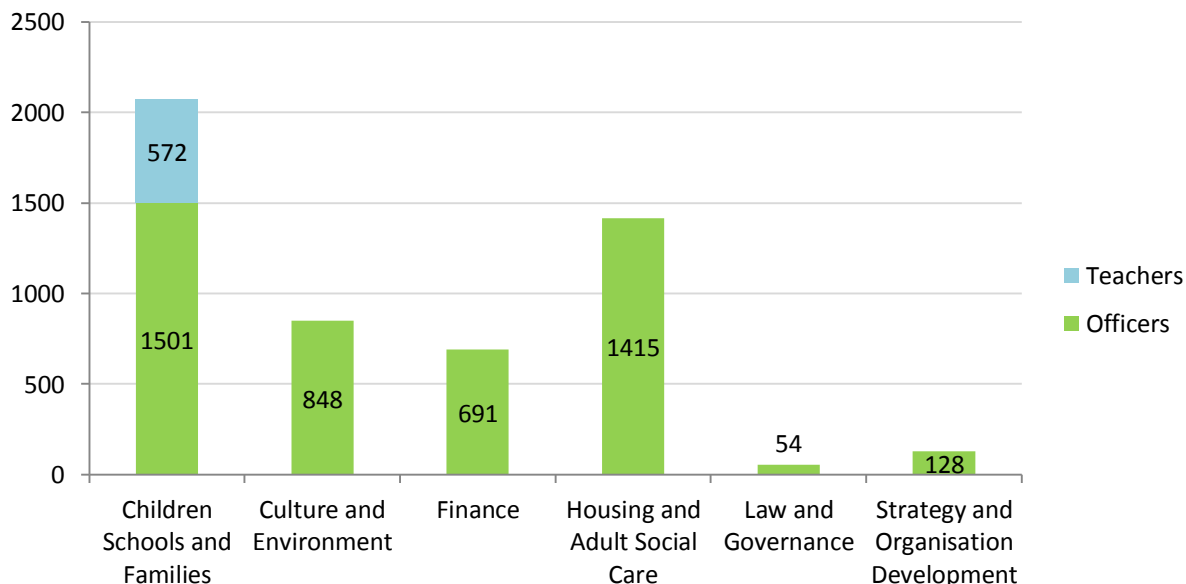
Fig. 4



### 3.2 Trend in staffing numbers over recent years

The following graph (Fig 5) shows staff employed by Camden in 2014/15 for each directorate, expressed in terms of the number of full-time equivalents in post in each category of employment at 31 March 2015. The figures include staff providing services to housing tenants, but exclude voluntary aided schools.

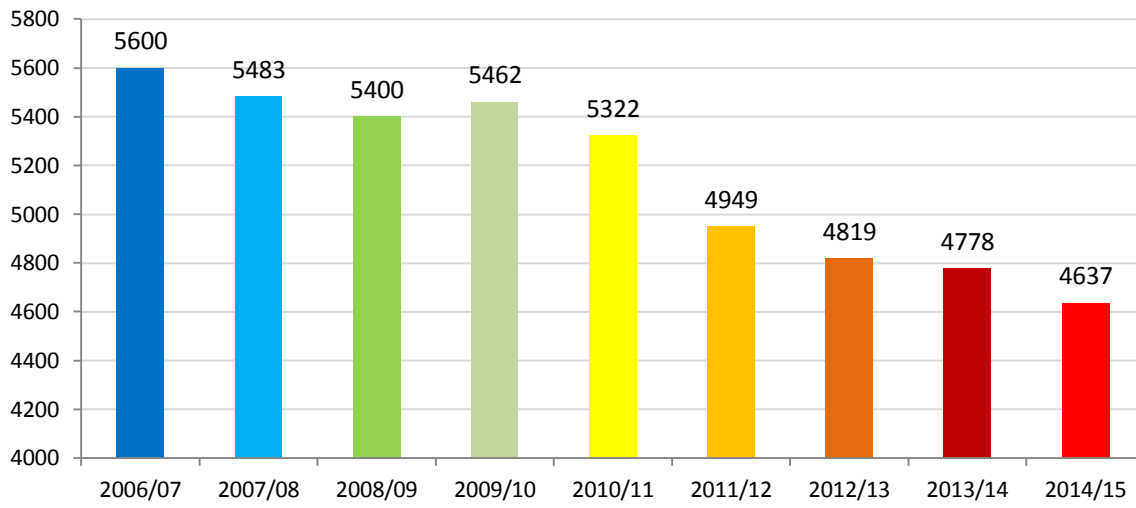
Fig. 5



\*Camden provides Pensions Administration and Public Health as shared services with other London Boroughs, these staff numbers are not included above.

The following graph (Fig 6) shows how Camden staff numbers (excluding teachers and voluntary aided schools' teachers and staff) have changed over recent years. Total FTE staffing decreased by 141 (2.9%) between 2013/14 and 2014/15.

Fig. 6



# **Commentary on the major elements of the statement of accounts and a comparison to those statements presented in 2013/14**

## **1 International Financial Reporting Standards**

The council is required to report its financial position based on the requirements of International Financial Reporting Standards (IFRS) and as encapsulated within the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

## **2 True and Fair View Override**

As required by the Accounts and Audit Regulations 2011, paragraph 8.2, the Responsible Financial Officer is required to certify that the statement of accounts presents a true and fair view of the financial position of the council. However, as a consequence of IFRS, this has introduced the principle of the “true and fair view over-ride”. This means, where the Responsible Financial Officer considers that to give a true and fair view would actually require the council to provide misleading information i.e. to provide an actual outturn figure would actually show to the reader an unexpected financial position, the Responsible Financial Officer is permitted to provide alternative figures providing such divergence from the “true and fair view” is appropriately acknowledged in the notes to the accounts. For 2014/15, the Responsible Financial Officer has not had to use the “true and fair view override”.

## **3 Changes to the Statement of Accounts**

In the main, the 2014/15 Statement of Accounts is the same as those of 2013/14.

## **4 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:

Finance Reporting Accountant  
5 Pancras Square, London, N1C 4AG

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.

## **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF LONDON BOROUGH OF CAMDEN**

We have audited the financial statements of the London Borough of Camden for the year ended 31 March 2015 on pages 22 to 203. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of the Responsibilities for the Accounts, the Director of Finance and Responsible Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's and the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Responsible Financial Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Explanatory Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2015 and the amount and disposition of the fund's assets and liabilities as at 31 March 2015; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

## **Matters on which we are required to report by exception**

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.



## **Conclusion on the London Borough of Camden'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**

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

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

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

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

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

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

## **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, the 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 2015.

## **Delay in certification of completion of the audit**

### **Due to work on the WGA Return not being completed by the 30 September 2015**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

### **Due to matters brought to our attention by a local authority electors**

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local authority electors relating to 2012-13, 2013-14 and 2014-15. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

**Philip Johnstone**

**for and on behalf of KPMG LLP, Appointed Auditor**

*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL

30 September 2015

# **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF LONDON BOROUGH OF CAMDEN ON THE PENSION FUND FINANCIAL STATEMENTS PUBLISHED WITH THE PENSION FUND ANNUAL REPORT**

We have examined the pension fund financial statements for the year ended 31 March 2015 on pages 40 to 65.

## **Respective responsibilities of the Director of Finance and the auditor**

As explained more fully in the Statement of the Director of Finance's Responsibilities the Director of Finance is responsible for the preparation of the pension fund financial statements in accordance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Annual Report with the pension fund financial statements included in the annual published statement of accounts of London Borough of Camden, and their compliance with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

In addition, we read the information given in the Pension Fund Annual Report to identify material inconsistencies with the pension fund financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our report on the administering authority's annual published statement of accounts describes the basis of our opinion on those financial statements.

## **Opinion**

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included in the annual published statements of accounts of London Borough of Camden for the year ended 31 March 2015 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

## **Matters on which we required to report by exception**

The Code of Audit Practice for Local Government Bodies 2010 requires us to report to you if:

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters.

**Philip Johnstone**

**for and on behalf of KPMG LLP, Appointed Auditor**

*Chartered Accountants*

15 Canada Square  
London  
E14 5GL

30 September 2015

## **STATEMENT OF RESPONSIBILITIES FOR THE ACCOUNTS**

### **The Council's Responsibilities**

The council is required to:

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

### **The Director of Finance and Responsible Financial Officer's Responsibilities**

The Director of Finance and Responsible Financial Officer is responsible for the preparation of the council's Annual Financial Report, which incorporates the Statement of Accounts, and of its pension fund statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

In preparing this Annual Financial Report, the Director of Finance and Responsible Financial Officer has:

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

The Director of Finance and Responsible Financial Officer has also:

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

In accordance with regulation 8(2) and 8(3) of the Accounts and Audit Regulations 2011, issued under the Audit Commission Act 1988, and where specifically stated, in accordance with all recognised statutory requirements and codes of practice applicable to local authorities; I hereby certify that the Annual Financial Report, incorporating the Statement of Accounts, gives a true and fair view of the financial position of the authority and its income and expenditure for the year ended 31 March 2015.

**Michael O'Donnell, CPFA**  
**Director of Finance and Responsible Financial Officer**  
**23<sup>rd</sup> September 2015**

## **CHAIR'S APPROVAL OF STATEMENT OF ACCOUNTS**

This is the Annual Financial Report, incorporating the Statement of Accounts with all audit activities completed. The Audit and Corporate Governance Committee of the London Borough of Camden at its meeting on 23<sup>rd</sup> September 2015 delegated authority to the Chair to approve the Statement of Accounts.

**Chair, Audit and Corporate Governance Committee**

## **CORE STATEMENTS**

### **Movement in Reserves Statement for the year ended 31 March 2015**

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 are 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
	<b>2014/15</b>								
Balance at 31 March 2014 brought forward	(13,620)	(123,913)	(34,913)	(4,876)	(13,178)	(2,559)	(193,059)	(2,513,301)	(2,706,360)
<b>Movement in reserves during 2014/15</b>									
Surplus or deficit on provision of services	(81,863)	0	(100,447)	0	0	0	(182,311)	0	(182,311)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	30,896	30,896
<b>Total Comprehensive Expenditure and Income</b>	<b>(81,863)</b>	<b>0</b>	<b>(100,447)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(182,311)</b>	<b>30,896</b>	<b>(151,414)</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	78,515	0	94,395	(28,495)	756	44	145,215	(145,215)	0
<b>Net (Increase)/ Decrease before transfers to Earmarked Reserves</b>	<b>(3,348)</b>	<b>0</b>	<b>(6,052)</b>	<b>(28,495)</b>	<b>756</b>	<b>44</b>	<b>(37,095)</b>	<b>(114,319)</b>	<b>(151,414)</b>
Transfers to/from Earmarked Reserves (note 8)	3,348	(3,348)	0	0	0	0	0	0	0
<b>(Increase)/ Decrease in Year</b>	<b>0</b>	<b>(3,348)</b>	<b>(6,052)</b>	<b>(28,495)</b>	<b>756</b>	<b>44</b>	<b>(37,095)</b>	<b>(114,319)</b>	<b>(151,414)</b>
Balance at 31 March 2015 carried forward	(13,620)	(127,261)	(40,965)	(33,371)	(12,422)	(2,515)	(230,154)	(2,627,620)	(2,857,774)

	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
<b>2013/14</b>									
<b>Balance at 31 March 2013 brought forward</b>	<b>(13,620)</b>	<b>(125,939)</b>	<b>(47,101)</b>	<b>0</b>	<b>(4,966)</b>	<b>(2,983)</b>	<b>(194,609)</b>	<b>(2,335,170)</b>	<b>(2,529,779)</b>
<b><u>Movement in reserves during 2013/14</u></b>									
Surplus or deficit on provision of services	(6,790)	0	(160,137)	0	0	0	(166,927)	0	(166,927)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	(9,654)	(9,654)
<b>Total Comprehensive Expenditure and Income</b>	<b>(6,790)</b>	<b>0</b>	<b>(160,137)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(166,927)</b>	<b>(9,654)</b>	<b>(176,581)</b>
Adjustments between accounting basis & funding basis under regulations (note 7)	8,816	0	172,325	(4,876)	(8,212)	424	168,477	(168,477)	0
<b>Net (Increase)/ Decrease before transfers to Earmarked Reserves</b>	<b>2,026</b>	<b>0</b>	<b>12,188</b>	<b>(4,876)</b>	<b>(8,212)</b>	<b>424</b>	<b>1,550</b>	<b>(178,131)</b>	<b>(176,581)</b>
Transfers to/from Earmarked Reserves (note 8)	(2,026)	2,026	0	0	0	0	0	0	0
<b>(Increase)/ Decrease in Year</b>	<b>0</b>	<b>2,026</b>	<b>12,188</b>	<b>(4,876)</b>	<b>(8,212)</b>	<b>424</b>	<b>1,550</b>	<b>(178,131)</b>	<b>(176,581)</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>(13,620)</b>	<b>(123,913)</b>	<b>(34,913)</b>	<b>(4,876)</b>	<b>(13,178)</b>	<b>(2,559)</b>	<b>(193,059)</b>	<b>(2,513,301)</b>	<b>(2,706,360)</b>



## Comprehensive Income And Expenditure Statement for the year ended 31 March 2015

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

2013/14				2014/15		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
111,682	(22,824)	88,858	Adult Social Care	111,074	(24,525)	86,549
23,327	(4,940)	18,387	Central Services	24,748	(4,960)	19,788
313,813	(212,611)	101,202	Children's and Education Services	314,018	(232,306)	81,712
15,041	(4,406)	10,635	Cultural and Related Services	16,805	(5,393)	11,412
55,008	(12,478)	42,530	Environmental and Regulatory Services	54,991	(12,794)	42,197
40,557	(42,273)	(1,716)	Highways and Transport Services	41,536	(42,029)	(493)
22,727	(176,666)	(153,939)	Local Authority Housing (HRA)	102,614	(176,332)	(73,718)
236,707	(210,595)	26,112	Other Housing Services	234,349	(209,255)	25,094
21,499	(13,360)	8,139	Planning Services	24,363	(13,939)	10,424
24,803	(26,481)	(1,678)	Public Health	25,662	(26,673)	(1,011)
6,861	(499)	6,362	Corporate and democratic core	5,309	(817)	4,492
669	0	669	Non distributed costs	835	0	835
<b>872,694</b>	<b>(727,133)</b>	<b>145,561</b>	<b>Cost Of Services</b>	<b>956,304</b>	<b>(749,023)</b>	<b>207,281</b>
(13,346)	0	(13,346)	Other Operating Expenditure (note 9)	(97,109)	0	(97,109)
43,370	(17,163)	26,207	Financing and Investment Income and Expenditure (note 10)	51,743	(15,623)	36,120
0	(325,349)	(325,349)	Taxation and Non-Specific Grant Income (note 11)	0	(328,603)	(328,603)
		<b>(166,927)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(182,311)</b>
		(83,825)	Surplus or deficit on revaluation of Property, Plant and Equipment			(134,660)
		74,171	Actuarial gains / losses on pension assets / liabilities			165,557
		0	Other gains and losses			0
		<b>(9,654)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>30,897</b>
		<b>(176,581)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(151,414)</b>

## Balance Sheet for the year ended 31 March 2015

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 is 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 were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line- 'Adjustments between accounting basis and funding basis under regulations'.

<b>Balance Sheet</b>			
<b>31 March</b>		<b>Note</b>	<b>31 March</b>
<b>2014</b>			<b>2015</b>
<b>£000</b>			<b>£000</b>
3,511,178	Property, Plant & Equipment	12	3,718,554
928	Heritage Assets	13	849
199,022	Investment Property	14	190,276
4,463	Intangible Assets	15	5,668
542	Long Term Investments	16	627
2,421	Long Term Debtors	16	2,215
<b>3,718,554</b>	<b>Long Term Assets</b>		<b>3,918,189</b>
85,084	Short Term Investments	16	239,454
42,664	Assets held for sale (less than a year)	20	40,620
318	Inventories	17	310
57,854	Short Term Debtors	18	86,166
92,465	Cash and Cash Equivalents	19	34,086
<b>278,385</b>	<b>Current Assets</b>		<b>400,636</b>
(48,274)	Short Term Borrowing	16	(43,979)
(138,970)	Short Term Creditors	21	(146,336)
	Grants Receipts in Advance:		
(3,329)	- Revenue	37	(4,286)
(23,992)	- Capital	37	(10,077)
(10,353)	Provisions	22	(20,206)
<b>(224,918)</b>	<b>Current Liabilities</b>		<b>(224,884)</b>
(8,168)	Provisions	22	(8,144)
(374,762)	Long Term Borrowing	16	(348,016)
(87,426)	Other Long Term Liabilities	16	(81,597)
	Grants Receipts in Advance:		
0	- Revenue		0
(47,146)	- Capital	37	(70,035)
(548,159)	Net Pensions Liability	45	(728,375)
<b>(1,065,661)</b>	<b>Long Term Liabilities</b>		<b>(1,236,167)</b>
<b>2,706,360</b>	<b>Net Assets</b>		<b>2,857,774</b>

**Balance Sheet**

<b>31 March 2014 £000</b>		<b>Note</b>	<b>31 March 2015 £000</b>
193,059	<b>Usable reserves</b>	23	230,154
2,513,301	<b>Unusable Reserves</b>	24	2,627,620
<b><u>2,706,360</u></b>	<b>Total Reserves</b>		<b><u>2,857,774</u></b>

**Michael O'Donnell, CPFA**

**Director of Finance and Responsible Financial Officer  
23<sup>rd</sup> September 2015**

## Cash Flow Statement for the year ended 31 March 2015

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.

<b>31 March 2014 £000</b>		<b>31 March 2015 £000</b>
(102,288)	Net cash flow from operating activities (note 25)	55,832
103,424	Net cash flows from investing activities (note 26)	17,163
8,499	Net cash flows from financing activities (note 27)	(14,616)
<b>9,635</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>58,379</b>
102,100	Cash and cash equivalents at the beginning of the reporting period	92,465
92,465	Cash and cash equivalents at the end of the reporting period (note 19)	34,086
<b>9,635</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>58,379</b>

## NOTES TO THE ACCOUNTS

### Note 1. Accounting Policies

#### Concepts and Principles

##### **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15. 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.

#### **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. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

## Revenue

In respect of revenue grants and contributions, when conditions are satisfied, the grant or contribution is credited to the relevant service line (for attributable grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (for non-ring-fenced grants and contributions) in the Comprehensive Income and Expenditure Statement.

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 Account *within the Usable Reserves section of the Balance Sheet*, thus reflecting *the status as a capital resource 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.

## Revenue Recognition

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

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

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

- **The sale of goods.** Revenue shall be recognised when all of the following conditions have been satisfied:
  - The significant risks and rewards of ownership of the goods have been transferred to the purchaser.
  - Neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold is retained.
  - The amount of revenue can be measured reliably.
  - It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
  - The costs incurred or to be incurred in respect of the transaction can be measured reliably.
  
- **The rendering of services.** When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the percentage of completion method at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
  - The amount of revenue can be measured reliably.
  - It is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
  - The stage of completion of the transaction (using the percentage of completion method) at the reporting date can be measured reliably.
  - The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Where the above recognition criteria have been met:

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

- **Non-exchange transactions:** revenue shall be recognised when:
  - a) It is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and
  - b) The amount of the revenue can be measured reliably.
- **Where previously a liability had been recognised (i.e. creditor) on satisfying the revenue recognition criteria:** in the event that a liability had been recognised, revenue shall be recognised equal to the reduction of the carrying amount of a liability when the relevant revenue recognition criteria have been met.

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

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

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

## **Accruals of Income and Expenditure**

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

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.



- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Some elements of expenditure are accounted for on a cash basis, for example on-going service contracts. However this divergence from accounting practice does not have a material impact on the accounts.

### **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15 (SerCoP). The total absorption costing principle is used, with the full cost of overheads and support services shared between users in proportion to the benefits received (the main bases for apportionment are actual usage, adjusted gross expenditure and headcount), with the exception of:

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

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

### **Charges to Revenue in respect of Capital**

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

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

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

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

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.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **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.

## **Exceptional Items**

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

## **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

## **Non-Current Assets**

### **Property, Plant & Equipment (IAS 16)**

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

#### **❖ Recognition**

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

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

Costs that meet the recognition principle include:

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

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

Qualifying expenditure:

- Is capitalised on an accruals basis. This includes assets held under finance leases, which have been capitalised and included in the Balance Sheet on the basis of the outstanding obligation to make future rental payments. Schemes that cost less than £10,000 are classified as de minimis and these schemes are classed as revenue rather than capital expenditure.
- Will be recognised on the balance sheet from the date that the asset became operational or the completion date of the project except in the following cases:
  - For HRA Dwellings projects, the completion date will be deemed to be 31<sup>st</sup> March;
  - For Infrastructure projects, the completion date will be deemed to be 31<sup>st</sup> 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).
- 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 asset's 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 was considered only for new revaluations carried out after 1<sup>st</sup> 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 (this was applicable from 1<sup>st</sup> 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 as not material.

### ***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 which has been incurred after 1<sup>st</sup> April 2010.

### ***Council Dwellings***

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

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

### ❖ **Depreciation**

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

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

An asset shall not be depreciated:

- Until it is available for use.
- When the residual value of an asset is equal or greater than the asset’s carrying amount.

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



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

- HRA dwellings depreciation is based on the weighted average of useful lives of the beacons (i.e. individual properties) comprising the portfolio. The depreciation therefore will continue to be calculated on this basis as it is recognised that componentisation of dwellings will not ultimately result in material misstatement of the carrying value of the stock. Currently it is allocated over 51 years but this figure will need to be reviewed pending the HRA Stock revaluation as at 1<sup>st</sup> 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 has only been applied for assets that have been revalued or enhanced after 1<sup>st</sup> April 2010 and has not been applied retrospectively.

The Council has determined that any building with a gross carry amount of less than £1.0m, a 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 building's 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 are more than one significant part of the same asset which has the same or similar useful life such parts will be grouped in determining the depreciation charge and the longest life will be used as a proxy for the life of the group.

Individual components lives will be assumed to be no longer than 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.

### ❖ **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 31<sup>st</sup> March and no de-recognition will be applied.

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

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

## **Donated Assets (IAS 20)**

Where an asset is donated for:

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

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: a lease other than finance.

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

### **❖ Leases Review and Classification**

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

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

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

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

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

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

#### ❖ **Accounting for Leases**

##### **The Council as a Lessor:**

- **Finance Leases**

Where the Council grants a finance lease over a property or an item of plant and equipment, the asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Surplus or Deficit on Provision of Services as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the Surplus or Deficit on Provision of Services also as part of the gain or loss on disposal, matched by a long term debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received)
- Finance income

The gain credited to the Surplus or Deficit on Provision of Services on disposal is not permitted to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax; amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

- **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 Council 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, 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.

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 has been applicable from 1<sup>st</sup> April 2010 and has not been applied retrospectively before that date.



An investment property shall be derecognised on disposal (by sale or by entering into a finance lease) or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be recognised in Surplus or Deficit on the Provision of Services in the period of the retirement or disposal. Statute and proper practice restrict the use of capital receipts, and prescribe the charges that can be made to the General Fund. Any gain or loss on de-recognition of an investment property shall be reversed out of the General Fund. The General Fund shall be debited (gain) or credited (loss) with an amount equal to the gain or loss on de-recognition of the investment property (excluding any costs of disposal which are a proper charge 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 (computer systems, software licences etc.) 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.

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 generated 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. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Surplus or Deficit on the Provision of Services.

The useful life of an intangible is set at 3 years unless otherwise advised by qualified professionals. 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 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.

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

❖ **Recognition**

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

❖ **Reversing an Impairment**

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

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

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

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

**Borrowing Costs  
(IAS 23)**

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

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

Assets held for sale will be:

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

### **❖ 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:

- 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 is measured at the lower of its carrying value and fair value less costs to sell at initial reclassification and at the end of each reporting date (i.e. 31 March), subject to recognising any gains.

### **❖ Depreciation**

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

### **❖ De-recognition**

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

#### ❖ **Presentation of discontinued operations**

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

#### ❖ **Re-measurement of carrying amounts**

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

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

### **Heritage Assets (FRS 30)**

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

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

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

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

#### ❖ **Buildings**

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

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

#### ❖ **Mayoral Regalia and Silverware**

The Mayoral Regalia and Silverware includes a Mace, Badges and Chains of Office and various Silverware items such as Chalice, Cups, Candelabrum, Trays, Keys and Badges.

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

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

#### ❖ **Art Collection**

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

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

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

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

#### ❖ **Heritage Assets – General**

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

### **Current Assets**

#### **Inventories (IAS 2)**

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

If however, it was established that in any given year that there was an unexpected increase in stocks held, and 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 which 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 which the employee rendered the services, include:
  - long term compensated absences (long service or sabbatical leave)
  - long-service benefits
  - long-term disability benefits
  - bonuses payable
  - deferred compensation paid

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 are charged on an accruals basis at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

### **Post-Employment Benefits (IAS 19)**

Employees of the council can access 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 the following components:

Service Cost comprising:

- Current service cost - the increase in liabilities as a 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 - 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.
- Net interest on the net defined liability, i.e. net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements comprising:

- The return on plan assets - excluding amounts charged in net interest on the net defined benefit liability. This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is debited to Other Comprehensive Income and Expenditure.

Contributions paid to the Camden pension fund and LPFA - the 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. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) and 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. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

#### ❖ **Available-for-sale Assets**

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

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

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

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

Any gains and losses that arise on the 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).

## **Liabilities**

### **Contingent Liabilities**

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

### **Provisions (IAS 36)**

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

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

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

### **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.

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not in Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

### **Acquired Operations**

All operations acquired in year will be treated in line with the Council's accounting policies.

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

The following are accounting policies that have been issued but as yet have not been adopted by the Council as at the balance sheet date:

- **IFRS 13 – Fair Value Measurement**

This standard has introduced the concept of current value. Current value in this section of the Code includes four measurement bases. This new definition of current value means that only the measurement requirements for assets classified as surplus assets has changed. These assets are now to be measured at fair value in accordance with the definition in IFRS 13 and without any adaptations to that definition.

The adoption of this standard is not expected to have a significant effect on the Council.

- **Annual Improvements to IFRSs 2011-2013 Cycle**

This is a change in the accounting policy.

The adoption of these amended standards are not expected to have a significant impact on the Council.

- **IFRIC 21 – Levies**

This standard provides guidance on levies imposed by government and government agencies in the financial statements of entities paying the levy. The IFRIC relates to when to recognise a liability to pay a levy. The amount payable may be based on information relating to a period prior to the obligation to pay arises or the levy is payable only if a threshold is reached or both.

The adoption of this standard is not expected to have a significant effect on the Council.

### **Balance Sheet Restatement**

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 has stated that the changes in respect of IFRS 13, Annual Improvements to IFRSs and IFRIC 13 may require the publication of a restated Balance Sheet as at the beginning of the preceding period (i.e. a third Balance Sheet).

### 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:

- There is a high degree of uncertainty of funding for the Council. 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 called 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 PFI schemes that the council considers fall within the requirements of “service concessions” are those of the Chalcots Council Dwellings Refurbishment, Swiss Cottage SEN and school and Haverstock School development, all of which are fully disclosed later in the statement of accounts. The net book value of the assets held, as at the 31st March 2015 are £45.847m for Chalcots, £19.886m for Haverstock and £19.428m for Swiss Cottage (£43.857m for Chalcots, £20.383m for Haverstock and £19.887m for Swiss Cottage as at the 31<sup>st</sup> March 2014).
- The council, in the main, does not include Voluntary Aided schools (land and buildings) within its asset register because the title deeds for these schools name either the respective Diocesan Board or the Trustees as the legal owners of the title. However, the council does own parts of the property assets of 4 voluntary aided schools which are included in the councils asset register; and are valued as follows:

2013/14		2014/15	
£m		£m	
15.5	Land	14.3	
1.4	Buildings	1.4	
<hr/>		<hr/>	
16.9	Total	15.7	

## 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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainty</b>	<b>Effect if actual results differ from assumptions</b>
<b>Arrears</b>	As at 31 March 2015 the Authority had Sundry Debtors of £87.437m. The Council does not have a single policy for the bad debt provision in order to reflect the risks associated with the type of debt, and appropriately robust to ensure that debts are reflective of "recoverability".	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.
<b>NNDR</b>	The Authority must meet its relevant share of backdated business rate appeals. A provision has been made within the accounts, utilising Valuation Office data, previous experience, facts and intelligence gathered, as at the end of the reporting period, including the number of appeals lodged as at 31 <sup>st</sup> March 2015.	It is possible that the estimate provided may not be sufficient to meet claims arising e.g. through greater success rates than previously experienced.
<b>Creditors</b>	At 31 March 2015, the council had a creditor balance of £146.336m (£138.970m; 2013/14). This balance is the aggregate of a number of various creditor balances, including employees and trade creditors.	If the estimations for accruals in March 2015 turn out to be higher than the actual payments made, then expenditure will have been overstated in 14/15 and will be understated in 15/16.
<b>Provisions</b>	The Council has estimated its long term insurance provisions based on the value of outstanding claims. As at 31 <sup>st</sup> March 2015 the balance of insurance provisions held amounted to £7.975m, a decrease of £193k from 2013/14.	If the provision is not enough, then there will be additional pressures on the Council's in year budget.



<p><b>Pensions Liability</b></p>	<p>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:</p> <ul style="list-style-type: none"> <li>• London Borough of Camden Pension Fund, and</li> <li>• London Borough of Camden pension element of the London Pension Fund Authority</li> </ul>	<p>The effects on the net pensions liability of £728.375m in 2014/15 (£548.159m, 2013/14) of changes in individual assumptions can be measured, for instance:</p> <ul style="list-style-type: none"> <li>• A 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £183.585m (£146.273m; 2013/14)</li> <li>• A 1 year increase in the member life expectancy would result in an increase in the pension liability of £54.349m (£43.744m; 2013/14).</li> </ul> <p>However, it should be noted that, in reality, the assumptions interact in complex ways.</p>
<p><b>Property, Plant and Equipment (Depreciation)</b></p>	<p>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.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.</p> <p>It should be recognised that:</p> <ul style="list-style-type: none"> <li>• The margin of error in a change in depreciation due to a change in useful lives is not considered to be material.</li> <li>• There are a range of other factors that might also result in a change in the estimate for depreciation such as new acquisitions, enhancements and improvements and revaluation of the assets.</li> </ul>

<p><b>Grant Claims yet to be Certified</b></p>	<p>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 (subsidy) is paid on account, in that an estimate is made at the start of the year of the amount of benefit that will be awarded during the financial year and then the council receives funding in relation to that estimate. At the end of the financial year, the actual amount due is then calculated and an amount is calculated that is owed to the council by government or vice versa.</p>	<p>During 2014/15, the council estimated that it would require £193.76m (£191.87m; 2013/14) in subsidy, but the total claim was for £193.84m (£195.44m; 2013/14), thus central government owes the council £0.08m, which represents 0.04% of the original estimate (£3.57m debtor, 1.9%; 2013/14). This debtor figure is reflected in the accounts.</p> <p>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 £203.53m (£205.21m; 2013/14), thus exceeding that estimated by £9.77m (£13.34m; 2013/14).</p>
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## **Note 5. Material Items of Income and Expense**

The primary purpose of this note is to disclose those material items of income and expenditure that are not part of the ordinary course of business or events of the council (i.e. extraordinary). During 2014/15 no such items of income or expenditure were incurred.

## **Note 6. Events after the Balance Sheet Date**

The Annual Financial Report, incorporating the Statement of Accounts, was authorised for issue by the Director of Finance on 30<sup>th</sup> June 2015. 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.

Parker House is included in the financial statements as an 'asset held for sale' which was its status as at 31 March 2015. Since this date the council has exchanged contracts on the sale of this property and received the required deposit monies (£2.4m). Completion of this sale is expected 24 July 2015 at which point the remaining sum of £20m will be payable.

The financial statements and notes have not been adjusted for events which took place after 31 March 2015.

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

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

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

### **General Fund Balance**

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

## **Housing Revenue Account Balance**

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

## **Major Repairs Reserve**

The Authority is required to maintain the Major Repairs Reserve. An amount equivalent to depreciation on HRA non-fixed assets is transferred to the Major Repairs Reserve. The Major Repairs Reserve is restricted to being applied to new capital investment in HRA assets or the financing of historical capital expenditure by the HRA.

## **Capital Receipts Reserve**

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

## **Capital Grants Unapplied**

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

2014/15	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Charges for depreciation, amortisation and impairment of non-current assets	(22,377)	(34,925)	0	0	0	(57,301)
Charges for depreciation, amortisation and impairment of finance lease	(1,106)	0	0	0	0	(1,106)
Revaluation losses on Property, Plant and Equipment	517	43,937	0	0	0	44,454
Movements in the fair value of investment properties	3,144	0	0	0	0	3,144
Capital grants and contributions applied	18,688	35,594	0	0	0	54,282
Revenue expenditure funded from capital under statute	(9,178)	(2)	0	0	0	(9,180)
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	(84,362)	(45,807)	0	0	0	(130,169)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment	4,932	3,825	0	0	0	8,757
Voluntary Revenue Provision	6,110	0	0	0	0	6,110
Capital expenditure charged against the General Fund and HRA balances	10,409	5,346	0	0	0	15,755

2014/15	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	705	0	0	0	(705)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	749	749
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfers of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	183,561	55,803	(239,364)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	205,800	0	0	205,800
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(5,069)	0	5,069	0	0	0
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	33,644	0	(33,644)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	34,400	0	34,400
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
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	55	0	0	0	0	55

2014/15	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments involving the Available for Sale Reserve:</b>						
Amount by which the value of Available for Sale assets are charged to the Comprehensive Income and Expenditure Statement are different from the value of Available for Sale Financial Assets chargeable in the year in accordance with statutory requirements	75	0	0	0	0	75
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see note 44)	(45,616)	(9,042)	0	0	0	(54,658)
Employer's pensions contributions and direct payments to pensioners payable in the year	33,890	6,109	0	0	0	39,999
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
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	(15,894)	0	0	0	0	(15,894)

2014/15	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Accumulated Absences Account:</b>						
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.	31	(87)	0	0	0	(56)
<b>Total</b>	<b>78,514</b>	<b>94,395</b>	<b>(28,495)</b>	<b>756</b>	<b>44</b>	<b>145,214</b>



2013/14 Comparatives	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Charges for depreciation, amortisation and impairment of non-current assets	(19,662)	(33,543)	0	0	0	53,205
Revaluation losses on Property, Plant and Equipment	(12,411)	119,573	0	0	0	(107,162)
Movements in the fair value of investment properties	10,925	0	0	0	0	(10,925)
Capital grants and contributions applied	8,808	12,737	0	0	0	(21,545)
Revenue expenditure funded from capital under statute	(4,455)	(780)	0	0	0	5,235

2013/14 Comparatives	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
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						
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>						
Statutory provision for the financing of capital investment	3,810	3,406	0	0	0	(7,216)
Voluntary Revenue Provision	20,000	0	0	0	0	(20,000)
Capital expenditure charged against the General Fund and HRA balances						
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3	0	0	0	(3)	0
Application of grants to capital financing transferred to the Capital Adjustment Account						
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfers of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	13,620	21,019	(34,639)	0	0	0

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
2013/14 Comparatives						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	25,748	0	0	(25,748)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool						
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	32,280	0	(32,280)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure						
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
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						
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see note 44)	(44,270)	(7,731)	0	0	0	52,001

2013/14 Comparatives

**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.

**Total Adjustments**

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	(622)	208	0	0	0	414
<b>Total Adjustments</b>	<b>8,816</b>	<b>172,325</b>	<b>(4,876)</b>	<b>(8,212)</b>	<b>424</b>	<b>(168,477)</b>

## 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 2014/15.

	Balance at 31 March 2013	Transfers Out	Transfers In	Balance at 31 March 2014	Transfers Out	Transfers In	Balance at 31 March 2015	Purpose Of Reserve
	£000	2013/14 £000		£000	2014/15 £000		£000	
<b>Reserves to support on-going revenue activity</b>								
Mental Health Aftercare Reserve	300	(300)	0	0	0	0	0	A
Dedicated Schools Grant	7,182	0	3,996	11,178	0	97	11,275	B
Support for Schools in Difficulty	742	(300)	0	442	0	0	442	C
Parking Reserve	3,656	(3,656)	0	0	0	0	0	D
Homes for Older People Reserve	8,448	(2,140)	0	6,308	(2022)	0	4,286	E
Schools Budgets (delegated)	15,050	0	2,074	17,124	(523)	0	16,601	F
The Camden Peoples Fund	777	(777)	0	0	0	0	0	G
Multi Year Budget Reserve	6,896	(3,946)	5,989	8,939	(4,565)	6,521	10,895	H
Education Commission	1,708	(372)	0	1,336	(155)	0	1,181	I
Grant for various initiatives	8,251	(1,975)	0	6,276	0	0	6,276	J
	<b>53,010</b>	<b>(13,466)</b>	<b>12,059</b>	<b>51,603</b>	<b>(7,265)</b>	<b>6,618</b>	<b>50,956</b>	
<b>Reserves to support the council's service remodelling programme</b>								
Corporate Initiatives	376	(376)	-	-	-	-	-	K
Pay Modernisation	3,387	(3,027)	-	360	(360)	-	-	L
Workforce Remodelling/ Cost of Change	4,293	(3,721)	14,951	15,523	(1,960)	4,776	18,339	M
Camden Plan	2,000	(354)	1,500	3,146	(355)	-	2,791	N
Recovery Fund	125	(16)	-	109	(109)	-	-	O
Invest To Save Reserve	6,044	(2,617)	130	3,557	(3,557)	-	-	P
	<b>16,225</b>	<b>(10,111)</b>	<b>16,581</b>	<b>22,695</b>	<b>(6,341)</b>	<b>4,776</b>	<b>21,130</b>	

	Balance at 31 March 2013	Transfers Out	Transfers In	Balance at 31 March 2014	Transfers Out	Transfers In	Balance at 31 March 2015	Purpose of Reserve
	2013/14			2014/15				
	£000	£000	£000	£000	£000	£000	£000	
<b>Reserves to support on-going capital activity and asset management</b>								
Future Capital Schemes	30,607	(39,169)	31,809	23,247	(17,706)	15,878	21,419	R
Commercial and other property	1,976	(1,200)	0	776	0	0	776	S
Haverstock School PFI Reserve	2,445	(297)	0	2,148	(129)	0	2,019	T
Schools PFI Equalisation Reserve	0	0	334	334	0	167	501	Q
Building Schools for the Future	1,939	(1,451)	0	488	0	0	488	U
Accommodation Strategy	5,002	(2,526)	2,675	5,151	(3,279)	2,259	4,131	V
	<b>41,969</b>	<b>(44,643)</b>	<b>34,818</b>	<b>32,144</b>	<b>(21,114)</b>	<b>18,304</b>	<b>29,334</b>	
<b>Reserves to mitigate future service risk</b>								
Self-Insurance Reserve	12,187	(4,587)	0	7,600	0	0	7,600	W
Contingency Reserve	2,512	(1,000)	0	1,512	0	0	1,512	X
Business Rates Safety Net Reserve	0	0	8,283	8,283	(2,715)	11,129	16,697	Z
	<b>14,699</b>	<b>(5,587)</b>	<b>8,283</b>	<b>17,395</b>	<b>(2,715)</b>	<b>11,129</b>	<b>25,809</b>	
<b>Reserves to support charitable activity</b>								
Mayors Charity Reserve	36	0	40	76	(54)	10	32	Y
	<b>36</b>	<b>0</b>	<b>40</b>	<b>76</b>	<b>(54)</b>	<b>10</b>	<b>32</b>	
<b>Total General Fund Earmarked Reserves</b>								
	<b>125,939</b>	<b>(73,807)</b>	<b>71,781</b>	<b>123,913</b>	<b>(37,489)</b>	<b>40,837</b>	<b>127,261</b>	
Total transfers out		<b>(73,807)</b>			<b>(37,489)</b>			
Total transfers in			<b>71,781</b>			<b>40,837</b>		
Net Movement in Earmarked Reserves		<b>(2,026)</b>			<b>3,348</b>			

## Purpose of Reserve

A	Mental Health Aftercare Reserve	To meet the repayment of mental health aftercare charges under Section 117 of the Mental Health Act 1983.
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	Support for Schools in Difficulty	To provide funding to schools should they find themselves in financial difficulty.
D	Parking Reserve	This reserve to manage volatility in parking income was closed in 2013/14, any ongoing risks will be managed through corporate contingency budgets.
E	Homes for Older People Reserve	To fund preparatory work on the Homes for Older People programme
F	Schools Budgets (delegated)	Reserve budgets held by the council on behalf of its schools.
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	Education Commission	To provide funding to help implement proposals to guide education in the borough
J	Grant for various initiatives	To hold various unspent grant monies that does not have conditions on its use.
K	Corporate Initiatives	To provide funding for corporate initiatives.
L	Pay Modernisation Reserve	To provide funding from unspent budget provisions in 2009/10 and earlier years for the on-going pay and grading review
M	Workforce Remodelling and Cost of Change	To fund costs that may arise from workforce remodelling and efficiency projects in order to address the budget deficit which has arisen as a result of the reduction in government funding,
N	Camden Plan	To provide funding to implement projects that support the plan's key priorities.
O	Recovery Fund	To provide funding to enable the council to respond to effects of the recession within the community.
P	Invest To Save Reserve	To fund one off investment costs relating to the Council's savings programme.
Q	Schools PFI Equalisation Reserve	To equalise costs over the life of the PFI contract so the General Fund does not have to bear the deficit in latter years.

R	Future Capital Schemes	To provide funding to support the councils costs associated with various capital schemes.
S	Commercial and other property	To provide funding to meet the cost associated with dilapidations and other payments in respect of commercial and other property.
T	Haverstock School PFI Reserve	To hold the balance of funding in respect of the Haverstock School PFI project.
U	Building Schools for the Future	To provide funding for the preparatory work on the Building Schools for the Future Programme
V	Accommodation Strategy	To provide funding to facilitate the office accommodation strategy.
W	Self-Insurance Reserve	In addition to the provision for reported claims, the council has a reserve to cover against the cost of claims that have been incurred but not yet reported to the council. This includes claims that are either partially or fully self-insured by the council as well as claims that are uninsured for both the council and the HRA. The reserve also includes provision made for the possible claw back of claims paid on policies taken out before 1 April 1993 by the council with Municipal Mutual Insurance (MMI). MMI went into run off in September 1992 and is subject to a scheme of arrangement whereby any claims paid since January 1994 may be subject to partial or total claw back in the event of insolvency.
X	Contingency Reserve	To fund expenditure arising from unforeseen events.
Y	Mayors Charity Reserve	To hold donations to the Mayor's Charity.
Z	Business Rates Safety Net	To provide funding to cover reduction in retained business rates.



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

2013/14 £000		2014/15 £000
6,879	Levies	7,003
4,015	Payments to the Government Housing Capital Receipts Pool	5,069
(24,240)	(Gains)/losses on the disposal of non-current assets	(109,181)
<b>(13,346)</b>	<b>Total</b>	<b>(97,109)</b>

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

2013/14 £000		2014/15 £000
31,831	Interest payable and similar charges	30,293
20,366	Net interest on the defined benefit liability	23,220
(1,141)	Interest receivable and similar income	(853)
(24,849)	Changes in the fair value of investment properties	(16,540)
<b>26,207</b>	<b>Total</b>	<b>36,120</b>

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

2013/14 £000		2014/15 £000
(84,982)	Council Tax Income (Precept & Prior Year Collection Fund (surplus)/deficit)	(85,483)
(73,294)	Contributions from NNDR Pool	(73,973)
(145,525)	Non-ring fenced government grants	(114,159)
(21,548)	Capital grants and contributions	(54,988)
<b>(325,349)</b>	<b>Total</b>	<b>(328,603)</b>

## Note 12. Property, Plant and Equipment

### Movement on Balances – 2014/15:

Cost or Valuation:	Council Dwellings	Other Land and Building	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 April 2014</b>	2,357,636	792,539	28,698	264,109	19,911	1	155,903	3,618,797	85,275
Additions	50,542	38,445	4,834	16,762	2,032	0	86,807	199,422	0
Reclassification (movement between asset groups)	21,662	34,151	0	0	0	0	(142,518)	(86,705)	0
Accumulated Dep. Written off on revaluation to gross book value	(33,057)	(21,107)	0	0	0	0	0	(54,164)	(1,281)
Revaluation increases/(decreases) recognised in the revaluation reserve	45,959	88,699	0	0	0	3	0	134,661	498
Revaluation increases/(decreases) recognised in the surplus/(deficit) on the provision of services	50,333	(5,800)	0	0	0	0	0	44,533	2,773
De-recognition – disposals	(24,592)	(5,496)	0	0	0	0	0	(30,088)	0
De-recognition – oth.	0	0	0	0	0	0	0	0	0
<b>At 31 March 2015</b>	<b>2,468,482</b>	<b>921,431</b>	<b>33,532</b>	<b>280,871</b>	<b>21,943</b>	<b>4</b>	<b>100,192</b>	<b>3,826,456</b>	<b>87,266</b>

Accumulated Depreciation and Impairment:	Council Dwellings	Other Land and Building	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 April 2014</b>	<b>(761)</b>	<b>(34,580)</b>	<b>(18,082)</b>	<b>(53,833)</b>	<b>(364)</b>	<b>0</b>	<b>0</b>	<b>(107,620)</b>	<b>(1,149)</b>
Depreciation charge	(33,625)	(14,069)	(3,341)	(6,124)	(130)	0	0	(57,289)	(1,184)
Accumulated Dep. Written off on revaluation to gross book value	33,057	21,107	0	0	0	0	0	54,164	1,281
Depreciation written out to the revaluation reserve	0	0	0	0	0	0	0	0	0
De-recognition – disposal	204	2,630	0	0	0	0	0	2,834	0
Eliminated on reclassification to assets held for sale	0	9	0	0	0	0	0	9	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0	0
<b>At 31 March 2015</b>	<b>(1,125)</b>	<b>(24,903)</b>	<b>(21,423)</b>	<b>(59,957)</b>	<b>(494)</b>	<b>0</b>	<b>0</b>	<b>(107,902)</b>	<b>(1,052)</b>
<b>Net Book Value</b>									
<b>At 1 April 2014</b>	<b>2,356,876</b>	<b>757,958</b>	<b>10,616</b>	<b>210,276</b>	<b>19,548</b>	<b>1</b>	<b>155,903</b>	<b>3,511,178</b>	<b>84,125</b>
<b>At 31 March 2015</b>	<b>2,467,357</b>	<b>896,529</b>	<b>12,109</b>	<b>220,914</b>	<b>21,449</b>	<b>4</b>	<b>100,192</b>	<b>3,718,554</b>	<b>86,214</b>

**Comparative Movements in 2013/14:**

	<b>Council Dwellings £000</b>	<b>Other Land and Building £000</b>	<b>Vehicles, Plant and Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant and Equipment £000</b>	<b>PFI Assets included in Property, Plant and Equipment £000</b>
<b>Cost or Valuation: At 1 April 2013</b>	<b>2,135,377</b>	<b>824,274</b>	<b>24,566</b>	<b>250,068</b>	<b>19,767</b>	<b>1</b>	<b>83,016</b>	<b>3,337,069</b>	<b>79,486</b>
Additions	82,394	8,141	4,132	14,041	258	0	79,035	188,001	329
Reclassification (movement between asset groups)	(20,000)	(8,458)	0	0	0	0	(6,148)	(34,606)	0
Accumulated Dep. Written off on revaluation to gross book value	(31,696)	(23,939)	0	0	0	0	0	(55,635)	(4,833)
Revaluation increases / (decreases) recognised in the revaluation reserve	79,008	4,818	0	0	0	0	0	83,826	6,109
Revaluation increases / (decreases) recognised in the surplus / (deficit) on the provision of services	119,573	(12,297)	0	0	(114)	0	0	107,162	4,184
De-recognition – disposals	(7,020)	0	0	0	0	0	0	(7,020)	0
<b>At 31 March 2014</b>	<b>2,357,636</b>	<b>792,539</b>	<b>28,698</b>	<b>264,109</b>	<b>19,911</b>	<b>1</b>	<b>155,903</b>	<b>3,618,797</b>	<b>85,275</b>

	<b>Council Dwellings £000</b>	<b>Other Land and Building £000</b>	<b>Vehicles, Plant and Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant and Equipment £000</b>	<b>PFI Assets included in Property, Plant and Equipment £000</b>
<b>Accumulated Depreciation and Impairment: At 1 April 2013</b>	<b>(778)</b>	<b>(47,444)</b>	<b>(14,748)</b>	<b>(48,060)</b>	<b>(245)</b>	<b>0</b>	<b>0</b>	<b>(111,275)</b>	<b>(3,666)</b>
Depreciation charge	(31,728)	(11,079)	(3,334)	(5,773)	(118)	0	0	<b>(52,032)</b>	(2,317)
Accumulated Dep. Written off on revaluation to gross book value	0	0	0	0	0	0	0	<b>0</b>	0
Depreciation written out to the revaluation reserve	31,696	23,937	0	0	0	0	0	<b>55,633</b>	4,833
De-recognition – disposal	50	0	0	0	0	0	0	<b>50</b>	0
Eliminated on reclassification to assets held for sale	0	5	0	0	0	0	0	<b>5</b>	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	<b>0</b>	0
<b>At 31 March 2014</b>	<b>(760)</b>	<b>(34,581)</b>	<b>(18,082)</b>	<b>(53,833)</b>	<b>(363)</b>	<b>0</b>	<b>0</b>	<b>(107,619)</b>	<b>(1,150)</b>
<b>Net Book Value</b>									
<b>At 31 March 2013</b>	<b>2,134,599</b>	<b>776,830</b>	<b>9,818</b>	<b>202,008</b>	<b>19,522</b>	<b>1</b>	<b>83,016</b>	<b>3,225,794</b>	<b>75,820</b>
<b>At 31 March 2014</b>	<b>2,356,876</b>	<b>757,958</b>	<b>10,616</b>	<b>210,276</b>	<b>19,548</b>	<b>1</b>	<b>155,903</b>	<b>3,511,178</b>	<b>84,125</b>

## **Depreciation**

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

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

## **Capital Commitments**

The Council has authorised capital expenditure of £922.2m to be incurred in the years 2015/16 to 2019/20.

At 31 March 2015, the authority has entered into a number of contracts for the construction or enhancements of property, plant and equipment. In 2015/16 and future years, budgeted costs are £482m. Similar commitments at 31 March 2014 were £461.2m. Some of the major commitments are:

<b>Scheme</b>	<b>(£000)</b>
CIP Greenwood Redevelopment	26,817
CIP Camden and Plender St	5,736
CIP Surma Redevelopment	7,125
West End Project	5,455
Euston Rd CHP	3,000
Jack Taylor	3,500
Parliament Hill Secondary School	20,558
Kingsgate School	12,812
Edith Neville	17,101
Kings Cross Schools (incl. Frank Barnes)	3,599
Abbey Road Regeneration	69,900
Maiden Lane Regeneration Works	22,553
Bourne Estate Regeneration Works	15,424
Bacton Low Rise Estate Regeneration	78,612
Agar Redevelopment	76,236
Tybalds Estate Regeneration	34,914
Highgate New Town	3,750
DHS St Silas	6,600
DHS Gamages	3,560
Rowley Way	4,400
Charlie Ratchford Centre	7,475
<b>Total</b>	<b>429,127</b>

## **Revaluations**

The Authority carries out a rolling programme of valuations that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. In 2014/15 valuations were carried by external valuers. 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 (EUUV) in accordance with the RICS appraisal and valuation standards.
- **Non-Operational Properties**  
These buildings are assumed to be in non-operational use and therefore, the valuations are being prepared on the basis of Fair market value (FMV) in accordance with the RICS Appraisal and Valuation standards.
- In general terms, properties are assumed to be currently in their existing use and valuations have been arrived at by consideration of comparable property transactions.
- The valuations are based on the market conditions prevailing at the valuation date and relevant adjustments to values have been made following an Impairment Review. No further adjustments have been made for any fall in value, which may have taken place since this date or for the prospects of future growth.
- No formal title investigations have been carried out as part of these valuations and it has been assumed that there are no onerous conditions or restrictions, which might adversely affect the valuations. No structural surveys have been undertaken or provided and assumption has been made as to the general condition of the properties. No investigation of contaminated land, use or presence of deleterious materials and construction techniques has been undertaken.

- The following work was undertaken in the period to 31 March 2014.

	<b>Council Dwellings</b>	<b>Other Land and Building</b>	<b>Vehicles, Plant, Furniture and Equipment</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Carried at historical cost	0	0	12,109	0	<b>12,109</b>
Valued at fair value as at:					
~ 31 March 2015	2,458,790	382,876	0	4	<b>2,841,670</b>
~ 31 March 2014	0	374,287	0	0	<b>374,287</b>
~ 31 March 2013	0	50,904	0	0	<b>50,904</b>
~ 31 March 2012	0	42,387	0	0	<b>42,387</b>
~ 31 March 2011	8,567	46,075	0	0	<b>54,642</b>
<b>Total Cost or Valuation</b>	<b>2,467,357</b>	<b>896,529</b>	<b>12,109</b>	<b>4</b>	<b>3,375,999</b>



## Note 13. Heritage Assets

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

	Buildings £000	Mayoral Regalia & Silverware £000	Art Collection £000	Public Sculptures £000	Total Assets £000
<b>Cost or Valuation:</b>					
<b>At 1 April 2014</b>	<b>94</b>	<b>382</b>	<b>432</b>	<b>20</b>	<b>928</b>
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Revaluations	(79)	0	0	0	(79)
Depreciation	0	0	0	0	0
<b>At 31 March 2015</b>	<b>15</b>	<b>382</b>	<b>432</b>	<b>20</b>	<b>849</b>
<b>Cost or Valuation:</b>					
<b>At 1 April 2013</b>	<b>92</b>	<b>382</b>	<b>432</b>	<b>20</b>	<b>926</b>
Additions	2	0	0	0	2
Disposals	0	0	0	0	0
Revaluations	0	0	0	0	0
Depreciation	0	0	0	0	0
<b>At 31 March 2014</b>	<b>94</b>	<b>382</b>	<b>432</b>	<b>20</b>	<b>928</b>

### Buildings

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

[www.britishlistedbuildings.co.uk/en-199078-toll-gate-house-hampstead](http://www.britishlistedbuildings.co.uk/en-199078-toll-gate-house-hampstead)

Tollgate House is a Grade 2 listed building and marks the spot where the road entered the Bishop of London's estate; it has previously won a Civic Trust Award.

### Mayoral regalia & silverware

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

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

## **Art Collection**

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

<http://www.camden.gov.uk/ccm/content/leisure/arts-music--culture/arts-and-tourism-service/arts-projects-and-programmes/swiss-cottage-gallery>

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

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

## **Additions and Disposals of Heritage Assets**

There have not been any additions to the Heritage Assets portfolio during 2014/15.

There have not been any recorded disposals of Heritage Assets during 2014/15. However, the Council is currently reviewing its current Art Collection and developing a strategy for its continued holding, maintenance or disposal.

## Note 14. Investment Properties

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

<u>2013/14</u> <u>£000</u>		<u>2014/15</u> <u>£000</u>
(15,502)	Rental income from investment property	(14,941)
2,063	Direct operating expenses arising from investment property	1,775
<u>(13,439)</u>	<b>Net (gain)/loss</b>	<u>(13,166)</u>

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:

<u>2013/14</u> <u>£000</u>		<u>2014/15</u> <u>£000</u>
<u>190,684</u>	<b>Balance at start of year</b>	<u>199,022</u>
38	Additions: <ul style="list-style-type: none"> <li>• subsequent expenditure</li> </ul>	860
(2,626)	Disposals	(10,050)
10,926	Net gains/(losses) from fair value adjustments	3,144
0	Transfers: <ul style="list-style-type: none"> <li>• to/from property, plant and equipment</li> </ul>	(2,700)
<u>199,022</u>	<b>Balance at end of year</b>	<u>190,276</u>

## **Note 15. Intangible Assets**

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

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

	<b>Internally Generated Assets</b>	<b>Other Assets</b>
3 years	The Camden website and the virtual reality projects have been fully depreciated	Info Social Care and Software & Licences  Integrated Children Services

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1.118m for 2015/16 (£1.176m; 2013/14) 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:

2013/14				2014/15		
Internally Generated Assets £000	Other Assets £000	Total £000		Internally Generated Assets £000	Other Assets £000	Total £000
			Balance at start of year:			
398	9,240	9,638	• gross carrying amounts	398	11,254	11,652
(398)	(5,616)	(6,014)	• accumulated amortisation	(398)	(6,791)	(7,189)
<b>0</b>	<b>3,624</b>	<b>3,624</b>	<b>Net carrying amount at start of year</b>	<b>0</b>	<b>4,463</b>	<b>4,463</b>
			Additions:			
0	2,015	<b>2,015</b>	• purchases	0	2,322	2,322
0	(1,176)	<b>(1,176)</b>	Amortisation for the period	0	(1,117)	(1,117)
<b>0</b>	<b>4,463</b>	<b>4,463</b>	<b>Net carrying amount at end of year</b>	<b>0</b>	<b>5,668</b>	<b>5,668</b>
			Comprising:			
398	11,255	<b>11,653</b>	• gross carrying amounts	398	13,577	13,975
(398)	(6,792)	<b>(7,190)</b>	• accumulated amortisation	(398)	(7,909)	(8,307)
<b>0</b>	<b>4,463</b>	<b>4,463</b>		<b>0</b>	<b>5,668</b>	<b>5,668</b>

There are no items of capitalised software that are individually material to the financial statements.

## Note 16. Financial Instruments

	Long-Term		Current	
	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000
<b>Investments</b>				
Loans and receivables	542	627	177,549	273,545
Available-for-sale financial assets	0	0	0	0
Financial assets at Fair value through Profit and Loss	0	0	0	0
<b>Total investments</b>	<b>542</b>	<b>627</b>	<b>177,549</b>	<b>273,545</b>
<b>Debtors</b>				
Loans and receivables	400	325	0	0
Financial assets carried at contract amounts	0	0	37,113	35,298
<b>Total debtors</b>	<b>400</b>	<b>325</b>	<b>37,113</b>	<b>35,298</b>
<b>Borrowing</b>				
Financial liabilities at amortised cost	374,762	348,016	48,274	43,979
Financial liabilities at fair value through profit and loss	0	0	0	0
Other borrowing	0	0	0	0
<b>Total borrowing</b>	<b>374,762</b>	<b>348,016</b>	<b>48,274</b>	<b>43,979</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	87,027	81,290		
Other Long Term liabilities	399	307		
<b>Total other long term liabilities</b>	<b>87,426</b>	<b>81,597</b>		
<b>Creditors</b>				
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities carried at contract amount	0	0	112,798	110,376
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>112,798</b>	<b>110,376</b>

### **Soft loans made by the authority**

The Council has carried out an assessment of its soft loans (car loans, cycle loans and season ticket loans) and based on estimates using a range of different effective interest rates to assess the impact, the estimated loss from these soft loans is not material.

## 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:

2014/15	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available-for- sale assets	Assets and Liabilities at Fair value through P&L	Total
	£000	£000	£000	£000	£000
Interest expense	(19,969)	0	0	0	(19,969)
Interest income	0	1,122	0	0	1,122
<b>Net gain/(loss) for the year</b>	<b>(19,969)</b>	<b>1,122</b>	<b>0</b>	<b>0</b>	<b>(18,847)</b>
<b>Comparative figures for 2013/14</b>					
Interest expense	(21,535)	0	0	0	(21,535)
Interest income	0	1,112	0	0	1,112
<b>Net gain/(loss) for the year</b>	<b>(21,535)</b>	<b>1,112</b>	<b>0</b>	<b>0</b>	<b>(20,423)</b>

## Fair Value of Assets and Liabilities

Financial liabilities and 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 2015:

- For PWLB debt valuation calculation, the discount factor used was the new borrowing rate.
- Since the carrying value included in the balance sheet includes accrued interest, this is also included in the fair value calculations.
- No early repayment or impairment is recognised.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

31 March 2014			31 March 2015	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
261,418	279,964	PWLB – maturity	248,571	306,677
562	596	PWLB – annuity	198	200
130,125	131,190	LOBOs	130,069	164,874
<b>392,105</b>	<b>411,750</b>	<b>Financial liabilities</b>	<b>378,838</b>	<b>471,751</b>
<b>0</b>	<b>0</b>	<b>Long-term creditors</b>	<b>0</b>	<b>0</b>

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.

The increase in the fair value of LOBOs in 2014/15 was a result of steep falls in gilt yields over the year. This impacted the premium payable on each LOBO should they be traded in the open market.

31 March 2014			31 March 2015	
Carrying amount	Fair value		Carrying amount	Fair value
£000	£000		£000	£000
92,465	92,465	Cash	34,086	34,086
85,084	85,110	Deposits with banks and building societies	239,015	239,454
<b>177,549</b>	<b>177,575</b>	<b>Financial assets</b>	<b>273,101</b>	<b>273,540</b>
<b>2,421</b>	<b>2,421</b>	<b>Long-term debtors</b>	<b>2,215</b>	<b>2,215</b>

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



## Note 17. Inventories

	Consumable Stores		Maintenance Materials		Total	
	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000
<b>Balance outstanding at start of year</b>	<b>78</b>	<b>47</b>	<b>259</b>	<b>271</b>	<b>337</b>	<b>318</b>
Purchases	0	0	1,021	1060	1,021	1060
Recognised as an expense in the year	(31)	5	(1,064)	(1076)	(1,095)	(1071)
Written on/(off) balances	0	0	55	3	55	3
<b>Balance outstanding at year-end</b>	<b>47</b>	<b>52</b>	<b>271</b>	<b>258</b>	<b>318</b>	<b>310</b>

## Note 18. Short-Term Debtors

31-Mar-14		31-Mar-15	
£000		£000	
	<b>Government and Public Bodies</b>		
16,036	Central Government Bodies	29,149	
5,842	Other Local Authorities	6,431	
4,718	NHS Bodies	1,872	
<b>26,596</b>	<b>Government and Public Bodies (net)</b>	<b>37,452</b>	
	<b>Other entities and individuals</b>		
3,516	- Rent Arrears	4,359	
12,824	- Council Tax Payers	8,156	
48,604	Gross Other entities and individual	67,530	
(36,825)	Less Impairment Allowance	(36,655)	
<b>28,119</b>	<b>Other entities and individuals (net)</b>	<b>43,390</b>	
<b>54,715</b>	<b>Total Debtors</b>	<b>80,842</b>	
3,139	Payments in Advance	5,324	
<b>57,854</b>	<b>Total Short-Term Debtors</b>	<b>86,166</b>	

## Note 19. Cash Flow Statement – Cash and Cash Equivalents

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

<b>31 March 2014 £000</b>		<b>31 March 2015 £000</b>
88	Cash held by the authority	84
17,014	Bank current accounts	3,348
75,363	Money Market Funds	30,654
<b>92,465</b>	<b>Total cash and cash equivalents</b>	<b>34,086</b>

## Note 20. Assets Held for Sale

<b>Current</b>	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
<b>Balance outstanding at start of year</b>	<b>9,407</b>	<b>42,664</b>
Assets newly classified as held for sale:		
- property, plant and equipment	34,059	86,882
Assets sold	(802)	(92,865)
Enhancements	0	3,939
<b>Balance outstanding at year end</b>	<b>42,664</b>	<b>40,620</b>

## Note 21. Creditors

<b>31 March 2014 £000</b>		<b>31 March 2015 £000</b>
18,729	Central government bodies	10,512
5,288	Other local authorities	6,366
4,577	NHS bodies	4,129
110,376	Other entities and individuals	125,329
<b>138,970</b>	<b>Total creditors</b>	<b>146,336</b>

## Note 22. Provisions

	Short Term Provision				Long Term Provision		Total
2014/15	Termination Benefits	Public Health	Carbon Reduction Commitment	Business Rates Appeals	Self-Insurance	Miscellaneous	
Explanation:	(1)	(2)	(3)	(4)	(5)	(6)	
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2014</b>	1,612	397	274	8,136	8,101	0	18,520
Additional provisions made in 2014/15	783	0	204	21,679	2,253	236	25,155
	<b>2,395</b>	<b>397</b>	<b>478</b>	<b>29,815</b>	<b>10,354</b>	<b>236</b>	<b>43,675</b>
Amounts used in 2014/15	(857)	0	(254)	(10,663)	(2,446)	0	(14,220)
Unused amounts reversed in 2014/15	(688)	(397)	(20)	-	0	0	(1,105)
<b>Balance at 31 March 2015</b>	<b>850</b>	<b>0</b>	<b>204</b>	<b>19,152</b>	<b>7,908</b>	<b>236</b>	<b>28,350</b>
				<b>20,206</b>		<b>8,144</b>	<b>28,350</b>

### 1. Termination Benefits

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

### 2. Public Health Provision

Provision to meet the estimated residual value of current liability balances transferred from Camden Primary Care Trust to the Council on 1 April 2013. These balances relate to the Council's new Public Health responsibilities under the Health and Social Care Act 2012, which was effected by a Transfer Scheme under the Act.

### 3. Carbon Reduction Commitment

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

### 4. Business Rate Appeals

Provision has been made to meet the estimated costs repayable to ratepayers as a result of reductions in rateable values following successful appeals.

## 5. Self-Insurance

### General

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

Contributions in the form of internal premiums charged to departments and the HRA are made to the provision. The balance of the provision shown as at the 31 March 2015 represents an estimate of the Council's insurance fund exposure to risks on reported claims.

### Tree Root

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

## 6. Miscellaneous Provision

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

## Note 23. Balance Sheet – Usable Reserves

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

## Note 24. Balance Sheet – Unusable Reserves

2013/14		2014/15
<u>£000</u>		<u>£000</u>
205,524	Revaluation reserve	298,622
2,877,416	Capital adjustment account	3,094,674
(5,070)	Financial instruments adjustment account	(5,015)
0	Available for Sale Financial Instruments	75
(548,158)	Pensions reserve	(728,375)
(10,235)	Collection fund adjustment account	(26,129)
(6,176)	Accumulating absences account	(6,232)
<u>2,513,301</u>	<b>Total Unusable Reserves</b>	<u>2,627,620</u>

## 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.

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
<b>123,616</b>	<b>Balance at 1st April</b>	<b>205,523</b>
111,862	Upward revaluation of assets recognised in the Revaluation Reserve	134,659
(28,037)	Downward revaluation of assets and impairment losses charged to the Revaluation Reserve	0
<b>83,824</b>	<b>Surplus or deficit on revaluation of on-current assets posted to the Revaluation Reserve</b>	<b>134,659</b>
(1,900)	Difference between fair value depreciation and historical cost depreciation	(2,943)
(17)	Accumulated gains on assets sold or scrapped	(38,617)
<b>(1,917)</b>	<b>Amount written off to the capital adjustment account</b>	<b>(41,560)</b>
<b>205,523</b>	<b>Closing Balance</b>	<b>298,622</b>

## 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 are 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.

2013/14 £000		2014/15 £000
<b>2,682,125</b>	<b>Balance at 1 April</b>	<b>2,877,416</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement:</b>	
(52,031)	- charges for depreciation and impairment of non-current assets	(57,290)
107,162	- revaluation gains on property, plant and equipment	47,598
(1,175)	- amortisation of intangible assets	(1,118)
(5,235)	- revenue expenditure funded from capital under statute	(9,180)
(10,398)	- 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	(130,168)
1,916	- adjusting amounts written out of the revaluation reserve	41,562
<b>40,239</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(108,596)</b>
	<b>Capital financing applied in the year:</b>	
25,748	- use of capital receipts reserve to finance new capital expenditure	(162,921)
24,068	- use of the major repairs reserve to finance new capital expenditure	34,400
21,545	- capital grants and contributions credited to the comprehensive income and expenditure statements that have been applied to capital financing	54,282
427	- application of grants to capital financing from the capital grants unapplied account	369,471
2,629	- statutory provision for the financing of capital investment charged against the general fund and HRA balances	3,858
69,710	- capital expenditure charged against the general fund and HRA balances	26,764
<b>144,127</b>		<b>325,854</b>
10,925	Movements in the market value of investment properties debited or credited to the comprehensive income and expenditure statement	0
<b>2,877,416</b>	<b>Balance at 31 March</b>	<b>3,094,674</b>

### 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.

<u>2013/14</u> <u>£000</u>		<u>2014/15</u> <u>£000</u>
<u>(5,123)</u>	<b>Balance at 1 April</b>	<u>(5,070)</u>
53	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	55
<u>(5,070)</u>	<b>Balance at 31 March</b>	<u>(5,015)</u>

### Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserves shows the movement in the fair value of the assets during the year.

<u>2013/14</u> <u>£000</u>		<u>2014/15</u> <u>£000</u>
<u>0</u>	<b>Balance at 1 April</b>	<u>0</u>
0	Movement in the fair value of the Available for Sale Financial Instruments during the year which are taken to the Available for Sale Financial Instrument Reserve	75
<u>0</u>	<b>Balance at 31 March</b>	<u>75</u>



## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The 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.

<b>2013/14</b> <b>£000</b>		<b>2014/15</b> <b>£000</b>
<b>(460,345)</b>	<b>Balance at 1 April</b>	<b>(548,158)</b>
(74,171)	Actuarial gains or losses on pensions assets and liabilities	(165,558)
(52,001)	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	(54,658)
38,359	Employer's pensions contributions and direct payments to pensioners payable in the year	39,999
<b>(548,158)</b>	<b>Balance at 31 March</b>	<b>(728,375)</b>

## Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income and non-domestic rates income in the Comprehensive Income and Expenditure Statement compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

<b>2013/14</b> <b>£000</b>		<b>2014/15</b> <b>£000</b>
<b>660</b>	<b>Balance at 1 April</b>	<b>(10,235)</b>
(10,895)	Amount by which council tax and non-domestic rates income credited to the comprehensive income and expenditure statement is different from council tax income calculated for the year in accordance with statutory requirements	(15,894)
<b>(10,235)</b>	<b>Balance at 31 March</b>	<b>(26,129)</b>

### 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.

<b>2013/14</b> <b>£000</b>		<b>2014/15</b> <b>£000</b>
<b>(5,762)</b>	<b>Balance at 1 April</b>	<b>(6,176)</b>
5,762	Settlement or cancellation of accrual made at the end of the preceding year	6,176
(6,176)	Amounts accrued at the end of the current year	(6,232)
<b>(414)</b>	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	<b>(56)</b>
<b>(6,176)</b>	<b>Balance at 31 March</b>	<b>(6,232)</b>

### Note 25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

<b>2013/14</b> <b>£000</b>		<b>2014/15</b> <b>£000</b>
(2,402)	Interest received	(1,226)
32,140	Interest paid	27,981
(132,026)	Other net operating income & expenditure	29,077
<b>(102,288)</b>	<b>Net cash flows from operating activities.</b>	<b>55,832</b>

### Note 26. Cash Flow Statement – Investing Activities

<b>2013/14</b> <b>£000</b>		<b>2014/15</b> <b>£000</b>
198,306	Purchase of property, plant and equipment, investment property and intangible assets	196,656
(25,748)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(60,900)
(69,134)	Other receipts from investing activities	(118,593)
<b>103,424</b>	<b>Net cash flows from investing activities</b>	<b>17,163</b>

## Note 27. Cash Flow Statement – Financing Activities

<u>2013/14</u> <u>£000</u>		<u>2014/15</u> <u>£000</u>
(7,988)	Cash receipts of short-term and long-term borrowings	(21,489)
(4,815)	Other receipts from financing activities	(27,837)
21,302	Repayments of short-term and long-term borrowing	34,710
<b>8,499</b>	<b>Net cash flows from financing activities</b>	<b>(14,616)</b>

## Note 28. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the CIPFA Service Reporting Code of Practice for Local Authorities 2014/15. 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:

<b>Service Income and Expenditure 2014/15</b>	<b>Children's Services</b>	<b>Housing and Adult Social Care</b>	<b>Culture and Environment</b>	<b>Central Services</b>	<b>Housing Revenue Account</b>	<b>Public Health</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, charges and other services income	(44,536)	(47,690)	(95,782)	(84,239)	(196,553)	(72)	(468,872)
Government grants	(199,969)	(194,012)	(1,693)	(1,738)	(6,824)	(26,673)	(430,909)
<b>Total Income</b>	<b>(244,505)</b>	<b>(241,702)</b>	<b>(97,475)</b>	<b>(85,977)</b>	<b>(203,377)</b>	<b>(26,745)</b>	<b>(899,781)</b>
Employee expenses	182,901	34,599	46,538	51,965	35,461	13	351,477
Other support expenses	125,229	301,493	90,645	40,009	69,445	24,945	651,766
Support service expenses	18,087	17,252	23,751	13,354	16,574	776	89,794
<b>Total Expenditure</b>	<b>326,217</b>	<b>353,344</b>	<b>160,934</b>	<b>105,328</b>	<b>121,480</b>	<b>25,734</b>	<b>1,093,037</b>
<b>Net Expenditure 2014/15</b>	<b>81,712</b>	<b>111,642</b>	<b>63,459</b>	<b>19,351</b>	<b>(81,897)</b>	<b>(1,011)</b>	<b>193,256</b>

<b>Service Income and Expenditure 2013/14</b>	<b>Children's Services</b>	<b>Housing and Adult Social Care</b>	<b>Culture and Environment</b>	<b>Central Services</b>	<b>Housing Revenue Account</b>	<b>Public Health</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, charges and other services income	(38,989)	(46,545)	(95,881)	(79,875)	(198,337)	(525)	(460,152)
Government grants	(188,446)	(194,413)	(1,653)	(2,074)	(6,824)	(25,955)	(419,365)
<b>Total Income</b>	<b>(227,435)</b>	<b>(240,958)</b>	<b>(97,534)</b>	<b>(81,949)</b>	<b>(205,161)</b>	<b>(26,480)</b>	<b>(879,517)</b>
Employee expenses	183,922	36,879	47,027	50,271	35,904	3	354,006
Other support expenses	126,071	300,627	90,461	33,505	(7,102)	24,017	567,579
Support service expenses	18,644	18,422	19,572	16,278	16,133	784	89,833
<b>Total Expenditure</b>	<b>328,637</b>	<b>355,928</b>	<b>157,060</b>	<b>100,054</b>	<b>44,935</b>	<b>24,804</b>	<b>1,011,418</b>
<b>Net Expenditure 2013/14</b>	<b>101,202</b>	<b>114,970</b>	<b>59,526</b>	<b>18,105</b>	<b>(160,226)</b>	<b>(1,676)</b>	<b>131,901</b>

### 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 relate to the amounts included in the comprehensive income and expenditure statement.

#### **Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement**

	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Cost of Services in Service Analysis	<b>131,901</b>	<b>193,256</b>
Add services not included in main analysis	13,660	14,025
Add amounts not reported to management	0	0
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>145,561</b>	<b>207,281</b>

### 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)	2014/15							Total
	Service Analysis	Services not in Analysis	Not reported to mgmt	Not included in CIES	Allocation of Recharges	Net Cost of Services	Corporate Amounts	
	£000	£000	£000	£000	£000	£000	£000	
Fees, charges & other service income	(468,872)	14,512	0	0	0	(454,359)	0	(454,359)
Interest and investment income	0	0	0	0	0	0	(17,393)	(17,393)
Income from council tax	0	0	0	0	0	0	(85,483)	(85,483)
Government grants and contributions	(430,910)	0	0	0	0	(430,910)	(243,120)	(674,030)
<b>Total Income</b>	<b>(899,782)</b>	<b>14,512</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(885,269)</b>	<b>(345,996)</b>	<b>(1,231,265)</b>
Employee expenses	351,477	0	0	0	0	351,477	0	351,477
Other service expenses	637,813	(487)	0	0	0	637,326	0	637,326
Support Service recharges	89,794	0	0	0	0	89,794	0	89,794
Depreciation, amortisation and impairment	13,953	0	0	0	0	13,953	0	13,953
Interest and investment expenditure	0	0	0	0	0	0	53,513	53,513
Precepts & Levies	0	0	0	0	0	0	7,003	7,003
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	5,069	5,069
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(109,181)	(109,181)
<b>Total operating expenses</b>	<b>1,093,037</b>	<b>(487)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,092,550</b>	<b>(43,596)</b>	<b>1,048,954</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>193,255</b>	<b>14,025</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>207,281</b>	<b>(389,592)</b>	<b>(182,311)</b>

**2013/14**

<b>Reconciliation to Subjective Analysis (Single Entity)</b>	<b>Service Analysis</b>	<b>Services not in Analysis</b>	<b>Not reported to mgmt</b>	<b>Not included in CIES</b>	<b>Allocation of Recharges</b>	<b>Net Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, charges & other service income	(460,153)	14,691	0	0	0	(445,462)	0	<b>(445,462)</b>
Interest and investment income	0	0	0	0	0	0	(25,990)	<b>(25,990)</b>
Income from council tax	0	0	0	0	0	0	(84,982)	<b>(84,982)</b>
Government grants and contributions	(419,366)	0	0	0	0	(419,366)	(240,367)	<b>(659,733)</b>
<b>Total Income</b>	<b>(879,519)</b>	<b>14,691</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(864,828)</b>	<b>(351,339)</b>	<b>(1,216,167)</b>
Employee expenses	354,006	0	0	0	0	354,006	0	<b>354,006</b>
Other service expenses	621,537	(1,031)	0	0	0	620,506	0	<b>620,506</b>
Support Service recharges	89,832	0	0	0	0	89,832	0	<b>89,832</b>
Depreciation, amortisation and impairment	(53,955)	0	0	0	0	(53,955)	0	<b>(53,955)</b>
Interest and investment expenditure	0	0	0	0	0	0	52,197	<b>52,197</b>
Precepts & Levies	0	0	0	0	0	0	6,880	<b>6,880</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	4,015	<b>4,015</b>
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	(24,241)	<b>(24,241)</b>
<b>Total operating expenses</b>	<b>1,011,420</b>	<b>(1,031)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,010,389</b>	<b>38,851</b>	<b>1,049,240</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>131,901</b>	<b>13,660</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>145,561</b>	<b>(312,488)</b>	<b>(166,927)</b>

## Note 29. Acquired and Discontinued Operations

No operations were acquired or discontinued in the year to 31 March 2015. On 1 April 2013 the Council acquired responsibility for a range of local public health functions from the NHS. This included commissioning and an overall duty to take appropriate steps to improve the health of the local population which remain the Council's responsibility.

## Note 30. Trading Operations

The Authority has established various trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of those units in 2014/15 are as follows:

2013/14 £000		2014/15 £000
	<b>Building Control Service</b>	
	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.	
(943)	Turnover	(842)
776	Expenditure	991
<u>(167)</u>	<b>(Surplus)/Deficit</b>	<u>149</u>
	<b>Commercial Waste Service</b>	
	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).	
(6,385)	Turnover	(6,250)
7,240	Expenditure	7,301
<u>855</u>	<b>(Surplus)/Deficit</b>	<u>1,051</u>



### 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.

(893)	Turnover	(1,015)
723	Expenditure	1,543
<u>(170)</u>	<b>(Surplus)/Deficit</b>	<u>528</u>

### 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.

(37,643)	Turnover	(37,335)
13,563	Expenditure	13,099
<u>(24,080)</u>	<b>(Surplus)/Deficit</b>	<u>(24,236)</u>

### Camden Transport Services

Camden Transport Services are part of the Transport section within HASC 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.

(62)	Turnover	(48)
62	Expenditure	41
<u>0</u>	<b>(Surplus)/Deficit</b>	<u>(7)</u>

<u>(23,562)</u>	<b>Net (surplus)/deficit on trading operations</b>	<u>(22,515)</u>
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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.

<b>2013/14</b> <b>£000</b>		<b>2014/15</b> <b>£000</b>
<b>(45,926)</b>	<b>Turnover credited to the Cost of Services</b>	<b>(45,490)</b>
20,271	Cost debited to the Cost of Services	20,646
2,093	Support services recharge to Expenditure of Continuing operations *	2,329
<b>(23,562)</b>	<b>Net surplus on trading operations</b>	<b>(22,515)</b>

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

### **Note 31. Agency Services**

Camden provides various services for the North London Waste Authority (NLWA) under SLA agreements. The services provided include Finance, Human Resources and Information Technology and the council received in 2014/15 a net payment from the NLWA of £1.871m (£1.981m in 2013/14).

### Note 32. Pooled Budgets

The Authority has entered into a pooled budget arrangement with Camden Clinical Commissioning Group (CCCG) 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 pooled budget is hosted by the London Borough of Camden on behalf of the two partners to the agreement.

	<b>2013/14</b> <b>£000</b>	<b>2014/15</b> <b>£000</b>
Funding provided to the pooled budget:		
• the Authority	(739)	(889)
• the Clinical Commissioning Group	<u>(954)</u>	<u>(921)</u>
	(1,693)	(1,810)
Expenditure met from the pooled budget:		
• the Authority	748	904
• the Clinical Commissioning Group	<u>954</u>	<u>921</u>
	<u>1,702</u>	<u>1,825</u>
Net (surplus)/deficit arising on the pooled budget during the year	<u>9</u>	<u>15</u>
Authority share of 100% of the net (surplus)/deficit arising on the pooled budget	<u>9</u>	<u>15</u>

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

In 2014/15 the local authority transferred £4.046m gross to Camden and Islington Mental Health Foundation Trust (CIFT).

### Note 33. Members Allowance

<b>2013/14</b> <b>£000</b>		<b>2014/15</b> <b>£000</b>
956	Allowances	865
0	Expenses	0
<u>956</u>	<b>Total</b>	<u>865</u>

## Note 34. Officers' Remuneration

The number of staff receiving remuneration in the year in excess of £50,000 is shown below. These figures include staff in community and voluntary aided schools, but do not include staff listed in the Senior Officer disclosure of those earning between £50,000 and £149,999 and over £150,000.

Remuneration excludes employer's pension contributions as these are paid directly to the pension scheme fund but includes benefits in kind, so far as they are chargeable to UK income tax. Also included are compensation payments for termination and other payments receivable on the termination of employment, even where these are not taxable. The numbers include staff that have left or joined part way through the year.

This means that as at 31 March 2015 Camden Council (non-schools and community schools) had 5 employees in post (excluding Senior Officers) whose remuneration in 2014-15 was over £100,000. In addition there were 4 individuals in Voluntary Aided Schools, where Camden is not the employer, whose remuneration was over £100,000.

2014/15 Pay band £	Non-schools		Community Schools		VA Schools		Total
	Employed at 31.03.15	Left before 31.03.15	Employed at 31.03.15	Left before 31.03.15	Employed at 31.03.15	Left before 31.03.15	
£ 50,000 - £ 54,999	81	5	115	6	63	1	271
£ 55,000 - £ 59,999	38	3	79	5	38	3	166
£ 60,000 - £ 64,999	30	1	21	4	11	0	67
£ 65,000 - £ 69,999	20	0	20	0	11	0	51
£ 70,000 - £ 74,999	22	1	16	2	13	0	54
£ 75,000 - £ 79,999	11	0	3	3	4	1	22
£ 80,000 - £ 84,999	2	0	5	0	3	0	10
£ 85,000 - £ 89,999	1	0	6	0	1	0	8
£ 90,000 - £ 94,999	0	0	5	1	4	0	10
£ 95,000 - £ 99,999	0	0	2	0	0	0	2
£100,000 - £104,999	0	0	1	0	3	0	4
£105,000 - £109,999	0	0	0	0	0	0	0
£110,000 - £114,999	0	0	1	0	0	0	1
£115,000 - £119,999	0	0	1	0	0	0	1
£120,000 - £124,999	0	0	0	0	0	0	0
£125,000 - £129,999	0	0	0	0	0	0	0
£130,000 - £134,999	0	0	0	0	0	0	0
£135,000 - £139,999	0	0	1	0	0	0	1
£140,000 - £144,999	0	0	1	0	1	0	2
<b>Total</b>	<b>205</b>	<b>10</b>	<b>277</b>	<b>21</b>	<b>152</b>	<b>5</b>	<b>670</b>

2013/14		Non-Schools		Community Schools		VA Schools		Total
Pay band £	Employed at 31.03.14	Left before 31.03.14	Employed at 31.03.14	Left before 31.03.14	Employed at 31.03.14	Left before 31.03.14		
£ 50,000 - £ 54,999	68	4	93	2	64	0	<b>231</b>	
£ 55,000 - £ 59,999	41	6	70	2	40	3	<b>162</b>	
£ 60,000 - £ 64,999	21	3	20	0	19	1	<b>64</b>	
£ 65,000 - £ 69,999	22	0	17	0	10	1	<b>50</b>	
£ 70,000 - £ 74,999	26	1	13	0	11	0	<b>51</b>	
£ 75,000 - £ 79,999	4	0	8	0	5	0	<b>17</b>	
£ 80,000 - £ 84,999	2	0	3	0	3	0	<b>8</b>	
£ 85,000 - £ 89,999	2	0	5	0	3	0	<b>10</b>	
£ 90,000 - £ 94,999	0	1	2	1	3	0	<b>7</b>	
£ 95,000 - £ 99,999	0	0	3	0	0	0	<b>3</b>	
£100,000 - £104,999	0	0	0	0	1	0	<b>1</b>	
£105,000 - £109,999	0	0	1	0	0	0	<b>1</b>	
£110,000 - £114,999	0	1	0	0	0	0	<b>1</b>	
£115,000 - £119,999	0	0	2	0	0	0	<b>2</b>	
£120,000 - £124,999	0	0	0	0	1	0	<b>1</b>	
<b>Total</b>	<b>186</b>	<b>16</b>	<b>237</b>	<b>5</b>	<b>160</b>	<b>5</b>	<b>609</b>	

## 2014/15

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

No	Name	Job Title	Actual Pay £	Variable Pay 1/4/2015* £	Fees, Allowances & Other pay £	Total Pay** £
1	Cooke M	Chief Executive	£160,567	£5,000***		£165,567
2	Stopard R	Deputy Chief Executive (Transformation and Partnerships) (in post from 1.09.14) Previously Director - Culture & Environment – A (from 1.4.14 to 31.8.14)	£154,010	£3,000	£5,000	£162,010
3	O'Donnell M	Director - Finance	£150,535	£3,000		£153,535

**Senior Officers with a salary between £50,000 and £150,000 per year**

<b>No</b>	<b>Job Title</b>	<b>Actual Pay £</b>	<b>Variable Pay* £</b>	<b>Fees, Allowances &amp; Other pay £</b>	<b>Loss of Office Payment</b>	<b>Total Pay** £</b>
1	Director – Children, Schools & Families	£141,000	£3,000			£144,000
2	Director – Housing & Adult Social Care	£138,000	£3,000			£141,000
3	Borough Solicitor	£121,900	£2,500			£124,400
4	Assistant Chief Executive (from 1.4.14 to 16.7.14)	£ 28,129 (worked part time, full time annualised salary: £120,000)	£2,000			£ 30,129
5	Assistant Director – Strategy & Resources	£105,300	£2,750			£108,050
6	Assistant Director – Inclusion	£105,050				£105,050
7	Assistant Director - Culture and Customers	£105,050	£2,750			£107,800
8	Assistant Director - Housing Needs & Resources	£105,050	£2,000			£107,050
9	Assistant Director of Finance and Head of Property Services (from 1.4.14 to 31.12.14)	£ 78,703 (annualised salary: £104,938)			£80,298	£159,001
10	Assistant Director - Corporate ICT	£103,976	£2,750			£106,726
11	Deputy Director of Finance - (from 1.4.14 to 30.9.14)	£ 51,251 (annualised salary: £102,503)		£5,000		£ 56,251
12	Assistant Director – Adult Social Care and Joint Commissioning	£100,000	£2,500			£102,500
13	Assistant Director – Raising Achievement and Aspiration	£100,000	£2,000			£102,000

14	Assistant Director - Family Services and Social Work	£99,516	£2,500			£102,016
15	Assistant Director - Regeneration and Planning - A (from 1.4.14 to 7.9.14) Acting up to Director – Culture and Environment – B (in post from 8.9.14)	£98,570	£2,750	£10,235		£111,555
16	Head of Development Management Acting up to Assistant Director – Regeneration and Planning – B (in post from 1.1.15)	<b>£64,072.39</b>	£2,485	£8,528		£75,085.39
17	Programme Director – High Speed 2 (On secondment to City of London from 1.1.15 to 31.3.15. Actual pay includes re-imbursment from City of London)	£96,768				£96,768
18	Assistant Director – Housing Repairs and Improvement	£96,500	£2,500	£ 74		£99,074
19	Assistant Director – Revenues and Business Support (Previously Assistant Director – Revenues)	£96,250	£2,500			£98,750
20	Assistant Director - Environment & Transport	£94,500	£2,750			£97,250
21	Assistant Director – Workforce Programme (from 1.4.14 to 31.10.14). Previously Assistant Director of HR - A	£65,636 (worked part time, full time annualised salary: £89,000)			£39,414	£105,050
22	Assistant Director of HR - B (in post from 8.12.14)	£ 25,860 (annualised salary: £80,000.00)	£2,750			£28,610

23	Assistant Director - Housing Management (Acting up from 1.4.14 to 7.9.14 and appointed to role on permanent basis from 8.9.14)	£77,107.76	£2,500	£8,501.27		£88,109.03
24	Assistant Director – Communities	£81,000	£2,000			£83,000

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

\*\* All amounts payable which are subject to UK income tax including expenses and estimated value of any other benefits not paid in cash. This excludes employer's pension contributions that are paid directly to the pension scheme.

\*\*\* Deferred payment based on performance in previous years.

The Director of Public Health is employed by the London Borough of Islington and shared 50:50 with Camden. Annualised salary of £115,134.

The Chief Executive, Director of Finance and Borough Solicitor receive an allowance for the provision of advice to North London Waste Authority.

In 2014/15 there were two statutory elections for which the Chief Executive received payments for work as the returning officer. These are not shown in the figures above. The European Parliamentary elections and Local Council elections in May 2014 led to a number of senior officers receiving payments for work on behalf of the returning officer. As payments for work on behalf of the returning officer for the European Parliamentary elections are not made by the Council itself, these payments are not part of the Council's remuneration payments to senior officers. Payments for work on the Local Council elections are paid by the Council on behalf of the Returning Officer.



2014/15

**Senior Officers whose salary is £150,000 or more per year – Employer’s Pension Contribution**

<b>No</b>	<b>Name</b>	<b>Job Title</b>	<b>Employer’s Pension contribution – Payable to pension scheme £</b>
1	Cooke M	Chief Executive	£ 28,238
2	Stopard R	Deputy Chief Executive (Transformation and Partnerships)	£ 26,488
3	O’Donnell M	Director – Finance	£ 26,519

**Senior Officers with a salary between £50,000 and £150,000 per year – Employer’s Pension Contribution**

<b>No.</b>	<b>Job Title</b>	<b>Employer’s Pension contribution – Payable to pension scheme £</b>
1	Director – Children, Schools & Families	£ 22,842
2	Director – Housing & Adult Social Care	£ 22,518
3	Borough Solicitor	£ 20,883
4	Assistant Chief Executive	£ 5,042
5	Assistant Director - Strategy & Resources	£ 17,625
6	Assistant Director – Inclusion	£ 17,180
7	Assistant Director - Culture and Customers	£ 17,504
8	Assistant Director - Housing Needs & Resources	£ 9,898
9	Assistant Director of Finance and Head of Property Services	£ 13,316
10	Assistant Director - Corporate ICT	£ 17,168
11	Deputy Director of Finance	£ 9,355
12	Assistant Director – Adult Social Care and Joint Commissioning	£ 16,524
13	Assistant Director – Raising Achievement and Aspiration	£ 16,534
14	Assistant Director - Family Services and Social Work	£ 16,121
15	Assistant Director – Regeneration & Planning - A	£ 17,619
16	Assistant Director - Regeneration & Planning - B	£ 10,368
17	Programme Director – High Speed 2	£ 15,838
18	Assistant Director – Housing Repairs and Improvement	£ 15,645
19	Assistant Director – Revenues and Business Support	£ 15,981
20	Assistant Director - Environment & Transport	£ 15,308
21	Assistant Director – Workforce Programme Previously Assistant Director of HR – A	£ 7,611
22	Assistant Director of HR - B	£ 4,189
23	Assistant Director- Housing Management	£ 8,574
24	Assistant Director – Communities	£ 13,586

2013/14

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

No	Name	Job Title	Actual Pay £	Variable Pay* £	Fees, Allowances & other pay £	Total Pay** £
1	Cooke M	Chief Executive	£155,000			£155,000
2	Stopard R	Director – Culture & Environment	£154,010	£ 4,500	£5,000	£163,510
3	O'Donnell M	Director - Finance	£150,535	£ 5,000		£155,535

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

<b>No</b>	<b>Job Title</b>	<b>Actual Pay £</b>	<b>Variable pay* £</b>	<b>Fees, Allowances &amp; other pay £</b>	<b>Total Pay** £</b>
1	Director – Children, Schools & Families (in post from 17.2.14)	£16,429  (annualised salary: £138,000)			£16,429
2	Director – Housing & Adult Social Care	£135,000	£ 1,000		£136,000
3	Assistant Chief Executive (in post from 1.7.13)	£57,357  (works part time. Full time annualised salary: £120,000)	£ 3,000		£60,357
4	Borough Solicitor	£118,900			£118,900
5	Assistant Director - Strategy & Resources	£105,300	£ 3,500	£5,133	£113,933
6	Assistant Director - Adult Social Care and Joint Commissioning - A (in post 1.4.13 - 31.8.13)	£43,771  (annualised salary: £105,050)		£833	£44,604
7	Assistant Director - Adult Social Care and Joint Commissioning - B (in post from 28.10.13)	£42,742  (annualised salary: £100,000)	£ 2,000		£44,742
8	Assistant Director – Inclusion	£105,050	£ 1,000	£5,126	£111,176
9	Assistant Director of Finance and Head of Property Services	£104,938	£ 3,500		£108,438
10	Assistant Director - Culture and Customers	£104,821	£ 3,000		£107,821
11	Assistant Director - Housing Needs & Resources	£103,991	£ 2,000		£105,991
12	Assistant Director - Corporate ICT	£102,476	£ 2,000		£104,476
13	Deputy Director of Finance - A (in post 1.4.13 - 11.9.13)	£45,036  (annualised salary: £100,702)		£4,392	£49,428
14	Deputy Director of Finance - B (in post from 16.9.13)	£54,168	£ 1,500	£5,417	£61,085

No	Job Title	Actual Pay £	Variable pay* £	Fees, Allowances & other pay £	Total Pay** £
	Previously Assistant Director – Communities – A (from 1.4.13 to 15.9.13)	£45,835 (annualised salary: £100,003)			£45,835
15	Assistant Director – Communities - B (in post from 1.2.14)	£13,500 (annualised salary: £81,000)			£13,500
16	Assistant Director – Raising Achievement and Aspiration (in post from 2.10.13)	£49,731 (annualised salary: £100,000)	£2,000		£51,731
17	Assistant Director - Family Services and Social Work	£97,016			£97,016
18	Assistant Director – Revenues	£95,635	£ 2,400		£98,035
19	Assistant Director - Regeneration & Planning	£95,320		£121	£95,441
20	Assistant Director- Housing Management	£93,768	£ 1,000		£94,768
21	Chief Procurement Officer (in post 1.4.13 - 1.9.13)	£38,589 (annualised salary: £92,000)			£38,589
22	Assistant Director – Housing Repairs and Improvement	£93,000		£74	£93,074
23	Assistant Director - Environment & Transport	£91,750			£91,750
24	Assistant Director of HR	£89,000	£ 1,000		£90,000

**Notes:**

\* one off non-consolidated payment based on performance.

\*\* All amounts payable which are subject to UK income tax including expenses and estimated value of any other benefits not paid in cash. This excludes employers pension contributions that are paid directly to the pension scheme.

The Director of Public Health is employed by the London Borough of Islington and shared 50:50 with Camden. In post from 1.4.13 with an annualised salary of £112,710.

2013/14

**Senior Officers whose salary is £150,000 or more per year – Employer’s Pension Contribution**

<b>No</b>	<b>Name</b>	<b>Job Title</b>	<b>Employer’s Pension contribution £</b>
1	Cooke M	Chief Executive	£25,708
2	Stopard R	Director – Culture & Environment	£25,593
3	O’Donnell M	Director – Finance	£25,544

**Senior Officers with a salary between £50,000 and £150,000 per year – Employer’s Pension Contribution**

<b>No.</b>	<b>Job Title</b>	<b>Employer’s Pension contribution £</b>
1	Director – Children, Schools & Families	£2,579
2	Director – Housing & Adult Social Care	£21,195
3	Assistant Chief Executive	£9,382
4	Borough Solicitor	£20,082
5	Assistant Director - Strategy & Resources	£17,887
6	Assistant Director - Adult Social Care and Joint Commissioning - A	£7,156
7	Assistant Director - Adult Social Care and Joint Commissioning - B	£6,710
8	Assistant Director – Inclusion	£17,847
9	Assistant Director of Finance and Head of Property Services	£16,868
10	Assistant Director - Culture and Customers	£17,006
11	Assistant Director - Housing Needs & Resources	£16,798
12	Assistant Director - Corporate ICT	£16,324
13	Deputy Director of Finance - A	£7,917
14	Deputy Director of Finance - B	£9,444
15	Assistant Director – Communities - A	£7,264
16	Assistant Director – Communities - B	£2,120
17	Assistant Director – Raising Achievement and Aspiration	£7,808
18	Assistant Director - Family Services and Social Work	£15,388
19	Assistant Director – Revenues	£15,250
20	Assistant Director - Regeneration & Planning	£14,965
21	Assistant Director- Housing Management	£14,879
22	Chief Procurement Officer	£6,451
23	Assistant Director – Housing Repairs and Improvement	£14,613
24	Assistant Director - Environment & Transport	£14,405
25	Assistant Director of HR	£13,973

### **Note 35. External Audit Costs**

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

<b>2013/14</b> <b>£000</b>		<b>2014/15</b> <b>£000</b>
216	Fees payable to the external auditor with regard to external audit services carried out by the appointed auditor for the year	216
21	Fees payable to the external auditor for the certification of grant claims and returns for the year	27
<b>237</b>	<b>Total</b>	<b>243</b>

In 2014/15 the Council received a reimbursement from KPMG in respect of the work carried out for the certification of grant claims and returns in 2013/14. This made the total charge for 2014/15 £26,611 and this has been reflected in the reported figure for 2014/15 in this year's accounts.

### **Note 36. Dedicated Schools Grant**

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

Details of the deployment of DSG receivable for 2014/15 are as follows:

Central Expenditure £000	2013/14 ISB £000	Total £000		Central Expenditure £000	2014/15 ISB £000	Total £000
		<b>(160,975)</b>	Final DSG for the financial year			<b>(159,444)</b>
		(7,181)	Brought forward from the previous year			(10,965)
		0	Budget share clawed back, brought forward from previous year			0
		7,181	Carry forward to next financial year agreed in advance			10,965
<b>(29,372)</b>	<b>(131,603)</b>	<b>(160,975)</b>	Agreed budgeted distribution in the year	<b>(25,975)</b>	<b>(133,469)</b>	<b>(159,444)</b>
240	(240)	0	In year adjustments	570	(570)	0
<b>(29,132)</b>	<b>(131,843)</b>	<b>(160,975)</b>	Final budget distribution for year	<b>(25,405)</b>	<b>(134,039)</b>	<b>(159,444)</b>
25,348	0	25,348	Actual central expenditure	25,878	0	25,878
0	131,443	131,443	Actual ISB deployed to schools	0	133,469	133,469
0	400	400	Local authority contribution for this financial year	0	(314)	(314)
(3,784)	0	(3,784)	Carry forward to DSG in next financial year	473	(884)	(411)
		<b>(10,965)</b>	<b>Total DSG carry forward</b>			<b>(11,376)</b>



## Note 37. Grant Income

The authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statements in 2014/15

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
	<b>Credited to taxation and non-specific grant income</b>	
120,133	Revenue Support Grant	97,548
8,461	PFI grant	0
4,216	New Homes Bonus	5,601
3,371	LACSEG	0
0	Education Services Grant	2,973
2,561	Housing and Council Tax Benefits Administration Grant	2,064
1,662	Section 31. Government Returns and Reimbursements	2,223
1,063	Troubled Families Grant	0
1,037	Local Social Fund	1,022
1,021	Council Tax Freeze Grant	1,031
834	Weekly Collection Support Scheme	10
670	Council Tax Localisation	175
304	Local Reform Grant	241
101	Misc Grants	192
91	Preventing Homelessness/ Local Services Support Grant	91
<b>145,525</b>	<b>Total</b>	<b>113,171</b>

2013/14 £000	Credited to Services	2014/15 £000
<b><u>Capital Grants &amp; Contributions Applied</u></b>		
4,036	Transport for London	3,849
11,151	Target Funding	28,279
0	Social Care/Mental Health	0
856	Standards Fund Capital	7,397
102	IT Demonstrator Grant	52
1,680	Homes & Communities Agency	6,989
0	Disabled Facilities Grant	289
499	Building Schools for the Future	0
103	Other small grants & Contributions	986
1,521	S106 Recognised in I&E	6,388
662	Other Contributions	0
2,576	NHS – Short Breaks	54
<b>23,186</b>	<b>Total</b>	<b>54,283</b>
<b><u>Capital - Grants &amp; Contributions Unapplied</u></b>		
0	Contractors & third parties Contributions (Unapplied)	705
3	Other small grants & Contributions	0
<b>3</b>	<b>Total</b>	<b>705</b>
<b>23,189</b>	<b>Total Capital Grants</b>	<b>54,988</b>
<b>168,714</b>	<b>Total</b>	<b>168,159</b>

<b>Credited to Services</b>		
194,049	Housing Benefit Subsidy	192,985
161,184	Dedicated Schools Grant	159,822
0	Troubled Families Grant	364
25,649	Public Health	26,368
16,364	Young People's Learning Agency (previously Learning & Skills Council)	15,220
9,321	Pupil Premium Grant	11,314
0	PFI Grants	8711
6,824	HRA Subsidy	6,824
2,689	Other grants	5,424
1,202	Revenue related grants	497
793	Asylum Seekers	586
545	Transport for London	576
470	Digital Partners Programme	0
335	Standards Fund	322
<b>419,425</b>	<b>Total</b>	<b>429,013</b>

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 awarding body. The balances at the year-end are as follows:

2013/14		2014/15	
£000	£000	£000	£000
<b>Capital Grant Receipts in Advance</b>			
<u>Included in Short Term Liabilities</u>			
16,681		3,145	
5,150		3,705	
543		491	
60		60	
1,558		2,676	
	23,992		10,077
<u>Included in Long Term Liabilities</u>			
47,080		69,969	
66	47,146	66	70,035
	<b>71,138</b>		<b>80,112</b>
<b>Total</b>		<b>Total</b>	

2013/14		2014/15	
£000	£000	£000	£000
<b>Revenue Grant Receipts in Advance</b>			
<u>Included in Short Term Liabilities</u>			
2,279		1,472	
1,050		2,814	
	<b>3,329</b>		<b>4,286</b>
<b>Total</b>		<b>Total</b>	

## **Note 38. Related Parties**

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

### **Central government**

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

### **Members**

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in Note 33.

With regard to the 2014/15 related party disclosures received from members and a review of the register of interests, there are organisations that members have declared an interest in but also where Camden has provided financial support to or the organisation has provided services to the council. The Council's transactions with these organisations in 2014/15 are as follows:

	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Corporate relationships (where the Councillor serves as a representative of the Council)	12,959	16,363
Personal relationships (i.e. where the Councillor or a close relative serves in their own right)	5,076	2,116
Organisations which have both corporate and personal relationships	81	87
<b>Total</b>	<b>18,116</b>	<b>18,566</b>

Further details of the Members' Register of Interests are available on the Camden website:

<http://camden.gov.uk/ccm/navigation/council-and-democracy>

### **Officers**

With regard to the 2014/15 related party disclosures received from officers, those officers have not declared any interests outside the responsibilities in respect of the North London Waste Authority (NLWA) and London Pension Fund Authority (LPFA) disclosed later in this note.

### **Local Health Trusts**

The Council received £12.562m from Local Health Trusts and Clinical Commissioning Groups during the year for the provision of combined health and community care services. This comprised:

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
17,393	Camden Clinical Commissioning Group	9,461
634	FNCC Collected by Provider	628
2,575	NHS Foundation Trust CIFT (Mental Health & Social Care)	2,474
<b>20,602</b>	<b>Total</b>	<b>12,562</b>

### **North London Waste Authority (NLWA)**

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

- Chief Executive (Michael Cooke) acts as clerk
- Director of Finance (Michael O'Donnell) acts as financial advisor
- Borough Solicitor (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 2014/15 the council paid £9.365m (£8.837m; 2013/14) to the NLWA and received £0.00m (£0.244m; 2013/14). The council held £12.988m on behalf of NLWA at 31 March 2015 (£30.753m; 31 March 2014) and this is included in the cash at bank balances and as temporary loans to the council in the accounts.

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

### **London Pension Fund Authority (LPFA)**

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

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

The council is the lead borough for the London Committee for Action Against Fraud (LCAAF) and the London Ecology Unit (LEU). In respect of LCAAF and LEU, the council held £0.048m on its behalf at 31 March 2015 (£0.048m at 31 March 2014) and is included in the cash at bank balances and as temporary loans to the council in the accounts.

### **Note 39. Capital Expenditure and Capital Financing**

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

2013/14 £000		2014/15 £000
<b>624,678</b>	<b><i>Opening capital financing requirement</i></b>	<b>675,790</b>
<hr/>		
	<b><i>Capital investment:</i></b>	
	<b><i>From Capital Expenditure:</i></b>	
187,917	Property, plant and equipment	199,231
0	Assets Held for Sale	3,249
38	Investment properties	844
2,015	Intangible assets	1,028
6,875	Revenue expenditure funded from capital under statute	9,380
	<b><i>Other Investments:</i></b>	
0	PFI Assets	0
85	Finance Leases	275
<b>196,930</b>		<b>214,009</b>
<hr/>		
	<b><i>Sources of finance</i></b>	
60,900	Capital receipts	74,755
47,681	Government grants and other contributions	95,660
	Sums set aside from revenue:	
45,173	- direct revenue contributions	10,239
(35,152)	Pre-application of capital receipts	131,045
	Special repayment of debt - housing assoc loans	
21,495	- MRP	9,223
4,587	- MRP in relation to PFI	4,899
1,134	- MRP in relation to Finance Leases	745
<b>145,818</b>		<b>326,566</b>
<hr/>		
<b>675,790</b>	<b><i>Closing Capital Financing Requirement</i></b>	<b>563,233</b>
<b>51,112</b>	<b><i>Change in CFR</i></b>	<b>(112,558)</b>
<hr/>		
	<b><i>Explanation of movements in year</i></b>	
0	Increase in underlying need to borrowing (supported by government financial assistance)	0
43,091	Increase in underlying need to borrowing (unsupported by government financial assistance)	33,079
85	Assets acquired under finance leases	275
0	Assets acquired under PFI/PPP contracts	0
35,152	Pre-application of capital receipts	(131,045)
(21,495)	- MRP	(9,223)
(4,587)	- MRP - PFI	(4,899)
(1,134)	- MRP - Finance Leases	(745)
0	HRA self-financing settlement repayment of debt	0
<b>51,112</b>	<b><i>Increase/(decrease) in Capital Financing Requirement</i></b>	<b>(112,558)</b>

## Note 40. Leases

### Authority as Lessee

#### Finance Leases

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

<b>31 March 2014 £000</b>		<b>31 March 2015 £000</b>
1,885	Vehicles, plant, furniture and equipment	1,055
<b>1,885</b>		<b>1,055</b>

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:

<b>2013/14 £000</b>		<b>2014/15 £000</b>
	Finance lease liabilities (net present value of minimum lease payments):	
683	• current	390
412	• non current	235
31	Finance costs payable in future years	21
<b>1,126</b>	<b>Minimum lease payments</b>	<b>646</b>

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

	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Not later than one year	702	403	683	390
Later than one year and not later than five years	424	238	412	230
Later than five years	0	5	0	5
	<b>1,126</b>	<b>646</b>	<b>1,095</b>	<b>625</b>



Payments incurred in respect of finance leases are shown below:

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
46	Financing Costs	24
1,134	Finance Lease Liabilities	745
<b>1,180</b>		<b>769</b>

Operating Leases

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

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
101	Not later than one year	0
50	Later than one year and not later than five years	0
0	Later than five years	0
<b>151</b>		<b>0</b>

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

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
138	Minimum lease payments	13
0	Contingent rents	0
<b>138</b>		<b>13</b>

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 £1.488m for the use of these assets in 2014/15 (£1.503m in 2013/14).

## 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:

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
9,840	Not later than one year	11,952
26,431	Later than one year and not later than five years	26,664
55,991	Later than five years	53,713
<b>92,262</b>		<b>92,329</b>

In 2014/15 no contingent rents were receivable by the authority (2013/14 nil).

### **Note 41. Private Finance Initiatives and Similar Contracts**

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

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

#### **Haverstock School PFI**

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

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

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

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

	<b>Payment for Services</b>	<b>Reimbursement of Capital Expenditure</b>	<b>Interest</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Payable in 2015/16	985	450	1,002	2,437
Payable within two to five years	4,459	1,933	3,593	9,985
Payable within six to ten years	6,423	3,069	3,564	13,056
Payable within eleven to fifteen years	6,110	5,827	1,836	13,773
Payable within sixteen to twenty years.	515	620	52	1,187
<b>Total</b>	<b>18,492</b>	<b>11,899</b>	<b>10,047</b>	<b>40,438</b>

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 liability to the contractor for capital expenditure incurred is as follows:

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
<b>12,751</b>	<b>Balance outstanding at 1 April</b>	<b>12,247</b>
(504)	Payments during the year	(348)
<b>12,247</b>	<b>Balance outstanding at 31 March</b>	<b>11,899</b>

### **Chalcot Housing PFI**

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

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

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

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

	<b>Payment for Services</b>	<b>Reimbursement of Capital Expenditure</b>	<b>Interest</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Payable in 2015/16	3,061	4,068	3,253	10,382
Payable within two to five years	14,858	19,576	8,149	42,583
Payable within six to ten years	4,363	5,908	650	10,921
<b>Total</b>	<b>22,282</b>	<b>29,552</b>	<b>12,052</b>	<b>63,886</b>

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 liability to the contractor for capital expenditure incurred is as follows:

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
<b>36,783</b>	<b>Balance outstanding at 1 April</b>	<b>33,377</b>
<b>(3,406)</b>	Payments during the year	<b>( 3,825)</b>
<b>33,377</b>	<b>Balance outstanding at 31 March</b>	<b>29,552</b>

### **Swiss Cottage SEN School and UCL Academy PFI**

In 2011/12 the council entered into a 25 year contract to build two new schools at Adelaide Road, Swiss Cottage SEN School and UCL Academy, and provide facilities management services excluding catering services. The council is required to pay an annual unitary charge to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The unitary charge is subject to indexation and performance deductions for service and availability failures. The council receives an annual PFI credit towards the unitary charge. The schools each make annual contributions to meet the costs of the unitary charge not covered by the PFI credits and for the council to manage the PFI services and provide ICT facilities to the schools.

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

	<b>Payment for Services</b>	<b>Reimbursement of Capital Expenditure</b>	<b>Interest</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Payable in 2015/16	2,052	799	4,308	7,159
Payable within two to five years	6,566	2,827	12,444	21,837
Payable within six to ten years	12,877	6,037	18,778	37,692
Payable within eleven to fifteen years	15,244	8,816	15,435	39,495
Payable within sixteen to twenty years	17,860	13,300	10,377	41,537
Payable within twenty-one to twenty-five years	14,660	13,385	3,067	31,112
<b>Total</b>	<b>69,259</b>	<b>45,164</b>	<b>64,409</b>	<b>178,832</b>

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 liability to the contractor for capital expenditure incurred is as follows:

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
<b>46,566</b>	<b>Balance outstanding at 1 April</b>	<b>45,889</b>
<b>(677)</b>	Payments during the year	<b>(725)</b>
<b>45,889</b>	<b>Balance outstanding at 31 March</b>	<b>45,164</b>

## Note 42. Impairment Losses

During 2014/15 the authority has had no impairment losses. (13/14, £nil).

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

## Note 43. Termination Benefits

The Council was engaged in less salary savings activity in the financial year 2014-15 compared to the three previous years, during which it was undertaking its Medium-Term Financial Strategy. Nonetheless, transformation work continues. The following tables provide a summary of the exit packages associated with the required redundancies to achieve the Council's transformational goals.

For the year 2014-15, the Council has charged to the Comprehensive Income and Expenditure Account a total of £1.97m for the termination of contracts that have occurred during 2014-15. This is for the termination of 90 employee contracts spread across the full range of Council services, including Schools.

The table below provides an analysis of the exit packages approved during 2014/15. This analysis discloses both the number of exit packages and the total cost of redundancies by the total cost band for each redundancy. With reference to the columns labelled:

- 'compulsory redundancies': this summarises the costs associated with the total number of compulsory redundancies in 2014-15.
- 'voluntary redundancies': wherever possible, compulsory redundancies have been minimised through the use of a variety of measures including the use of voluntary redundancy.

	Headcount by band						Cost by band (to nearest thousand pounds)					
	Compulsory redundancies			Other departures agreed			Compulsory redundancies			Other departures agreed		
	2012 /13	2013 /14	2014 /15	2012 /13	2013 /14	2014 /15	2012 /13	2013 /14	2014 /15	2012 /13	2013 /14	2014 /15
<b>£0 - £20,000</b>	139	44	20	56	26	32	1180	418	184	530	249	288
<b>£20,001 - £40,000</b>	20	16	10	18	19	16	537	408	252	510	482	419
<b>£40,001 - £60,000</b>	10	3	3	10	3	4	479	129	129	482	142	210
<b>£60,001 - £80,000</b>	1	0	2	2	0	1	74	0	154	147	0	67
<b>£80,001 - £100,000</b>	2	0	0	1	0	1	163	0	0	83	0	96
<b>£100,001 - £150,000</b>	0	0	1	0	0	0	0	0	172	0	0	0
<b>Total</b>	172	63	36	87	48	54	2433	955	891	1752	873	1080

## **Note 44. Pensions Schemes Accounted for as Defined Contribution Schemes**

### **(a) Teachers**

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

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

In 2014/15 the Council paid £8.907m to Teachers' Pensions in respect of teachers' retirement benefits (£8.677m, 2013/14), representing 14.1% of pensionable pay (14.07%, 2013/14). As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2015, the Authority's own contributions equate to approximately 57.4%. There were no contributions remaining payable at the year-end. It is estimated that Teacher's Pension contributions for 2015/16 would be £15.719m.

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

### **(b) Ex ILEA**

In 2014/15 the Council paid £0.201m to the London Pensions Fund Authority (£0.222m in 2013/14) in respect of former ILEA employees' pension costs, which represents 17.49% of ex-ILEA employees' pensionable pay (22.11% in 2013/14). In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2014/15 these amounted to £0.059m, (£0.057m in 2013/14) representing 5.12% of pensionable pay (5.71% in 2013/14).

### **(c) Other Employees**

In 2014/15 the Council's level of contribution into the Pension Fund was 27.3% (26.3% in 2013/14) for those employees paying between 5.50% and 12.50% of pensionable pay. The actual cash payments made into the Fund by the Council were £37.258m (£35.159m in 2013/14) which represents 29.41% of Camden employees' pensionable pay (28.27% in 2013/14).

The Fund's actuary determines the employer's contribution rate. It is based on triennial actuarial valuations, with the review at 31 March 2010 setting the contributions for the three financial years from 2011/12 to 2013/14. The last review was undertaken at 31 March 2013, setting the contribution rates from 2014/15 to 2016/17.

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 2014/15 these amounted to £2.829m, representing 2.23% of pensionable pay (£2.862m and 2.30% in 2013/14).

The capital cost of discretionary increases in pension payments (e.g. discretionary added years) agreed by the authority in 2014/15 was nil (nil in 2013/14).



## **Note 45. Defined Benefit Pension Schemes**

### Participation in Pension Schemes

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

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

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

### 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 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:

2013/14	<u>London Borough of Camden Pension Fund</u>	2014/15
£000		£000
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>		
	<i>Cost of Services:</i>	
30,679	- current service cost	30,812
547	- past service costs/(gains)	294
0	- settlement and curtailments	0
	<i>Financing and Investment Income and Expenditure</i>	
19,912	- net interest cost	23,077
<b>51,138</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>54,183</b>
	<i>Other Post-employment Benefit Charged to The Comprehensive Income and Expenditure Statement</i>	
	<i>Remeasurement of the net defined benefit liability comprising:</i>	
26,545	- Return on plan assets (excluding the amount included in the net interest charge)	(56,801)
28,958	- Actuarial gains and losses arising on changes in demographic assumptions	0
42,633	- Actuarial gains and losses arising on changes in financial assumptions	231,787
(15,630)	- Other	(13,733)
<b>133,644</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>215,436</b>
<b><u>Movement in Reserves Statement</u></b>		
<b>(51,138)</b>	- reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	<b>(54,183)</b>
	<b><u>Actual amount charged against the General Fund Balance for Pensions in the year</u></b>	
<b>37,932</b>	- Employers' contributions payable to scheme	<b>39,593</b>

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**Pensions Assets and Liabilities recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

(1,496,426)	Present value of defined benefit obligation	(1,768,025)
997,658	Fair value of plan assets	1,094,894
(42,843)	Present value of the unfunded liabilities	(43,609)
<b>(541,611)</b>	<b>Closing Defined Benefit Obligation</b>	<b>(716,740)</b>

**Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets**

<b>31 Mar 2014</b>	<b>Year Ended:</b>	<b>31 Mar 2015</b>
<b>£000</b>		<b>£000</b>
	<b>Opening Fair Value of Employer Assets</b>	
<b>982,032</b>		997,658
44,117	Interest Income	42,819
	Remeasurement gain/(loss):	
(26,545)	- the return on plan assets, excluding the amount included in the net interest expense	56,801
38,333	Contributions from employer	40,307
8,610	Contributions from employees into the scheme	9,321
(48,889)	Benefits Paid	(52,012)
<b>997,658</b>	<b>Closing Fair Value of Employer Assets</b>	<b>1,094,894</b>

## Reconciliation of defined benefit obligation

31 Mar 2014 £000	Year Ended:	31 Mar 2015 £000
1,428,332	<b>Opening Defined Benefit Obligation</b>	1,539,269
30,679	Current Service Cost	30,812
64,029	Interest cost	65,896
8,610	Contributions from scheme participants	9,321
	Remeasurement (gains) and losses:	
28,958	- Actuarial gains and losses arising on changes in demographic assumptions	
42,633	- Actuarial gains and losses arising on changes in financial assumptions	231,787
(15,630)	- Other	(13,733)
547	Past service cost	294
(48,889)	Estimated Benefits Paid	(52,012)
<b>1,539,269</b>	<b>Closing Defined Benefit Obligation</b>	<b>1,811,634</b>

## Local Government Pension Scheme assets comprised

Asset Category	Period Ended 31 March 2014				Period Ended 31 March 2015			
	Quoted prices in active markets £'000	Quoted prices not in active markets £000	Total £000	% of Total Assets	Quoted prices in active markets £'000	Quoted prices not in active markets £000	Total £000	% of Total Assets
<b>Real Estate:</b>								
UK Property	0	43,877	43,877	4%	55,249		55,249	5%
Overseas Property	0	32,200	32,200	3%	0	44,245	44,245	4%
<b>Investment Fund and Unit Trusts:</b>								
Equities	607,295	0	607,295	61%	649,449	0	649,449	59%
Bonds	122,828	0	122,828	13%	137,091	0	137,091	13%
Hedge Funds	0	89,830	89,830	9%	0	98,127	98,127	9%
Other	89,058	0	89,058	9%	96,530	0	96,530	9%
<b>Cash and Cash Equivalents:</b>								
All	12,570	0	12,570	1%	14,203	0	14,203	1%
<b>Total Assets</b>	<b>831,751</b>	<b>165,907</b>	<b>997,658</b>	<b>100%</b>	<b>952,522</b>	<b>142,372</b>	<b>1,094,894</b>	<b>100%</b>

### 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 being based on the latest full valuation of the scheme as at 31 March 2015

The mortality assumptions adopted below are consistent with those used for the prior year. These are a bespoke set of VitaCurves in line with ClubVita specifically tailored to the membership profile of the fund. The financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2015 were those from the beginning of the year and have not been changed during the year. The recommended assumptions used in the disclosure of the funded status are summarised below. The discount rate is derived from a corporate bond yield curve constructed from yields on high quality bonds and used with the weighted average duration. This is based on the iBoxx £ Corporates AA index and using the UBS delta curve fitting methodology:

The significant assumptions used by the actuary have been:

#### **Mortality**

<b>2013/14 Years</b>	<b><u>Mortality</u></b>	<b>2014/15 Years</b>
	<i>Average future life expectancies at age 65 for current pensioners</i>	
22.0	Males	22.0
24.4	Females	24.4
	<i>Average future life expectancies at age 65 for future pensioners</i>	
24.3	Males	24.3
26.8	Females	26.8

#### **Financial assumptions**

<b>31 Mar 2014 % p.a.</b>	<b>Year Ended:</b>	<b>31 Mar 2015 % p.a.</b>
2.8%	Pension Increase Rate	2.4%
4.6%	Salary Increase Rate	4.3%
4.3%	Discount Rate	3.2%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below are based on the membership profile at the most recent actuarial valuation (31 March 2013).

## Sensitivity analysis

Change in assumptions at 31 March 2014	Approximate % Increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	183,585
1 year increase in member life expectancy	3%	54,349
0.5% increase in the Salary Increase Rate	3%	49,214
0.5% increase in the Pension Increase Rate	7%	130,924

## Scheme's Funding Policy

The expected contributions to the scheme for 2015/16 are £38,709,000.

## Weighted Average Duration

The discount rate should reflect the term of the benefit obligation. For this a weighted average duration of the benefit obligation has been calculated. This is defined as the weighted average time until payment of all expected future discounted cash flows, determined based on membership and the financial and demographic assumptions at a particular time. The shorter the duration the more 'mature' the employer. This fund has been categorised overall in the Medium discount rate category

	Liability Split	Weighted Average Duration
Active members	42.2%	23.6
Deferred members	24.1%	22.0
Pensioner members	33.6%	11.7
<b>Total</b>	<b>100%</b>	<b>18.1</b>

## **Effect on future cash flows in the authority**

One of the objectives of the scheme is to keep employers' contribution rates at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to limit the impact of increases or reductions in the required employer contribution rate. This stabilisation policy allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

On the basis of extensive modelling carried out for the 2013 valuation exercise, the stabilised Council contributions for the next three years are as follows:

- "future service" contributions expressed as a percentage of active Fund members' pensionable payroll, being 16.2% in 2014-15, rising by 0.5% of payroll each year thereafter; plus
- "past service" deficit repair payments expressed in monetary terms, being £15.625m in 2014-15, £16.250m in 2015-16 and £16.875m in 2016-17.
- The combined future and past service contributions broadly equate to annual increases of 1% of 2013 payroll projected into future years in line with assumed pay growth. The annual steps are broadly split equally between future and past service elements

The next triennial valuation is due to be completed on 31 March 2016

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may to provide benefits in relation to the service after 21 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings to pay pensions and other benefits to certain public servants

2013/14	<u>London Pension Fund Authority</u>	2014/15
£000		£000
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>		
	<i>Cost of Services:</i>	
394	- current service cost	332
15	- past service costs/(gains)	0
	<i>Financing and Investment Income and Expenditure</i>	
399	- net interest cost	143
55	- administration expenses	62
<b>863</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>537</b>
<i>Other Post-employment Benefit Charged to The Comprehensive Income and Expenditure Statement</i>		
<i>Remeasurement of the net defined benefit liability comprising:</i>		
(29)	- Return on plan assets (excluding the amount included in the net interest charge)	(1,034)
505	- Actuarial gains and losses arising on changes in demographic assumptions	0
(3,342)	- Actuarial gains and losses arising on changes in financial assumptions	5,322
(5,469)	- Other	0
<b>(7,472)</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>4,825</b>
<b><u>Movement in Reserves Statement</u></b>		
<b>(863)</b>	- reversal of net charges made to the (Surplus) or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(537)
<b><u>Actual amount charged against the General Fund Balance for Pensions in the year</u></b>		
<b>427</b>	<b>- Employers' contributions payable to scheme</b>	<b>406</b>
<b><u>Pensions Assets and Liabilities recognised in the Balance Sheet</u></b>		
The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:		
(44,464)	Present value of defined benefit obligation	(49,958)
41,655	Fair value of plan assets	42,884
(842)	Present value of the unfunded liabilities	(901)
<b>(3,651)</b>	<b>Closing Defined Benefit Obligation</b>	<b>(7,975)</b>



## Reconciliation of the Movements in the Fair Value of Scheme

### (Plan) Assets

31 Mar 2014	Year Ended:	31 Mar 2015
£000		£000
<b>36,562</b>	<b>Opening Fair Value of Employer Assets</b>	41,655
1,252	Interest Income	1,719
	Remeasurement gain/(loss):	
29	- the return on plan assets, excluding the amount included in the net interest expense	1,034
5,475	- other	0
545	Contributions from employer	517
79	Contributions from employees into the scheme	75
(2,232)	Benefits Paid	(2,054)
(55)	Other - effect of settlements	(62)
<b>41,655</b>	<b>Closing Fair Value of Employer Assets</b>	<b>42,884</b>

## Reconciliation of defined benefit obligation

31 Mar 2014	Year Ended:	31 Mar 2015
£000		£000
<b>48,230</b>	<b>Opening Defined Benefit Obligation</b>	45,306
394	Current Service Cost	332
1,651	Interest cost	1,862
79	Contributions from scheme participants	75
	Remeasurement (gains) and losses:	
	- Actuarial gains and losses arising on changes in demographic assumptions	-
505	- Actuarial gains and losses arising on changes in financial assumptions	5,322
(3,342)	- Other	16
6	Past service cost	0
15	Estimated Benefits Paid	(2,054)
(2,232)		
<b>45,306</b>	<b>Closing Defined Benefit Obligation</b>	<b>50,859</b>

## Local Government Pension Scheme assets comprised

<b>Year Ended:</b>	<b>31 Mar 2014</b>	<b>%</b>	<b>31 Mar 2015</b>	<b>%</b>
	<b>£000</b>		<b>£000</b>	
Equities	22,077	53%	18,605	43%
LDI/Cashflow				
Matching	2,499	6%	3,219	8%
Target Return Portfolio	12,497	30%	12,397	29%
Infrastructure	1,666	4%	2,125	5%
Commodities	417	1%	399	1%
Property	1,250	3%	1,215	3%
Cash	1,250	3%	4,924	11%
<b>Total</b>	<b>41,656</b>	<b>100%</b>	<b>42,884</b>	<b>100%</b>

Based on the above the Employer's share of the assets of the Fund is approximately 1%.

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2014 is estimated to be 7%. The actual return on fund assets over the year may be different

### 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 LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2013

Demographic assumptions adopted are consistent with those used for the funding valuation as at 31 March 2013. The post retirement mortality tables have been constructed based on Club Vita analysis. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.

### **Mortality**

<b>2013/14</b>	<b><u>Mortality</u></b>	<b>2014/15</b>
<b>Years</b>		<b>Years</b>
	<i>Average future life expectancies at age 65 for current pensioners</i>	
21.0	Males	21.1
24.4	Females	24.5
	<i>Average future life expectancies at age 65 for future pensioners</i>	
23.3	Males	23.5
26.7	Females	26.8

## Sensitivity analysis

	2014/15		
	£000	£000	£000
Adjustment to discount rate	+0.1%	0.00%	-0.1%
Present Value of Total Obligation	50151	50859	51578
Projected Service Cost	387	394	401
Adjustment to long term salary increase	+0.1%	0.00%	-0.1%
Present Value of Total Obligation	50911	50859	50807
Projected Service Cost	394	394	394
Adjustment to pension increases and deferred revaluation	+0.1%	0.00%	-0.1%
Present Value of Total Obligation	51531	50859	50197
Projected Service Cost	401	394	387
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present Value of Total Obligation	49119	50859	52600
Projected Service Cost	381	394	407

## Effect on future cash flows in the authority

One of the objectives of the scheme is to keep employers' contribution rates at as constant a rate as possible. Funding levels are monitored on an annual basis. The actuary expects that employers with medium term liabilities (13-22 years) will not see much change in their funding levels for the next year. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may provide benefits in relation to the service after 21 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings to pay pensions and other benefits to certain public servants

## Scheme's Funding Policy

The expected contributions to the scheme for 2015/16 are £469,000.

The weighted average duration used for the defined benefit obligation for scheme members is 14 years

## Note 46. Contingent Liabilities

The councils Contingent Liabilities cover various on-going litigations and guarantees, the detail of which is shown below. The total expected value of these liabilities is £2.6m (£4.0m, 2013/14).

2013/14 Estimated value of contingent liability £000	Details of contingent liabilities	2014/15 Estimated value of contingent liability £000
	<b><u>Litigations</u></b>	
	Shown below are the details of various litigations that were on-going as at the end of the financial year.	
	<b><u>Employee Related</u></b>	
59	Various employment related litigations	8
56	The council is 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 accounts. This programme is coming to a conclusion, however some further termination benefits are expected to be incurred.	56
	<b><u>Prosecutions</u></b>	
150	The council may prosecute in relation to a case regarding a breach of planning regulations. If the council is unsuccessful in these prosecutions, then the council may be liable for costs and associated compensation.	0
	<b><u>Civil Litigation and Housing Related</u></b>	
	The council is currently in dispute on a number of issues, which are summarised below:	
2,508	- procurement/contracting disputes	1,677
65	- damages for council actions	16
218	- planning related	10
55	- leaseholder related services	0
549	- disrepair of property	576
375	- group action: search fees	300
<b>4,035</b>	<b>Total for Litigations</b>	<b>2,643</b>
	<b><u>Pension Liability</u></b>	
<b>0</b>	London Pension Fund Authority back funding for closed sub-fund deficit for former GLA, ILEA and LRB employees	<b>0</b>
<b>0</b>	<b>Total for Pension Liabilities</b>	<b>0</b>
<b>4,035</b>	<b>Total</b>	<b>2,643</b>

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

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

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 26/02/2014). The Council has fully adopted and implemented the CIPFA Code of Practice on Treasury Management which was revised in 2011. In particular, it has set up twelve treasury management practices covering all areas of treasury management. These specify in detail the policies of the council, the procedures on how these policies are to be put into effect and who is responsible for all aspects of treasury management. These policies cover such areas as credit risk, liquidity risk and market risk. The treasury team have also fully implemented the investment guidance (English authorities) of the CLG which has been operational since 1 April 2010.

### **Credit Risk**

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

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

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

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

The Council also has a policy of limiting deposits with institutions to a maximum of £40m for the very highest rated institutions such as local authorities. The two banks with significant Government ownership (RBS and Lloyds) have been classified as sovereign risk therefore it was proposed to increase the limits of these banks to £60m. This was agreed in Council on 12/11/12.

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 2015 the Council had investments with the following banks.

<u>Country</u>	<u>Counterparty</u>
Australia	ANZ BANKING GROUP
Australia	NATIONAL AUSTRALIA BANK
Singapore	DBS BANK
Singapore	OVERSEA CHINESE BANKINGCORPORATION LTD
Singapore	UNITED OVERSEAS BANK LTD
Sweden	SVENSKA HANDELSBANKEN
UK	LLOYDS TSB PLC
UK	ROYAL BANK OF SCOTLAND
UK	Goldman Sachs Sterling Liquid Reserves
UK	JP Morgan Sterling Liquidity Fund

The Council's maximum exposure to credit risk in relation to its investments in banks of £270.114m (£160.450m, 2013/14) 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 2014 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 there was no breach of the counterparty list.

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

<b>31 March 2014</b>		<b>31 March 2015</b>	
<b>£000</b>		<b>£000</b>	
13,713	Less than three months	11,809	
2,169	Three to six months	1,339	
1,457	Six months to one year	1,584	
3,504	More than one year	3,789	
<b>20,843</b>		<b>18,521</b>	

### 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):

<b>31 March 2014</b>		<b>31 March 2015</b>	
<b>£000</b>		<b>£000</b>	
258,285	Public Works Loans Board	245,526	
124,000	Market Debt	124,000	
0	Temporary Borrowing	0	
<b>382,285</b>	<b>Total</b>	<b>369,526</b>	
12,410	Less than one year	26,521	
	Between:		
26,870	one and two years	0	
13,568	two and five years	13,568	
15,471	five and ten years	36,155	
313,966	More than 10 years	293,282	
<b>382,285</b>		<b>369,526</b>	

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.

## **Market Risk**

### Interest Rate Risk

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

- borrowing at variable rates:
  - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- borrowing at fixed rates:
  - the fair value of the liabilities 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.

Borrowing is not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or 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 borrowing in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

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

According to this assessment strategy, at 31 March 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£000</b>
Increase in interest payable on variable rate borrowing	1,240
Increase in interest receivable on variable rate investments	0
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	<b>1,240</b>
Share of overall impact debited to the HRA	<b>1,090</b>
Decrease in fair value of fixed rate investment assets	0
Impact on Other Comprehensive Income and Expenditure	<b>0</b>
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	<b>(65,077)</b>

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

### **Foreign Exchange Risk**

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

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

From the records that have been established, there have not been any acquisitions, donations or disposals of any of the four categories of Heritage Assets (Buildings, Mayoral Regalia & Silverware, Art Collection and Public Sculpture). However, in 2011/12 some restoration works was carried out to Tollgate House (Building) and in 2014/15 the same asset was revalued by an independent valuation service. Further details are shown in Note 13. Heritage Assets.



## Note 49. 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 2014	Receipts	Payments	Balance at 31 March 2015
	£	£	£	£
Education	(9,017)	(61)	0	(9,078)
Social Services	(38,016)	(225)	0	(38,241)
Other Funds	(160,143)	(948)	0	(161,091)
Water low Park	(228,407)	(327,064)	335,584	(219,887)
Lauderdale House Charity	(260,153)	(301,320)	332,871	(228,602)
Emmanuel Vincent Harris Trust	(3,862,937)	(22,830)	0	(3,885,767)
Neighbourhood Forum Funds	(21,360)	(684)	21,576	(468)
<b>Total</b>	<b>(4,580,033)</b>	<b>(653,132)</b>	<b>690,031</b>	<b>(4,543,134)</b>

Assets and liabilities on the funds as at 31 March 2015 were:

<b>2013/14</b>		<b>2014/15</b>	
£		£	
488,560	Fixed Assets	448,489	
4,091,473	Investments	4,094,645	
<u>4,580,033</u>		<u>4,543,134</u>	
<b>4,580,033</b>	Represented by Trust Funds	<b>4,543,134</b>	

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 31<sup>st</sup> March 2015 was £6.172m (£5.796m; 31<sup>st</sup> March 2014).

## SUPPLEMENTARY STATEMENTS

### Housing Revenue Account Comprehensive Income and Expenditure Statement for the year ended 31 March 2015

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

2013/14		2014/15
£000		£000
	<b>Expenditure</b>	
47,149	Repairs and maintenance	55,099
19,014	Supervision and management – General	18,417
29,267	– Special services	28,654
2,272	PFI Costs	2,410
7,688	Rents, rates and other charges	7,867
2,383	Increased/(decreased) provision for bad debts	(944)
33,544	Depreciation	6 34,925
(118,691)	Revaluation (gain)/loss charged to income & expenditure	6 (43,937)
0	De-recognition of HRA Assets	0
101	Debt Management Expenses	123
<b>22,727</b>	<b>Total expenditure</b>	<b>102,614</b>
	<b>Income</b>	
(123,597)	Dwelling rents	1,2,3,4 (130,108)
(1,946)	Non-dwelling rents	(1,927)
(22,080)	Charges for services and facilities	(21,799)
(14,580)	Leaseholder charges – revenue	(14,136)
(7,352)	Leaseholder charges – capital	(1,230)
(6,824)	HRA Subsidy/PFI Credit	(6,824)
(199)	Commissioned Support Services Grant	(306)
(88)	REFCUS	(2)
<b>(176,666)</b>	<b>Total income</b>	<b>(176,332)</b>
<b>(153,939)</b>	<i>Net Cost of HRA Services per whole Authority Comprehensive Income and Expenditure Statement</i>	<b>(73,718)</b>
1,595	HRA services share of Corporate and Democratic Core	552
<b>(152,344)</b>	<b>Net (Income)/Expenditure for HRA Services</b>	<b>(73,166)</b>

2013/14 £000	Notes	2014/15 £000
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
0		0
(12,889)		(9,982)
22,970	5	21,657
(8,184)		(7,731)
0		0
(12,736)		(35,595)
3,046	7	4,360
<b>(160,137)</b>		<b>(100,457)</b>
<b>Statement of Movement on the HRA Balance</b>		
<b>(47,101)</b>		<b>(34,913)</b>
(160,137)		(100,457)
172,325	8	94,405
<b>12,188</b>		<b>(6,052)</b>
<b>12,188</b>		<b>(6,052)</b>
<b>(34,913)</b>		<b>(40,965)</b>

### **Note 1. Gross Rent Income**

Gross rent income is the total rent income due for the year after allowance is made for vacant properties. During the year 2.58% of properties used for permanent accommodation were vacant (2.39%, 2013/14). The average rent for all stock excluding service charges was £110.23 per week in 2014/15, an increase of £5.95 or 5.71%, over the 2013/14 level of £104.28 per week.

## Note 2. Housing Stock

The value of Council Dwellings as at 31st March 2015 was £2.468billion (£2.357 billion at 31 March 2014). The basis of the valuation for these dwellings is 'Existing Use Value for Social Housing' based on the vacant possession value of the properties, adjusted to reflect the occupation by a secure tenant. The Social Housing discount factor is 25% in 2014/15 (25% in 2013/14), which means that the vacant possession value of the dwellings within the HRA as at 31st March 2015 is £9.872billion (£9.428billion at 31 March 2014). The difference between the vacant possession and the Balance Sheet value shows the economic cost to the Government of providing social housing at less than open market rents.

The Council was responsible at 31 March 2015 for managing self-contained and shared dwellings. The stock was as follows:

<b>2013/14</b>	<b>Property</b>	<b>2014/15</b>
<b>No.</b>		<b>No.</b>
9,818	Bedsitter / 1 Bed accommodation	9,622
7,358	2 Bed accommodation	7,318
4,857	3 Bed accommodation	4,851
1,384	4 Bed+ accommodation	1,382
	<b>Multi-occupied dwellings</b>	
74	Shared units *	83
<b>23,491</b>	<b>Total</b>	<b>23,256</b>

\*Dwelling equivalent

The change in stock can be summarised as follows:

<b>2013/14</b>		<b>2014/15</b>
<b>No.</b>		<b>No.</b>
23,614	Stock at 1 April	23,491
(123)	Less sales, demolitions, etc.	(235)
<b>23,491</b>	Stock at 31 March	<b>23,256</b>

## Note 3. Rent Arrears

The arrears at 31 March 2015 were £6.643m (£5.723m, 31 March 2014). Amounts written off during the year totalled £0.133m (£0.277m, 31 March 2014) and the provision for bad debts at the year-end totalled £5.184m (£4.394m; 31 March 2014)

#### Note 4. Rent Rebates

Assistance with rents is available under the Housing Benefits scheme for those on low incomes. About 68.85% of the Council's tenants were receiving some help with the costs of rent charges at 31 March 2015.

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
123,597	Gross rent income	130,010
<u>12,685</u>	Gross tenant service charge income	<u>12,365</u>
<b>136,282</b>	<i>Total</i>	<b>142,375</b>
88,320	Rent Rebates	89,579
65%	Rebates as % of rent income	63%

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.

#### Note 5. 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 6. Depreciation

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

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
<u>31,727</u>	Operational Assets-dwellings	<u>33,625</u>
<u>1,817</u>	Operational Assets-other	<u>1,300</u>
<b>33,544</b>		<b>34,925</b>

The revaluation of HRA stock is as follows:

(118,691)	Revaluation (gains)/loss charged to income and expenditure	(43,937)
<u>(118,691)</u>	<b>Total</b>	<u>(43,937)</u>

## **Note 7. 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 or from the Pension Reserve such that the net outturn on the HRA is not altered by these accounting adjustments.

## Note 8. Note to the Statement of Movement on the HRA Balance

2013/14 Net Expenditure £000	Notes	2014/15 Net Expenditure £000
	<b>Items included in the HRA Comprehensive Income and Expenditure Statement but excluded from the movement on the HRA Balance for the year</b>	
0	Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year in accordance with statute	0
12,889	Gain/loss on sales of HRA fixed assets	9,996
(780)	REFCUS	2
0	Revaluation changes on Investment Properties recognised in I&E	0
208	Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements (employee accrual)	(87)
(7,731)	Net charges made for retirement benefits in accordance with IAS19	(9,042)
0	Reversal of HRA settlement – capital receipt	0
<b>4,586</b>	<b>Total</b>	<b>869</b>
	<b>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</b>	
0	Capital Grants Unapplied	0
121,716	Transfer from Capital Adjustment Account re Revaluation gain/(loss) charged income & expenditure	46,482
22,667	Capital Expenditure funded by the HRA	0
5,275	RCCO – Leaseholder contributions	5,346
5,344	Employers contributions payable to the pension funds and retirement benefits payable direct to pensioners	6,114
0	Reversal of HRA settlement	0
12,737	Reversal of HRA Capital Grant	35,594
<b>167,739</b>	<b>Total</b>	<b>93,536</b>
<b>172,325</b>	<b>Net additional amount required by statute and non-statutory proper practices to be credited or debited to the HRA Balance for the year</b>	<b>94,405</b>

## Note 9. HRA Capital Programme

Total capital expenditure on Land, Houses and other property within the HRA was £112.577m (£87.798m in 2013/14). The expenditure was funded from the following resources:

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
15,045	Borrowing	22,097
8,006	Capital Receipts	15,140
27,942	Revenue Contributions	5,346
24,068	Major Repairs Reserve	34,400
12,737	Grants	35,594
0	Other Contributions	0
<b>87,798</b>		<b>112,577</b>

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
<b>0</b>	<b>Capital Receipts received within the year were</b>	<b>47,638</b>
0	Useable	42,569
0	Paid to DCLG	5,069



**Collection Fund Revenue Account**  
**for the year ended 31 March 2015**

2013/14 £000	2013/14 £000		Notes	2014/15 £000	2014/15 £000
<b>Amounts required by statute to be credited to the Collection Fund</b>					
<b>Council Tax</b>					
(111,362)		Income from council tax (net of benefits)	1,2,3,4	(112,510)	
0	(111,362)	Council Tax benefits		0	(112,510)
<b>Income collectable from business ratepayers</b>					
<b>NNDR</b>					
	(488,528)	Income collectable from business ratepayers	6		(482,453)
<b>Business Rate Supplement</b>					
	(17,038)	Income collectable from business ratepayers	7		(16,393)
<b>Contribution towards previous year's estimated Collection Fund Deficit</b>					
		Collection of deficit			
0		- LB Camden		(148)	
0	0	- Greater London Authority		(44)	(192)
	<b>(616,928)</b>	<b>Total</b>			<b>(611,548)</b>
<b>Amounts required by statute to be debited to the Collection Fund</b>					
<b>Precepts and demands from major preceptors and the authority</b>					
83,905		Precepts and Council demand - LB Camden (including Garden Squares)		85,182	
24,881	108,786	- Greater London Authority		24,927	110,109
<b>Business Rates</b>					
1,202		NNDR allowable costs and adjustments		1,190	
0	1,202	Contribution to the NNDR pool		0	1,190
<b>Business Rates: shares of non-domestic rating income to major preceptors and the billing authority</b>					
147,421		- LB Camden		149,798	
98,280	245,701	- Greater London Authority		99,865	249,663
<b>Business Rates: Payment with respect to central share</b>					
	245,701	- Central Government			249,663
<b>Transitional protection payments for non-domestic rates</b>					

2013/14 £000	2013/14 £000	Notes	2014/15 £000	2014/15 £000
	4,636			7,939
		<b>Business Rate Supplement</b>		
16,976		Payments to Greater London Authority's Business Rate Supplement Account	7	16,340
62	17,038	Administrative costs	7	53
		<b>Impairment of debts/appeals for Council Tax</b>		
597		(Decrease)/increase in provision for uncollectable amounts		1,534
587	1,184	Amounts written off/(on)		476
		<b>Impairment of debts/appeals for non-domestic rates</b>		
29,354		(Decrease)/increase in provision for uncollectable amounts		37,354
754	30,108	Amounts written off/(on)		172
		<b>Contribution towards previous year's estimated Council Tax Surplus</b>		
326		Distribution of surplus		
99	425	- LB Camden		0
		- Greater London Authority		0
		<b>Contribution towards previous year's estimated Non domestic Rates Surplus/(Deficit)</b>		
		Distribution of surplus		
0		- LB Camden		(2,716)
0		- Greater London Authority		(1,810)
0		- Central Government		(4,525)
	<b>654,781</b>	<b>Total</b>		<b>665,442</b>
	<b>37,853</b>	<b>Deficit/(Surplus) for the year</b>		<b>53,894</b>
		<b>Collection Fund Balance for Council Tax</b>		
(857)		Deficit/(Surplus) at beginning of year		(1,824)
(967)	(1,824)	Deficit/(Surplus) for the year		(584)
		<b>Collection Fund Balance for non-domestic rates</b>		
0		Deficit/(Surplus) at beginning of year		38,820
38,820	38,820	Deficit/(Surplus) for the year		54,478
	<b>36,996</b>	<b>Deficit/(Surplus) at end of year</b>		<b>90,890</b>

### **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 (A to H), depending upon the estimated market value at 1 April 1991.

### **Note 3. Council Demand**

The Council's demand on the Collection Fund for council tax represents the balance of spending for the year to be met from council tax, 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	Chargeable Dwellings	Fraction 2014/15	Tax base for tax setting £
Less than £40,000	A	2,310	6/9	1,540
£40,000 - £52,000	B	5,853	7/9	4,552
£52,000 - £68,000	C	11,749	8/9	10,443
£68,000 - £88,000	D	16,147	9/9	16,147
£88,000 - £120,000	E	12,763	11/9	15,599
£120,000 - £160,000	F	8,634	13/9	12,471
£160,000 - £320,000	G	10,330	15/9	17,217
£320,000 or more	H	4,063	18/9	8,126
<b>Totals</b>		<b>71,849</b>		<b>86,095</b>
Allowance for Non- Collection				(2,701.25)
Adjustment for Armed Forces Dwellings				(26.80)
<b>Total</b>				<b>83,366.95</b>

By law, the tax for each band is set as a fraction of the band D charge. The Band D Council for Camden for 2014/15 together with the comparator for the previous year is:

2013/14 £	Preceptor	2014/15 £
1,021.48	Camden	1,021.48
303.00	Greater London Authority	299.00
<b>1,324.48</b>	<b>Total</b>	<b>1,320.48</b>

## Note 5. Council Tax - Uncollectable Amounts

The provision to cover bad debts stood at £10.233m on 31 March 2015 (£8.699m; 31 March 2014). This represents 58.61% of the outstanding arrears (54.31%; 31 March 2014).

## Note 6. 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 2014/15 is 47.1p and the non-domestic rating multiplier is 48.2p (46.2p and 47.1p, 2013/14 respectively). The total amount collectable, less certain reliefs and deductions, is distributed between the Government, Greater London Authority and the London Borough of Camden.

At 31 March 2015, the non-domestic rateable value of the borough was £1,243,759k (£1,248,308k, 31 March 2014). On 1 April 2010 a national revaluation of all commercial properties was undertaken by the Valuation Office, which resulted in the significant increase in the rateable value of the borough. Transitional arrangements have limited changes to bills and are being phased out over five years.

The deadline for applications for Appeals against the original rateable was 31 March 2015. A significant number of these are backdated downward revaluations that resulted in lower income being received from business ratepayers.

<u>2013/14</u> <u>£000</u>	<u>2013/14</u> <u>£000</u>		<u>2014/15</u> <u>£000</u>	<u>2014/15</u> <u>£000</u>
		<b>Income from business ratepayers</b>		
	548,437	Non-domestic rate charge		547,653
	7,072	SBBR Supplement		8,954
4,636		Transitional relief	7,939	
(54,159)		Less - mandatory charity relief	(55,925)	
(17,290)		- empty property relief	(23,393)	
(168)	(66,981)	- discretionary relief	(2,775)	(74,154)
	<u>488,528</u>	<b>Income due from business ratepayers</b>		<u>482,453</u>

## **Note 7. Business Rate Supplement**

Since 2010/11, Camden has been collecting an additional levy from non-domestic business rate payers, under the statutory arrangements of the Business Rates Supplement Act 2009, on behalf of the Greater London Authority to fund the Crossrail project.

<b>2013/14</b>	<b>2013/14</b>		<b>2014/15</b>	<b>2014/15</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
		<b>Income from business ratepayers</b>		
	19,764	Business Rate Supplement Levy		19,309
(2,097)		Less - mandatory charity relief	(2,095)	
(624)		- empty property relief	(813)	
(5)	(2,726)	- discretionary relief	(8)	(2,916)
	<b>17,038</b>	<b>Income due from business ratepayers</b>		<b>16,393</b>
		BRS collection costs, credited to the Council's General Fund	(53)	
(62)	(62)	Bad debt provision/losses on collection	0	(53)
0				
	<b>16,976</b>	<b>Contribution to Greater London Authority in respect of BRS</b>		<b>16,340</b>

## PENSION FUND

### Explanatory Foreword

#### Introduction

The Council is the administrating authority for the Camden Pension Fund. The Fund is governed by the Superannuation Act 1972. The fund is administered in accordance with the following secondary legislation:

- The LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- The LGPS (Administration) Regulations 2008 (as amended)
- The LGPS (Management and Investment of Funds) Regulations 2009
- The LGPS (Miscellaneous) Regulations 2012

The Accounts have been prepared in accordance with the 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom, issued by CIPFA, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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.

The LGPS 2014 Reforms – Local Government Pension Scheme Regulations 2013, came into effect from 1<sup>st</sup> April 2014. These regulations change the scheme from one based on final pay to one based on average pay throughout an employee's career.

The following description of the fund is a summary only. For further detail, reference should be made to the [London Borough of Camden Pension Fund Annual Report 2014/15](#) and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

## Fund Management

The day-to-day management of the Fund investments is carried out by the professional fund managers. As at 31 March 2015 there were 8 managers investing on behalf of the Fund:

Aberdeen Asset Managers Ltd  
Insight Investment  
Legal & General Investment Management Ltd  
CB Richard Ellis Global Investment Partners Ltd  
Partners Group Management II S.A.R.L  
BlueCrest Capital Management (UK) LLP  
Brevan Howard Multi-Strategy Fund Ltd  
Baring Asset Management Ltd

A ninth manager, Goldman Sachs Asset Management, was also active in 2013/14 with the Fund disinvesting during the year. Accrued income from three other previous fund managers Fidelity Investments Ltd, Schroder Investment Management Ltd and UBS Global Asset Management (UK) Ltd, was also transferred to current fund managers in 2013/14.

Each manager operates within mandated investment management agreements and targets originally determined by the Council's Audit and Corporate Governance (Pensions) Sub-Committee. 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 Pension Committee, which consists of eight councillors who receive advice from the Director of Finance and the Borough Solicitor, as well as the fund managers and the following professional consultants:

Hymans Robertson LLP (Actuarial & Benefit Services)  
AON Hewitt (Investment Consultancy)  
Karen Shackleton (Independent Investment Advisor)  
PIRC (Corporate Governance Services)

Trade Union representatives, admitted bodies and retired members are also invited to attend the Committee as observers. Committee meetings are held on a quarterly basis. The details of the meetings, including agendas, minutes and regular reports on the Fund's performance, can be found through the Camden website:

[www.democracy.camden.gov.uk/ieListMeetings.aspx?Committeeld=180](http://www.democracy.camden.gov.uk/ieListMeetings.aspx?Committeeld=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 2015 is as follows:

<b>2013/14</b>		<b>Fund Managers</b>	<b>2014/15</b>	
<b>£000</b>	<b>%</b>		<b>£000</b>	<b>%</b>
330,699	28%	Aberdeen Asset Managers Ltd	365,031	29%
102,221	9%	Baring Asset Management Ltd	111,417	9%
54,029	5%	BlueCrest Capital Management (UK) LLP	58,039	5%
50,822	4%	Brevan Howard Multi-Strategy Fund Ltd	54,276	4%
55,843	5%	CB Richard Ellis Global Investment Partners Ltd	65,683	5%
175	0%	Fidelity International	0	0%
49	0%	Goldman Sachs Asset Management	0	0%
122,345	11%	Insight Investment	124,656	10%
400,088	34%	Legal & General Investment Management Ltd	433,984	34%
43,913	4%	Partners Group II S.A.R.L	50,957	4%
472	0%	Schroder Investment Management Ltd	0	0%
339	0%	UBS Global Asset Management (UK) Ltd	0	0%
4,413	0%	JPM Custodian Cash Account	1,746	0%
(1,433)	0%	Council	(412)	0%
<b>1,163,975</b>	<b>100%</b>		<b>1,265,377</b>	<b>100%</b>

The negative position shown on the Council assets is due to outstanding net creditors from invoices on the 31st March, and a negative cash position in 2014.

## 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 completed actuarial valuation of the Fund was carried out as at 31 March 2013, the results of which take effect from 1 April 2014. The full valuation report can be read here:

[www.camden.gov.uk/ccm/navigation/council-and-democracy/publications-and-finances/pensions/](http://www.camden.gov.uk/ccm/navigation/council-and-democracy/publications-and-finances/pensions/)

The market value of the Fund's assets at the 2013 valuation date was £1.124bn. The actuarial value of the Fund's accrued liabilities, allowing for future pay increases, was £1.487bn; therefore there was a shortfall of £364m (24.4%).

The employers' contribution rates were calculated using the projected unit actuarial method and the main actuarial assumptions as follows:

CPI Price Inflation	<b>2.5%</b> per annum
Pay increases	<b>4.3%</b> per annum
Gilt-based discount rate	<b>3.0%</b> per annum
Funding basis discount rate	<b>4.6%</b> per annum

Assets were valued at the discounted value of future income assuming a 1.6% per annum average growth on income reinvested, known as the asset outperformance adjustment. This assumes that dividend income would be re-invested, and would share in the long-term growth in capital value of those investments.

At the prior actuarial valuation on 31 March 2010 the assets were valued as sufficient to meet 76% of the liabilities. The employer's contribution rate from 2011/12 to 2013/14 was calculated as 28.1% of pensionable pay. This is the average employer contribution rate required for the three years starting in 2011/12. The Council agreed a contribution strategy with a cap of 1% on increases (and decreases) to its Employer Contribution, following agreement with the Fund's actuary, meaning that in 2014/15 the contribution rate from the Administering Authority was 27.3%.

## Fund Portfolio and Diversification

The Regulations require that the Members of the Pension Committee and Fund Managers should pay regard to the need to diversify investments and also to the suitability of particular investments. The Fund's Statement of Investment Principals and Funding Strategy Statement can be found within the Annual Report on the Pension Fund website:

[www.camden.gov.uk/ccm/content/council-and-democracy/publications-and-finances/pensions/camdens-pension-fund](http://www.camden.gov.uk/ccm/content/council-and-democracy/publications-and-finances/pensions/camdens-pension-fund)

## **Admitted and Scheduled Bodies**

The admitted bodies and scheduled bodies which made contributions to the Fund in 2014/15 were as follows:

### **Admitted Bodies**

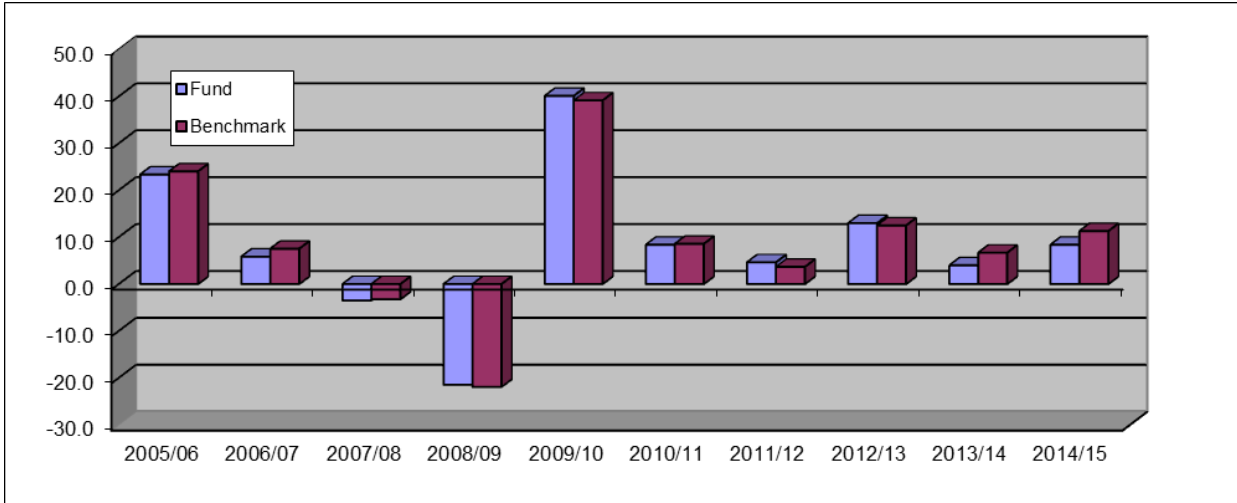
Abbey Road Housing Co-op  
Agar Grove Housing Co-op  
Age UK Camden  
British Association for Adoption & Fostering  
Busy Bee Cleaning Ltd  
Camden Arts Centre  
Camden Citizens Advice Bureau  
Camden Community Nurseries Ltd  
Camden Volunteer Bureau  
Care UK Ltd  
Caterlink Ltd  
Chalk Farm Housing Group  
Circle Care and Support Ltd  
CIS Security Ltd  
Coram Family  
Creative Support Ltd  
Greenwich Leisure Ltd  
Holborn Community Association  
Home Connections  
Land Data CIC  
Local Government Improvement & Development (now IDeA)  
Local Government Information Unit  
Mears Care Ltd  
MiHomecare Ltd  
MITIE PFI  
National Association for Local Councils  
NSL Ltd  
RM Education Ltd  
S&K Car Park Management Ltd  
Voluntary Action Camden

### **Scheduled Bodies**

Abacus Belsize School  
Children's Hospital School  
St Luke's School  
UCL Academy

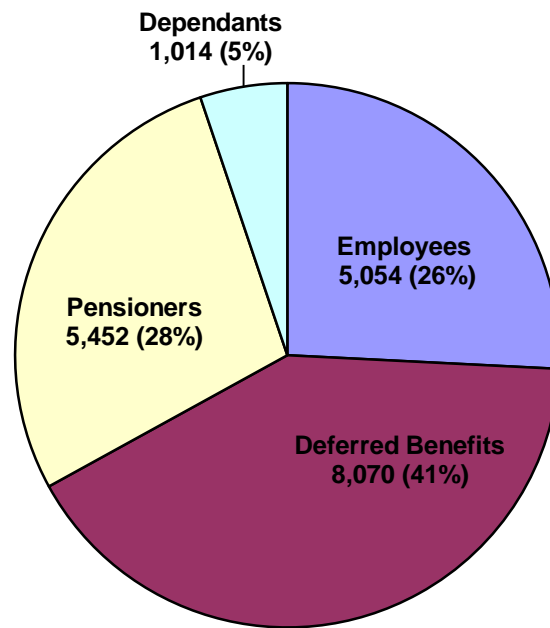
## Returns

The overall value of the Fund has risen by 115% 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.



## Membership

Total membership of the Fund at 31 March 2015 was 19,590 (19,055 in 2014). Within the totals shown in the pie chart below are 370 employees, 738 deferred, 614 pensioners and 49 dependants attributable to admitted bodies and scheduled bodies.



**Total Membership 19,590**

	<b>31-Mar-14</b>	<b>31-Mar-15</b>
Employees	4,886	5,054
Deferred Benefits	7,811	8,070
Pensioners	5,364	5,452
Dependents	994	1,014
	<b>19,055</b>	<b>19,590</b>

## Benefits

Pension Benefits under the LGPS are based on final pensionable pay and length of pensionable pay and length of pensionable service up until 31 March 2015, summarised below:

	<b>Pension</b>	<b>Lump Sum</b>
<b>Service Pre 1 April 2008</b>	Each year worked is worth 1/80 x final salary.	Automatic lump sum of 3 x salary. In addition part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.
<b>Service Post 31 March 2008 – 31st March 2014</b>	Each year worked is worth 1/80 x final salary	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.
<b>Service Post 31 March 2014</b>	Each year worked is worth 1/49 x pensionable earnings of that year. Benefits are held in a pension account and revalued each year in line with inflation.	Members of the LGPS before April 2008 have built up benefits which will include an automatic lump sum. In the new scheme eligible members are still entitled to the aforementioned benefit but can also exchange some pension to get a tax-free cash lump sum. Every £1 of pension sacrificed is equivalent to £12 of tax-free lump sum (subject to HM Revenue & Customs limits).

There are a range of other benefits provided under the scheme including early retirement, disability\_pension and death benefits. For more details, please refer to [www.lgps2014.org](http://www.lgps2014.org).

## Pension Fund Account for the year ended 31 March 2015

In compiling the 2014/15 Statement of Accounts the London Borough of Camden are using investment data from the custodian, JP Morgan.

<u>2013/14</u> <u>£000</u>		Notes	<u>2014/15</u> <u>£000</u>
	<i>Contributions receivable:</i>		
39,992	From Employers		42,640
9,580	From Members		10,664
936	Pension Strain	4	541
<b>50,508</b>		3	<b>53,845</b>
	<i>Transfers in from other pension funds:</i>		
<b>5,261</b>	Transfers in (individual)		<b>5,003</b>
	<i>Benefits payable:</i>		
(40,958)	Retirement pensions		(42,929)
(8,505)	Commutation of pensions and lump sum retirement benefits		(7,144)
(915)	Lump sum death benefits		(1,019)
<b>(50,378)</b>		3	<b>(51,092)</b>
	<i>Payments to and on account of leavers:</i>		
(5,279)	Transfers out (individual)		(3,823)
(9)	Refund of contributions		(53)
1	Contribution Equivalent Premiums	5	10
<b>(5,287)</b>			<b>(3,866)</b>
	<i>Other Payments:</i>		
(647)	Administration costs	7	(702)
(246)	Other expenditure	7	(203)
<b>(893)</b>			<b>(905)</b>
<b>(789)</b>	<b>Net additions from dealing with members</b>		<b>2,985</b>
	<b>Returns on investments</b>		
13,803	Investment income	8	14,718
(417)	Tax deducted from investment income		(67)
(6,291)	Management fees	9	(6,928)
34,033	Change in market value of investments	10	90,694
<b>41,128</b>	<b>Net returns on investments</b>		<b>98,417</b>
40,339	Net increase/(decrease) in the fund		101,402
1,123,636	Net assets at 1 April 2014		1,163,975
<b>1,163,975</b>	<b>Net assets at 31 March 2015</b>		<b>1,265,377</b>

## Pension Fund Net Assets Statement as at 31 March 2015

<b>31 March 2014 £000</b>		Notes	<b>31 March 2015 £000</b>
	<b>Investments at market value</b>		
	<u>Pooled Investment Vehicles:</u>		
122,345	- Fixed Interest Securities	12,13	124,656
25,830	- Index Linked Securities	12,13	25,830
326,353	- UK Equities	12,13	351,045
47,905	- Overseas Equities	12,13	57,109
102,221	- Diversified Growth Fund	12,13	111,417
104,851	- Fund of Hedge Funds	12,13	112,315
<b>729,505</b>			<b>782,372</b>
36	Fixed Interest securities - Public Sector		11
58,293	UK Equities		53,522
266,929	Overseas Equities	12,13	303,664
93,995	Property	12,13	110,549
13,054	Cash deposits	12,13	14,888
3,632	Investment Income Receivable	12,13	794
<b>1,165,444</b>			<b>1,265,800</b>
	<b>Other net assets</b>		
(959)	Cash held by Camden	12,13	(48)
592	Current assets	15	555
(1,102)	Current liabilities	15	(930)
<b>1,163,975</b>	<b>Total net assets</b>		<b>1,265,377</b>

Both the 2014 and 2015 investment valuations above are drawn from the custodian reporting system.

The net asset statement includes all assets and liabilities of the fund at 31 March 2015, but excludes long-term liabilities to pay pensions and benefits in future years.



## **Note 1. Accounting Policies**

i) The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 2 of these accounts.

ii) Investments are shown in the Net Assets Statement at market value. Market valuations are as provided by the Custodian and are based on bid values as at the Net Assets Statement date. Values of 3rd party assets for which the JPM Pricing team cannot source values are priced using the latest accounting reports provided by the investor manager, and if this valuation point differs to year end the Net Asset Value is adjusted for any further drawdown at cost. Prices in foreign currencies are translated at the closing rates of exchange as at 31<sup>st</sup> 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 partly by the Administering Authority, London Borough of Camden, and partly by the Shared Service run by Camden, Wandsworth and Merton.

v) Income due from equities is accounted for on the date stocks are quoted ex-dividend.

vi) Income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis.

vii) Income from other investments is accounted for on an accruals basis.

viii) The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profit and losses realised on sales of investments and unrealised changes in market value.

ix) When foreign exchange contracts are in place in respect of assets and liabilities in foreign currencies, the contract rate is used. Other assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at year end. Income from overseas investments is translated into sterling at an average rate for the period.

x) Surpluses and deficits arising on conversion are dealt with as part of the change in market values of the investments.

xi) Normal contributions, both from members and employers, are accounted for in the payroll month to which they relate, at rates as specified in the rates and adjustments certificate. Additional contributions from employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.

xii) Under the rules of the scheme, members may receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised.

## **Note 2. Actuarial Valuation**

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities every year, on an IAS 19 basis. For 2014/15 Hymans Robertson carried out this analysis, and their reported findings can be found in the accompanying report.

[Pension Fund Actuarial Valuation Report](#)

## **Note 3. Analysis of Contributions and Benefits**

<b>2013/14</b> <b>£000</b>		<b>2014/15</b> <b>£000</b>
	<b>Contributions receivable</b>	
44,483	Administering Authority	47,219
130	Scheduled Bodies	210
5,895	Admitted Bodies	6,416
<b>50,508</b>		<b>53,845</b>
	<b>Benefits payable</b>	
(42,976)	Administering Authority	(44,416)
(261)	Scheduled Bodies	(264)
(7,141)	Admitted Bodies	(6,412)
<b>(50,378)</b>		<b>(51,092)</b>

## **Note 4. 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 5. 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 6. Related Party Transactions**

The Camden Pension Fund is administered by Camden Council, and consequently there is a strong relationship between the council and the pension fund.

In 2014/15 £113k was paid to the council for accountancy services (£112k in 2013/14), and £402k was paid to the Shared Service for pensions administration (£374k in 2013/14).

As at 31 March 2015, a cash balance of £48k relating to the Pension Fund was owed to the Council (£959k was owed to the council at 31 March 2014).

There were no other transactions with related parties other than those which are disclosed elsewhere within the accounts

## Note 7. Administrative Costs and Other Expenditure

Administrative Costs included the following items.

Regulations permit the Council to charge administration costs to the scheme. A proportion of relevant council officers' salaries, including on-costs, have been charged to the fund on the basis of actual time spent on scheme administration and investment related business.

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
374	Pensions Admin charge	402
121	Pensioner database	70
112	Officer's Salary	113
6	Legal fees	14
25	Collective Investment Vehicle	25
9	Other	78
<b>647</b>	<b>Total</b>	<b>702</b>

Other Expenditure included the following items:

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
67	Actuarial Advice	19
92	Investment Consultancy	91
21	Audit	21
25	Custodian	26
18	Corporate Governance	26
23	Statistical Services	20
<b>246</b>	<b>Total</b>	<b>203</b>

## Note 8. Pension Fund Investment Income

A detailed breakdown of this figure is shown below:

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
2	Fixed interest securities	2
2,899	UK equities	2,709
7,252	Overseas equities	7,683
3,657	Property unit trusts	4,277
(7)	Interest on cash deposits	47
<b>13,803</b>	<b>Total income</b>	<b>14,718</b>

## Note 9. Management Fees

The fees levied by the Fund Managers were as follows:

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
1,369	Aberdeen	1,486
458	Barings	474
1,784	BlueCrest	1,400
979	Brevan Howard	1,242
124	CB Richard Ellis	155
5	Fidelity	0
215	Goldman Sachs	(36)
0	Insight	875
198	Legal & General	208
1,159	Partners Group	1,124
<b>6,291</b>	<b>Total</b>	<b>6,928</b>

In 2014/15 the Fund invested in Insight to replace Goldman Sachs as absolute return bond manager. The negative amount for Goldman Sachs relates to an overestimation for management fees accrued from 2013/14.

**Note 10. Change in Market Value of Investments for the year ended 31 March 2015**

	<b>Realised Gain £000</b>	<b>Unrealised Gain £000</b>	<b>Movement 2014/15 £000</b>
<b><u>Pooled Investment Vehicles:</u></b>			
- Fixed Interest Securities	0	2,311	2,311
- Index Linked Securities	0	0	0
- UK Equities	1,352	25,840	27,192
- Overseas Equities	0	9,204	9,204
- Fund of Hedge Funds	0	7,464	7,464
- Diversified Growth Fund	0	9,092	9,092
	<b>1,352</b>	<b>53,911</b>	<b>55,263</b>
Fixed Interest securities - Public Sector	24	(14)	11
UK Equities	2,372	(6,085)	(3,713)
Overseas Equities	2,436	26,582	29,017
Property	870	5,323	6,193
<b>Total Investments</b>	<b>7,054</b>	<b>79,717</b>	<b>86,771</b>
Currency	(319)	(18)	(337)
<b>Total</b>	<b>6,735</b>	<b>79,699</b>	<b>86,434</b>
			<b>4,260</b>
		<b>2014/15 Movement on Investments</b>	<b>90,694</b>

## Note 11. Purchases & Sales

Pension Fund Purchases and Sales by Asset Type for the year ended 31 March 2015:

<u>2013/14</u> <u>£000</u>		<u>2014/15</u> <u>£000</u>
	<b>Purchases</b>	
	<u>Pooled Investment Vehicles:</u>	
121,300	- Fixed Interest Securities	0
0	- Index Linked Securities	0
0	- UK Equities	0
0	- Overseas Equities	0
0	- Fund of Hedge Funds	0
93	- Diversified Growth Fund	104
<b>121,393</b>		<b>104</b>
0	Fixed Interest securities - Public Sector	0
6,823	UK Equities	9,926
34,542	Overseas Equities	47,088
23,417	Property	10,352
<b>186,175</b>	<b>Total Purchases</b>	<b>67,470</b>
	<b>Sales</b>	
	<u>Pooled Investment Vehicles:</u>	
(121,349)	- Fixed Interest Securities	0
0	- Index Linked Securities	0
(13,000)	- UK Equities	(2,500)
0	- Overseas Equities	0
0	- Fund of Hedge Funds	0
0	- Diversified Growth Fund	0
<b>(134,349)</b>		<b>(2,500)</b>
0	Fixed Interest securities - Public Sector	(36)
(4,068)	UK Equities	(10,984)
(31,575)	Overseas Equities	(39,370)
(7,492)	Property	8
(13)	Venture Capital	0
<b>(177,497)</b>	<b>Total Sales</b>	<b>(52,882)</b>

The Fund has held pooled investments in fund of hedge funds and index linked securities throughout the year without addition or disposal.

## Note 12. Pension Fund Analysis of Investments at Market Value

<b>31 March 2014 £000</b>		<b>31 March 2015 £000</b>
	<b>Securities</b>	
36	Government fixed interest UK	11
25,830	Pooled Vehicle - Government index linked UK	25,830
122,345	Pooled Vehicle - Fixed Interest Securities	124,656
<b>148,211</b>		<b>150,497</b>
	<b>UK Equities</b>	
58,293	Quoted	53,522
326,353	Pooled Vehicle - UK Equities	351,045
<b>384,645</b>		<b>404,567</b>
	<b>Overseas Equities</b>	
8,763	Argentina	7,544
4,171	Australia	0
0	Bermuda	3,410
20,497	Brazil	14,920
14,972	Canada	14,988
4,296	China	0
7,984	Curacao	7,673
4,213	France	4,143
0	Guernsey	3,405
9,070	Hong Kong	12,846
7,529	Italy	0
13,972	Japan	27,749
6,632	Mexico	7,471
2,666	Singapore	2,742
5,160	South Africa	4,786
8,171	South Korea	9,056
13,450	Sweden	19,089
38,661	Switzerland	42,199
10,981	Taiwan	10,738
85,741	USA	110,905
47,905	Pooled Vehicle - L&G Global Equity Fund	57,109
<b>314,834</b>		<b>360,773</b>
	<b>Property</b>	
50,082	UK Property	59,592
43,913	Global Real Estate	50,957
<b>93,995</b>		<b>110,549</b>
	<b>Hedge Funds</b>	
104,851	Pooled Vehicles	112,315
<b>104,851</b>		<b>112,315</b>
	<b>Diversified Growth Fund</b>	
102,221	Pooled Vehicles	111,417
<b>102,221</b>		<b>111,417</b>



3,040	Investment Income Receivable	794
13,646	Cash Deposits	14,888
(959)	Cash at Authority	(48)
(510)	Net Debtors / Creditors at Authority	(375)
<b>1,163,975</b>	<b>Total Asset Value</b>	<b>1,265,377</b>

## Note 13. Valuations by Fund Managers

2013/14 £000		2014/15 £000
	<b>Aberdeen Asset Managers Ltd</b>	
54,612	- UK equities	49,316
266,929	- Overseas equities	303,664
7,216	- Cash	10,257
1,942	- Income Receivable	1,794
	<b>Baring Asset Management Ltd</b>	
102,221	- Pooled investment vehicle	111,417
	<b>BlueCrest Capital Management (UK) LLP</b>	
54,029	- Pooled investment vehicle	58,039
	<b>Brevan Howard Asset Management LLP</b>	
50,822	- Pooled investment vehicle	54,276
	<b>CB Richard Ellis Collective Investors Ltd</b>	
3,681	- UK equities	4,206
30,472	- Pooled investment vehicle	35,728
19,610	- Property unit trusts	23,864
1,240	- Cash	1,694
840	- Income Receivable	191
	<b>Fidelity International</b>	
0	- UK equities	0
131	- Cash	0
44	- Income Receivable	0
	<b>Goldman Sachs Asset Management</b>	
0	- Pooled investment vehicle	0
49	- Cash	0
	<b>Insight Investment</b>	
122,345	- Pooled investment vehicle	124,656
	<b>Legal &amp; General Investment Management</b>	
	Pooled investment vehicles	
25,830	- Index linked securities	25,830
326,353	- UK equities	351,045
47,905	- Overseas Equities	57,109
	<b>Partners Group Real Estate</b>	
39,669	- Property SICAR	41,339
4,244	- Pooled Investment Vehicle	9,618
	<b>Schroder Investment Management Ltd</b>	
5	- Cash	0
467	- Income Receivable	0
	<b>UBS Ltd Fixed interest securities</b>	
1	- Cash	0
338	- Income Receivable	0
	<b>JPM Custodian Account</b>	
4,412	- Cash	1,697
1	- Income Receivable	49

	<b>Council</b>	
36	- Public sector fixed interest securities	11
(959)	- Cash	(48)
(510)	- Net Debtors & Creditors	(375)
<u>1,163,975</u>	<b>Total</b>	<u>1,265,377</u>

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 14. Valuation by Reliability of Information**

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

#### **Level 1**

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

#### **Level 2**

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

#### **Level 3**

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Assets:</b>				
Cash & Currencies	2,743	0	0	2,743
Cash Equivalents	0	12,145	0	12,145
Equities	352,981	0	45,545	398,526
Forward Currency Contract	0	0	0	0
Pooled Funds	0	851,582	0	851,582
Receivables	3,271	0	0	3,271
<b>Total Financial Assets</b>	<b>358,995</b>	<b>863,727</b>	<b>45,545</b>	<b>1,268,267</b>
<b>Liabilities:</b>				
Forward Currency Contract	0	0	0	0
Payables	(2,478)	0	0	(2,478)
<b>Total Financial Liabilities</b>	<b>(2,478)</b>	<b>0</b>	<b>0</b>	<b>(2,478)</b>
<b>Grand Total</b>	<b>356,517</b>	<b>863,727</b>	<b>45,545</b>	<b>1,265,789</b>

Financial assets classed at Level 3 include the SICAR property investment held by Partners Group, and one of the underlying CBRE property investments.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Values at 31 March 2014	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Assets:</b>				
Cash & Currencies	3,306	0	0	3,306
Cash Equivalents	0	10,340	0	10,340
Equities	321,541	0	3,680	325,221
Forward Currency Contract	0	4	0	4
Pooled Funds	0	783,831	39,669	823,500
Receivables	4,005	0	0	4,005
<b>Total Financial Assets</b>	<b>328,852</b>	<b>794,176</b>	<b>43,349</b>	<b>1,166,377</b>
<b>Liabilities:</b>				
Forward Currency Contract	0	(2)	0	(2)
Payables	(967)	0	0	(967)
<b>Total Financial Liabilities</b>	<b>(967)</b>	<b>(2)</b>	<b>0</b>	<b>(969)</b>
<b>Grand Total</b>	<b>327,885</b>	<b>794,173</b>	<b>43,349</b>	<b>1,165,408</b>

## Note 15. Analysis of Net Current Assets and Liabilities

<u>2013/14</u> <u>£000</u>		<u>2014/15</u> <u>£000</u>
	<b>Assets</b>	
592	Admitted Authorities payments receivable	555
<u>592</u>		<u>555</u>
	<b>Liabilities</b>	
(985)	Creditors	(671)
(117)	Unpaid Benefits	(259)
<u>(1,102)</u>		<u>(930)</u>
<u>(510)</u>	<b>Net Total</b>	<u>(375)</u>

## Note 16. Direct Transaction Costs

The amount of direct transaction costs incurred by each Fund Manager was as follows:

<u>2013/14</u> <u>£</u>		<u>2014/15</u> <u>£</u>
130,347	Aberdeen	170,850
0	Barings	0
0	BlueCrest	0
0	Brevan Howard	0
19,870	CB Richard Ellis	5,128
0	Goldman Sachs	0
0	Insight	0
19,469	Legal & General	2,238
0	Partners Group	0
<u>169,686</u>	<b>Total</b>	<u>178,216</u>

Direct transaction costs on purchases and sales are only reported in segregated investment mandates, and above on purchases / sales of units in the L&G pooled equity vehicles. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within the other pooled investment vehicles.

## Note 17. 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 twelve funds, with the risk appetite ranging from minimal to higher risk. The employee has the option to choose a combination of these funds. Also the employee has the choice to invest in the default fund (with profits) or a lifestyle option, which commences with higher risk investments and is gradually switched to lower risk investments as the employee moves closer to retirement.

The value and transaction summary of the AVC funds are below. It should be noted that the Phoenix Life accounts are produced on a calendar year basis.

<b>Prudential</b>	<b>2014/15</b>	<b>2013/14</b>
	<b>£</b>	<b>£</b>
Value at 1 April	1,644,184	1,302,608
- Contributions and Transfers Received	456,651	447,313
- Investment Return	151,168	34,169
- Paid Out	(245,299)	(139,906)
<b>Value at 31 March</b>	<b>2,006,704</b>	<b>1,644,184</b>

<b>Phoenix Life Ltd</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Value at 1 January	1,020,270	982,322
- Contributions and Transfers Received	24,285	31,205
- Investment Return	19,678	87,957
- Paid Out	(90,479)	(81,214)
<b>Value at 31 December</b>	<b>973,754</b>	<b>1,020,270</b>

## Note 18. Reconciliation of Investments by Asset Class

	31 March 2014	Purchases	Sales	Change in Market Value	31 March 2015
	£000	£000	£000	£000	£000
Pooled Vehicles:					
- Fixed Interest securities	122,345	0	0	2,311	124,656
- Index Linked securities	25,830	0	0	0	25,830
- UK equities	326,353	0	(2,500)	27,192	351,045
- Overseas equities	47,905	0	0	9,204	57,109
- Fund of Hedge Funds	104,851	0	0	7,464	112,315
- Diversified Growth Fund	102,221	104	0	9,092	111,417
	729,505	104	(2,500)	55,263	782,372
Fixed Interest Securities	36	0	(36)	11	11
UK Equities	58,293	9,926	(10,984)	(3,713)	53,522
Overseas Equities	266,929	47,088	(39,370)	29,018	303,664
Property	93,995	10,352	8	6,194	110,549
<b>Total Investments</b>	<b>1,148,758</b>	<b>67,470</b>	<b>(52,882)</b>	<b>86,773</b>	<b>1,250,118</b>
Cash and net debtors	15,217			(337)	15,259
<b>Total</b>	<b>1,163,975</b>			<b>86,436</b>	<b>1,265,377</b>

	31 March 2013	Purchases	Sales	Change in Market Value	31 March 2014
	£000	£000	£000	£000	£000
Pooled Vehicles:					
- Fixed Interest securities	122,439	121,300	(121,349)	(46)	122,345
- Index Linked securities	27,009	0	0	(1,179)	25,830
- UK equities	311,448	0	(13,000)	27,905	326,353
- Overseas equities	44,905	0	0	3,000	47,905
- Fund of Hedge Funds	104,933	0	0	(83)	104,851
- Diversified Growth Fund	100,487	93	0	1,641	102,221
	711,223	121,393	(134,349)	31,238	729,505
Fixed Interest Securities	39	0	0	(3)	36
UK Equities	59,493	6,823	(4,068)	(3,956)	58,293
Overseas Equities	263,933	34,542	(31,575)	29	266,929
Property	75,930	23,417	(7,492)	2,141	93,995
Venture capital	11	0	(13)	2	0
<b>Total Investments</b>	<b>1,110,629</b>	<b>186,175</b>	<b>(177,497)</b>	<b>29,451</b>	<b>1,148,758</b>
Cash and net debtors	13,007			(61)	15,217
<b>Total</b>	<b>1,123,636</b>			<b>29,390</b>	<b>1,163,975</b>

## Note 19. Nature & Extent of Risks Arising From Financial Instruments

### Market risk

Market risk is the risk of a loss to the Fund due to fluctuations in the prices of the financial instruments it holds. The level of risk is managed through an acknowledgement of the risks associated with the different asset classes it holds, and by diversification between asset classes to control the level of risk whilst optimising return.

Sensitivity analysis can be carried out for potential price changes based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds for example, so the overall outcome will depend largely on funds' asset allocations.

The potential volatilities below (% change) are consistent with volatility of returns experienced over the past year, as provided by one of the Fund's managers Aberdeen. This can then be applied to the period end asset mix as follows:

<b>Asset Type</b>	<b>Value (£000)</b>	<b>% Change</b>	<b>Value on Increase (£000)</b>	<b>Value on Decrease (£000)</b>
UK Equities	404,567	13.7%	460,114	349,020
Global Equities	360,773	11.3%	401,649	319,897
Total Bonds	124,668	5.3%	131,213	118,123
UK Index Linked	25,830	11.9%	28,896	22,764
UK Property	59,592	1.2%	60,295	58,889
Global Property	50,957	2.9%	52,449	49,465
Fund of Hedge Funds	112,315	7.2%	120,357	104,273
Diversified Growth Funds	111,417	4.7%	116,609	106,225
Cash & Equivalents	15,258	4.9%	16,007	14,509
<b>Total Assets*</b>	<b>1,265,377</b>		<b>1,387,589</b>	<b>1,143,165</b>



## Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than £GBP.

To calculate currency risk the currency exchange rate volatility (% change relative to £GBP) of individual currencies is used, as provided by ratesfx.com. For pooled assets the benchmark currency exposure is used as proxy.

The following table summarises the Fund's currency exposure based on its holdings of overseas domiciled equities and property as at 31 March 2015.

<b>Currency</b>	<b>Value (£000)</b>	<b>% Change</b>	<b>Value on Increase (£000)</b>	<b>Value on Decrease (£000)</b>
Argentine Peso	7,544	5.7%	7,972	7,116
Bermudian Dollar	3,410	5.9%	3,611	3,209
Brazilian Real	14,920	12.3%	16,757	13,083
Canadian Dollar	14,988	7.5%	16,115	13,861
EURO	4,143	7.5%	4,454	3,832
Hong Kong Dollar	12,846	6.8%	13,720	11,972
Japanese Yen	27,749	7.8%	29,922	25,576
Mexican Peso	7,471	8.1%	8,075	6,867
Netherlands Antillean Guilder	7,673	5.9%	8,123	7,223
Singapore Dollar	2,742	6.1%	2,908	2,576
South African Rand	4,786	9.8%	5,256	4,316
South Korean Won	9,056	7.3%	9,714	8,398
Swedish Krona	19,089	7.3%	20,488	17,690
Swiss Franc	42,199	16.9%	49,318	35,080
Taiwan Dollar	10,738	7.1%	11,495	9,981
US Dollar	110,905	6.8%	118,458	103,352
Global Basket	57,109	4.3%	59,582	54,636
<b>Total O/S Equity*</b>	<b>357,368</b>		<b>385,967</b>	<b>328,769</b>
O/S Property (€)	41,338	7.5%	44,438	38,238
O/S Property (\$)	9,618	6.8%	10,273	8,963
<b>TOTAL*</b>	<b>408,324</b>		<b>440,678</b>	<b>375,970</b>

## Credit Risk

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

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, however the selection of high quality counterparties and financial institutions, and legal due diligence carried out on all managers and the custodian, minimises the credit risk that may occur through the failure to settle a transaction.

## Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council takes steps to ensure that the Fund has adequate cash resources to meet its commitments through periodic reviews of the maturity of the Fund, and monitoring of the cash flows generated from dealing with members.

## Single Investment Risk

The following single investments represent more than 5% of the net assets of the scheme, although each of the investments below is a pooled investment vehicle with a large number of underlying assets. None of the underlying assets represent more than 5% of the scheme.

<b>Investment</b>	<b>Value 31/3/15 (£000)</b>	<b>% of total fund</b>	<b>Value 31/3/14 (£000)</b>	<b>% of total fund</b>
Legal & General UK Equity Index Fund	351,045	27.7%	326,353	28.0%
Insight Investment Bonds Plus 400 Fund	124,656	9.8%	122,345	10.5%
Baring Dynamic Asset Allocation Fund	111,417	8.8%	102,221	8.8%

## **Note 20. Contingent Liabilities and Contractual Commitments**

### **Real Estate**

The fund has commitments in relation to its two Global Real Estate property funds, one Euro denominated Luxembourg SICAR and one US Dollar denominated Guernsey Limited Partnership. These commitments are drawn down in tranches over time as and when the managers request them. The Euro fund had £3.240m of commitments outstanding as at 31 March 2015 (£7.525m as at 31 March 2014), the US Dollar fund had £39.659m of commitments outstanding as at 31 March 2015 (£38.574m as at March 2014). These are not required to be included in the Pension Fund accounts.

## **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.

#### **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**

<b>AVC</b>	Additional Voluntary Contributions
<b>BSF</b>	Building Schools for the Future
<b>BVACOP</b>	Best Value Accounting Code of Practice
<b>BVCA</b>	British Venture Capital Association
<b>C&amp;IMHSCT</b>	Camden and Islington Mental Health Social Care Trust
<b>CFR</b>	Capital Financing Requirement
<b>CGRA</b>	Capital Grants Received in Advance
<b>CIPFA</b>	Chartered Institute of Public Finance and Accountancy
<b>CPFA</b>	Chartered Public Finance Accountant
<b>CPI</b>	Consumer Price Index
<b>DCLG</b>	Department for Communities and Local Government
<b>DCSF</b>	Department for Children, Schools and Families (formerly DfES – Department of Education and Skills) (Central Government)
<b>DHC</b>	Depreciated historical cost
<b>DMO</b>	Debt Management Office
<b>DRC</b>	Depreciated replacement cost
<b>DSG</b>	Dedicated Schools Grant
<b>DWP</b>	Department of Work and Pensions (Central Government)
<b>EUV</b>	Existing Use Value
<b>FMV</b>	Fair Market Value
<b>FTE</b>	Full Time Equivalent
<b>GLA</b>	Greater London Authority
<b>HMRC</b>	HM Revenue & Customs
<b>HRA</b>	Housing Revenue Account
<b>IAS</b>	International Accounting Standards
<b>ICES</b>	Integrated Community Equipment Store

<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standards
<b>ILEA</b>	Inner London Education Authority
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>ISB</b>	Independent School Bursary Scheme
<b>LCAAF</b>	London Committee for Action Against Fraud
<b>LEP</b>	Local Education Partnership
<b>LEU</b>	London Ecology Unit
<b>LGIU</b>	Local Government Information Unit
<b>LGPS</b>	Local Government Pension Scheme
<b>LOBO</b>	Lender Option Borrower Option financial instrument
<b>LPFA</b>	London Pensions Fund Authority
<b>LRB</b>	The former London Residuary Body (residual functions of the Greater London Council and ILEA)
<b>MMI</b>	Municipal Mutual Insurance
<b>MRA</b>	Major Repairs Allowance
<b>MRP</b>	Minimum Revenue Provision
<b>NBV</b>	Net Book Value
<b>NNDR</b>	National Non Domestic Rates (Business Rates)
<b>NPV</b>	Net Present Value
<b>NLWA</b>	North London Waste Authority
<b>OEIC</b>	Open Ended Investment Company
<b>PCT</b>	Primary Care Trust
<b>PFI</b>	Private Finance Initiative
<b>PPE</b>	Property, Plant and Equipment
<b>PWLB</b>	Public Works Loans Board

<b>RCCO</b>	Revenue Contribution to Capital Outlay (this is also known as Direct Revenue Financing)
<b>REFCUS</b>	Revenue Expenditure Funded From Capital Under Statute
<b>RICS</b>	Royal Institution of Chartered Surveyors
<b>RNCC</b>	Registered Nursing Care Contribution
<b>RPI</b>	Retail Price Index
<b>RSL</b>	Registered Social Landlord
<b>SBRR</b>	Small Business Rate Relief
<b>SEN</b>	Special Education Needs
<b>SIC</b>	Standing interpretations Committee
<b>SLA</b>	Service Level Agreement
<b>SOLACE</b>	Society of Local Authority Chief Executives
<b>SORP</b>	Statement of Recommended Practice
<b>SSAP</b>	Statement of Standard Accounting Practice
<b>TfL</b>	Transport for London
<b>TSS</b>	Teachers Superannuation Scheme
<b>UCL</b>	University College London
<b>UK GAAP</b>	UK Generally Accepted Accounting Principles