



Royal Borough of Kingston upon Thames Statement of Accounts 2013/14

Audit Committee

24 September 2014

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FURTHER INFORMATION

Further information about the 2013/14 Statement of Accounts is available from the Capability Lead – Finance Accounting by telephoning (020) 8547 5668, or by writing to the address below;

Capability Lead – Finance Accounting
Guildhall 2
Kingston upon Thames
Surrey
KT1 1EU

EXPLANATORY FOREWORD

The accounting arrangements of any large organisation are complex. The purpose of the Statement of Accounts is to detail the financial performance and overall financial position of the Council in a manner which is reasonably comprehensible, whilst acknowledging that over-simplification can be misleading. Accounting and Local Government finance have a language of their own so, inevitably, some technical wording remains. A Glossary is included at the end of the Statement to assist understanding of the information in this document.

The purpose of this foreword is to summarise, for the reader, the key information contained within the Statement of Accounts.

■ THE FINANCIAL STATEMENTS - MAIN

This Statement sets out the statutory accounts for the Royal Borough of Kingston upon Thames (RBK) in respect of the 12 month period from 1 April 2013 to 31 March 2014. The various statements show the financial results of all of the Council's operations for the financial year and its financial position as at 31 March 2014.

The financial statements have been produced in accordance with the requirements of the *Code of Practice on local Authority Accounting in the United Kingdom 2013/14*, often referred to as *The Code*, and the *Service Reporting Code of Practice 2013/14 (SERCOP)*, both published by the Chartered Institute of Public Finance and Accountancy (CIPFA). These requirements are based on the *International Financial Reporting Standards (IFRSs)*.

The narrative below describes the purpose of each of the 4 mains statements and an executive summary of the key results of those statements in 2013/14.

Movement in Reserves Statement:

Purpose

This statement shows the movement in year on the different reserves held by RBK, analysed into 'usable reserves' (those that can be used to fund expenditure or reduce local taxation) and 'unusable reserves'. The Surplus of (deficit) on the Provision of Services line shows the true economic cost of providing RBK's services. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax setting and dwelling rent setting purposes.

The changes in usable and unusable reserve balances are explained under the Balance Sheet section.

Comprehensive Income & Expenditure Statement (CIES)

Purpose

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

Executive Summary of Key Points 2013/14

- The acquired operation, Public Health (see further details below), is disclosed separately on the face of this statement to aid comparison with prior periods. For

2012/13 the function was under the control of the Primary Care Trust and not the Council.

- The change in net expenditure in the Non Distributed Costs line between 2012/13 and 2013/14 is due to the actuarial calculation of extinguished liabilities in 2012/13 due to the transfer of staff out of RBK.
- The change in gross expenditure between 2012/13 and 2013/14 in the HRA line is due to the positive effects of upward property revaluations in 2013/14.
- The change in gross expenditure and gross income between 2012/13 and 2013/14 in the Central services to the public line is due to the removal of Council Tax benefit expenditure and the government grant applicable in 2012/13. Under the localisation of Council Tax benefit, these amounts are now accounted for within the Collection Fund.
- The change in other operating expenditure between 2012/13 and 2013/14 is due to the gains made on the sale of property assets within the General Fund and HRA.

Balance Sheet

Purpose

This statement shows the value as at the Balance Sheet date (31 March 2014) 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 2 categories:

- Usable reserves – those reserves that RBK may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
- Unusable reserves – those reserves that RBK is not able to use to provide services. This includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves statement line 'Adjustments between accounting basis and funding basis under regulations'.

Executive Summary of Key Points 2013/14

- Property, Plant & Equipment (PPE) – PPE has increased in value by £18.8m resulting from upward revaluations of assets in the 2013/14 property valuation cycle and capital additions.
- Assets held for sale - shows a £nil balance at 31 March 2014 compared with £2.6m at 31 March 2013. At the balance sheet the Council held no assets that were deemed to be assets held for sale.
- Short term investments – this balance has increased by £15.9m. Year end investment balances are significantly higher than the previous financial year which is the result of a number of factors. One of the main reasons for the higher balance is due to slippage in the capital programme, this has reduced the Council's underlying need to borrow and also allowed the Council to set aside a number of capital grants for delivery of objectives in future years. The Council has also benefited from significant capital receipts in year which have been reinvested in the capital programme.

- Short Term Debtors – have increased by £9m largely due to an increase in debt raised at the end of the year. This increase in debtors raised was largely in respect of amounts due from other Local Authorities mainly due to debt raised in respect of waste and recycling service assets that were held by RBK. Because of the secure nature of this debt no additional provision for bad debt was made.
- Short Term Creditors – have increased by £8.5m due to small number of significant payments to suppliers accrued at year end - £4.4m. The change in treatment of NNDR brought about by the Business Rates Retention scheme has also led to the need to recognise as a creditor monies owed to central government as dictated by the results in the Collection Fund. This amounted to £3.773m. This was not required under the previous Business rates regime.
- Current Borrowing and Capital Resources – the borrowing disclosed in Note 15 relate to the financing of capital expenditure incurred in 2013/14 and earlier years.

All of the Council's borrowing (£233.1m) is from the Public Works Loans Board and the money markets. The figure differs from the figure reported in the Balance Sheet because of the accounting arrangements for financial assets and liabilities as explained in the Accounting policies in Note 1. The balance sheet figure includes accounting adjustments (£1.1m).

Future capital expenditure will be financed from borrowing (in accordance with the Council's Treasury Management Strategy); revenue contributions, capital receipts; capital grants and contributions and funds within earmarked reserves.

- Pensions Liability – the Council's actuary has calculated, in accordance with IAS19, that Pension Fund Assets, in 2013/14, have increased in value by £13.4m and pensions liabilities, in the same period, have decreased by £21m. This has led to a decrease of £34.4m to £219.9m in the Council's overall net pension's liability.

In common with other Local Authorities, the Council's pension provision is by way of a funded scheme.

In 2013/14, the Council went through the process of its triennial valuation of the Pension Fund. The results of this valuation are effective from 1 April 2014 and do not effect this reporting period. Further details can be seen in the Explanatory Foreword to the Pension Fund Accounts and Note 18 to those accounts.

- Usable Reserves – this has increased by £11m largely due to an increase of £2.3m relating to Capital Grants Unapplied for specific schools capital grants which will be applied to related capital expenditure in 2014/15; an increase of over £4m in the capital receipts reserve which primarily relate to HRA receipts that have been set aside for the provision of affordable housing and increases in Schools related balances and statutory parking accounts.
- Unusable Reserves – this has increased by £51.5m largely due to accounting adjustments to the Capital Adjustment Account (£16m) and the effect in the Pension's liability reserve of the reduction of RBK's Pensions liability (£34m).

Cashflow Statement

Purpose

This statement shows the changes in cash and cash equivalents of RBK during the reporting period. The Statement shows how RBK generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Notes to the Accounts

Purpose

The Statements are supported by further notes to the accounts which either support lines in the main statements or provide further statutory disclosure on other items. The former are referenced in the main statements whilst the latter include such items as details of the accounting policies and critical judgements; nature of risk from financial instruments; Members allowances and Officer's remuneration; lease disclosure and related party disclosures.

Executive Summary of Key Points 2013/14

- Note 38 describes the change in the net pension fund liability in more detail.
- Significant Provisions or Contingencies – there are no significant provisions or contingencies to report other than Business Rates Appeals described above. Provisions and Contingent liabilities are disclosed further in Notes 21 and 39
- The Council's related parties and Interest in other Companies are described in notes 33 and 40 respectively

■ **THE FINANCIAL STATEMENTS - SUPPLEMENTARY**

There are also a number of supplementary financial statements that are included in the Statement of Accounts:

Collection Fund Account

Purpose

This summarises income and expenditure related to the collection of Council Tax and Non-Domestic Rates, including the precept and Crossrail Business Rate Supplement which are collected on behalf of the Greater London Authority (GLA). It sets out the contribution of RBK Council Tax payers to the costs of local services and its distribution to the GLA.

In 2013/14 the Local Government Finance regime has been revised with the introduction of the retained business rates retention scheme which is detailed further on in this Foreword.

Executive Summary of Key Points 2013/14

The Council has reported a cumulative surplus of £1.346m at 31 March 2014. This surplus takes into account both Council Tax (£0.651m surplus) and NNDR (£0.695m surplus). The RBK element of this cumulative surplus was £0.740m (£0.531m surplus relating to Council Tax and £0.209m relating to NDR). The remaining £0.606m relates to:

The Greater London Authority	-	£0.259m
Central Government	-	£0.347m

The surplus in respect of NNDR is inclusive of the provision made for the potential impact of appeals. The estimated impact of these appeals (£3.773m) has been accounted for in 2013/14. Regulations permit the Council to spread the impact over 5 years, but RBK has chosen not to exercise this option so when appeals are determined, the cost of any refunds to ratepayers will be met from the provision, rather than impacting on NNDR income received for 2014/15 and future years. This approach was taken into account in setting the 2014/15 budget. Should the backdated impact of successful appeals be greater or less than estimated, the resulting deficit or surplus will be taken into account in setting the budget for 2015/16 and future years.

The difference between the actual surplus in respect of the council tax element of the Collection Fund and the estimate made when setting the 2014/15 budget will be taken into account when setting the 2015/16 budget.

Housing Revenue Account

Purpose

This shows the income and expenditure relating to the provision of housing and associated services to the Council tenants and leaseholders. This reflects the statutory obligation of RBK to account separately for the cost of its activities as a landlord in the provision of Council housing.

Executive Summary of Key Points 2013/14

The only item to report is a reduction in expenditure compared to 2012/13 due to the revaluation gains realised on the annual revaluation, in 2013/14, of the Council's HRA property portfolio.

Pension Fund Accounts

Purpose

These set out a summary of the transactions during the year (Fund Account) and the overall financial position of the Fund at 31 March 2014 (Net Assets Statement).

■ ACCOUNTING CHANGES 2013/14

The framework within which the Council's accounts are prepared and published is regulated as set out in Notes 1 to 4.

The most material change to the Councils 2013/14 accounting policies relates to incorporating the changes made to the account standard for pensions (IAS19). This resulted in changes to where liabilities arising through employee benefit schemes are recognised in the CI&ES and changes to disclosures.

The Councils' critical judgements in applying our accounting policies are set out in Note 3 and deal with items such as the treatment of leases; the recognition of schools assets dependent on their status as community, voluntary controlled, voluntary aided, free and academy schools and group relationships. These assumptions have not changed in their 2013/14 application.

■ **GROUP ACCOUNTS**

Group Accounts have not been included in the 2013/14 Statement of Accounts as has been the case since 2011/12 on the grounds that they do not have a material effect on the overall financial statements and therefore their inclusion would not provide any further benefit to the user of the Statement of Accounts

Kingston Theatre LLP

Prior to 2011/12, the Group Accounts included the activities of the Council and Kingston Theatre LLP, the principal activity of this company is to own and manage the property known as the Rose Theatre. The Council and Kingston University are the designated members of Kingston Theatre LLP. Kingston Theatre LLP was, and is still, considered to be a subsidiary to the Council. Contact details for the procurement of the full accounts for Kingston Theatre LLP can be seen in Note 40. The accounts are available on the Council website. It should be noted that the tenant of the Rose Theatre is Kingston Theatre Trust which does not have a group relationship with the Council.

The Council's shareholding in the LLP is recognised as an investment within the accounts and measured at Fair Value. The Council's share of any profits made by the LLP has been recognised through the Comprehensive Income & Expenditure Statement

Achieving for Children (AfC)

With the inception of the jointly owned company, Achieving for Children (AfC), in 1 March 2014, the Council will return to producing Group Accounts for the 2014/15 period. This does not apply in 2013/14 as AfC did not begin trading until 1 April 2014, so there are no transactions to consolidate. More information on AfC can be seen towards the end of this Foreword and in Note 40 Interest in Companies. Because of the date of inception, this company has no bearing on the 2013/14 financial statements.

■ **CHANGES TO LOCAL AUTHORITY FUNDING**

2013/14 saw some significant changes to one of the ways in which Local Authorities are funded. The Local Government Finance Act 2012 introduced a Business Rates Retention Scheme that enabled Local Authorities to retain a proportion of the Business Rates generated in their area rather than paying business rates into a national pool and receiving a redistributed proportion.

This new arrangement came into effect from 1 April 2013 and means that the Council will share in both the risks and rewards of fluctuations in the NNDR income of the borough. The scheme aims to give Councils a greater incentive to grow business and the local economy allowing them to keep the rewards of such growth, however, there is also financial risk attached to the change with Councils more exposed to the non-collection of business rates and the responsibility for financing successful appeals made against rateable values as defined by the VOA.

■ **CHANGES TO LOCAL AUTHORITY RESPONSIBILITIES - PUBLIC HEALTH**

From 1 April 2013 various Public Health responsibilities transferred to Local Authorities from Primary Care Trusts. The Council receives a Government Grant to pay for this new responsibility and there was a transfer of staff from the PCT to the council to provide this service.

Expenditure and Income related to this acquired operation is disclosed separately on the face of the Comprehensive Income & Expenditure Statement to aid comparisons with prior periods.

■ GENERAL FUND REVENUE OUTTURN POSITION 2013/14

The sections above describe the results of the financial accounting statements. This section details the Council's performance against its 2013/14 budget. The Council's General Fund position for 2013/14 is detailed below. The table shows the net revenue outturn for 2013/14 compare to the net revenue budget approved at Budget Council on 26 February 2013. Note 27 in the Statement of Accounts shows a reconciliation between this statement and the Comprehensive Income and Expenditure Statement.

	2013/14 Original Budget £000s	2013/14 Revised Budget £000s	2013/14 Outturn £000s	2013/14 Over/ (under) spend £000s
Adult Services	50,427	51,586	53,033	1,447
Learning & Childrens Services	37,739	37,599	39,479	1,880
Place Services	28,132	27,286	25,821	(1,465)
One Council Services (ICT)	57	433	416	(17)
One Council Services (Assets)	(2,407)	(985)	(1,270)	(285)
One Council Services (Strategic Business & Organisational Development)	3,637	3,194	3,050	(144)
One Council Services (Finance)	7,178	6,941	6,253	(688)
Neighbourhoods	6,509	6,961	6,961	0
Other Corporate Services	(580)	(4,487)	(4,726)	(239)
One Kingston Programme	0	2,260	2,259	(1)
Total Net Cost of Services	130,692	130,788	131,276	488
Levies	798	702	702	0
Contribution to/(from) Specific Reserves	1,000	1,000	1,000	0
Total Gross Budget	132,490	132,490	132,978	488
Funded by:				
Education Services Grant	(1,923)	(1,923)	(1,940)	(17)
Housing Benefit Admin	(970)	(970)	(970)	0
New Homes Bonus	(2,183)	(2,183)	(2,346)	(163)
Other	(206)	(206)	(651)	(445)
Total Net Budget	127,208	127,208	127,071	(137)
Funded by:				
Revenue Support Grant (incl rolled in grants)	(28,974)	(28,974)	(28,974)	0
NNDR retained locally	(18,495)	(18,495)	(18,484)	11
Council Tax	(79,709)	(79,709)	(79,709)	0
Collection Fund Surplus	(30)	(30)	(30)	0
Total	(127,208)	(127,208)	(127,197)	11
Net Over / (Under) spend	0	0	(126)	(126)

The under spend of £0.126m has increased the General Fund balance as follows:

	£m
Balance at 1 April 2013	7.826
<u>2013/14 under spend</u>	<u>0.126</u>
Balance at 31 March 2014	7.952

The General Fund balance is designed to mitigate the future risk of unforeseen expenditure and as with previous years the capacity of the General Fund balance has increased as a percentage of the following year's net budget requirement to 6.4%.

2013/14	6.4% of 2014/15 net budget requirement
2012/13	6.2% of 2013/14 net budget requirement

2011/12 5.2% of 2012/13 net budget requirement

The table below shows the major variations within the General Fund under spend of £0.126m.

Item	£000s
Adult Services	
Adult Social Care & Concessionary Fares	(193)
Supporting People	121
Commissioning - Long term	1,714
Commissioning - Short term	(2,201)
Provider Services - Long term	2,047
Public Health under spend	(420)
Public Health under spend carried forward to 2014/15	420
Other Adult Services Minor Variances	(41)
Total Adult Services Variance	1,447
Learning & Children's Services	
Children's Social Care - External Placement	471
Children's Social Care - Safeguarding Staffing	751
Children's Social Care - Looked After Children Staffing	272
Children's Social Care - Professional Standards & Development Staffing	206
Prevention & Integration - Integrated Disabled Children's Service	84
Prevention & Integration - Supporting People	81
Other Learning & Children's Services Minor Variances	15
Total Learning & Children's Services Variance	1,880
Place Services	
Waste Management - Collection	(185)
Waste Management - Disposal	(515)
Housing General Fund	(425)
Street Services - Staffing	(190)
Environmental Health - staffing and increase income	(225)
Development, Planning & Regeneration	126
Other Place Services Minor Variations	(51)
Total Place Services Variance	(1,465)
One Council Services	
Assets - Repairs & Maintenance under spend	(156)
Legal Services - Local Land Charges income	(57)
Corporate Governance - Members Expenses, Audit and Democratic Services	(133)
Strategic Business - Communications	(70)
Business Support	142
Customer Contact - Staffing and Interpreters Income	(124)
Revenues & Benefits - additional grants and bad debt provision adjustment	(403)
Revenues & Benefits - staffing and operational expenditure	(192)
Other One Council Services Minor Variations	(140)
Total One Council Services Variance	(1,134)
Neighbourhoods	
Kingston Town	(126)
Malden's & Coombe	(75)
Surbiton	(45)
South of Borough	(70)
Under spends carried forward to 2014/15	316
Total Neighbourhoods Variance	0
Other Corporate Services & One Kingston Programme	
Investment Income & Minimum Revenue Provision	(380)
Carbon Reduction Scheme	(146)
Abortive Capital Costs	109
ICT PSN Issuance	75
Other Minor Variances	113
Total Corporate Services & One Kingston Programme Variance	(229)
Grants	
Additional New Homes Bonus Grant	(163)
Additional Small Business Rate Relief Grant	(292)
Redistribution of Capitalisation Provision Grant	(153)
Other Additional Grants	(17)
Total Grants Variance	(625)
2013/14 General Fund Under Spend	(126)

Variation Commentary:

• Adult Services

The service reported an over spend of £1.447m, mainly due to lower savings than planned from the 'Newton' efficiency work in 2013/14. It is still expected that the efficiency review will deliver the overall savings target of £2.750m but some of the work streams will not be completed until 2014/15.

There were large variances in Commissioning – Long term; Commissioning – Short term and Provider Services – Long term. For 2013/14, the Commissioning Long terms and short terms groups of services had budgets set on an estimated reduction in traditional payments and in-house services and a corresponding increase in the number of personal budgets. The actual shift to personal budgets was lower than anticipated, which resulted in an under spend in this area, although there was a corresponding over spend on home care services (see Provider services below).

The planned expenditure for Public Health was less than thought and so additional expenditure on Public Health activities will be funded from the ring-fenced grant with £0.420m being carried forward into 2014/15.

• Learning & Children's Services

The service reported an over spend of £1.880m. The majority of this adverse variance was within Children's Social Care, including £0.471m relating to external placements; £1.023m of additional agency and interim staff within the Looked After Children's and Safeguarding Teams and £0.206m relating to additional and agency staff within the Professional Standards and Development Teams.

Other major variances included a £0.084m over spend within the Integrated Disabled Children's Service due to additional staff and Supporting People (£0.081m over spend).

The majority of services within Learning & Children's Services have transferred into Achieving for Children (AfC) from 1 April 2014. The integration of these services with those from LB Richmond should drive out stronger service delivery and reduced costs and meet the challenge of reducing costs for Kingston.

• Place Services

Place achieved a £1.465m under spend. Waste Services reported a £0.700m under spend in collection and disposal which was largely achieved through negotiations with contractors which resulted in the early achievement of future planned savings.

The Housing General Fund was £0.425m under spent due to additional grant income and under spends on repairs and maintenance on PLS properties.

Street Services under spent by £0.190m due to reduced costs related to winter maintenance and the some staffing costs being externally funded.

Environmental Health achieved a £0.225m under spend due to increased income from neighbouring boroughs affected by the winter flooding and reduced staffing expenditure.

Development, Planning & Regeneration was £0.126m over spent caused by additional temporary staff required whilst permanent recruitment took place following a service restructure.

• One Council Services

One Council Services under spent by £1.134m which included the absorption of some support costs to the One Kingston programme that were due to be funded from Strategic reserves.

ICT under spent by £0.017m which represented RBK's share of the under spend in its shared service with LB Sutton which began in May 2013.

Assets were under spend by £0.285m which was largely due to under spends on repairs and maintenance against the Council's operational property.

Strategic Business was under spent by £0.144m largely due to under spends of £0.133m within Corporate Governance relating to Members expenses, the Audit and counter-fraud service and staffing within Democratic Services. There were also under spends in Communications £0.070m offset by over spends in Business Support (£0.142m).

Finance was under spend by £0.688m, mainly within the Revenues & Benefits Service due to additional grants received during the year and adjustments to bad debt provisions. There were also staffing and operational under spends within the same service. Similarly there was an under spend within Customer Contact that was due to increased income from the Interpreters service along with staffing under spends.

• Neighbourhoods

All four Neighbourhood areas collectively under spent by £0.316m in 2013/14. This under spend has been carried forward for use in 2014/15.

• Other Corporate Services, One Kingston Programme & Grants

Collectively Other Corporate Services, One Kingston Programme and Corporate Grant Funding achieved a £0.854m under spend in 2013/14.

The Minimum Revenue Provision was under spent by £0.250m after it was revised following the 2012/13 capital outturn which indicated a reduced forecast borrowing requirement. Additionally there was more interest income received due to higher than forecast balances at the beginning of the year as a result of the disposal of assets totalling £4m and changes in timings of the receipt of government grants.

The Carbon Reduction Scheme was £0.146m under spent due to an unbudgeted contribution from the Schools Forum to fund part of the 2013/14 cost of the Carbon reduction levy.

Offsetting these under spends were additional costs (£0.075m) related to ICT Public Services Network Issuance as a result of changes to government requirements which affected most Authorities using this facility. There were also abortive capital costs (£0.109m) relating to a planning decision

The One Kingston programme used £2.126m of Strategic Reserves to fund its investment activity in 2013/14, with services able to absorb some of the forecast cost. £0.198m of planned investment was carried forward to 2014/15.

RBK, along with other Local Authorities also received some additional government grants during the year totalling £0.625m.

More detail on the 2013/14 General Fund outturn can be seen on the Council's website (www.kingston.gov.uk) in the report to Policy & Resource Committee on 3 July 2014.

■ HOUSING REVENUE ACCOUNT OUTTURN POSITION 2013/14

The Housing Revenue Account (HRA) accounts for the costs of housing people in Council-owned accommodation. The Local Government and Housing Act of 1989 requires this income and expenditure to be ring-fenced.

The net outturn in 2013/14 of the HRA was a net surplus of £0.014m. This has increased the HRA balance as follows:

	£m
Balance at 1 April 2013	3.153
<u>2013/14 under spend</u>	<u>0.014</u>
Balance at 31 March 2014	3.167

The major variations in this position are shown in the table below:

HRA Variances	Outturn £000s
Staff Vacancies (anti-tenancy fraud posts)	(84)
Recruitment Costs & Agency cover	155
Security Waters Sq, Yew Tree and Denmark Rd site pending disposal	415
Universal IT Project Costs	391
Operational Expenditure under spends	(137)
OK5 Programme Costs from HRA base budget	(132)
Repairs & Maintenance - positive effect of new commissioning model	(43)
Support Service Costs	(147)
Dwellings Rents & Voids	185
Supporting People - increased numbers of self funders - sheltered housing units	(82)
Service Charges Lessees	(193)
Direct Revenue Financing of Capital	(260)
Minor Variances	(82)
Final HRA Outturn Variance 2013/14	(14)

Variation Commentary:

Significant expenditure variations relate to the cost of implementing a new Housing IT system, which is now live, and the costs related to the security of assets before their disposal. The disposal of these assets has resulted in capital receipts that can be used to fund future capital expenditure on RBK's housing stock.

These over spends were managed through under spends in other areas of operational expenditure such as staffing and support service costs.

There was an under achievement in rental income mainly due to long term voids as a result of capital works under the Decent Homes programme as well as more right to buy sales than were anticipated. This was offset by increased income from service charges to Lessees as a greater amount of rechargeable work was completed than anticipated.

More detail on the 2013/14 Housing Revenue Account outturn can be seen on the Council's website (www.kingston.gov.uk) in the report to Policy & Resource Committee on 3 July 2014.

■ CAPITAL EXPENDITURE & FINANCING 2013/14

A summary of capital expenditure for both the General Fund and Housing Revenue Account is shown below.

	2013/14 Expenditure Variations			2013/14 Outturn Variance Explained by:	
Capital Programme	Budget 2013/14 £000s	Outturn 2013/14 £000s	Outturn Variance	Slippage/ Re- phasing £000s	Cost Variation £000s
General Fund:					
Schools Programme	9,094	4,096	(4,998)	(4,785)	(213)
General Fund Property Programme	5,530	1,968	(3,562)	(3,554)	(8)
Public Realm Programme	6,050	4,781	(1,269)	(1,282)	13
Highways/ Transport Programme	2,582	2,311	(271)	(108)	(163)
General Fund Housing Programme	2,291	713	(1,578)	(125)	(1,453)
IT Programme	1,913	1,786	(127)	(261)	134
Total General Fund	27,460	15,655	(11,805)	(10,115)	(1,690)
Housing Revenue Account:					
HRA Housing Programme	17,263	16,806	(457)	(653)	196
Total Housing Revenue Account	17,263	16,806	(457)	(653)	196
Total RBK Capital Programme	44,723	32,461	(12,262)	(10,768)	(1,494)

The table below shows how the 2013/14 expenditure above was financed:

Financing of Capital Expenditure 2013/14	Total Capital Expenditure £000s	Borrowing £000s	Capital Receipts £000s	Government Grants and other contributions £000s	Direct Revenue Financing (including reserves) £000s	Total Capital Financing £000s
General Fund:						
Schools Programme	4,096	0	1,107	2,738	251	4,096
General Fund Property Programme	1,968	20	1,656	266	26	1,968
Public Realm Programme	4,781	1,574	604	2,603	0	4,781
Highways/ Transport Programme	2,311	0	236	1,881	194	2,311
General Fund Housing Programme	713	0	2	710	1	713
IT Programme	1,786	0	1,701	0	85	1,786
Total General Fund	15,655	1,594	5,306	8,198	557	15,655
Housing Revenue Account:						
HRA Housing Programme	16,806	0	1,917	6,389	8,500	16,806
Total Housing Revenue Account	16,806	0	1,917	6,389	8,500	16,806
Total RBK Capital Programme	32,461	1,594	7,223	14,587	9,057	32,461

Variation Commentary:

The capital programme in 2013/14 was under spend significantly by £12.262m. A large proportion of this under spend (£10.768m) related to slippage to future years with the remaining £1.494m due to cost variation.

The major slippage areas were within the Schools programme which is largely due to the difference in phasing between grant funding which formed the basis of the budget and the timing of works based on needs in specific academic years. The second area was the General Fund Property programme where a number of delays to the programme created a large amount of slippage to 2014/15.

The in year under spends across the capital programme in 2013/14 has meant that the level of expenditure funded from borrowing has been minimised in order to reduce the effect on the revenue budget in financing this debt in future years. Higher than anticipated levels of capital receipts and grant funding in the HRA has also eased the pressure on the capital financing position.

More detail on the 2013/14 Capital outturn can be seen on the Council's website (www.kingston.gov.uk) in the report to Policy & Resource Committee on 3 July 2014.

■ **SHARED SERVICE ARRANGEMENTS**

As part of the Council's response to the changing financial envelope in which Local Authorities operate, a number of shared service arrangements with other Local Authorities are in operation:

- **Human Resources** – from 1 April 2012 the Council's Human Resource (HR) services are delivered via a shared service between RBK and LB Richmond. The service is hosted by RBK. The service includes recruitment, employment contracts, advice on terms and conditions, payroll, employee relations, advice and the provision of learning and development.
- **Internal Audit Shared Service** – from 1 June 2012 Internal Audit and Investigations work is provided via a shared service with LB Richmond. The service is hosted by LB Richmond. The service is also looking to extend to other boroughs and/or offer services to other organisations. The two boroughs have shared a Joint Head of Internal Audit since 1 December 2011. Again this service is providing a shared expertise and a wider resilience for both boroughs.
- **ICT** – RBK entered into a joint service for ICT with LB Sutton on 1 May 2013. A Joint Head of ICT was in post throughout 2012/13. The joint service is providing greater ICT infrastructure resilience as well as shared expertise to drive out further savings and provide a better quality service.
- **Legal** – RBK, along with LB Sutton, joined the existing shared legal service between LB Richmond and LB Merton on 1 October 2013. This service is the first example of a four borough shared service within south west London.
- **Other Services** – other services such as Finance and some Environment Services are exploring opportunities to share services with other London boroughs.

■ **ACHIEVING FOR CHILDREN (AfC)**

Achieving for Children (AfC) is a Community Interest Company limited by guarantee jointly owned with the London Borough of Richmond and operating under the leadership of a Joint Director of Children's Services. The company has been set up to deliver integrated, high-quality services for children across both boroughs and started trading on 1 April 2014.

AfC offers Kingston a unique opportunity to pool facilities, staff talents and share assets with a neighbouring borough. The main benefits will be greater capacity in safeguarding and looking after the most vulnerable children as well as providing the highest quality services to support our schools. AfC will push performance whilst driving down costs. Without this initiative Kingston would have to make significant service cuts to their Learning & Children's Services to meet the medium term requirements of a reducing financial envelope.

The Councils have an ownership and contractual relationship with AfC. This is explained further in the note to the accounts – Interest in companies.

The existence of AfC has no direct impact on the 2013/14 Statement of Accounts for both RBK and LB Richmond, but will lead to the need for Group Accounts for both boroughs from 2014/15.

■ FINANCIAL OUTLOOK

Whilst the Budget 2014 stated higher GDP growth forecasts of 2.7% for 2014 and 2.3% for 2015 than those indicated in the Budget 2013 and 2013 Autumn Statement, pointing to signs of economic recovery, unfortunately, this improved performance does not change current public expenditure projections which show continued reductions in Local Government resources

The Council's resources are shaped by the Comprehensive Spending Review 2010 which outlined government reductions from 2011/12 to 2014/15 and the Spending Round 2013 which detailed 10% cuts to local government departmental expenditure limits between 2014/15 and 2015/16. This was, again, confirmed in the Budget 2014.

It can be difficult to track the real impact of deficit reduction on our finances based simply on published information. Transfers of responsibility to or from local government distort comparative figures and the impact of growing demand for services is hidden. However the stark reality is that:

- During 2014/15 we will spend 20% less in real terms (taking inflation into account) than we did in 2010.
- Since 2010 our funding from the government has reduced by more than 33% (in straight cash terms).

We can reasonably expect this pattern to continue over the next three to four years. Based on the public spending data that is currently available we expect the resources we have in 2017/18 to be worth 60% of what they were in 2010. The cuts forecast for the Revenue Support Grant in the next two to three years are severe, business rates income is unlikely to increase by significantly more than inflation and there is likely to be limited scope for increases to Council Tax yields.

The financial challenges that have faced RBK since the Comprehensive Spending Review 2010 have been met primarily through spending reductions identified as part of the One Council and One Kingston Programmes. With further cuts to resources expected, the One Kingston Programme is being updated to reflect the new challenges ahead.

Further detail about the Financial Outlook can be seen in *Destination Kingston 2014/15 to 2017/18* on the Council's website: <http://www.kingston.gov.uk>

Leigh Whitehouse LLB CPFA
Director of Finance

24 September 2014

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

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

Responsibilities of the Director of Finance

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

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

- selected suitable accounting policies and applied them consistently,
- made judgements and estimates that were reasonable and prudent, and
- complied with the Local Authority Code.

The Director of Finance has also:

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

CERTIFICATE OF THE DIRECTOR OF FINANCE

I certify that the Accounts set out on pages 25 to 118 present a true and fair view of the financial position of the Royal Borough of Kingston upon Thames as at 31 March 2014 and its income and expenditure for the year then ended.

Leigh Whitehouse LLB CPFA
Director of Finance
24 September 2014

As authorised by Audit Committee on 24 September 2014

Cllr Rowena Bass BSc FCA
Chair of the Audit Committee
24 September 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL BOROUGH OF KINGSTON UPON THAMES

Opinion on the Authority financial statements

We have audited the financial statements of the Royal Borough of Kingston upon Thames for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. 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 2013/14.

This report is made solely to the members of the Royal Borough of Kingston upon Thames in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members 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 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 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 circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; 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 Royal Borough of Kingston upon Thames as at 31 March 2014 and of its expenditure and income for the year then ended; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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.

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 2013, 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 2014.

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 2013, we are satisfied that, in all significant respects, the Royal Borough of Kingston upon Thames put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of the Royal Borough of Kingston upon Thames in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Paul Grady
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

..... September 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL BOROUGH OF KINGSTON UPON THAMES

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of the Royal Borough of Kingston upon Thames for the year ended 31 March 2014 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. 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 2013/14.

This report is made solely to the members of the Royal Borough of Kingston upon Thames in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members 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 auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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 pension fund 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 fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; 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 the pension fund financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014 and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

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

Emily Hill
Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

..... September 2014

CORE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

BALANCE SHEET

CASH FLOW STATEMENT

MOVEMENT IN RESERVES STATEMENT

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

2013/14									
	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total usable reserves	Unusable reserves	Total reserves
Notes	22	8	22	HRA3	22	22		23	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at the beginning of the previous reporting period	(7,826)	(29,847)	(3,153)	(2,547)	(1,736)	(3,819)	(48,928)	(149,279)	(198,207)
(Surplus) or deficit on the provision of services (accounting basis)	4,015		(20,889)				(16,874)		(16,874)
Other comprehensive income and expenditure								(52,285)	(52,285)
Total comprehensive income and expenditure	4,015		(20,889)				(16,874)	(52,285)	(69,159)
Adjustments between accounting basis and funding basis under regulations	(8,960)		21,450	(316)	(4,041)	(2,296)	5,838	(5,838)	0
Net (increase) or decrease before transfers to earmarked reserves	(4,945)		561	(316)	(4,041)	(2,296)	(11,036)	(58,123)	(69,159)
Transfers to/from earmarked reserves	4,820	(4,246)	(574)	0			0		0
(Increase) or decrease in year	(126)	(4,246)	(14)	(316)	(4,041)	(2,296)	(11,036)	(58,123)	(69,159)
Balance as at the end of the previous reporting period	(7,952)	(34,093)	(3,167)	(2,863)	(5,777)	(6,115)	(59,965)	(207,403)	(267,368)

2012/13 - Restated	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account Balance	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied Account	Total usable reserves	Unusable reserves	Total reserves
Notes	22	8	22	HRA3	22	22		23	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at the beginning of the previous reporting period	(7,157)	(27,609)	(3,145)	(966)	(835)	(616)	(40,328)	(174,718)	(215,046)
(Surplus) or deficit on the provision of services (accounting basis)	14,242		(10,968)				3,274		3,274
Other comprehensive income and expenditure								13,569	13,569
Total comprehensive income and expenditure	14,242		(10,968)				3,274	13,569	16,843
Adjustments between accounting basis and funding basis under regulations	(17,149)		10,960	(1,581)	(901)	(3,203)	(11,874)	11,874	0
Net (increase) or decrease before transfers to earmarked reserves	(2,907)		(8)	(1,581)	(901)	(3,203)	(8,600)	25,443	16,843
Transfers to/from earmarked reserves	2,238	(2,238)		0			0		0
(Increase) or decrease in year	(669)	(2,238)	(8)	(1,581)	(901)	(3,203)	(8,600)	25,443	16,843
Balance as at the end of the previous reporting period	(7,826)	(29,847)	(3,153)	(2,547)	(1,736)	(3,819)	(48,928)	(149,279)	(198,207)

Restatement details can be seen in Note 41. Restatements have been made to the 2012/13 MIRS, due to the effect of corrections in the Fixed Asset register and changes to accounting standard IAS19 which effects adjustment made for the Councils pension scheme.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

Gross expenditure 2012/13 <i>Restated</i> £'000	Gross income 2012/13 <i>Restated</i> £'000	Net expenditure 2012/13 <i>Restated</i> £'000		Gross expenditure 2013/14 £'000	Gross income 2013/14 £'000	Net expenditure 2013/14 £'000
<i>Continuing operations</i>						
12,469	(13,321)	(852)	Central services to the public	4,008	(2,089)	1,919
11,713	(1,711)	10,002	Culture and related Services	9,843	(1,088)	8,755
18,494	(2,861)	15,633	Environmental and regulatory services	17,202	(2,249)	14,954
4,828	(3,356)	1,472	Planning services	5,752	(2,159)	3,593
138,755	(93,529)	45,226	Education and children's services	130,679	(95,726)	34,953
29,773	(13,434)	16,339	Highways and transport services	27,139	(14,920)	12,219
18,495	(29,612)	(11,117)	Local authority housing (HRA)	13,922	(31,015)	(17,094)
0	0	0	Public Health	10,290	(9,436)	854
83,722	(76,039)	7,683	Other housing services (non HRA)	85,650	(77,958)	7,692
64,243	(16,450)	47,793	Adult social care	59,011	(14,472)	44,539
4,513	(125)	4,388	Corporate and democratic core	4,360	(58)	4,301
(7,559)	(37)	(7,596)	Non distributed costs	(237)	(36)	(273)
379,446	(250,475)	128,971	Net cost of services	367,618	(251,206)	116,413
<i>Notes</i>						
		10,691	Other operating expenditure	9		(3,105)
		18,430	Financing and investment income and expenditure	10		19,165
		(154,818)	Taxation and non-specific grant income	11		(149,347)
		3,274	Surplus or deficit on the provision of services			(16,874)
Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services						
	(13,651)		Surplus or deficit on revaluation of non-current assets	23	(8,393)	
	26,860		Remeasurement of net defined liability (asset)	23	(43,892)	(52,285)
Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services						
		360	Surplus or deficit on revaluation of available-for-sale financial assets	23	0	0
		13,569	Total other comprehensive income and expenditure		0	(52,285)
		16,843	Total comprehensive income and expenditure			(69,159)

BALANCE SHEET

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

1 Apr 2012 <i>Restated</i> £'000	31 Mar 2013 <i>Restated</i> £'000		Notes	31 Mar 2014 £'000
		Long term assets		
662,433	655,366	Property, plant and equipment	12	674,195
1,125	1,125	Heritage assets	12	1,125
6,487	8,696	Investment property	13	8,686
975	2,211	Intangible assets	14	2,655
1,815	1,455	Long term investments	15	1,455
8,575	8,494	Long term debtors		8,448
681,410	677,347	Total long term assets		696,565
		Current assets		
5,292	2,607	Asset held for sale	19	0
0	4	Intangible current assets		0
15,295	9,099	Short term investments	15	25,030
59	56	Inventories		52
28,296	35,849	Short term debtors	17	44,752
4,178	2,882	Cash and cash equivalents	18	3,712
53,120	50,497	Total current assets		73,546
		Current liabilities		
(19,096)	(2,472)	Short term borrowing	15	(1,647)
(33,898)	(33,796)	Short term creditors	20	(42,266)
(426)	(1,448)	Short term provisions	21	(1,842)
(84)	(325)	Grants receipts in advance		(80)
(53,504)	(38,041)	Total current liabilities		(45,836)
		Long term liabilities		
(180)	(22)	Long term creditors		0
(234,266)	(234,205)	Long term borrowing	15	(234,155)
(229,332)	(254,359)	Other long term liabilities	38	(219,922)
(2,202)	(3,010)	Long term provisions	21	(2,831)
(465,980)	(491,596)	Total long term liabilities		(456,908)
215,046	198,207	Net Assets		267,368
		Reserves		
(40,328)	(48,928)	Usable reserves	22	(59,965)
(174,718)	(149,279)	Unusable reserves	23	(207,403)
(215,046)	(198,207)	Total Reserves		(267,368)

CASH FLOW STATEMENT

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

2012/13 £'000		Notes	2013/14 £'000
3,274	Net (surplus) or deficit on the Provision of services		(16,874)
(40,128)	Adjustment to the Net surplus or deficit on the provision of services for non-cash movements	24	(30,477)
28,271	Adjustment for items in the net surplus or deficit on the provision of services that are investing or financing activities	24	30,166
(8,583)	Net cash flows from operating activities		(17,185)
(6,805)	Investing activities	25	16,310
16,685	Financing activities	26	44
1,296	Net movements in year excluding non-cash items		(831)
4,178	Cash and cash equivalents at the beginning of the reporting period	18	2,882
(1,296)	Net increase or (decrease) in cash and cash equivalents		831
2,882	Cash and cash equivalents at the end of the reporting period	18	3,712

NOTES TO THE CORE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

i). General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice (SeRCOP) 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

ii). 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:

Income

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

Expenditure

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Notwithstanding this accrual principle, some items are recorded as received/paid on the basis that there is no material distortion of the 'true and fair view' concept. These items include weekly housing rents recorded as due on Mondays (52 weeks in most years), Benefits (rent rebates and rent allowances) recorded in accordance with weekly entitlement (also Mondays) and Parking income received through Penalty Charge Notices (PCN). Although this is a departure from the Code, it is more practical and does not cause any misunderstanding of the accounts

Debtors/Creditors

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

iii). Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in, no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. This includes Call Accounts, Money Market Funds and Instant Access Accounts that are held to meet short-term cash flow requirements. It does not include fixed term deposits as they are not readily convertible to cash and, in certain market conditions, there could be a risk of change in value.

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

iv). Exceptional Items

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

v). Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

vi). Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service,

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

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

vii). Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

- The National Health Service Pension Scheme administered by NHS Pensions, and
- The Local Government Pensions Scheme, administered by the RBK.

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

However, the arrangements for the teachers' and NHS scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

The Local Government Pension Scheme

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

- The liabilities of the Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% and long dated gilts plus 0.0% pa, which is considered to be a prudent view of the expected outperformance (above gilt returns) of the Fund's assets.
- The assets of the Pension Fund attributable to the Authority are included in the Balance Sheet at their Fair Value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into six components:

Service Cost Comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive 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 (asset) at the beginning of the period – taking into account any changes in the net defined

benefit liability (asset) during the period as a result of contribution and benefit payments

Re-measurements comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the RBK pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

viii). Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

ix). Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at Fair Value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line 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 Authority has a policy of spreading the gain or 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.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

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

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

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at Fair Value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the 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 Authority.

Assets are maintained in the Balance Sheet at Fair Value. RBK only has one investment (Kingston Theatre LLP – see Note 40). The value is based on the following principle:

- based on the equity shown in Kingston Theatre LLP's balance sheet, shared proportionately between Partnership members.

Changes in Fair Value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale 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 (fixed or determinable payments) or Fair Value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, 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. Otherwise, the impairment loss is measured as any shortfall of Fair Value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

For further disclosure on Fair Value, see Note 15.

x). Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where a revenue grant without conditions is received but not utilised it is posted to a specific earmarked reserve.

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

Business Improvement District Schemes

A Business Improvement District (BID) scheme applies in Kingston town centre and is known as Kingston First. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

xi). Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

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

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

xii). Interests in Companies and Other Entities

The Authority has a subsidiary in the form of Kingston Theatre LLP. The interest in the company is not material and therefore it is not incorporated into Group Accounts in the Statement of Accounts as its inclusion would not provide any further benefit to the reader of the accounts.

In the Authority's own single-entity accounts, the interest in Kingston Theatre LLP is recorded as an investment.

xiii). Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xiv). Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost and subsequently at Fair Value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xv). Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xvi). Leases

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets and the arrangement conveys the right to use all but an insignificant amount in the utility of the asset.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its Fair Value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant 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 (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a credit applied to write down the lease debtor (together with any premiums received) in the balance, and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute 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.

IFRS transition rules allow for the movement between the deferred capital receipt reserve and the capital receipts reserve to be avoided for leases which have been reclassified from operating to finance leases under IFRS and were in place before 31 March 2010. The transition rules allow for the lease debtor written down income to continue to be classed as revenue income and not capital receipt.

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

Operating Leases

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

xvii). 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 2013/14* (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

xviii). Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its Fair Value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at Fair Value. The difference between Fair Value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical Cost
- dwellings – Fair Value, determined using the basis of existing use value for social housing (EUV-SH)

- all other assets – Fair Value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at Fair Value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their Fair Value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for

assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Housing Revenue Account dwellings are depreciated based on componentisation of blocks of similar properties (using beacon principles).
- other buildings – straight-line allocation over the useful life of the property as estimated by the Valuer.
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 20 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Heritage Assets

Heritage assets are assets held or maintain principally for their contribution to knowledge and culture. Where the Council identifies such asset and cost or value information is available, these assets will be included in the Council balance sheet. Where information on the value or cost of an identified heritage asset is not available and the cost of obtaining a valuation is not commensurate with the benefits to the users of the financial statements, then this asset will not be recognised in the balance sheet. Where a heritage asset is used for operational purposes, this asset will be classed as an operational asset and will be subject to the same accounting policies as any other operational asset. Heritage asset will be subject to a minimum 5 year valuation review. They are not subject to depreciation but can be impaired if a fall in value has occurred.

All heritage asset not included on the Council balance sheet will be disclosed in the notes to the accounts

Disposals and Non-current Assets Held for Sale

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount

before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

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

A proportion of housing receipts relating to Right to Buy disposals is payable to the Government, net of statutory deductions, allowances and optional retention of one for one additional receipts. Any housing non-Right to Buy or non-dwelling disposals are exempt from proportional payments to the Government as long as their use complies with statutory legislation.

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

HRA – Operational and Non Operational Property

HRA assets can be divided into the following to show their operational and non-operational use:

Operational	- Council Dwellings, Other Land and Buildings
Non-Operational	- any Investment Properties, Intangible Assets.

xix). Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority 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 as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the

expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xx). Reserves

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in Note 23.

xxi). Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure

to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

xxii). VAT

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

xxiii). Council Tax and Business Rates

As a billing authority, the Royal Borough of Kingston maintains a Collection Fund to account for Council Tax and business rates and their dispersal.

Council Tax is collected by the Borough on behalf of the Greater London Authority (GLA), who precept on the Collection Fund in accordance with statute. However, for accounting purposes, the Borough recognises the amount due to the GLA but not paid at year-end as a creditor.

Business rates are collected by the Borough on behalf of the GLA and Central Government who precept on the Collection Fund in accordance with statute. For accounting purposes any surplus or deficit on the fund is represented by a debtor or creditor at year end although any surplus or deficit will be distributed to or recovered from the authorities in the subsequent financial year.

The Borough maintains a Collection Fund Adjustment Account for the difference between accounting and statutory arrangements.

The Council also collects the Business Rates Supplement (BRS) which is set by the GLA at 2p in the £ for properties with a rateable value of £55k or more.

xxiv). Borrowing costs

The Authority does not capitalise borrowing costs but rather expenses borrowing costs during the year. Borrowing costs expensed are shown in Interest Payable.

xxv). Carbon Reduction Commitment Allowances

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

xxvi). Acquired Operations

Where the authority acquires an operation during the financial year, either via business combinations or taking on responsibility for a new function, the gross income and

expenditure for the acquired operation should be disclosed separately on the face of the Comprehensive Income and Expenditure Account where material. This is so not to distort the comparative figures for continuing operations and to highlight the impact of the new operations. Separate disclosures will be made until one full financial year has been reported this way after which the operation will be disclosed in the relevant Comprehensive Income and Expenditure line as directed by SeRCOP.

2. ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting standards which will be required from 1 April 2014.

These changes include:

- **IFRS 10 Consolidated Financial Statements.** This standard introduces a new definition of control which is used to determine which entities are consolidated for the purposes of group accounts. The Council does have a subsidiary in 2013/14, Kingston Theatre LLP, but has not produced group accounts for this financial year on the basis of materiality. For the 2014/15 Statement of Accounts, the Council will have a group relationship with Achieving for Children (AfC) which started trading on 1 April 2014 and so for 2014/15 will produce Group Accounts alongside its single entity accounts.
- **IFRS 11 Joint Arrangements.** This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled operations. AfC will not fall into these arrangements as detailed above. The Council has no material joint venture arrangements but will review again in 2014/15.
- **IFRS 12 Disclosure of Involvement with Other Entities.** This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The Council has a number of arrangements with other entities. Additional disclosure will be required concerning AfC in 2014/15, however had this standard existed in 2013/14, the disclosure would not have been required as AfC only began trading on 1 April 2014.
- **IAS 27 Separate Financial Statements and IAS28 Investments in Associates and Joint Ventures.** These standards have been amended to conform with the changes to IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes to the financial statements, except for disclosure and the 2014/15 group consolidation of AfC, there is therefore no 2013/14 impact as a result of the adoption of these standards
- **IAS 32 Financial Instruments: Presentation.** The Code references amended application guidance when offsetting a financial asset and financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.
- **IAS1 Presentation of Financial Statements.** The change clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts already fully discloses comparative information for the preceding period.

3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about the future levels of funding for local government beyond the published Local Authority Finance Settlement for 2015/16, coupled with indications that austerity measures would continue to at least 2017/18. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- Group Accounts have not been included in the 2013/14 Statement of Accounts on the grounds that they do not have a material effect on the overall financial statements and therefore their inclusion would not provide any further benefit to the users of the Statement of Accounts.

This practice was adopted in the 2010/11 Statement of Accounts. In previous years, the Group Accounts included the activities of the Council and Kingston Theatre LLP, the principal activity of this company is to own and manage the property in High Street, Kingston upon Thames known as the Rose Theatre. The Council and Kingston University are the designated members of Kingston Theatre LLP. Kingston Theatre LLP was, and is still, considered to be a subsidiary of the Council. Contact details for the procurement of the full accounts for Kingston Theatre LLP can be found in Note 40 to the main statements. It should be noted that the tenant of the Rose Theatre is Kingston Theatre Trust which does not have a group relationship with the Council.

The Council's shareholding in the LLP is recognised as an investment within the accounts and measured at Fair Value. The Council's share of any profits made by the LLP has been recognised through the Council's Comprehensive Income and Expenditure Statement.

The South London Waste Partnership (SLWP), while by strict definition a joint venture with three other boroughs, is not included for consideration in being part of the Group Accounts. It is merely a cost sharing arrangement where there is no intention to make profit. The entity does not trade but instead collects cost from the waste activities for the four boroughs which are paid for, proportionately, by the four boroughs, similar to a levying arrangement. The proportionate cost of the entity is shown in the Council's single entity accounts. The SLWP also does not have any Long Term Assets on its Balance Sheet.

Achieving for Children (AfC) is a jointly owned company with the London Borough of Richmond, set up to deliver Children's Services across both boroughs. It came into existence in March 2014 but did not begin trading until 1 April 2014. The size of its turnover and the nature of its relationship with RBK will mean that in 2014/15 RBK will be required to produce Group accounts which consolidate RBK's interest in this entity. This is not deemed to be the case in 2013/14, as although there is a group relationship with AfC, as it did not start trading until 1 April 2014, there are no transactions to consolidate. Further details can be seen in Note 40

- Accruals Materiality. As per the Code, these accounts have been prepared under the accounting concept of materiality. Specifically the Authority has stipulated a de minimis level for accruals set at £5k for revenue accruals and £10k for capital

accruals. There is a caveat where not making an accrual below the de minimis threshold would have a material effect to the service e.g. schools.

- The Council has been required to take a view on which school assets are recognised on the Council's balance sheet. The Council has recognised Community schools and Voluntary Controlled schools. Foundation schools are assessed on a case by case basis to determine the level of control the Authority has on the schools assets. The Council has not recognised Voluntary Aided, Free, or Academy Schools as it is of the view that these school assets are beyond the control of the Authority. In practice there are no Free or Voluntary Controlled Schools in the borough. This exclusion also applies to income, expenditure, assets, liabilities and reserves of these schools.
- Determining factors in classifying finance and operating leases. In the with the account framework, leases held by the Council are assessed against five tests which help determine if an operating or finance lease accounting treatment is appropriate. The two most prominent tests are the comparison between the value of a lease asset against its discounted payments and comparing the economic life of a lease asset against its lease term. In both cases where the outcomes of the test gives a 60%+ result this would indicated that a finance lease treatment would be appropriate if no other mitigating factors are present.

An example of a finance lease held by the Council is the Horsefair site where the retailer John Lewis is currently based. The Council has leased this site to John Lewis for 999 years at a fixed rent of £250,000pa. Taking these facts into consideration the Council has determined this lease to be a finance lease. This means that the value of this asset is taken off the Property, Plant and Equipment line of the balance sheet and a long term debtor is raised which reflects the future income the Council will receive over the lease term. This debtor is then reduced each year by a proportion of the income received and will come to zero at the end of the lease term, when the Horsefair site will be put back onto the Councils balance sheet.

- Where required notes to the accounts are not applicable to the Council these have not been included in the accounts.
- Details of the Councils termination benefits can be found in note 29 of the accounts and are therefore not replicated elsewhere in the accounts.

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

The items in the Authority's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

• Assumptions in the calculation of depreciation

The Code has now also crystallised the requirement for Authorities to componentise their assets so as to reflect a more accurate charge for depreciation in the accounts. Before the introduction of IFRS, Local Authorities split their assets between land and buildings and depreciated the building element. The introduction of component

depreciation was not retrospective. In practical terms assets to be subject to component depreciation in 2013/14 are those that have been valued at 1 April 2013 and the previous years (1 April 2012, 2011 and 2010) (as part of the 5 year rolling valuation cycle). The Authority has a policy of not depreciating in year capital expenditure as this is not material. The Authority, as suggested by Code guidance also set a 'de minimis' level for assets that were valued in 2010/11; 2011/12; 2012/13 and 2013/14 to be subject to componentisation. This was set at 1% of building value for the total net book value of General Fund assets as valued at 1 April 2013. This meant that individual buildings with a value above £3.4m were valued and componentised in 2013/14. This ensured that 79% of the total value of General Fund buildings were subject to componentisation. Component types, residual lives and useful economic lives were sought from the professionals charged with maintaining the Authority's General Fund property portfolio.

As assets are depreciated over useful lives, they are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Due to well publicised cuts in Local Authority funding, the Authority may not be able to continue its level of expenditure on repairs and maintenance which in turn may reduce the useful lives of the assets. If the useful life of assets is reduced, depreciation increases and the carrying value of the asset falls.

- **Assumptions about future events affecting provisions**

The Authority has just over £4.673m balances on provisions at 31 March 2014.

The vast majority of this (£4.299m) relates to the Insurance Fund provision and the provision for Business Rate Appeals.

The Insurance fund provision (£3.167m) meets the cost of that part of any liability that falls below insurance deductible and is therefore not funded by the Council's insurance policy. This provision is updated on an annual basis from known claims and actuarial calculation. These actuarial reviews update both the provision and the Insurance earmarked reserve which is held as a surplus to the provision.

The Business Rate Appeals provision (£1.132m) relates to the need for local authorities to make provision for outstanding appeals against valuations for business rate appeals that are outstanding with the Valuation Office Agency (VoA). This is a new provision for local authorities and RBK in 2013/14, resultant from the change in local government financing through the Business Rates Retention Scheme.

The remaining balances of provisions of £0.374m are concerned with outstanding legal cases (£0.166m), restructuring costs (£0.049m) and Carbon Reduction Commitment (CRC) costs (£0.160m). Note 21 provides more detail on these amounts.

The Authority is satisfied that there are no other provisions to be included and that the amounts provided for do not have the potential to differ materially from those estimated. The insurance provision is calculated based on an independent actuarial valuation.

Amounts that are due to fall in less than one year are shown in Current Liabilities whilst all other amounts are shown in Long Term Liabilities on the Balance Sheet.

- **Principal actuarial assumptions used at the Balance Sheet date in respect of defined benefit pension plans**

The actuarial assumptions are largely prescribed at any point and reflect the market conditions at the reporting date. Changes in market conditions that result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increase of salaries, deferred pension revaluation or pensions in payment); can have a significant effect on the value of the liabilities reported.

A reduction in the net discount rate will increase the assessed value of liabilities as a higher value is placed on benefits paid in the future. A rise in the net discount rate will have an opposite effect of similar magnitude.

There is also uncertainty around life expectancy of the UK population. The value of current and future pension benefits will depend on how long they are assumed to be in payment.

Assumptions are detailed in Note 38. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions as year ended 31 March 2014	Approximate % increase to Employer liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	50,019
1 year increase in member life expectancy	3%	17,174
0.5% increase in the Salary Increase Rate	2%	12,276
0.5% increase in the Pension Increase Rate	7%	37,261

- **Assessment of the recoverable amounts of arrears and other debtors**

The main debts that are provided for through impairments for bad and doubtful debts relate to Council Tax Collection and Housing Rent and service and leaseholder charges collection. These debtors have a specific provision which is calculated on past experience of collection rates and current economic conditions and debt recovery performance. Impairments for bad debts are made for sundry debtors which make up a smaller proportion of the Authority's debts.

Government grant debtors and debtors due to timing differences are generally not provided for unless there are specific circumstances that would deem it prudent.

- **Fair Value of property, plant and equipment not based on recently observed market prices**

Valuations

The valuation of the Authority's property portfolio is in accordance with a 5 year rolling programme as stated by the 'Code of Practice on Local Authority Accounting in the United Kingdom 2013/14'. The Authority uses the following criteria to ensure that property is valued at least once during this period. The criteria for valuations each year are:

- all Investment Property to a de minimis value

- all assets above a material value. The material value is taken to be 1% of the total carrying value of the building element of the Authority's properties (excluding Investment Properties).
- where expenditure on an asset is above material value and the acquisition or enhancement has become operational in year.
- any properties that have reached the maximum interval between valuations of 5 years.

This means that, for example, in 2013/14, a total of 60 General Fund Assets were valued totalling £276m which equates to a large proportion of the Council's property portfolio.

Both General Fund and HRA properties were valued at 1 April 2013 by Deloitte Real Estate, under the instruction of the Council's Valuation services.

Freehold and leasehold property owned by the Council has been valued in accordance with the Statement of Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors as recommended by the Chartered Institute of Public Finance and Accountancy. Details of the valuation bases are shown below:

HRA property

The valuation of Housing Revenue Account stock is in accordance with the Department for Communities and Local Government (DCLG) guidance – *Stock Valuation for Resource Accounting 2010 – Guidance for Valuers*. The basis of valuation for operational property is Fair Value (taken to be market value for existing use) for non-housing property and Fair Value for Social Housing. Fair value for Social Housing is taken to be 25% of the market value for existing use and totalled £250m.

Infrastructure Assets, Community Assets and Assets under Construction (excluding Investment Property)

These items are valued at historic cost in accordance with the Code.

All other Property, Plant and Equipment

These items are valued at Fair Value. The Code defines "fair value as the amount for which the asset could be exchanged between knowledgeable, willing parties in an arms-length transaction". This is interpreted as the amount that would be paid for the asset in its existing use (UKPS 1.3 of the RICS Valuation Standards).

Where there is no market-based evidence of Fair Value because of the specialist nature of the asset and/or an asset of this type is rarely sold, Fair Value is the Depreciated Replacement Cost (DRC).

• Valuation of financial assets and liabilities

Details and further disclosure concerning this item can be seen in Note 1 ix) and Note 15.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

Where material items are not disclosed on the face of the Comprehensive Income and Expenditure Statement they are revealed in this note.

Council Tax Benefits - As part of the changes to Council Tax benefits the cost of this benefit from 2013/14 has been incorporated into the calculation of Council Tax. Previously this was a service cost and both the expenditure and the Central Government grant received to fund this expenditure were included in the CI&ES. In 2012/13 both income and expenditure totalled £11m which was included in the Central Services to the Public line of the CI&ES. The change in 2013/14 has resulted in a reduction in the gross income and expenditure for this line.

Pensions Liability – the Council's actuary has calculated, in accordance with IAS19, that Pension Fund Assets, in 2013/14, have increased in value by £13.4m and pensions liabilities, in the same period, have decreased by £21m. This has led to a decrease of £34.4m to £219.9m in the Council's overall net pension's liability.

Assets Disposal – The Councils has disposed of a number of assets during the year resulting in a net gain of £4.369m in the 2013/14 accounts. In 2012/13 a £9.564m loss was reported mainly due to schools converting to academy status which requires the Councils to dispose of the schools asset for nil receipts.

6. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director of Finance on 24 June 2014. At this date there were no post balance sheet events requiring an adjustment to the Statement of Accounts. The following non-adjusting event occurred after 31 March 2014:

Achieving for Children (AfC), a company jointly owned by RBK with the London Borough of Richmond, started trading on 1 April 2014. AfC provides Children's services to across both Boroughs. Further detail can be seen in Note 40.

7. 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.

2013/14	General Fund Balance £000s	Housing Revenue Account Balance £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied Account £000s	Movement in Unuseable Reserves £000s
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement						
<i>Depreciation, impairment and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non current assets</i>						
Charges for depreciation	(14,549)	(6,054)	-	-	-	20,603
Charges for impairment	-	-	-	-	-	0
Revaluation losses on Property Plant & Equipment	(3,104)	10,608	-	-	-	(7,504)
Amortisation of Intangible Assets	(638)	-	-	-	-	638
Movements in the fair value of investment properties	9	(18)	-	-	-	10
<i>Capital Grants, contributions and income in relation to donated assets credited to the Comprehensive Income & Expenditure Statement</i>						
Capital Grants and contributions applied	7,530	-	-	-	-	(7,530)
Revenue expenditure funded from capital under statute	(2,599)	(280)	-	-	-	2,879
<i>Net gain or loss on sale or derecognition of non-current assets and non-current assets held for sale</i>						
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	(3,461)	(4,111)	-	-	-	7,572
Total within the Comprehensive Income & Expenditure Statement debited or credited to the Capital Adjustment Account	(16,813)	145	0	0	0	16,668
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement						
Statutory provision for repayment of debt	7,297	-	-	-	-	(7,297)
Any voluntary provision for repayment of debt	-	46	-	-	-	(46)
Capital expenditure charged against the General Fund and HRA balances	559	459	-	-	-	(1,017)
Total debited to the General Fund Balance and credited to the Capital Adjustment Account	7,856	505	0	0	0	(8,361)
Sub Total for Capital Adjustment Account	(8,957)	649	0	0	0	8,308
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	2,893	-	-	-	(2,893)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	597	(597)
Sub Total for Capital Grants Unapplied Account	2,893	0	0	0	(2,296)	(597)

2013/14	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied Account	Movement in Unuseable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on the disposal to the Comprehensive Income and Expenditure Statement	5,260	6,709	(11,969)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	7,223	-	-	(7,223)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	(120)	120	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool	(589)	-	589	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(4)	-	-	4
Sub Total for Capital Receipts Reserve	4,670	6,589	(4,041)	0	0	(7,219)
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(44)	-	-	-	-	44
Sub Total for the Deferred Capital Receipts Reserve	(44)	0	0	0	0	44
Adjustments primarily involving the Major Repairs Reserve						
Contribution to Major Repairs Reserve	-	14,746	-	(14,746)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	14,430	-	(14,430)
Sub Total for Major Repairs Reserve	0	14,746	0	(316)	0	(14,430)
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(53)	(8)	-	-	-	60
Sub Total for Financial Instruments Adjustment Account	(53)	(8)	0	0	0	60
Adjustments primarily involving the Pensions Reserve						
<i>Amounts by which Pensions costs calculated in accordance with the Code (ie in accordance with IAS 19) are different from the contributions due under the pension scheme regulations</i>						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see Note 38)	(22,739)	(1,012)	-	-	-	23,751
Employers Pensions contributions and direct payments to pensioners payable in the year	13,760	536	-	-	-	(14,296)
Sub Total for Pensions Reserve	(8,979)	(475)	0	0	0	9,455

2013/14	General Fund Balance £000s	Housing Revenue Account Balance £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied Account £000s	Movement in Unuseable Reserves £000s
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax, Non-Domestic Rate income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	565	-	-	-	-	(565)
Sub Total for Collection Fund Adjustment Account	565	0	0	0	0	(565)
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	944	(52)	-	-	-	(893)
Sub Total for Accumulated Absences Account	944	(52)	0	0	0	(893)
Total Adjustments	(8,960)	21,450	(4,041)	(316)	(2,296)	(5,838)

2012/13	General Fund Balance £000s	Housing Revenue Account Balance £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied Account £000s	Movement in Unuseable Reserves £000s
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement						
<i>Depreciation, impairment and revaluation losses (charged to Surplus or Deficit on the Provision of Services) of non current assets</i>						
Charges for depreciation	(14,645)	(7,924)	-	-	-	22,569
Charges for impairment			-	-	-	0
Revaluation losses on Property Plant & Equipment	(11,756)	6,251	-	-	-	5,505
Amortisation of Intangible Assets	(326)		-	-	-	326
Movements in the fair value of investment properties	101	-	-	-	-	(101)
<i>Capital Grants, contributions and income in relation to donated assets credited to the Comprehensive Income & Expenditure Statement</i>						
						0
Capital Grants and contributions applied	13,838	-	-	-	-	(13,838)
Revenue expenditure funded from capital under statute	(4,287)	(794)				5,081
<i>Net gain or loss on sale or derecognition of non-current assets and non-current assets held for sale</i>						
						0
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	(16,584)	(1,077)	-	-	-	17,661
Total within the Comprehensive Income & Expenditure Statement debited or credited to the Capital Adjustment Account	(33,659)	(3,544)	0	0	0	37,203
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement						
Statutory provision for repayment of debt	7,476	-	-	-	-	(7,476)
Any voluntary provision for repayment of debt	-	27	-	-	-	(27)
Capital expenditure charged against the General Fund and HRA balances	147	494	-	-	-	(641)
Total debited to the General Fund Balance and credited to the Capital Adjustment Account	7,623	521	0	0	0	(8,144)
Sub Total for Capital Adjustment Account	(26,036)	(3,023)	0	0	0	29,059
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	3,297	-	-	-	(3,297)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	94	(94)
Sub Total for Capital Grants Unapplied Account	3,297	0	0	0	(3,203)	(94)

2012/13	General Fund Balance £000s	Housing Revenue Account Balance £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied Account £000s	Movement in Unuseable Reserves £000s
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on the disposal to the Comprehensive Income and Expenditure Statement	5,267	2,852	(8,119)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure			6,741	-	-	(6,741)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(21)	-	21	-	-	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts pool	(466)	-	466	-	-	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(10)	-	-	10
Sub Total for Capital Receipts Reserve	4,780	2,852	(901)	0	0	(6,731)
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(43)	-	-	-	-	43
Sub Total for the Deferred Capital Receipts Reserve	(43)	0	0	0	0	43
Adjustments primarily involving the Major Repairs Reserve						
Contribution to Major Repairs Reserve	-	11,348	-	(11,348)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	9,767	-	(9,767)
Sub Total for Major Repairs Reserve	0	11,348	0	(1,581)	0	(9,767)
Adjustments primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(60)	(8)	-	-	-	68
Sub Total for Financial Instruments Adjustment Account	(60)	(8)	0	0	0	68
Adjustments primarily involving the Pensions Reserve						
<i>Amounts by which Pensions costs calculated in accordance with the Code (ie in accordance with IAS 19) are different from the contributions due under the pension scheme regulations</i>						
Reversal of items relating to retirement benefits debited to the Comprehensive Income and Expenditure Statement (see Note 38)	(12,959)	(738)	-	-	-	13,697
Employers Pensions contributions and direct payments to pensioners payable in the year	14,978	552	-	-	-	(15,530)
Sub Total for Pensions Reserve	2,019	(186)	0	0	0	(1,833)

2012/13	General Fund Balance £000s	Housing Revenue Account Balance £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied Account £000s	Movement in Unuseable Reserves £000s
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which Council Tax income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with regulation	(151)	-	-	-	-	151
Sub Total for Collection Fund Adjustment Account	(151)	0	0	0	0	151
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	(955)	(23)	-	-	-	978
Sub Total for Accumulated Absences Account	(955)	(23)	0	0	0	978
Total Adjustments	(17,149)	10,960	(901)	(1,581)	(3,203)	11,874

8. TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2012/13 and 2013/14. Also included in this note are amounts held by Schools under delegated schemes and amounts set aside to meet future insurance claims

EARMARKED RESERVES	Balance 1 April 2012 £000s	Transfers In £000s	Transfers Out £000s	Transfers between £000s	Balance 31 March 2013 £000s	Transfers In £000s	Transfers Out £000s	Transfers between £000s	Balance 31 March 2014 £000s
Reserves earmarked for future revenue expenditure:									
Strategic Investment Reserve	(3,451)	(1,765)	2,838	0	(2,378)	(2,364)	3,433	(85)	(1,393)
Strategic Investment Reserve (Operational)	(672)	(1,613)	341	0	(1,944)	(1,423)	1,478	0	(1,889)
Redundancy Reserve	(373)	(116)	190	0	(300)	(414)	0	0	(713)
LPFA Sub Fund Reserve	0	0	0	0	0	(498)	0	0	(498)
New Homes Bonus Reserve	(572)	0	113	0	(459)	0	459	0	0
One Council Services - Community Safety	(87)	0	11	0	(76)	0	0	0	(76)
One Council Services - Borough Elections & Members	(84)	(42)	0	0	(126)	(42)	0	0	(168)
One Council Services - Other	(123)	(25)	17	0	(131)	(18)	26	85	(38)
Place - Waste Management	(361)	0	0	0	(361)	0	0	0	(361)
Place - Other	(10)	0	0	0	(10)	(50)	0	0	(60)
Learning & Childrens Services - Community Education	(365)	0	52	0	(313)	(14)	0	0	(327)
Learning & Childrens Services - Other	(195)	(8)	0	0	(202)	(624)	0	0	(826)
Adult Services - Other	(156)	0	0	0	(156)	(420)	2	0	(574)
Neighbourhoods	(350)	(542)	290	0	(602)	(540)	602	0	(540)
Neighbourhoods - Other	(61)	0	0	0	(61)	0	0	0	(61)
On Street Parking Reserve	(1,210)	(3,111)	2,380	0	(1,942)	(3,037)	3,359	0	(1,620)
Bus Lane Enforcement Reserve	(1,573)	(758)	565	0	(1,766)	(1,359)	619	0	(2,506)
Moving Traffic Contravention Reserve	0	0	0	0	0	(884)	0	0	(884)
Kingston Theatre Retained Profits Reserve	(537)	(120)	0	0	(657)	(129)	0	0	(785)
Kingston Bridge Reserve Fund	(687)	(3)	139	0	(551)	0	(2)	0	(553)
Gloucester Rd Bridge Reserve	(77)	(3)	0	0	(80)	(3)	0	0	(83)
Other Funds	(108)	(9)	1	0	(115)	(6)	9	0	(113)
HRA Earmarked Reserves	0	0	0	0	0	(241)	0	0	(241)
Earmarked Revenue Grants Funding	(3,843)	(1,851)	357	0	(5,338)	(1,849)	1,175	0	(6,011)
Total reserves earmarked for future revenue expenditure	(14,895)	(9,966)	7,293	0	(17,568)	(13,914)	11,160	0	(20,322)
Reserves earmarked for meeting future insurance claims:									
Insurance Reserve	(2,428)	0	1,822	0	(606)	(213)	0	0	(819)
Total reserves earmarked for future insurance claims	(2,428)	0	1,822	0	(606)	(213)	0	0	(819)
Schools									
Schools (held by Schools under delegated schemes)	(6,523)	(4,935)	3,946	0	(7,511)	(6,209)	5,171	0	(8,549)
Unallocated DSG	(1,654)	(411)	0	0	(2,065)	(175)	0	0	(2,241)
Total Schools	(8,177)	(5,346)	3,946	0	(9,576)	(6,385)	5,171	0	(10,790)
Reserves earmarked for future capital expenditure									
Earmarked capital reserves	(2,108)	(97)	109	0	(2,096)	(71)	7	0	(2,161)
Total reserves earmarked for future capital expenditure	(2,108)	(97)	109	0	(2,096)	(71)	7	0	(2,161)
Total Earmarked Reserves	(27,608)	(15,409)	13,171	0	(29,846)	(20,583)	16,338	0	(34,092)

Strategic Investment Reserve – this reserve is set aside to fund the Council's strategic priorities, currently that involves investment into the One Kingston Programme 2.

Strategic Investment Reserve (Operational) – a reserve used to carry forward amounts e.g. un-ring fenced grants or other carry forward amounts to meet the cost of operational priorities in the following year.

Redundancy Reserve – monies for the potential liabilities resulting from redundancies from the Council's various transformational programmes

LPFA Sub Fund – monies set aside for the potential future requirement to contribute towards the London Pensions Fund Authority deficit on the fund when regulatory issues have been resolved.

New Homes Bonus – reserve set aside for unspent New Homes Bonus grant or to correctly account for the early payment of this grant by DCLG. This reserve was spent on the Decent Homes Programme in 2013/14.

One Council Services – Community Safety – reserve set aside for community safety priorities, funded by unspent grant.

One Council Services – Borough Elections & Members - reserve set aside to fund the cyclical cost of Council elections.

One Council Services – Other – a number of small operational reserves relating to One Council Services.

Place – Waste Management – a reserve set aside to mitigate against potential future landfill charges increase

Place – Other – a number of small operational reserves relating to Place services

Learning & Children's Services – Community Education – a number of reserves relating to any surpluses generated by self funding Adult Education service

Learning & Children's Services – Other – a number of small operational reserves relating to Learning & Children's Services.

Adult Services – Other – a number of small operational reserves relating to Adult Services including Public Health.

Neighbourhoods – Neighbourhoods under spends carried forward and some specific earmarked items.

Neighbourhoods – Other – small reserves relating to the maintenance of specific assets

On Street Parking reserve – the statutory On Street Parking Account surpluses. This reserve is used to meet expenditure on transport and highways projects

Bus Lane Enforcement reserve – the statutory Bus Lane Enforcement Account surpluses. This reserve is used to meet expenditure on transport and highways projects.

Moving Traffic Contravention reserve – a new reserve created by statute in 2013/14 for Moving Traffic Contravention surpluses. This reserve is used to meet expenditure on transport and highways projects.

Kingston Theatre Retained Profits Reserve – reserve showing accounting adjustment related to Council's share of any retained profits from Kingston Theatre LLP. This is an accounting reserve and does not constitute available resource to the Council.

Kingston Bridge Reserve Fund – reserve earmarked and ring fenced for expenditure on the maintenance of Kingston Bridge

Gloucester Rd Bridge Reserve – reserve earmarked and ring fenced for expenditure on the maintenance of Kingston Bridge

HRA Earmarked Reserves – these are earmarked reserves set aside for specific use by the Housing Revenue Account

Other Funds – a number of small operational reserves

Earmarked Revenue Grants Funding – reserve containing unspent grants which have no specific conditions.

Insurance Reserve – established to underwrite a proportion of the Council's insurable risks. Held in conjunction with the Council's Insurance provision.

Schools (held by Schools under delegated Schemes) – this balance is comprised of unspent revenue balances held by Schools at year end which may be applied the following year. The balances can only be used by the Schools and are not available to the Council for general use

Unallocated DSG – residual balance relating to the 2013/14 Dedicated Schools Grants which is ring-fenced for use within Schools or to related Schools expenditure as directed by the Schools Forum. This is not available for general Council use.

Earmarked capital expenditure – reserves set aside to fund future capital expenditure.

9. OTHER OPERATING EXPENDITURE

2012/13 £'000		2013/14 £'000
	<i>Levies</i>	
123	Environment Agency	136
181	Lee Valley Regional Park Authority	190
323	London Pension Fund Authority	342
34	Wimbledon & Putney Commons Conservators	35
661	<i>Total Levies</i>	702
466	Payments to the Housing Capital Receipts Pool	589
9,564	(Gains)/losses on the disposal of non-current assets	(4,396)
10,691		(3,105)

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012/13 £'000		2013/14 £'000
10,016	Interest payable and similar charges	9,965
64	Interest payable from finance leases	120
10,669	Net interest on the net defined benefit liability	11,370
(430)	Interest income	(284)
(706)	Interest receivable from finance leases	(809)
(400)	Income, expenditure and changes in the fair values of investment properties	(510)
(783)	Other investment income	(686)
<u>18,430</u>		<u>19,165</u>

11. TAXATION AND NON-SPECIFIC GRANT INCOME

2012/13 £'000		2013/14 £'000
(85,622)	Council tax income	(80,096)
(36,611)	NNDR distribution/Retained Business Rates	(18,693)
(15,086)	Non-ringfenced government grants	(35,630)
(17,499)	Capital grants and contributions	(14,928)
<u>(154,818)</u>		<u>(149,347)</u>

12. PROPERTY, PLANT & EQUIPMENT AND HERITAGE ASSETS

i). Movement on balances

	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost or Valuation</i>							
At 1st April 2013	253,109	350,367	26,409	135,450	2,727	145	768,207
Additions	16,526	3,236	1,457	4,949	28	2,304	28,500
Revaluation increases/(decreases) recognised in the Revaluation Reserve	225	4,471	-	-	-	-	4,696
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	2,834	(4,862)	-	-	-	-	(2,027)
Derecognition - disposals	(4,197)	(861)	-	-	-	-	(5,058)
Derecognition - other			(11,560)	(16,206)	-	-	(27,765)
At 31st March 2014	268,497	352,351	16,306	124,193	2,755	2,449	766,552
<i>Accumulated Depreciation and Impairment</i>							
At 1st April 2013	(7,841)	(9,553)	(19,824)	(75,623)	0	0	(112,841)
Depreciation charge	(5,548)	(6,810)	(2,750)	(5,495)	-	-	(20,603)
Depreciation charge written out to the Revaluation Reserve	67	3,631	-	-	-	-	3,698
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	7,774	1,758	-	-	-	-	9,532
Derecognition - disposals	86	7	-	-	-	-	93
Derecognition - other	-	-	11,560	16,206	-	-	27,765
At 31st March 2014	(5,463)	(10,967)	(11,014)	(64,913)	0	0	(92,357)
Balance Sheet amount at 31st March 2014	263,035	341,384	5,293	59,280	2,755	2,449	674,195
Balance Sheet amount at 31st March 2013	245,268	340,814	6,585	59,827	2,727	145	655,366
<i>Nature of asset holding</i>							
Owned	263,035	338,361	5,251	59,280	2,755	2,449	671,130
Leased	-	3,023	42	-	-	-	3,065
PFI							0
	263,035	341,384	5,293	59,280	2,755	2,449	674,195

Where assets have been re-valued in 2013/14, the effect of that revaluation is shown in the above table, the revaluation reserve and the capital adjustment account.

Where assets are re-valued upwards or downwards, to the extent of the carrying value for that asset in the Revaluation Reserve, the change of £4.696m is shown within the Surplus or deficit on revaluation of non-current assets CIES which is then taken to the Revaluation Reserve.

When assets are re-valued downwards and the carrying value of the asset in the Revaluation Reserve is exhausted or nil, the change of £2.027m (includes HRA change of £2.834m) is taken to individual services within the Net Cost of Services in CIES and reversed out to the Capital Adjustment Account.

As the revaluation reflects the depreciated asset value, accumulated depreciation of £9.532m has been written out to Net Cost of Services within the CIES and £3.698m included in the Surplus or deficit on revaluation of non-current assets line of the CIES which is then taken to the revaluation reserve.

2012/13 Restated	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Community assets	Assets under construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost or Valuation</i>							
At 1st April 2012	244,493	349,538	24,665	132,285	2,718	12,869	766,568
Additions	10,492	2,236	1,744	3,165	9	6,792	24,438
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	9,141	-	-	-	-	9,141
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(799)	(14,009)	-	-	-	-	(14,808)
Derecognition - disposals	(1,077)	(13,400)	-	-	-	-	(14,477)
Derecognition - other	-	(2,655)	-	-	-	-	(2,655)
Other movements in cost or valuation	-	19,516	-	-	-	(19,516)	0
At 31st March 2013	253,109	350,367	26,409	135,450	2,727	145	768,207
<i>Accumulated Depreciation and Impairment</i>							
At 1st April 2012	(7,212)	(9,758)	(17,346)	(69,819)	0	0	(104,135)
Depreciation charge	(7,680)	(6,606)	(2,478)	(5,804)	-	-	(22,568)
Depreciation charge written out to the Revaluation Reserve	-	4,509	-	-	-	-	4,509
Depreciation charge written out to the Surplus/Deficit on the Provision of Services	7,051	2,254	-	-	-	-	9,305
Derecognition - disposals	-	48	-	-	-	-	48
At 31st March 2013	(7,841)	(9,553)	(19,824)	(75,623)	0	0	(112,841)
Balance Sheet amount at 31st March 2013	245,268	340,814	6,585	59,827	2,727	145	655,366
Balance Sheet amount at 31st March 2012	237,281	339,780	7,319	62,466	2,718	12,869	662,433
<i>Nature of asset holding</i>							
Owned	245,268	337,791	6,303	59,827	2,727	145	652,061
Leased	-	3,023	282	-	-	-	3,305
	245,268	340,814	6,585	59,827	2,727	145	655,366

ii). Depreciation

Depreciation is calculated in accordance with the Councils accounting policies which can be found on page 43-45.

iii). Capital Commitments

At 31 March 2014, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years.

The major commitments are:

Value of commitment		Value of commitment
31 Mar 2013		31 Mar 2014
£'000		£'000
1,121	Schools programme	3,691
636	General fund property programme	911
2,637	Public realm programme	1,282
264	Highways & transport programme	339
5,000	HRA housing	1,500
<u>9,658</u>		<u>7,723</u>

iv). Effects of changes in estimates

For 2013/14 depreciation for Council dwellings has been calculated based on componentisation of blocks of similar properties (using beacon principles). This resulted in depreciation of £5.548m being charged to the HRA.

v). Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at Fair Value is re-valued at least every five years. All General Fund and HRA valuations were carried out by the Deloitte Real Estate, under the instruction of the Council's Valuation services. 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. Valuations of vehicles, plant, furniture and equipment are shown in the Balance Sheet at historic cost.

Further discussion concerning the Fair Value of Property, Plant and Equipment is contained under Note 4 (Assumptions made about the future and other major sources of estimation uncertainty), paragraph entitled; "*Fair value of property, plant and equipment not based on recently observed market prices*".

vi). Heritage Assets

The value of the Councils Heritage Asset totalled £1.125m as at 31 March 2014. The Councils Civic Regalia and painting located in the Guildhall are included in the valuation. No additions or disposal occurred during the year

A number of other items have been identified as Heritage Asset but have not been included on the balance sheet because seeking a valuation is either impossible given their nature or

would cost too much to be commensurate with benefits to the users of the financial statements. These items include:

- **Museum Collection** – 5,125 items catalogued at either insignificant value or which are costly to value or impossible to value given their nature. There is no information detailing historical cost for significant items
- **Art Collection** – 600 items catalogued at either insignificant value or which are costly to value or impossible to value given their nature. There is no information detailing historical cost for significant items.
- **The Eadweard Muybridge Collection** – the collection of an early photographic pioneer donated to the Authority at the end of his life. Some items are highly collectible but seeking a valuation basis is impossible due to their unique nature.
- **Local History Collection** – 4,788 items catalogued at either insignificant value or which are costly to value or impossible to value given their nature. There is no information detailing historical cost for significant items.
- **Archives** – 80% of the collection relates to the Royal Borough of Kingston as an entity, this includes royal charters, whilst 20% of the collection includes records deposited by other bodies. 700 items are catalogued at either insignificant value or which are costly to value or impossible to value given their nature. There is no information detailing historical cost for significant items.
- **Public Art** – sculptures and mosaics in public areas. There is no information on historic cost and given their nature the cost of valuation is not commensurate with benefits to users of the financial statements.

5 Year Summary of Transactions - there have been no acquisitions, donations, disposals or impairments of Heritage Assets over the last five years.

13. INVESTMENT PROPERTIES

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.

Investment properties were valued by Deloitte Real Estate.

The following table summarises the movement in the Fair Value of investment properties over the year:

2012/13 £'000		2013/14 £'000
6,487	Balance at start of the year	8,696
(547)	Disposals	
101	Net gains/losses from fair value adjustments	(10)
	Transfers:	
2,655	- to/from Property, Plant and Equipment	0
	Other changes	
8,696	Balance at end of the year	8,687

The following amounts of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 2013/14:

2012/13 £'000		2013/14 £'000
(781)	Rental income from investment property property	(922)
573	Direct operating expenses arising from investment property	402
(208)	Net (gain)/loss	(520)

14. INTANGIBLE ASSETS

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.638m charged to revenue in 2013/14 was charged directly to each service heading.

The movement on the Intangible Assets balances during the year is as follows:

Other Assets	Total		Other Assets	Total
2012/13 £'000	2012/13 £'000		2013/14 £'000	2013/14 £'000
1,630	1,630	Balance at start of year:	3,192	3,192
(655)	(655)	- Gross carrying amounts	(981)	(981)
		- Accumulated amortisation		
975	975	Net carrying amount at start of year	2,211	2,211
1,562	1,562	Additions:	1,083	1,083
(326)	(326)	- Purchases	(638)	(638)
		Amortisation for the period		
2,211	2,211	Net carrying amount at end of year	2,656	2,656
3,192	3,192	Comprising:	4,275	4,275
(981)	(981)	- Gross carrying amounts	(1,619)	(1,619)
		- Accumulated amortisation		
2,211	2,211		2,656	2,656

15. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet

Long-term 2012/13 £'000	Current 2012/13 £'000		Long-term 2013/14 £'000	Current 2013/14 £'000
		<i>Investments</i>		
0	11,981	Loans and receivables	0	28,742
1,455	0	Available-for-sale financial assets	1,455	0
<u>1,455</u>	<u>11,981</u>	<i>Total Investments</i>	<u>1,455</u>	<u>28,742</u>
		<i>Debtors</i>		
8,494	26,483	Loans and receivables	8,448	34,144
<u>8,494</u>	<u>26,483</u>	<i>Total included in Debtors</i>	<u>8,448</u>	<u>34,144</u>
		<i>Borrowings</i>		
(234,206)	(2,472)	Financial liabilities at amortised cost	(234,155)	(1,647)
<u>(234,206)</u>	<u>(2,472)</u>	<i>Total included in Borrowings</i>	<u>(234,155)</u>	<u>(1,647)</u>
(22)	(157)	PFI and finance lease liabilities	0	(22)
<u>(22)</u>	<u>(157)</u>	<i>Total Other Long-term Liabilities</i>	<u>0</u>	<u>(22)</u>
		<i>Creditors</i>		
0	(19,694)	Financial liabilities at amortised cost	0	(33,363)
<u>0</u>	<u>(19,694)</u>	<i>Total Creditors</i>	<u>0</u>	<u>(33,363)</u>

Loans and Receivables at Amortised cost include Cash and Cash Equivalents.

Note 1 – Under accounting requirements, the financial instrument value shown in the Balance Sheet include the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by effective interest rate calculation) including accrued interest. However, accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year.

Note 2 – Cash and Cash equivalents have been accounted for inclusive of accrued interest as receipts are expected close to the balance sheet date. However, accrued interest is shown separately in other current assets/liabilities where the payments receipts are due within one year.

Note 3 – Fair value has been measured by:

- direct reference to published price quotations in an active market; and/or
- estimating using a valuation technique.

Note 4 – The Available for Sale Asset relates to Kingston's investment in the Limited Liability Partnership, details are set out in Note 40.

During 2013/14, there were none of the following:

- any unusual movements
- reclassification of instruments
- de-recognition of instruments
- allowance for credit losses and
- default and breaches

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:

Financial Instruments Gains and Losses 2013/14

2013/14	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£'000	£'000	£'000
Interest expense	10,085	0	10,085
<i>Total expense in (Surplus)/Deficit on the Provision of Services</i>	10,085	0	10,085
Interest income	0	(1,093)	(1,093)
<i>Total income in (Surplus)/Deficit on the Provision of Services</i>	0	(1,093)	(1,093)
Net (gain)/loss for the year	10,085	(1,093)	8,992

Financial Instruments Gains and Losses 2012/13

2012/13	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£'000	£'000	£'000
Interest expense	10,080	0	10,080
<i>Total expense in (Surplus)/Deficit on the Provision of Services</i>	10,080	0	10,080
Interest income	0	(1,136)	(1,136)
<i>Total income in (Surplus)/Deficit on the Provision of Services</i>	0	(1,136)	(1,136)
Net (gain)/loss for the year	10,080	(1,136)	8,944

Fair Values of Assets and Liabilities carried at amortised cost.

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their Fair Value has been assessed by calculating the

present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- for loans from the Public Works Loans Board (PWLB), two sets of Fair Values have been disclosed and both include accrued interest. The first has been calculated by applying the premature repayment rates (PRR), which gives the actual amount that an authority would have to pay to avoid the loss or realise the notional gain. The second has been calculated by applying the PWLB certainty new loan rate (CNLR), which calculates the notional interest gain/loss that will accrue if the authority keeps the loan until maturity.
- the fair values of long-term “Lender’s Option Borrower’s Option” (LOBO) loans have been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate swap rate and adding the value of the embedded options. The Lender’s options to propose an increase to the interest rate on the loan have been valued according to Bloomberg’s proprietary model for Bermudan cancellable swaps. The Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- for other loans payable, comparable market rates have been applied to provide the Fair Value.
- no early repayment or impairment is recognised.
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to Fair Value.
- the Fair Value of trade and other receivables is taken to be the invoiced or billed amount.

The Fair Values calculated are as follows:

Carrying amount 2012/13 £'000	Fair value (PRR) 2012/13 £'000	Fair value (CNLR) 2012/13 £'000		Carrying amount 2013/14 £'000	Fair value (PRR) 2013/14 £'000	Fair value (CNLR) 2013/14 £'000
(236,677)	(305,697)	(273,473)	Financial liabilities	(235,802)	(280,535)	(251,702)
(22)	(22)	(22)	Long-term creditors	0	0	0

Carrying amount 2012/13 £'000	Fair value 2012/13 £'000		Carrying amount 2013/14 £'000	Fair value 2013/14 £'000
14,241	14,241	Loans and receivables	30,197	30,197
8,494	8,494	Long-term debtors	8,448	8,448

There have been no changes in assumptions between 2012/13 and 2013/14 in the disclosure of this note.

16. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- re-financing risk and maturity risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by the formal adoption of a Treasury Policy Statement;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
 - the Council's overall borrowing;
 - its maximum and minimum exposures to fixed and variable rates;
 - its maximum and minimum exposures to the maturity structure of its debt; and
 - its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These were reported and approved at or before the Council's annual Council Tax setting budget meeting as required. The Council's Treasury Management Annual Strategy Report explains both the risks, and the management of risks, associated with treasury management and is available on the Council website.

Credit Risk

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

Risk is minimised through the Council's Annual Investment Strategy (which can be found on the Council's website) in accordance with Guidance on Local Government Investments issued by CLG under the Local Government Act 2003. The Guidance requires authorities to invest prudently, and that priority is given to security and liquidity before yield. The guidance also requires certain investment policy parameters to be set within the Annual Investment Strategy and for the Council to have regard to the CIPFA Code of Practice on Treasury

Management. These parameters are contained in the Treasury Management Annual Strategy Report.

Deposits are not made with banks and financial institutions unless they meet the criteria set within the Annual Investment Strategy. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution.

The credit criteria in respect of financial assets held by the Authority are as detailed below:

	Fitch long term rating (or equivalent)	Time Limit	Money Limit
Banks 1 and Building Societies	AA-	3 years	£10.0m
Banks 1 and Building Societies	A+	2 years	£7.5m
Banks 1 and Building Societies	A	1 year	£5.0m
Banks 1 and Building Societies	A-	6 months	£2.5m
Banks 2	-	2 years	£10.0m
Banks 3	-	1 year	£10.0m
Banks 4	-	1 day	£2.5m
Bank subsidiary and Treasury Operations	-	As per parent bank	As per parent bank
Other Institution Limits	-	5 years	£10m
UK Government	-	5 years	unlimited

Notes to Table above:

Note 1 – Banks 1 – UK Banks and non-UK Banks domiciled in a country which has a minimum sovereign long term rating of AA- (or equivalent) and have, as a minimum, the following Fitch, Moody's and Standard & Poors credit ratings (where rated):

- *Short Term – F1*
- *Long Term – A-*
- *Financial Strength – C- (Moody's only)*
- *Viability – BB+ (Fitch only)*
- *Support – 3 (Fitch only)*

Note 2 – Banks 2 – UK nationalised / part nationalised Banks that fall below the credit rating criteria specified above for Banks 1.

- *Note 3 – **Banks 3 – UK Financial Institutions** – if they fall below the criteria specified for Banks 1, the Council will continue to use the following systemically important UK financial institutions, provided that the Council's treasury management advisor also remain comfortable for new investments to be made:*

Barclays Bank;

HSBC Group;

Lloyds Banking Group;

Nationwide Building Society;

Royal Bank of Scotland Group;

Santander UK Plc;

Standard Chartered.

Note 4 – Banks 4 – The Council's own banker(s) – if the bank; falls below the above credit rating criteria specified for Banks 1; and is not a wholly owned bank subsidiary (see below) investments would be minimised in both time and monetary size.

Note 5 – Bank Subsidiary and Treasury Operations- if the entities are unrated or fall below the credit rating criteria specified for Banks 1, the Council will use these where the parent bank meets the above criteria specified for Banks 1, 2 or 3.

Note 6 – UK Building Societies – the Council will use Societies which meet the credit ratings specified for Banks 1

Note 7 – for a full list of Other Institutions and further details about the Council's Treasury Management Strategy, please see the Treasury Management Annual Strategy report for 2012-13.

For the rating criteria, the Council uses the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Code of Practice.

Credit rating information is supplied by the Council's Treasury Consultants on all active counterparties that comply with the criteria above. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any ratings changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided almost immediately after they occur and this information is considered before dealing.

Additional requirements under the Code of Practice require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example equity prices, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £32m as at 31 March 2014 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 irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2014 that this was likely to crystallise.

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits. The table below summarises the credit risk exposures of the Council's investment portfolio by credit rating:

Credit Rating	31 March 2013 £m	31 March 2014 £m
AAA	0.78	3.73
AA+	-	3.00
AA	-	
AA-	2.00	12.50
A+	-	3.00
A	9.00	10.00
A-	1.11	
BBB+ (Baa1)	-	0.01
Total Investments	12.89	32.24

Please note the figures quoted above are based on principal amounts invested and so will differ from those in Note 15 by items such as accrued interest and overdrawn cash balances at 31 March 2014.

The Council does not generally allow for credit for its customers. The level of debt that is held but not impaired is analysed below:

Debt Analysis - level of debt held but not impaired			
31 March 2013		31 March 2014	
£'000		£'000	
17,567	Less than one month	15,445	
20	1 - 3 months	12	
17	3 - 6 months	12	
20	6 months - 1 year	12	
32	Over 1 year	14	
17,655		15,493	

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions is unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

Maturity analysis of financial liabilities		
31 March 2013		31 March 2014
	£'000	£'000
32	Less than one year	16
16	Between one and two years	9
19	Between two and five years	15
233,072	More than five years	233,067
	<u>233,139</u>	<u>233,106</u>

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

Market Risk – Interest Rate Risk

The majority of the Council's investments and borrowing have fixed interest rates and therefore are not subject to the risk of interest rate changes. The relatively small proportion of the Council's borrowing (£61m) is under Lender Option Borrowing Option (LOBO) agreements. These have a fixed initial term (typically one to ten years) and then move to an arrangement whereby the lender can decide at pre-determined intervals to adjust the rate on the loan. At this stage the borrower has the option to repay the loan. However, these loans are expected to continue for much longer due to current market conditions with interest rate movements unlikely.

Price Risk

The Council, excluding the Pension Fund, does not generally invest in equity shares or marketable bonds.

Foreign Exchange Risk

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

17. DEBTORS

31 Mar 2013		31 Mar 2014
	£'000	£'000
42,091	Debtors	50,630
3,506	Payments in Advance	5,116
(9,748)	Less Provision for impairment of bad debts	(10,994)
	<u>35,849</u>	<u>44,752</u>

31 Mar 2013		31 Mar 2014
£'000		£'000
6,397	Central Govt Bodies	2,220
9,397	Other Local Authorities	14,187
4,291	NHS Bodies	2,584
1,979	Public Corporations	3,172
13,785	Other entities	22,589
<u>35,849</u>		<u>44,752</u>

Each line is disclosed net of impairment. The 2012/13 comparative figures have been revised to reflect further analysis that has been carried out on debtor balances. This has resulted in £13.533m being reclassified out of the “other entities” heading listed above into the sector specific headings.

18. CASH & CASH EQUIVALENTS

The balance of cash and cash equivalents is made up as follows:

31 Mar 2013		31 Mar 2014
£'000		£'000
5,306	Cash held by the Authority	2,536
(6,318)	Bank current accounts	(6,063)
3,894	Short-term deposits with building societies	7,240
<u>2,882</u>	Total Cash and Cash Equivalents	<u>3,712</u>

19. ASSETS HELD FOR SALE

Current 2012/13 £'000		Current 2013/14 £'000
5,292	Balance outstanding at start of the year	2,607
	Assets declassified as held for sale:	
(2,685)	Assets sold	(2,607)
<u>2,607</u>	Balance outstanding at year-end	<u>0</u>
	Represented by:	
2,607	- Short term assets held for sale	0
<u>2,607</u>	Total assets held for sale	<u>0</u>

20. CREDITORS

31 Mar 2013		31 Mar 2014
£'000		£'000
(31,300)	Creditors	(38,965)
(2,496)	Receipts in Advance	(3,301)
<u>(33,796)</u>		<u>(42,266)</u>

31 Mar 2013 £'000		31 Mar 2014 £'000
(5,151)	Central government bodies	(6,070)
(2,595)	Other local authorities	(2,763)
(953)	NHS bodies	(449)
(1,005)	Public corporations and trading funds	(1,880)
(24,092)	Other entities and individuals	(31,104)
(33,796)		(42,266)

21. PROVISIONS

Provisions included in Long Term Liabilities

	Outstanding Legal Cases £'000	Insurance Provision £'000	Other provisions £'000	Total £'000
Balance at 1 April 2012	(419)	(1,515)	(268)	(2,202)
Additional provisions made in year	(148)	(3,282)	0	(3,430)
Amounts used made in year	0	2,355	0	2,355
Unused amounts reversed in year	0	0	268	268
Unwinding of discounting in year	0	0	0	0
Balance at 31 March 2013	(567)	(2,443)	0	(3,010)
Balance at 1 April 2013	(567)	(2,443)	0	(3,010)
Additional provisions made in year	0	(724)	(1,132)	(1,856)
Amounts used made in year	451	1,584	0	2,035
Unused amounts reversed in year	0	0	0	0
Unwinding of discounting in year	0	0	0	0
Balance at 31 March 2014	(116)	(1,583)	(1,132)	(2,831)

Outstanding Legal Cases

Local Land Charges (£0.116m). The Royal Borough of Kingston upon Thames is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access local land charges data. In the current litigation the Council faces a claim of £78,000 plus interest and costs.

Insurance Provision

The Council's long term liability insurance provision (£1.583m) is made to meet the cost of that part of any liability claim that falls below the insurance deductible and is, therefore, not funded by the Council's insurance policy. As at 31 March 2014, to our knowledge, there are no material unfunded risks. The estimated fund surplus is included under earmarked reserves, see Note 8. There is also an insurance provision to meet potential liabilities expected within one year in current liabilities, please see below

In 2013/14 a review of the insurance fund was conducted and the provision for the insurance fund in both long term and current liabilities was reduced by £0.461m. This is due to the likely payment in relation to MMI now that the scheme of arrangement has been triggered.

Other Provisions

This includes a provision of £1.132m for outstanding appeals against valuations for Business Rate currently being assessed by the Valuation Office Agency. This is resultant from the change in local government financing surrounding the business rates retention scheme where risks and rewards have been passed from government to local authorities.

Provisions included in Current Liabilities

	Outstanding Legal Cases £'000	Insurance Provision £'000	Other provisions £'000	Total £'000
Balance at 1 April 2012	0	0	(426)	(426)
Additional provisions made in year	0	(1,185)	(263)	(1,448)
Amounts used made in year	0	0	277	277
Unused amounts reversed in year	0	0	149	149
Unwinding of discounting in year	0	0	0	0
Balance at 31 March 2013	0	(1,185)	(263)	(1,448)
Balance at 1 April 2013	0	(1,185)	(263)	(1,448)
Additional provisions made in year	0	(1,584)	(208)	(1,792)
Amounts used made in year	(50)	1,185	235	1,370
Unused amounts reversed in year	0	0	28	28
Unwinding of discounting in year	0	0	0	0
Balance at 31 March 2014	(50)	(1,584)	(208)	(1,842)

Insurance Provision

The Council's short term liability insurance provision (£1.584m) is made to meet the cost of that part of any liability claim that falls below the insurance deductible and is, therefore, not funded by the Council's insurance policy. As at 31 March 2014, to our knowledge, there are no material unfunded risks. The estimated fund surplus is included under earmarked reserves, see Note 8. There is also an insurance provision to meet potential liabilities expected in more than one year in long term liabilities, please see above.

In 2013/14 a review of the insurance fund was conducted and the provision for the insurance fund in both long term and current liabilities was reduced by £0.461m. This is due to the likely payment in relation to MMI now that the scheme of arrangement has been triggered.

Other provisions

- This includes a provision for £0.048m for known redundancy costs where amounts are to be confirmed due to the One Kingston transformation programme.
- This also includes a provision for £0.160m the purchase of Carbon Reduction Commitment Allowances which is a government scheme to reduce carbon emissions.
- Other minor provisions totalling £0.050m have also been made.

22. USABLE RESERVES

		General Fund Balance £000s	Earmarked General Fund Reserves £000s	Housing Revenue Account Balance £000s	Major Repairs Reserve £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied Reserve £000s	Total Usable Reserves £000s
	Notes		8		HRA 3			
Balance at 1 April 2012		(7,157)	(27,609)	(3,145)	(966)	(835)	(616)	(40,328)
(Surplus)/Deficit on the provision of services (accounting basis)	MIRS	14,242	0	(10,968)	0	0	0	3,274
Total Comprehensive Income & Expenditure		14,242	0	(10,968)	0	0	0	3,274
Adjustments between accounting basis and funding basis under regulations	7	(17,149)	0	10,960	(1,581)	(901)	(3,203)	(11,874)
Net (increase)/ decrease before transfers to earmarked reserves		(2,907)	0	(8)	(1,581)	(901)	(3,203)	(8,600)
Transfers to/ (from) earmarked reserves	8	2,238	(2,238)	0	0	0	0	0
(Increase)/ decrease in year		(669)	(2,238)	(8)	(1,581)	(901)	(3,203)	(8,600)
Balance at 31 March 2013		(7,826)	(29,847)	(3,153)	(2,547)	(1,736)	(3,819)	(48,928)
(Surplus)/Deficit on the provision of services (accounting basis)	MIRS	4,015	0	(20,889)	0	0	0	(16,874)
Total Comprehensive Income & Expenditure		4,015	0	(20,889)	0	0	0	(16,874)
Adjustments between accounting basis and funding basis under regulations	7	(8,960)	0	21,450	(316)	(4,041)	(2,296)	5,838
Net (increase)/ decrease before transfers to earmarked reserves		(4,945)	0	561	(316)	(4,041)	(2,296)	(11,036)
Transfers to/ (from) earmarked reserves	8	4,820	(4,246)	(574)	0	0	0	0
(Increase)/ decrease in year		(126)	(4,246)	(14)	(316)	(4,041)	(2,296)	(11,036)
Balance at 31 March 2014		(7,952)	(34,093)	(3,167)	(2,863)	(5,777)	(6,115)	(59,965)

Description of Reserves

General Fund Balance - This fund includes any surplus after meeting net expenditure on Council services.

Earmarked Reserves - Earmarked reserves are amounts set aside from the General Fund and HRA balances to provide financing for future expenditure plans. Also included in this note are amounts held by Schools under delegated schemes and amounts set aside to meet future insurance claims. *(see Note 8 for detail)*

Housing Revenue Account Balance - This reserve provides a working balance for the Housing Revenue Account, for which transactions are ring-fenced under the provisions of the Local Government and Housing Act 1989.

Major Repairs Reserve - This reserve must be credited with at least the depreciation charged to the HRA each year. The reserve is only available for financing major repairs carried out to the housing stock. Any sums unspent are carried forward for use in future years. *(see Note 3 of the HRA Statements)*

Capital Receipts Reserve - This represents receipts from the sale of land and other assets. Under the Local Government Act 2003 when the disposal relates to an HRA property, 75% of the proceeds of HRA dwellings and 50% of HRA land are transferred from the Capital Receipts reserve to the General Fund balance to compensate for the equivalent amount transferred to Government for inclusion in the national redistribution pool. The remaining balance is either used for the repayment of external loans, or transferred to the Capital Adjustment Account to finance capital expenditure.

Capital Grants Unapplied - These are unapplied capital grants set aside for future capital expenditure.

23. UNUSABLE RESERVES

		Revaluation Reserve £000s	Available for sale Financial Instruments Reserve £000s	Pensions Reserve £000s	Capital Adjustment Account £000s	Deferred Capital Receipts Reserves £000s	Financial Instruments Adjustment Account £000s	Collection Fund Adjustment Account £000s	Accumulated Absences Account	Total Unusable Reserves £000s MIRS
Balance at 1 April 2012		(57,369)	(1,815)	229,332	(340,332)	(8,513)	638	(324)	3,664	(174,718)
Other Comprehensive Income & Expenditure	MIRS	(13,651)	360	26,860	0	0	0	0	0	13,569
Total Comprehensive Income & Expenditure		(13,651)	360	26,860	0	0	0	0	0	13,569
Adjustments between accounting basis and funding basis under regulations	7	0	0	(1,833)	12,457	53	67	151	978	11,873
Net (increase)/ decrease before transfers to reserves		(13,651)	360	25,027	12,457	53	67	151	978	25,442
Transfers to/ (from) other reserves	7	4,408	0	0	(4,408)	0	0	0	0	0
(Increase)/ decrease in year	MIRS	(9,243)	360	25,027	8,049	53	67	151	978	25,442
Balance at 31 March 2013		(66,613)	(1,455)	254,359	(332,283)	(8,460)	705	(173)	4,642	(149,279)
Other Comprehensive Income & Expenditure	MIRS	(8,393)	0	(43,892)	0	0	0	0	0	(52,285)
Total Comprehensive Income & Expenditure		(8,393)	0	(43,892)	0	0	0	0	0	(52,285)
Adjustments between accounting basis and funding basis under regulations	7	0	0	9,455	(13,943)	47	60	(565)	(893)	(5,839)
Net (increase)/ decrease before transfers to reserves		(8,393)	0	(34,437)	(13,943)	47	60	(565)	(893)	(58,124)
Transfers to/ (from) other reserves	7	2,187	0	0	(2,187)	0	0	0	0	0
(Increase)/ decrease in year	MIRS	(6,206)	0	(34,437)	(16,130)	47	60	(565)	(893)	(58,124)
Balance at 31 March 2014		(72,819)	(1,455)	219,922	(348,412)	(8,414)	765	(739)	3,749	(207,403)

Description of Reserves

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

- re-valued 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.

For 2013/14 £1.001m (2012/13 £3.497m) of revaluation gains were written out due to asset disposal and £8.393m (2012/13 £13.651m) was added to the reserve due to revaluation gains.

Available for Sale Financial Instruments - The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

In 2013/14 the available for sale financial instrument reserve did not change against a reduction of £360k in the previous year.

Capital Adjustment Account - The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert Fair Value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

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

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

The below table details transaction in the CAA for 2012/13 and 2013/14.

2012/13 £'000		Notes	2013/14 £'000
(340,332)	Balance brought forward		(332,283)
	<i>Transactions with Comprehensive Income & Expenditure Statement</i>		
	(Surplus) or deficit on revaluation of non-current assets		
	<i>Adjustments between accounting basis and funding basis</i>		
37,203	Items debited or credited to the Comprehensive Income & Expenditure Account	7	16,668
(94)	Application of grant to capital finance transferred to the CAA	7	(597)
(9,767)	Use of Major Repairs Reserve to finance capital expenditure	7	(14,430)
	<i>Transactions with Usable Reserves</i>		
(7,476)	Statutory provision for the repayment of debt	7	(7,297)
(27)	Any voluntary provision for the repayment of debt	7	(46)
(641)	Capital Expenditure charged against the General Fund and HRA balances	7	(1,017)
(6,741)	Use of the Capital Receipts Reserve to finance new capital expenditure	7	(7,223)
	<i>Transactions with Revaluation Reserve</i>		
(911)	Fair value depreciation of revalued assets		(1,186)
	Writing out depreciation on revalued assets		
(3,497)	Writing out revaluation reserve balance on disposal/derecognition of assets		(1,001)
(332,283)	Balance carried forward		(348,412)

Financial Instrument 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.

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

Pensions Reserve - The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to Pension Funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Collection Fund Adjustment Account - The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax/NDR payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

For 2013/14 a £0.439m surplus for Council Tax was carried forward (2012/13 £0.173m). For NDR a £0.695m surplus was carried forward.

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

24. CASHFLOW STATEMENT – NON-CASH ADJUSTMENTS

2012/13 £'000		2013/14 £'000
(22,569)	Depreciation	(20,603)
(5,505)	Impairment and downward valuations	7,366
(326)	Amortisations	(638)
(1,350)	(Increase)/decrease in impairment for bad debts	(1,247)
(1,639)	(Increase)/decrease in creditors	(8,202)
8,821	Increase/(decrease) in debtors	10,105
(3)	Increase/(decrease) in inventories	(5)
1,833	Movement in pension liability	(9,455)
(17,661)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(7,572)
(1,830)	- provisions	(215)
101	- movements in the value of investment properties	(10)
(40,128)	<i>Total non-cash adjustments</i>	(30,477)

2012/13 £'000		2013/14 £'000
8,119	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	11,969
20,152	Application of capital grants	18,198
28,271	<i>Total adjustments for investing or financing activities</i>	30,166

2012/13 £'000		2013/14 £'000
(1,919)	Interest received	(1,780)
10,080	Interest paid	10,085
8,161	<i>Total additional disclosure requirements</i>	8,305

25. CASHFLOW STATEMENT – INVESTING ACTIVITIES

2012/13 £'000		2013/14 £'000
27,662	Purchase of property, plant and equipment, investment property and intangible assets	29,887
9,000	Purchase of short-term and long-term investments	25,000
(196)	Other payments for investing activities	589
(8,119)	Proceeds from the sale of property, plant and equipment, non-current assets held for sale, investment property and intangible assets	(11,969)
(15,000)	Proceeds from short-term and long-term investments	(9,000)
	Other receipts from investing activities	
(20,152)	- includes grants specifically received for the cost of purchasing property, plant and equipment or intangible assets	(18,198)
<u>(6,805)</u>	<i>Net cash flows from investing activities</i>	<u>16,310</u>

26. CASHFLOW STATEMENT – FINANCING ACTIVITIES

2012/13 £'000		2013/14 £'000
0	Cash receipts of short- and long-term borrowing	0
4	Other receipts from financing activities	(9)
16,681	Repayments of short- and long-term borrowing	54
<u>16,685</u>	<i>Net cash flows from financing activities</i>	<u>44</u>

27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

- some charges are made in relation to capital expenditure e.g. budgeted depreciation but not the adjustment to depreciation as a result of revaluations, amortisation of intangibles assets, impairment losses in excess of the balance on the Revaluation Reserve and REFCUS entries which are all charged to services in the Comprehensive Income and Expenditure Statement.
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- the Housing Revenue Account does not also appear in the General Fund budget reports.
- the adjusting accrual for absences is also excluded from budget reports.

Conversely there are also some items that appear in the budget reports that do not appear as charged to services in the Comprehensive Income and Expenditure Statement, they include:

- the cost of levies
- Interest receivable and similar income and interest payable and similar charges

The income and expenditure of the Authority's principal directorates recorded in the outturn budget report for the year is as follows,

2013/14	Place £000s	Learning & Childrens Services £000s	Adult Social Care £000s	One Kingston £000s	Corporate & One Council Services £000s	Neighbour- hoods £000s	Levies £000s	Total £000s
Fees, charges & other service income	(23,579)	(10,482)	(14,643)	(471)	(10,102)	(427)	0	(59,704)
Government Grants	(290)	(83,264)	(9,187)	(25)	(71,437)	0	0	(164,203)
Total Income	(23,869)	(93,746)	(23,830)	(496)	(81,539)	(427)	0	(223,907)
Employee Expenses	9,501	74,364	14,520	1,069	26,319	1,708	0	127,481
Other Service Expenses	39,700	56,393	61,909	1,686	65,294	5,143	0	230,125
Total Expense	49,201	130,757	76,429	2,755	91,613	6,851	0	357,606
Total Directorate Analysis	25,332	37,011	52,599	2,259	10,074	6,424	0	133,699
Items in Directorate Analysis not in Comprehensive Income and Expenditure Statement and Explanatory Foreword								
	489	2,468	434	0	(5,351)	537	702	(721)
Explanatory Foreword Total	25,821	39,479	53,033	2,259	4,723	6,961	702	132,978

2012/13	Place £000s	Learning & Childrens Services £000s	Adult Social Care £000s	One Kingston £000s	Corporate & One Council Services £000s	Neighbour- hoods £000s	Levies £000s	Total £000s
Fees, charges & other service income	(20,895)	(11,613)	(15,081)	(52)	(6,976)	(468)	0	(55,085)
Government Grants	(178)	(79,710)	(355)	(41)	(81,333)	0	0	(161,617)
Total Income	(21,073)	(91,323)	(15,436)	(93)	(88,309)	(468)	0	(216,702)
Employee Expenses	8,955	76,530	17,944	756	25,656	1,708	0	131,549
Other Service Expenses	40,466	52,352	51,281	1,157	75,041	4,962	0	225,259
Total Expense	49,421	128,882	69,225	1,913	100,697	6,670	0	356,808
Total Directorate Analysis	28,348	37,559	53,789	1,820	12,388	6,202	0	140,106
Items in Directorate Analysis not in Comprehensive Income and Expenditure Statement and Explanatory Foreword								
	(241)	1,994	615	0	(7,058)	550	662	(3,478)
Explanatory Foreword Total	28,107	39,553	54,404	1,820	5,330	6,752	662	136,628

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate 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.

2013/14	Directorate Analysis	Items in Explanatory Foreword not in CIES Cost of Services	Total Explanatory Foreword	Items in Explanatory Foreword not in CIES Cost of Services	Items in CIES cost of services not in Explanatory Foreword	HRA (not included in Explanatory Foreword)	Total Cost of Services	Corporate Amounts	Total Surplus Deficit on the Provision of Services
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(59,704)	0	(59,704)	0	(1,018)	(31,013)	(91,735)	0	(91,735)
Interest and investment Income	0	(230)	(230)	231	0	0	1	(1,780)	(1,779)
Income from Council Tax and Non Domestic Rates	0	0	0	0	0	0	0	(98,789)	(98,789)
Government Grants and Contributions	(164,203)	0	(164,203)	0	(1,883)	(2)	(166,088)	(50,558)	(216,646)
Total Income	(223,907)	(230)	(224,137)	231	(2,901)	(31,015)	(257,822)	(151,127)	(408,950)
Employee Expenses	127,481	0	127,481	0	(15,189)	4,569	116,861	0	116,861
Other Service Expenses	214,923	0	214,923	0	12,110	13,878	240,911	0	240,911
Depreciation	15,202	0	15,202	0	5,800	0	21,002	0	21,002
Impairment	0	0	0	0	(7,418)	0	(7,418)	0	(7,418)
REFCUS	0	0	0	0	2,879	0	2,879	0	2,879
Negative Housing Subsidy	0	0	0	0	0	0	0	0	0
Interest Payments	0	5,320	5,320	(5,320)	0	0	0	10,085	10,085
Precepts and Levies	0	702	702	(702)	0	0	0	702	702
Income & Expenditure in relation to investment properties and changes in their fair value	0	0	0	0	0	0	0	(510)	(510)
Payments to Housing Capital	0	0	0	0	0	0	0	589	589
Receipts Pool	0	0	0	0	0	0	0	11,370	11,370
Interest on net defined benefit liability (asset)	0	0	0	0	0	0	0	0	0
Gains or losses on disposal of Fixed Assets	0	0	0	0	0	0	0	(4,396)	(4,396)
Direct transfers to the General Fund	0	0	0	0	0	0	0	0	0
Other	0	(6,513)	(6,513)	6,513	0	0	0	0	0
Total Expenditure	357,606	(491)	357,115	491	(1,818)	18,447	374,235	17,840	392,076
Surplus or deficit on the provision of services	133,699		132,978				116,413		(16,874)

2012/13 - Restated	<i>Items in Explanatory Foreword not in CIES</i>	<i>Items in Explanatory Foreword not in CIES</i>	<i>Items in Explanatory Foreword not in CIES</i>	<i>Items in Explanatory Foreword not in CIES</i>	<i>Items in Explanatory Foreword not in CIES</i>	<i>Items in Explanatory Foreword not in CIES</i>	<i>Items in Explanatory Foreword not in CIES</i>	<i>Items in Explanatory Foreword not in CIES</i>	<i>Items in Explanatory Foreword not in CIES</i>
Directorate Analysis	Cost of Services	Total Explanatory Foreword	Cost of Services	Cost of Services	Cost of Services	Cost of Services	Cost of Services	Cost of Services	Cost of Services
£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(55,085)	0	(55,085)	0	(1,526)	(29,516)	(86,127)	0	(86,127)
Interest and investment Income	0	(361)	(361)	362	0	0	1	(1,919)	(1,918)
Income from Council Tax	0	0	0	0	0	0	0	(85,622)	(85,622)
Government Grants and Contributions	(161,617)	0	(161,617)	0	(2,635)	(99)	(164,351)	(69,196)	(233,547)
Total Income	(216,702)	(361)	(217,063)	362	(4,161)	(29,615)	(250,477)	(156,737)	(407,215)
Employee Expenses	131,549	0	131,549	0	(11,521)	4,140	124,168	0	124,168
Other Service Expenses	210,045	0	210,045	0	776	16,467	227,288	0	227,288
Depreciation	15,214	0	15,214	0	0	7,697	22,911	0	22,911
REFCUS	0	0	0	0	5,081	0	5,081	0	5,081
Negative Housing Subsidy	0	0	0	0	0	0	0	0	0
Interest Payments	0	5,401	5,401	(5,401)	0	0	0	10,080	10,080
Precepts and Levies	0	662	662	(662)	0	0	0	662	662
Income & Expenditure in relation to investment properties and changes in their fair value	0	(1,828)	(1,828)	1,828	0	0	0	(400)	(400)
Payments to Housing Capital	0	0	0	0	0	0	0	466	466
Receipts Pool	0	0	0	0	0	0	0	0	0
Pensions interest cost and expected return on pensions assets	0	0	0	0	0	0	0	10,669	10,669
Gains or losses on disposal of Fixed Assets	0	0	0	0	0	0	0	9,563	9,563
Direct transfers to the General Fund	0	0	0	0	0	0	0	0	0
Other	0	(7,352)	(7,352)	7,352	0	0	0	0	0
Total Expenditure	356,808	(3,117)	353,691	3,117	(5,664)	28,304	379,448	31,040	410,489
Surplus or deficit on the provision of services	140,106		136,628				128,971		3,274

28. MEMBERS' ALLOWANCES

The total amount of Members' allowances and expenses paid during 2013/14 was £620,392 (£617,242 in 2012/13). Full details can also be found on the Council's website.

<http://moderngov.kingston.gov.uk/ecSDDisplay.aspx?Name=Allowances>

29. OFFICERS REMUNERATION

The remuneration paid to the Authority's senior employees is as follows:

	Notes		Pay, fees and allowances £'000	Compensation for Loss of Office £'000	Pension Contribution £'000	Total £'000
Chief Executive - Bruce McDonald	1	2013/14	179	0	22	201
		2012/13	179	0	26	205
Director of Finance		2013/14	136	0	20	155
		2012/13	133	0	19	152
Director of Learning & Children's Services	2	2013/14	0	0	0	0
		2012/13	43	129	6	178
Director of Place		2013/14	132	0	19	152
		2012/13	130	0	19	148
Head of Legal Services	3	2013/14	87	0	13	99
		2011/12	87	0	13	100
Head of Organisation Development & Strategic Business		2013/14	108	0	16	124
		2012/13	109	0	16	125
Director of Public Health	4	2013/14	133	0	17	150
		2012/13	0	0	0	0

The Code of Practice requires the separate disclosure of amounts described as Bonuses, Expense Allowances and non-cash benefits. None of these items were accrued by the officers described in the table above in 2012/13 and 2013/14 and so no columns have been included in this table.

Pensions Contributions represent the future cost of service.

Notes

- 1 The Council's Chief Executive is Bruce McDonald
- 2 The Director of Learning & Children's Services left by mutual consent in July 2012, his annualised salary for the whole of the 2012-13 period would have been £129k. The Director of Education, Children's and Cultural Services in LB Richmond now occupied the post on a shared basis and 50% of his salary (including employers National Insurance and Pensions contributions) is charged to RB Kingston. In 2012/13 the total amount was £61,676, covering the period July 2012 to March 2013. In 2013/14 the total amount was £94,801, covering the full financial year
- 3 The Head of Legal Services is the Council's Monitoring Officer
- 4 The Public Health function was transferred from the local Primary Care Trust (PCT) to RBK, a national change, on 1 April 2013. The Director of Public Health's 2013/14 remuneration details are disclosed but 2012/13 figures are not disclosed as the role was under PCT management at that time.

The post of Director of Health & Adult Services has been occupied by the Chief Executive of NHS Kingston on a part time basis from 1 January 2011, 50% of his salary (including employers National Insurance and Pensions contributions) is charged to RBK. In 2013/14 this amounted to £93,976. For 2012/13, the amount was £90,743.

The Authority's other employees (not including those in the previous table) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) are as follows:

2012/13			Remuneration bands	2013/14		
Number of other employees	Number of teachers	Total number of employees		Number of other employees	Number of teachers	Total number of employees
34	19	53	50,001 - 55,000	24	17	41
18	12	30	55,001 - 60,000	23	9	32
7	12	19	60,001 - 65,000	8	7	15
5	9	14	65,001 - 70,000	5	6	11
7	4	11	70,001 - 75,000	8	8	16
3	3	6	75,001 - 80,000	6	3	9
0	3	3	80,001 - 85,000	2	2	4
0	0	0	85,001 - 90,000	1	1	2
0	0	0	90,001 - 95,000	2	0	2
3	0	3	95,001 - 100,000	5	0	5
1	0	1	110,001 - 115,000	1	0	1
<u>78</u>	<u>62</u>	<u>140</u>		<u>85</u>	<u>53</u>	<u>138</u>

NB. The reduction in the number of teachers reflects that transfer of Schools to Academy status with their staff no longer being RBK employees. Bands are removed where there are no employees included for 2012/13 or 2013/14.

The cost of exit packages are as follows:

Exit package cost band (including special payments) £'000	Number of compulsory redundancies		Number of other departures agreed		Total number of packages by cost band		Total cost of exit packages in each band	
	2012/13 No	2013/14 No	2012/13 No	2013/14 No	2012/13 No	2013/14 No	2012/13 £'000	2013/14 £'000
0 - 20,000	23	27	22	27	45	54	295	304
20,001 - 40,000	6	5	2	2	8	7	245	197
40,001 - 60,000	3	2	0	0	3	2	169	95
60,001 - 80,000	0	0	0	0	0	0	0	0
80,001 - 100,000	0	0	0	0	0	0	0	0
100,001 - 150,000	2	0	1	0	3	0	346	0
150,001 - 200,000	0	0	0	0	0	0	0	0
Sub - Total	<u>34</u>	<u>34</u>	<u>25</u>	<u>29</u>	<u>59</u>	<u>63</u>	<u>1,055</u>	<u>596</u>
Provision	4	7	0	0	4	7	77	49
Total	<u>38</u>	<u>41</u>	<u>25</u>	<u>29</u>	<u>63</u>	<u>70</u>	<u>1,131</u>	<u>644</u>

The total cost of £0.644m (£1.131m in 2012/13) in the table above includes £0.604m (£0.963m in 2012/13) for exit packages that have been agreed, accrued for and charged to the Authority's Comprehensive Income and Expenditure Statement in the current year. The balance of £0.040m (£0.168m in 2012/13) of committed costs included in the above table has not been charged to the Authority's Comprehensive Income and Expenditure Statement in the current year as the agreed cost is spread over 3 years in accordance with statutory rules. Included in the amount charged to the Comprehensive Income and Expenditure

Statement is £0.026m of compromise payments relating to Schools where the School rather than the Authority is the decision making body.

In addition the Authority's Comprehensive Income and Expenditure Statement includes a provision for £0.048m (£0.077m in 2012/13) which has been agreed and is payable to 7 (4 in 2012/13) officers. These costs are not included in the bands.

30. 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. The Audit Commission appointed Grant Thornton LLP as the Council's auditors from the 1 September 2012.

2012/13 £000s		2013/14 £000s
145	Fees payable to the Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	145
73	Fees payable to Grant Thornton for the certification of grant claims and returns for the year	38
(13)	Refund of Fees -Audit commission	(20)
<u>205</u>		<u>163</u>

31. DEDICATED SCHOOLS GRANT

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, 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 2013/14 are as follows:

	Central expenditure £'000	Individual Schools Budget (ISB) £'000	Total £'000
Final DSG for 2013/14 before academy recoupment	-	-	(115,808)
Academy recoupment for 2013/14	-	-	39,441
Total DSG after academy recoupment for 2013/14	-	-	(76,367)
Bought forward from 2012/13	-	-	(2,066)
Carry forward to 2014/15 agreed in advance	-	-	353
Agreed initial budgeted distribution	(17,911)	(60,169)	(78,080)
In year adjustments		(38)	(38)
Final budgeted distribution for 2013/14	(17,911)	(60,207)	(78,118)
Less actual central expenditure	16,473	-	-
Less actual ISB deployed to Schools	-	59,757	-
Plus Local Authority contributions to 2013/14	-	-	-
Carried forward to 2014/15	(1,438)	(450)	(2,241)

The carry forward figure is derived as Carry forward to 2014/15 agreed in advance plus Central Expenditure Carry Forward to 2014/15 plus Individual Schools Budget Carry Forward to 2014/15 (1438+450+353= 2241)

32. GRANT INCOME

Details of the grants, contributions and donations received by the Authority and credited to the Comprehensive Income and Expenditure Statement in 2012/13 and 2013/14 over £1 million can be found below.

Grants Credited to Services	2012/13 £000s	2013/14 £000s
Benefit Subsidy	(80,615)	(70,133)
Dedicated Schools Grant	(73,264)	(75,573)
Public Health	0	(9,049)
Pupil Premium	(1,377)	(2,188)
Skills Funding Agency funding	(1,712)	(2,007)
Partnership for Schools	(1,887)	(1,405)
Total	(158,855)	(160,355)

Credited to Taxation and Non-Specific Grant Income	2012/13 £000s	2013/14 £000s
Council Tax Freeze Grant	(2,136)	0
Early Intervention Grant	(5,603)	0
Housing Benefit Administration Grant	(1,024)	(970)
Learning Disabilities and Health Reform Grant	(3,543)	0
Revenue Support Grant	(710)	(28,974)
New Homes Bonus	(1,396)	(2,347)
Educational Services Grant	0	(1,940)
Transport for London	(2,192)	(3,196)
Schools Capital Funding	(11,313)	(3,809)
Decent Home Backlog Funding	(3,000)	(6,389)
Outer London Fund	(86)	(1,218)
Total	(31,004)	(48,843)

33. RELATED PARTIES

The Authority 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 Authority.

Central Government

Central government has significant control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions. Grant receipts are shown in Note 32.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2013/14 is shown in Note 28.

During 2013/14 members of the Authority (or members of their immediate family or household) undertook related party transactions with the following organisations to the value of £0.622m (£0.761m 2012/13). The amounts disclosed below are those considered to be material to either of the related party transaction (i.e. either the Royal Borough of Kingston upon Thames or the other entity).

Organisation	Nature of Transactions	2013/14 £000s	2012/13 £000s
Kingston Voluntary Action	Grants and other payments from RBK	610	689
St George's Mental Health Trust	Payments from RBK	2	37
Sir Francis Barker Recreational Ground	Grants and other payments from RBK	10	31

The disclosure has been prepared using the Authority's Register of Members' Interest in addition to a specific declaration obtained in respect of related party transactions from Members. The Authority issued 48 standard letters, 48 specific declarations of interest forms from Members were received (47 in 2012/13).

Details of all Members' interests are recorded in the Register of Members' Interests, open to public inspection on the Council's website www.kingston.gov.uk.

The Council makes a number of appointments each year to various local and regional bodies to represent the interests of the community. All of these appointments are approved by Council and details can be found within Committee minutes on the Council's website www.kingston.gov.uk.

There were no other material related transactions between related parties and Members of the Council.

Voluntary Organisations

The Authority made grants and other payments totalling £1.353m (£1.026m in 2012/13) to voluntary and other organisations whose senior management included members of the Authority (or members of their immediate family or household). Payments of £0.622m are summarised in the above disclosure on members' related party transactions.

Officers

During 2013/14, a grant (£0.233m) was awarded by the Council to the Kingston Citizens Advice Bureau. A relative of the Council's Chief Executive is Chief Executive of the Citizens

Advice Bureau. The Council's Chief Executive did not take part in any discussion, decision or administration relating to the grant.

The Director of Finance has been a Trustee and Institute Council Member for the Chartered Institute of Public Finance and Accountancy (CIPFA) from July 2012 to July 2013. Transactions with CIPFA during 2013/14 amounted to £0.469m.

The Council has also set up a jointly owned Community Interest Company, Achieving for Children (AfC) with the London Borough of Richmond. This company commenced trading on 1 April 2014. The Director of Finance was appointed to the board of this company as a Non-Executive Director and also fulfilled this role for the shadow board of AfC prior to 1 April 2014.

The Head of Finance Strategy and Accounting, is the Council's nominated Director of Kingston Theatre LLP. The Council's interest in Kingston Theatre LLP is disclosed in Note 40.

There were no other material transactions between related parties and senior officers within the Council.

Other Public Bodies

The Authority has a pooled budget arrangement with NHS Kingston for the provision of Moor Lane Children's and Young People's services.

The post of Director of Health and Adult Services has been occupied by the Chief Executive of NHS Kingston on a part time basis since 1 April 2011. Further details are disclosed in Note 29.

The Authority is a partner in the South London Waste Partnership, a Joint Committee established in September 2007 to secure waste treatment and disposal services for the London Boroughs of Croydon, Merton and Sutton as well as the Royal Borough of Kingston. Further details are disclosed in Note 40.

The Authority works in partnership with the Kingston Clinical Commissioning Group to continually improve integration of the NHS function with the Council's health-related functions. Payments of £8,534m were made during 2013-14.

The Council currently shares some of its support services with other London Boroughs; see Note 40 for further details.

Entities Controlled or significantly influenced by the Authority

The Council holds the majority share in the Kingston Theatre LLP. Details are disclosed in Note 40.

The Council does not provide material financial assistance to any organisations on terms that gave the Council effective control over their operations.

There are no provisions for bad and doubtful debts concerning related parties as at 31 March 2014 and there were no expenses incurred in 2013/14 relating to bad and doubtful debts concerning related parties.

It is worth noting that from March 2014, the Council, with the London Borough of Richmond held a controlling influence over Achieving for Children (AfC) through joint ownership. There

were no transactions with AfC prior to 1 April 2014 and, indeed, AfC did not commence trading until 1 April 2014.

34. 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), 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 table below.

2012/13 £'000		2013/14 £'000
278,625	Opening Capital Financing Requirement	271,122
	<i>Capital investment</i>	
24,438	Property, Plant and Equipment	28,500
0	Investment Properties	0
1,562	Intangible Assets	1,083
5,081	Revenue Expenditure Funded from Capital under Statute	2,879
	<i>Sources of finance</i>	
(6,741)	Capital receipts	(7,223)
(16,932)	Government grants and other contributions	(14,517)
	Sums set aside from revenue:	
(7,408)	- Direct revenue contributions	(9,055)
(7,503)	- Minimum revenue contributions (MRP)	(7,343)
271,122	Closing Capital Financing Requirement	265,447
	<i>Explanation of movements in year</i>	
(7,503)	Increase/(decrease) in underlying need to borrowing	(5,675)
(7,503)	Increase/(decrease) in Capital Financing Requirement	(5,675)

35. LEASES

Authority as Lessor

Finance Leases

The Council has granted a number of property leases which have been accounted for as a finance lease. The following tables detail the gross investment and the minimum lease payments receivable under these finance leases. To make the figures more meaningful rent income for 50 years from the balance sheet date has been included rather than until the lease is complete.

Gross Investment

31 Mar 2013 £'000		31 Mar 2014 £'000
	Finance lease debtor (net present value of minimum lease payments)	
41	- current	41
8,401	- non-current	8,360
23,116	Unearned finance income	23,009
139	Unguaranteed residual value of property	139
31,697	Gross investment in the lease	31,549

Reconciliation between gross investment in the lease and minimum lease payment

31 Mar 2013 £'000		31 Mar 2014 £'000
31,697	Gross investment in the lease	31,549
(139)	less unguaranteed residual value of property	(139)
<u>31,558</u>		<u>31,410</u>

Minimum Lease Payments

Minimum lease payments 31 Mar 2013 £'000		Minimum lease payments 31 Mar 2014 £'000
566	Not later than one year	563
2,244	Later than one year and not later than five years	2,220
21,582	Later than five years	21,492
<u>24,392</u>		<u>24,275</u>

36. IMPAIRMENT LOSSES

In line with the Council's revaluation of assets policy, as discussed in Note 4, there are a number of upward and downward revaluations recognised in the accounts. Those assets revalued downwards and whose losses were in excess of balances held within the Revaluation Reserve were debited to the Surplus or Deficit of the Provision of Services. The details of the effect of revaluation on the 2013/14 accounts are discussed further in Note 12.

37. PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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. The same is also true for those staff who are part of the NHS pension scheme, whose number increased in 2013/14 as part of the transfer of Public Health responsibilities from the NHS to the Council.

In 2013/14, the Council paid £3.755m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £3.904m and 14.1%. There were no contributions remaining payable at the year-end.

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

38. 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 need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by the Royal Borough of Kingston – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

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

2012/13 £'000		2013/14 £'000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services:</i>		
10,272	- current service cost	12,654
410	- past service costs	144
(7,653)	- settlements and curtailments	(417)
<i>Financing and Investment Income and Expenditure</i>		
(14,463)	- Interest income on plan assets	(14,949)
25,132	- Interest cost on defined benefit obligation	26,319
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services		23,751
<i>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in the net interest expense)		
47,827		(8,536)
(20,467)	- Actuarial gains and losses arising on changes in financial assumptions	23,772
	- Actuarial gains and losses arising on changes in demographic assumptions	(19,654)
(502)	- Other experience	(39,474)
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		(20,141)
Movement in Reserves Statement		
(13,698)	- reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(23,751)
Actual amount charged against the General Fund Balance for pensions in the year:		
15,530	- employers' contributions payable to scheme	14,296

The remeasurement of the net defined liability in the Comprehensive Income and Expenditure Statement 2013/14 is a gain of £43.892m (£26.860m loss in 2012/13).

Assets and Liabilities in Relation to Post-employment Benefits

Pension asset and liabilities recognised on the balance sheet

2012/13 £'000		2013/14 £'000
339,114	Fair value of plan assets	352,557
(570,264)	Present value of funded liabilities	(552,119)
(23,209)	Present value of unfunded liabilities	(20,359)
(254,359)	Closing balance at 31 March	(219,921)

Reconciliation of Fair Value of scheme assets:

2012/13 £'000		2013/14 £'000
303,748	Opening balance at 1 April	339,114
14,463	Interest Income on plan assets	14,949
20,467	Remeasurement gain or losses	8,536
15,530	Contributions by employers	14,296
3,710	Contributions by employees into the scheme	3,599
(19,478)	Benefits paid	(21,578)
3,374	Entity combinations	0
(2,700)	Settlements	(6,359)
<u>339,114</u>	Closing balance at 31 March	<u>352,557</u>

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

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £35.6m (2012/13: £61.5m).

Reconciliation of Fair Value of scheme liabilities

2012/13 £'000		2013/14 £'000
533,081	Opening Balance at 1 April	593,473
10,272	Current Service Costs	12,654
25,132	Interest Costs	26,319
3,710	Contributions from scheme participants	3,599
	Remeasurement gains and losses comprising of	
0	- Changes in demographic assumptions	(19,654)
47,827	- Changes in financial assumptions	23,772
(502)	- Other	(39,474)
410	Past Service Costs	144
(19,478)	Benefits paid	(21,578)
3,113	Effect of business combinations	0
(10,092)	Effect of settlements	(6,776)
<u>593,473</u>		<u>572,479</u>

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £572,479m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in a negative overall balance of £219,922m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2015 is £13.343m.

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 Hyman Robertson LLP, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the Scheme as at 31 March 2010. The Scheme will have a full valuation again at 31 March 2013 which will affect the 2014/15 Statement of Accounts.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2013/14	2012/13	2013/14	2012/13
Long-term expected rate of return on assets in the scheme:				
- Equity investments	4.3%	4.5%		
- Bonds	4.3%	4.5%		
- Property	4.3%	4.5%		
- Cash	4.3%	4.5%		
Mortality assumptions:				
Longevity at 65 for current pensioners:				
- Men	22.5	24.2		
- Women	24.7	25.2		
Longevity at 65 for future pensioners:				
- Men	24.6	26.0		
- Women	27.0	27.2		
Rate of inflation	2.8%	2.8%	2.8%	2.8%
Rate of increase in salaries	4.6%	5.1%	4.6%	5.1%
Rate of increase in pensions	2.8%	2.8%	2.8%	2.8%
Rate for discounting scheme liabilities	4.3%	4.5%	4.3%	4.5%
Take-up of option to convert annual pension into retirement lump sum	N/A	70.0%		
Take-up of option to convert annual pension into retirement lump sum (pre April 2008 service)	50%	N/A		
Take-up of option to convert annual pension into retirement lump sum (post April 2008 service)	75%	N/A		

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

2012/13		2013/14
%		%
78%	Equity investments	79%
4%	Property	3%
13%	Government Bonds	12%
5%	Cash	6%
<u>100%</u>		<u>100%</u>

A more detailed analysis of the Councils Pension Fund investments can be found in the Councils Pension Fund accounts (see Note 15 page 131)

39. CONTINGENT LIABILITIES

The Royal Borough of Kingston upon Thames, as with other Authorities in England and Wales is a defendant in proceedings brought by APPS Group of Claimants for refunds of fees paid to the Council to access local land charges data. In the current litigation the Council faces a claim of £78,000 plus interest and costs. This has been provided for by the Council – see Note 21.

The Claimants are also however, threatening a Competition Act claim. The Local Government Association has instructed solicitors, to act on behalf of all the local authorities involved in the proceedings.

RBK, along with other local authorities, has included a provision in its accounts for appeals against valuations for business rates that are currently outstanding with the Valuation Office Agency. This is resultant from the change to local government financing under the Business Rates Retention Scheme. The provision is calculated on the known number of historic cases. There are, of course, circumstances where more historic appeals may be made.

40. INTEREST IN COMPANIES

Kingston Theatre LLP

A Limited Liability Partnership (LLP) exists between the Council (95% stake) and Kingston University (5% stake), the principal activity, of which, is to own and manage the property in High Street, Kingston upon Thames known as the Rose Theatre. The LLP consider the Council to be the ultimate parent undertaking. The LLP is structured in such a way that future investors can purchase a stake in the partnership, but that the combined stake holding of the Council and University will not fall below 51%.

The audited accounts of Kingston Theatre LLP are available on request from:

The Head of Finance Strategy and Accounting
Guildhall 2
High Street
Kingston upon Thames
KT1 1EU

They are also available on the RBK website (www.kingston.gov.uk).

The Council's investment in the LLP is recognised and measured at Fair Value in the Balance Sheet – based on the Equity shown in the LLP's Balance Sheet, shared proportionately between the Partnership members. (This equity was valued at £2.239m at 31 March 2014, £2.110m at 31 March 2013). Any profit share attributable to the Council from the LLP has been recognised within the Council's Comprehensive Income and Expenditure Statement.

The accounts of Kingston Theatre LLP were consolidated into Group Accounts with the single entity accounts of the Authority in previous years, however, since 2010/11 this is considered to be unnecessary on the grounds of materiality. Note 3 to the main accounts expands on this point.

Kingston Theatre Trust (KTT)

The Kingston Theatre Trust is the tenant of the Rose Theatre. RBK was providing annual revenue support of £600,000 a year to KTT in exchange for a range of services for 3 years commencing 1 January 2009. On 1 March 2011, the Council resolved to enter into a new agreement, replacing the earlier one, providing annual revenue support at a reduced rate of £500,000 a year for five years commencing on 1 April 2011, in exchange for a range of services. In addition, loans previously advanced to KTT from the Council were restructured into a single, interest free loan of £1.8m, repayable in equal annual instalments over 100 years. As well as the rent it pays Kingston Theatre LLP, KTT also makes stepped payments to the Council in respect of the lease of equipment.

The loan to the Trust has been treated in these accounts as a 'Soft Loan' resulting in the value being reduced to £0.356m as at 31 March 2014. This reflects the economic substance of providing the loan. The outstanding amount owed by the Trust at 31 March 2014 is £1.710m. Based on this, there is a bad debt provision of £1.674m – reflecting the difference between the grant payable to the Trust for the next four years and the outstanding debt.

Achieving for Children (AfC)

Achieving for Children (AfC) started trading on 1 April 2014 and as such its activities fall outside the reporting period of this Statement of Accounts.

The company is jointly owned with the London Borough of Richmond, with each Authority holding a 50% stake. The two Councils are the subscribing guarantors and first members. The company is a Community Interest Company (CIC) limited by guarantee. The company delivers Children's Services to both boroughs under the leadership of a joint Director of Children's Services.

There are three specific ways in which the two Councils control of AfC will be exercised:

- **Ownership**

As the owners and members of the Company the Councils have a number of matters reserved to them, including the appointment and dismissal of the Non Executive Independent Directors, who are responsible to them.

- **Contractual**

The Councils commission AfC and have a contractual relationship with the Company that provides them with rights and powers that can be enforced if not complied with.

- **Role of Chief Executive Officer/ Director of Children's Services**

The jointly appointed Director for Children's Services (DCS) for both local authorities is a Director of AfC and employee of the London Borough of Richmond. Both councils are able to direct the action of the DCS.

Because of the size of the company in terms of turnover and the parent relationship that RBK will have with AfC, the Statement of Accounts for 2014/15 will include consolidated Group Accounts which will include the activities of the Council and its ownership share of AfC.

The Community Interest Company model means that the assets of the company (including any profits or surplus generated) are locked into the company and there are restrictions on what they can be used for. They must either be retained within the CIC to be used for the community purposes for which it was formed or can (in limited circumstances and only in agreement with the owners) be transferred out of the company. These circumstances include transferring assets to another CIC or for the benefit of the community.

It should be noted that no physical assets will be transferring from the Council to AfC. Instead AfC will be leasing operational and administrative buildings from the Councils.

As owners of the company, the two Councils will be providing financial support to AfC, through a revolving credit facility, which will support AfC's cash flow requirements.

South London Waste Partnership (SLWP)

The South London Waste Partnership is a Joint Committee, established in September 2007, to secure waste treatment and disposal services for the London Boroughs of Croydon, Merton, Sutton and the Royal Borough of Kingston. The Royal Borough of Kingston is the lead Borough for procurement and has awarded the contracts on behalf of the Partnership.

The costs shown below are those incurred by the SLWP rather than those incurred by the SLWP when acting as an agent for participating boroughs

2012/13 £000		2013/14 £000
960	Procurement Cost	622
3	Audit Fee	3
<u>963</u>		<u>625</u>

The SLWP is audited as a smaller relevant body and the audited accounts of the SLWP will be published at the end of September 2014.

Shared Service Arrangements

As part of the Council's response to the changing financial envelope in which Local Authorities operate, a number of shared service arrangements with other Local Authorities are in operation or are about to go into operation.

- **Human Resources** – from 1 April 2012 the Council's Human Resource (HR) services are delivered via a shared service between RBK and LB Richmond. The service is hosted by RBK. The service includes recruitment, employment contracts, advice on terms and conditions, payroll, employee relations, advice and the provision of learning and development.
- **Internal Audit Shared Service** – from 1 June 2012 Internal Audit and Investigations work is provided via a shared service with LB Richmond. The service is hosted by LB Richmond. The service is also looking to extend to other boroughs and/or offer services to other organisations. The two boroughs have shared a Joint Head of Internal Audit since 1 December 2011. Again this service is providing a shared expertise and a wider resilience for both boroughs.
- **ICT** – RBK entered into a joint service for ICT with LB Sutton on 1 May 2013. A Joint Head of ICT was in post throughout 2012/13. The joint service is providing greater

ICT infrastructure resilience as well as shared expertise to drive out further savings and provide a better quality service.

- **Legal** – RBK, along with LB Sutton, joined the existing shared legal service between LB Richmond and LB Merton on 1 October 2013. This service is the first example of a four borough shared service within south west London.
- **Other Services** – other services such as Finance and some Environment Services are exploring opportunities to share services with other London boroughs.

41. AFFECTS OF CHANGE IN ACCOUNTING POLICY AND OTHER PRIOR PERIOD RESTATEMENTS

There are a small number of prior period adjustments relating to corrections in the Fixed Asset Register, the effect of changes in the accounting policy for employee benefits due to IAS 19 and the treatment of some receipts in advance on the balance sheet.

Movement in Reserves Statement	As previously stated 2012/13 £'000	As re-stated 2012/13 £'000	Re-statement 2012/13 £'000
- Unusable reserves			
Balance at the end of the previous reporting period	(160,645)	(174,718)	(14,073)
Surplus or Deficit on the Provision of Services			
Adjustment between accounting basis and funding basis under regulations	4,738	11,874	7,136
Other comprehensive income and expenditure	16281	13,569	(2,712)
Increase or Decrease in the year	21,019	25,443	4,424
Balance at the end of the current reporting period	(139,626)	(149,279)	(9,649)

Effect on Comprehensive Income and Expenditure Statement 2012/13	Originally stated 2012/13 Net Expenditure £'000	Re-stated 2012/13 Net Expenditure £'000	Amount of Re-statement £'000
Local authority housing (HRA)	(15,541)	(11,117)	4,424
Cost of Services	124,547	128,971	4,424
Financing and investments income and expenditure	15,718	18,430	2,712
(Surplus) or Deficit on the provision of services	(3,862)	3,274	7,136
Other comprehensive income and expenditure	16,281	13,569	(2,712)
Total comprehensive income and expenditure	12,419	16,844	4,424

Balance Sheet as at 31st March 2013	as originally £'000	as re-stated £'000	Re- statement £'000
Long term assets			
Property, plant & equipment	645,714	655,366	9,653
Reserves			
Usable reserves	(48,928)	(48,928)	0
Unusable reserves	(139,626)	(149,279)	(9,653)
	<u>(188,554)</u>	<u>(198,207)</u>	<u>(9,653)</u>

42. AUTHORISATION OF THE STATEMENT OF ACCOUNTS

Under Audit regulations for 2013/14, the audited Statement of Accounts is required to be approved by Members by 30 September 2014. The audited accounts were authorised for issue for this process by the Chief Financial Officer, Leigh Whitehouse, on 24 June 2014. The accounts were reviews and approved by Audit Committee on 24 September 2014.

SUPPLEMENTARY SINGLE ENTITY FINANCIAL STATEMENTS

COLLECTION FUND ACCOUNT

HOUSING REVENUE ACCOUNT

COLLECTION FUND ACCOUNT

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to Non-Domestic Rates and the Council Tax, and illustrates the way in which these have been distributed to precepting authorities and to the Authority's own General Fund. The Collection Fund is consolidated into the accounts of the billing authority.

2012/13 £'000		2013/14 £'000 CTAX	2013/14 £'000 NNDR	2013/14 £'000 TOTAL
	Income			
(93,954)	Income from Council Tax	(98,044)	-	(98,044)
(11,486)	Transfers from the General Fund	-	-	0
(105,440)	- Council Tax Benefit	(98,044)	0	(98,044)
(76,541)	Income collectable from business ratepayers	-	(81,847)	(81,847)
(2,541)	Income collectable in respect of Business Rate supplements	-	(2,608)	(2,608)
		0	(84,455)	(84,455)
	Expenditure			
	Council Tax Precepts and Demands			
85,449	- RBK Demand	79,709	-	79,709
19,375	- GLA Precept	17,506	-	17,506
104,824		97,214	0	97,214
	Business Rate			
76,281	- Payment to National Pool	-	-	-
-	- Payment to Government	-	37,969	37,969
-	- Major Precepting Authorities	-	15,188	15,188
-	- Payment to RBK	-	22,782	22,782
260	- Costs of Collection	-	258	258
76,541		0	76,196	76,196
	Business Rate Supplement			
2,527	- Payment to levying authority	-	2,595	2,595
14	- Administrative costs	-	12	12
2,541		0	2,608	2,608
	Impairment of Debts/Appeals			
48	- Write-offs of uncollectable amounts	67	63	129
-	- Appeals Provision	-	3,773	3,773
357	- Allowance for impairment	287	1,120	1,407
405		353	4,956	5,309
	Contributions towards previous year's estimated Collection Fund Surplus			
324	- RBK	30	-	30
74	- GLA	7	-	7
398		37	0	37
187	Movement on Fund Balance	(439)	(695)	(1,134)

Using powers conferred by the Business Rates Supplements Act 2009, the Greater London Authority (GLA) set a business rates supplement of 2p in the £ rateable value for all non-domestic properties in its area with a rateable value of more than £55,000. The Supplement is used to contribute towards the financing of the Crossrail Project. The Council collected the supplement from ratepayers in the Borough, and will pay this over to the GLA. The amount paid to the GLA in 2013/14 was £2.595m (£2.527m in 2012/13).

NOTES TO THE COLLECTION FUND ACCOUNT

1. INCOME FROM COUNCIL TAX

Council Tax income is the amount payable by Council Tax payers, inclusive of changes arising during the year for successful appeals against valuation banding, new properties, disabled relief and exempt properties. The Council's tax base is based on the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings. For 2013/14 it was calculated as follows:

Tax band	Valuation Band values	Ratio to band D	Actual number	Adjusted number	Band D equivalent
A	Values up to £40,000	6/9	484	221.82	147.88
B	Values from £40,001 to £52,000	7/9	2,909	1,623.08	1,262.40
C	Values from £52,001 to £68,000	8/9	14,497	9,419.21	8,372.63
D	Values from £68,001 to £88,000	9/9	19,782	15,241.76	15,241.76
E	Values from £88,001 to £120,000	11/9	14,425	12,363.83	15,111.34
F	Values from £120,001 to £160,000	13/9	7,889	7,064.15	10,203.78
G	Values from £160,001 to £320,000	15/9	3,975	3,675.41	6,125.68
H	Values above £320,000	18/9	918	852.18	1,704.37
			<u>64,879</u>	<u>50,461</u>	<u>58,170</u>
Estimated collection rate for 2013/14		99.00%			57,588
Contributions in lieu (MoD properties)					187
Tax Base for 2013/14					<u>57,775</u>

2. NON-DOMESTIC RATES

The Council collects Non-Domestic Rates (NDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform basis set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool administered by Central Government, which, in turn, paid Local Authorities their share of the pool, such shares being based on a standard amount per head of local adult population.

In 2013/14, the administration of NDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NDR to the central pool, local authorities retain a proportion of the total collectable rates due with the rest distributed to preceptors as follows:

RBK	-	30%
Greater London Authority	-	20%
Central Government	-	50%

The NDR income (after reliefs and provisions) was:

31 Mar 2013 £'000		31 Mar 2014 £'000
200,710	Total non-domestic rateable value at year-end	200,989
2012/13		2013/14
<i>p</i>		<i>p</i>
45.8	NNDR Multiplier for year	47.1
45.0	NNDR Multiplier for small businesses for year	46.2

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2013/14 has been calculated at £3.773m with RBKs share totalling £1.132m.

3. PRECEPTS AND DEMANDS

The Greater London Authority (GLA) levies a precept upon the Council's Collection Fund based upon the Council's tax base for the year. In addition, the Council's own requirement is charged to the Collection Fund and credited to the General Fund. The GLA precept includes elements for the Metropolitan Police Authority, the London Fire and Emergency Planning Authority, Transport for London, the London Development Agency and the core GLA functions.

4. COLLECTION FUND BALANCE

A proportion of the Collection Fund balance above is properly attributable to the Greater London Authority and Central Government and thus should not be wholly taken to the net worth component of the Council's Balance Sheet. Only an element calculated pro rata to the precepts above therefore appears as a balance in the net worth section of the Balance Sheet with the remainder treated as a debtor.

31 Mar 2013 £'000		31 Mar 2014 £'000	31 Mar 2014 £'000	31 Mar 2014 £'000
		CTAX	NNDR	TOTAL
(399)	Balance brought forward	(212)	0	(212)
187	Movement in year	(439)	(695)	(1,134)
(212)	Balance carried forward	(651)	(695)	(1,346)

The surplus on the Collection Fund Balance relates to:

RBK	-	£740k
Greater London Authority	-	£259k
Central Government	-	£347k

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) reflects a statutory obligation to account separately for housing provision. It shows the major elements of housing expenditure – management, maintenance, rent rebates, and capital financing costs and how these are met from rents, subsidy and other income. The account is required to be self-financing, and cannot be subsidised by the General Fund.

HOUSING REVENUE ACCOUNT INCOME & EXPENDITURE STATEMENT

2012/13 £'000		Notes	2013/14 £'000
	<i>Expenditure</i>		
5,187	Repairs and maintenance		5,643
8,111	Supervision and management		9,573
164	Rents, rates, taxes and other charges		208
2,327	Special services		2,386
1,673	Depreciation and impairment of non-current assets		(4,554)
17	Debt management costs		18
222	Movement in the allowance for bad debts		368
794	Other revenue expenditure funded from capital under statute		280
<u>18,495</u>	<i>Total Expenditure</i>		<u>13,922</u>
	<i>Income</i>		
(25,479)	Dwelling rents		(26,911)
(419)	Non-dwelling rents		(443)
(1,091)	Charges for services and facilities		(1,108)
(1,185)	Leaseholder charges for services and facilities		(1,432)
(1,438)	Contributions towards expenditure		(1,122)
<u>(29,612)</u>	<i>Total Income</i>		<u>(31,015)</u>
(11,117)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(17,094)
41	HRA services' share of Corporate and Democratic Core		81
<u>(11,076)</u>	Net Cost for HRA Services		<u>(17,012)</u>
	<i>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</i>		
(1,775)	Gain or (loss) on sale of HRA non-current assets		(2,598)
4,630	Interest payable and similar charges		4,667
(69)	Interest and investment income		(53)
322	Net interest on the net defined benefit liability		479
	Income, expenditure and changes in the fair values of investment properties		18
(3,000)	Capital grants and contributions receivable		(6,389)
<u>(10,968)</u>	(Surplus) or deficit for the year on HRA services		<u>(20,889)</u>

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

2012/13 £'000		Notes	2013/14 £'000
(3,145)	Balance on the HRA at the end of the previous year		(3,153)
(10,968)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement (MIRS)		(20,889)
10,960	Adjustments between accounting basis and funding basis under statute	7	21,450
(8)	Net (increase) or decrease before transfers to or from reserves		561
0	Transfers (to) or from reserves		(574)
(8)	(Increase) or decrease in year on the HRA (MIRS)		(14)
(3,153)	Balance on the HRA at the end of the current year		(3,167)

NOTES TO THE HOUSING REVENUE ACCOUNT**1. HOUSING STOCK**

The Council has overall responsibility for managing the housing stock. The stock movement during the year was as shown in the table below. The figure for hostels is based on dwelling equivalents; for this purpose three bed spaces equals one dwelling.

31 Mar 2013 no.		31 Mar 2014 no.
	Flats	
982	- low rise (up to 2 storeys)	927
2,104	- medium rise (3-5 storeys)	2086
449	- high rise (6+ storeys)	441
3,535	Total Flats	3,454
1,254	Houses and Bungalows	1,238
31	Equivalent number of dwellings for multi-occupied premises (hostels)	29
23	Shared Ownership	22
4,843	Total Stock (all dwellings)	4,743

2. STOCK VALUATION

The net Balance Sheet value of the land, houses and other assets within the HRA is as follows:

2012/13 £'000		2013/14 £'000
245,268	Council dwellings	263,034
7,835	Other land and buildings	11,026
554	Investment properties	536
253,657		274,596
905,978	Vacant possession value of dwellings within the authority's HRA as at 1 April in the financial year	991,001

The valuation of stock is in accordance with the Department for Communities and Local Government (DCLG) guidance entitled *Guidance on Stock Valuation for Resource Accounting*. The basis for valuation for operational property is Existing Use Value for non-

housing property and Existing Use Value for Social Housing for housing property. The DCLG, in 2010/11, prescribed that the Existing Use Value for Social Housing should be 25% of the Existing Use Value. The variance between the Balance Sheet Value and the Vacant Possession value of the dwellings shows the economic cost to Government of providing council housing at less than open market rents.

The HRA split of assets between operational and non-operational is detailed in the Accounting Policies, Note 1, policy (xviii).

3. MAJOR REPAIRS RESERVE

This reserve is credited with the depreciation charged to the HRA each year plus an adjustment to ensure the net credit in the year equals the Major Repairs Allowance which forms part of the overall Housing Subsidy arrangements. The reserve is only available for financing major repairs carried out to the housing stock. Any sums unspent are carried forward for use in future years.

2012/13 £'000		2013/14 £'000
(966)	Balance brought forward	(2,547)
	<i>Transactions with HRA Income & Expenditure Statement</i>	
0	Depreciation of HRA assets	
(11,348)	Contribution to Major Repairs Reserve	(14,746)
	<i>Adjustments between accounting and funding basis</i>	
9,767	Capital expenditure charged against HRA balances	14,430
(2,547)		(2,863)

4. CAPITAL EXPENDITURE FINANCING

Capital expenditure amounted to £16.806m (£11.780m in 2012/13). The following summary shows how this was funded:

2012/13 £'000		2013/14 £'000
	Capital Expenditure during the financial year:	
10,492	- Houses	16,526
494	- Intangible assets	0
794	- Revenue expenditure funded by capital under statute	280
11,780	Total Capital Expenditure	16,806
	Funded by:	
(3,000)	- Government Grant	(6,389)
(1,519)	- Capital Receipts Reserve	(1,917)
(494)	- Revenue Contributions	(459)
(6,767)	- Major Repairs Reserve	(8,041)
(11,780)	Total Capital funding	(16,806)

5. CAPITAL RECEIPTS

During the year the following capital receipts from disposals were received. All disposals were the result of the sale of Council Dwellings

2012/13 £'000		2013/14 £'000
	<i>Transactions with Comprehensive Income & Expenditure Statement</i>	
	<i>Adjustments between Accounting Basis and Funding Basis</i>	
(2,852)	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(6,709)
(10)	Transfer from Deferred Capital Receipts Reserve upon receipt of cash	(4)
<u>(2,862)</u>		<u>(6,713)</u>

6. DEPRECIATION AND IMPAIRMENT

The total charge for depreciation within the Authority's HRA is shown below:

2012/13 £'000		2013/14 £'000
7,687	Council dwellings	5,548
200	Other land and buildings	463
37	Vehicles, plant, furniture and equipment	44
<u>7,924</u>		<u>6,055</u>

The HRA split of assets between operational and non-operational is detailed in the Accounting Policies, Note 1, policy (xviii).

7. RENT ARREARS AND BAD DEBT PROVISIONS

Accumulated arrears for rents due to the Council from tenants in respect of dwellings and other property managed within the housing revenue account. (It excludes rents collectable in respect of non HRA properties accounted for the General Fund).

31 Mar 2013 £'000		31 Mar 2014 £'000
2,374	Gross rent arrears	2,709
(1,051)	Provision for bad & doubtful debts	(1,311)
<u>1,323</u>		<u>1,398</u>

8. IAS19 RETIREMENT BENEFITS

The Authority considers it to be proper accounting practice to allow the HRA to be charged with an attributable share of current and past service costs, interest costs and expected return on assets. To ensure that there is no net effect on the HRA, these entries are reversed out and replaced by employers' contributions payable by means of an appropriation to the Pensions Reserve in the Movement on the Housing Revenue Account Statement. HRA share of contributions to/from the Pension Reserve has been calculated at 4.2% of the Authority's total contribution – being the proportion of total employees pay met from the Housing Revenue Account.

Note 38 to the Main Financial Statements provides further details:

2012/13 £'000		2013/14 £'000
	Transactions with Comprehensive Income & Expenditure Statement	
	<i>Adjustments between Accounting Basis and Funding Basis</i>	
738	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	1,012
(552)	Employer's pensions contributions and direct payments to pensioners payable in the year	(536)
186		475
	<i>Other income & expenditure</i>	
322	Pensions interest cost and expected return on pensions assets	479
508		954

PENSION FUND ACCOUNTS 2013/14

Pension Fund – Explanatory Foreword 2013/14

The following sets out the statutory accounts of the Royal Borough of Kingston upon Thames Pension Fund and covers the period that runs from 1 April 2013 to 31 March 2014. The objective of the Pension Fund's financial statements is to provide information about the financial position, performance and financial adaptability of the fund. The accounts for the Pension Fund are audited separately from the Council's main accounts.

The Pension Fund is administered according to the Local Government Pension Scheme (LGPS) Regulations and covers employees of the Council and a number of other bodies – these are listed in Note 1 to the accounts.

From 1 April 2014 the LGPS will be operating under some new provisions which include changes to the basis of pension; the accrual rate; the revaluation rate; the definition of pensionable pay and employee contribution rate. There are also minor changes to contribution flexibility; normal pension age; death in service survivor benefits; ill health provision; indexation of pension payment and vesting period.

It should be noted that from 1 April 2014, the Council set up a jointly owned company with London Borough of Richmond, called Achieving for Children (AfC), to deliver children's services to both boroughs. Under TUPE arrangements a large number of staff have transferred into AfC, however, AfC will remain a scheduled body of the Pension Funds of both Councils, meaning that there is no effect on the membership of those Pension Funds from the AfC venture. This comes into effect for the 2014/15 financial year and has no bearing on the 2013/14 Pension Fund accounts.

The accounts of the Pension Fund are maintained separately from the Council's main accounts and consist of the Fund Account and the Net Assets Statement. The Pension Fund has been built up over many years by contributions from the member employers and participating employees to provide pensions and lump sum payments for members of the fund upon reaching retirement age, and other benefits as specified. Every three years the appointed actuary values the fund's assets to assess whether there are sufficient monies available to meet its current pension's liabilities. Each employer's contribution to the fund is based on these triennial valuations, whilst members pay a fixed percentage dependent on their earnings. The latest triennial valuation was carried out as at 31 March 2013, and the results will be reflected in employer contributions from 1 April 2014. Details of this valuation and comparisons with the valuation used in this set of accounts can be seen in Note 18.

The Council is responsible for the investment of the assets of the Fund and agreeing the investment policy within the regulations covering Local Authority Pension schemes. These duties are carried out by a panel of Councillors, the Pension Fund Panel, who are advised by the Director of Finance and the Head of Finance (Strategy & Accounting). The Pension Fund Panel also took professional investment advice during the year.

The arrangements regarding Teacher's pensions, however, are different, as they do not belong to the RBK Pension Fund. Teachers' pensions are within a national scheme overseen by the Teachers Pensions Agency which is responsible for administering and paying teachers pensions.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. The statutory Chief Finance Officer was the Director of Finance.
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets, and
- approve the Statement of Accounts.

Responsibilities of the Director of Finance

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

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

- selected suitable accounting policies and applied them consistently,
- made judgements and estimates that were reasonable and prudent, and
- complied with the Local Authority Code.

The Director of Finance has also:

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

CERTIFICATE OF THE DIRECTOR OF FINANCE

I certify that the Pension Fund Statement of Accounts set out on pages 119 to 137 present a true and fair view of the financial position of the Pension Fund as at 31 March 2014 and its income and expenditure for the year then ended.

Leigh Whitehouse LLP CPFA
Director of Finance
24 September 2014

As authorised by Audit Committee on 24 September 2014

Cllr Rowena Bass BSc FCA
Chair of the Audit Committee
24 September 2014

NET ASSETS STATEMENT

31 March 2013 £'000			31 March 2014 £'000
481,476	Investment Assets	15	535,783
21,491	Cash deposits	15	7,350
1,138	Current Assets	20	7,527
(2,748)	Current Liabilities	21	(1,991)
<u>501,357</u>	Net fund assets available to fund benefits at the year end		<u>548,669</u>

FUND ACCOUNT

2012/13 £'000		Note	2013/14 £'000
	<i>Dealings with members, employers and others directly involved in the scheme</i>		
29,475	Contributions In	7	31,394
6,683	Transfers In	8	9,612
<u>36,158</u>			<u>41,006</u>
(23,507)	Benefits	9	(25,313)
(3,669)	Payments to and on account of leavers	10	(3,020)
(737)	Administrative expenses	11	(817)
<u>(27,913)</u>			<u>(29,150)</u>
<u>8,245</u>	Net additions (withdrawals) from dealings with members		<u>11,856</u>
	<i>Returns on Investments</i>		
7,156	Investment Income	12	7,146
(132)	Taxes on Income	13	(12)
55,823	Change in market value of investments	15c	30,329
(1,322)	Investment management expenses	14	(2,007)
<u>61,525</u>	Net return on investments		<u>35,456</u>
69,770	Net increase/(decrease) in the fund during the year		47,312
431,587	Opening Net Assets of the Scheme		501,357
<u>501,357</u>	Closing Net Assets of the Scheme		<u>548,669</u>

NOTES TO THE PENSION FUND ACCOUNTS

1. DESCRIPTION OF THE FUND

The Royal Borough of Kingston upon Thames Pension Fund is part of the Local Government Pension Scheme and is administered by the Royal Borough of Kingston upon Thames. The following description of the fund is a summary only. For more detail, reference should be made to the Pension Fund Annual Report and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972, and the Local Government Pension Scheme (LGPS) Regulations.

a) General

The fund is governed by the Superannuation Act 1972, and 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

b) Membership

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

- Scheduled Bodies, which are the local authority and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted Bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation.

Member Bodies

Scheduled Bodies

Royal Borough of Kingston upon Thames	Tiffin Boys School
Kingston College	Hollyfield School
Kingston University	Tolworth Girls School
Coombe Boys School	St Agatha's School
Coombe Girls School	Southborough School
Richard Challoner School	Latchmere School
Tiffin Girls School	Holy Cross

The following schools operate individual payroll contracts separate from those of RBK. They are regarded as separate employers by HMRC, but form part of RBK's total membership:

Bedelsford School	Malden Manor School
Burlington Infants School	St Luke's School

Admitted Bodies

Hillcroft College	Kingston & Sutton Educational Partnership
Kingston Grammar School	Balance Community Interest Company
Kingston Town Centre Management Ltd	Your Healthcare
London Grid for Learning	

The member numbers of the scheme were as follows:

31 March 2013		31 March 2014
19	Number of Employers with active members	21
Active Members (Employees)		
2,564	Royal Borough of Kingston upon Thames	2,635
1,384	Other scheduled bodies	1,530
110	Admitted bodies	220
4,058		4,385
Deferred Members		
3,046	Royal Borough of Kingston upon Thames	3,200
1,050	Other scheduled bodies	1,204
52	Admitted bodies	79
4,148		4,483
Retired Members		
2,411	Royal Borough of Kingston upon Thames	2,525
604	Other scheduled bodies	639
15	Admitted bodies	18
3,030		3,182
Dependents		
403	Royal Borough of Kingston upon Thames	406
79	Other scheduled bodies	84
1	Admitted bodies	1
483		491
11,719	Total	12,541

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% and 7.5% of pensionable pay for the financial year ended 31 March 2014. Employee contributions are matched by employer contributions which are set following triennial actuarial funding valuations. Currently, employer contribution rates range from 14.7% to 25.3% of pensionable pay. The Fund excludes teachers, who have a separate Teachers Pensions Scheme managed by the Teachers Pensions Agency.

c) Benefits

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

	Service pre 01 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3 x 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	No automatic lump sum Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. Benefits are index-linked to match inflation, the method of calculating this changing from the Retail Prices Index to the Consumer Prices Index with effect from 1 April 2011.

2. BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2013/14 financial year and its position as at 31 March 2014. The accounts have been prepared in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2013/14' which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The accounts have been prepared on a going concern basis.

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

Accruals Concept

Income and expenditure has been included in the accounts on an accruals basis excluding transfer values to or from other schemes. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The adequacy of the Fund to pay future pensions and other benefits is reported upon separately in these accounts.

Valuation of Investments

Investments are stated at their market values as at 31 March 2014 and are determined as follows:

- all investments priced within the Stock Exchange Electronic Trading Service (SETS), a Recognised or Designated Investment Exchange or Over-The-Counter market, are valued at the bid-market prices at close of business on the exchange or market on which the investment trades, or at the last trading price recorded.
- Securities which are not covered by the above are valued at their estimated realisable value. Suspended securities are valued initially at the suspended price but are subject to constant review.
- Investments held in foreign currency have been valued on the relevant basis and translated into sterling at the rate ruling at the balance sheet date.
- Transactions in foreign currency are translated into sterling at the exchange rate ruling at the time of transaction.

Treatment of interest on property developments

The Fund was not involved in any property developments during the year.

Transfer Values

The transfer values received and paid are all individual transfers. An estimate of bulk transfers due but not received at 31 March of £6.3m is included within Note 8, and an estimate of transfer values payable of £0.8m is included within Note 10

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – revenue recognition

a) Contribution Income

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

Employer's augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

Augmentation is the cost of additional membership awarded by an employer. This was applied only by Kingston University who awarded up to two additional years membership to employees who leave under their early retirement scheme (£316,699 in 2013/14, £91,599 in 2012/13).

b) Transfers to and from other schemes

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

Individual transfers in/out are accounted for on an accruals basis where there is a material bulk transfer and formal agreement and when received/paid for individuals which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see note 8)

c) Investment income

i) Interest income

Interest income is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of the financial instrument and its amount as at the date of acquisition or origination.

Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend Income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the financial year is disclosed in the net assets statement as a current financial asset.

iv) Property related income

Property related income consists primarily of rental income. Rental income from operating leases is recognised on a straight line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Contingent rents based on the future amount of a factor that changes other than with the passage of time are only recognised when contractually due.

v) Movement in the net market value of investments

Changes in the net market value of investments (including investments properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

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

e) Taxation

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

Investment income is shown gross of irrecoverable taxes deducted, and which in 2013/14 totalled £11,593. Further detail of this expense is at Note 13. The Fund is reimbursed VAT by HM Customs and Excise and the accounts are shown exclusive of VAT.

f) Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged direct to the fund.

Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.

g) Investment management expenses

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

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

The cost of obtaining investment advice from external consultants is included in investment management expenses

Net Assets Statement

h) Financial assets

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is within accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised at Note 18.

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

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The statement of accounts contains estimated figures that are based on assumptions made by the council about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different in the forthcoming year, as follows:

Actuarial present value of promised retirement benefits

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 consulting actuaries is engaged to provide the fund managers with expert advice about the assumptions to be applied.

6. EVENTS AFTER THE REPORTING PERIOD END

The Statement of Accounts was authorised for issue by the Director of Finance on 24 June 2014. At this date there were two non-adjusting events to report:

- The latest value of the investments of the Fund which have increased slightly from £543.13m to £556.75m (as valued at 30 June 2014). This represents a change of £13.62m or 2.5%.
- From 1 April 2014 the LGPS will be operating under some new provisions which include changes to the basis of pension; the accrual rate; the revaluation rate; the definition of pensionable pay and employee contribution rate. There are also minor changes to contribution flexibility; normal pension age; death in service survivor benefits; ill health provision; indexation of pension payment and vesting period.

7. CONTRIBUTIONS IN

2012/13 £'000		2013/14 £'000
Contributions from Employers		
	Royal Borough of Kingston:	
14,965	Normal Contributions	15,085
585	Capitalised cost of early retirements	620
6,594	Kingston University	7,332
725	Kingston College	783
257	Admitted Bodies	922
<u>23,126</u>		<u>24,742</u>
Contributions from Members		
	Royal Borough of Kingston:	
3,956	Normal Contributions	3,890
294	Additional Contributions	246
1,842	Kingston University	1,950
171	Kingston College	186
86	Admitted Bodies	380
<u>6,349</u>		<u>6,652</u>
<u>29,475</u>		<u>31,394</u>

8. TRANSFERS IN

2012/13 £'000		2013/14 £'000
3,374	Group transfers	6,300
3,309	Individual transfers	3,312
<u>6,683</u>		<u>9,612</u>

9. BENEFITS

2012/13 £'000		2013/14 £'000
18,656	Pensions	19,938
4,120	Commutation and lump sum retirement benefits	4,908
731	Lump Sum death benefits	467
<u>23,507</u>		<u>25,313</u>

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2012/13 £'000		2013/14 £'000
2	Refunds to members leaving service	4
1,274	Group Transfers	800
2,393	Individual Transfers	2,216
<u>3,669</u>		<u>3,020</u>

11. ADMINISTRATIVE EXPENSES

2012/13 £'000		2013/14 £'000
495	Employee costs	558
136	Support Services	126
21	Audit Fee	21
85	Actuarial fees	112
<u>737</u>		<u>817</u>

12. INVESTMENT INCOME

2012/13 £'000		2013/14 £'000
3,404	Equity dividends	3,496
3,654	Pooled investments	3,555
98	Interest on cash deposits	95
<u>7,156</u>		<u>7,146</u>

13. TAXES ON INCOME

Investment income in note 12 is reported gross of recoverable taxes which are accrued in line with the associated income. This income is shown net of irrecoverable tax, as below.

2012/13 £'000		2013/14 £'000
84	Withholding tax - equities	86
48	Withholding tax - pooled investments	(74)
<u>132</u>		<u>12</u>

14. INVESTMENT MANAGEMENT EXPENSES

2012/13 £'000		2013/14 £'000
1,251	Management and Professional fees	1,927
54	Custody fees	63
17	Performance Monitoring service	17
<u>1,322</u>		<u>2,007</u>

15. INVESTMENTS**15a. Analysis of investments**

Market Value at 31 March 2013 £'000			Market Value at 31 March 2014 £'000
27,370	Equities Quoted	24,346	
16,270	Consumer	16,410	
19,458	Manufacturing	15,453	
26,871	Energy and Utilities	27,392	
17,460	Financial Institutions	17,957	
23,773	Health and Care	23,658	
23,322	Information Technology	17,545	
	Other		
0	UK Unquoted Financial Institutions	4	142,765
	Pooled Investment Vehicles		
18,497	Property	19,708	
119,293	Unitised Insurance Policies	129,099	
<u>188,217</u>	Other Managed Funds	<u>243,712</u>	392,519
	Cash held by Fund Managers		
514	sterling	582	
3,479	foreign currency	2,405	
<u>17,498</u>	Cash held internally by Kingston Pension Fund	<u>4,363</u>	7,350
	Other Investment Balances		
898	Accrued Income		704
47	Outstanding transactions		(205)
<u>502,967</u>			<u>543,133</u>

15b. Major investments

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

31 March 2013		31 March 2014	
Value £'000	as % of investment assets	Value £'000	as % of investment assets
119,293	23.70% Threadneedle Asset Management Ltd TPN Global Equity Fund	129,099	23.76%
96,767	19.20% Schroder Inv. Management Ltd QEP Global Active Value Fund	106,124	19.54%
69,737	13.90% Henderson Global Investors Ltd All Stocks Credit Fund	50,541	9.31%

15c. Reconciliation of movements in investment values

	Value at 31/03/2013 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in Market Value £'000	Value at 31/03/2014 £'000
Equities	154,525	111,281	(136,993)	13,952	142,765
Managed and unitised Funds	326,007	71,957	(22,170)	16,726	392,520
Currency contracts/Futures	(1)	207	(126)	(81)	(1)
Outstanding traded securities	47			(268)	(221)
	480,578	183,445	(159,289)	30,329	535,063
Cash	22,389				8,070
Totals	502,967				543,133

The reduction of cash balances was mainly attributable to reduced exposure to Royal Bank of Scotland and Natwest Bank, upon advice from the Authority's Treasury Management advisors. These funds were used to fund allocation to the two Diversified Growth Fund managers appointed in the year (Pyrford & Standard Life).

The transaction cost of the investment purchases and sales in the above table was £215,465 (2012/13 £179,266)

15d. Value of assets

The majority of the fund is managed by the four investment managers to whom the assets were transitioned in September 2009. UBS retains 5% of the total fund in a property portfolio. Two additional investment managers, Pyrford and Standard Life were appointed part way through the financial year.

All of the investment managers have written agreement with the Council in respect of the services they provide. The Financial Services Authority also regulates them in carrying on investment management business. They are entitled, at their discretion, to manage the assets of the Scheme by buying and selling investments in order to seek to achieve their specific objectives within the agreed investment guidelines and regulations. When choosing investments, they must have regard to the need for diversification of investments and the overall suitability of those investments to the Scheme. In managing the portfolio, they aim to attain a level of performance based on a benchmark return.

The management fees charged by the fund managers are calculated on a sliding scale, based on the value of the funds managed at the end of each quarterly period.

The market value of the assets under the management of each fund manager as at 31 March 2014 is shown below. A small part of the fund is invested internally – this is cash held for short term cash flow reason or pending allocation to one of the investment managers.

2012/13			2013/14		
£'000	%		£'000	%	
17,499	3.48	Internally invested funds	4,364	0.8	
19,088	3.79	UBS Global Asset Management	20,205	3.72	
180,584	35.90	Fidelity Pensions Management .	162,457	29.91	
119,292	23.72	Threadneedle Asset Management	129,099	23.77	
96,767	19.24	Schroder Investment Management	106,124	19.54	
69,737	13.87	Henderson Global Investors	70,953	13.06	
0	0	Pyrford International	25,089	4.62	
0	0	Standard Life	24,842	4.58	
502,967	100.00		543,133	100.00	

In addition to individual performance benchmarks for each fund manager, the Pension Fund's overall performance is analysed relative to the WM Local Authority Universe which is representative of the UK Local Authority Pension Fund peer group. During 2013/14, the Pension Fund Panel met quarterly and received reports on the performance of the various fund managers. Fund investments performance showed a one year return of 7.7% compared with the average return for the WM Local Authority Universe of 6.4%. The annualised return over three years for the fund was 7.6%, a relative outperformance of 0.1% against the WM Local Authority Universe average return of 7.5%. The market value of the Fund's investment assets rose from £503.0m as at 31 March 2013 to £543.1m as at 31 March 2014

16. FINANCIAL INSTRUMENTS

16a. Classification of financial instruments

Accounting policies describe how different classes of financial instrument are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities, by category and net assets statement heading.

No financial assets were re-classified during the financial year.

Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised
Year ended 31 March 2013			Year ended 31 March 2014		
£'000	£'000	£'000	£'000	£'000	£'000
Financial Assets					
154,524		Equities	142,765		
307,510		Pooled Investments	372,811		
18,497		Pooled property investments	19,708		
	21,491	Cash deposits		7,350	
	898	Investment income due		704	
	240	Debtors		6,823	
945		Other investment balances	499		
Financial liabilities					
		(2,748) Creditors			(1,991)
481,476	22,629	(2,748)	535,783	14,877	(1,991)

16b. Net gains and losses on financial instruments

31 March 2013		31 March 2014
£'000		£'000
	Financial Assets	
55,697	Fair value through profit and loss	30,597
126	Loans and receivables	(268)
<u>55,823</u>		<u>30,329</u>

16c. Fair value of financial instruments and liabilities

31 March 2013			31 March 2014	
Carrying value	Fair value		Carrying value	Fair value
£'000	£'000		£'000	£'000
		Financial Assets		
481,476	481,476	Fair value through profit and loss	535,783	535,783
22,629	22,629	Loans and receivables	14,877	14,877
		Financial liabilities		
(2,748)	(2,748)	Financial liabilities at amortised cost	(1,991)	(1,991)
<u>501,357</u>	<u>501,357</u>		<u>548,669</u>	<u>548,669</u>

16d. Valuation of financial instruments carried at fair value

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

All the financial instruments of the fund are classified as level 1, where their fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level one comprise quoted fixed securities, quoted index-linked securities and unit trusts.

Listed investments are shown at bid prices. The value of the investment is based on the bid market quotation of the relevant stock exchange. The following tables show the valuations at fair value for the years ended 31 March 2014 and 31 March 2013.

	Quoted market price Level 1 £'000	Total £'000
<i>Values as at 31 March 2014</i>		
Financial Assets		
At fair value through profit and loss	535,783	535,783

	Quoted market price Level 1 £'000	Total £'000
<i>Values as at 31 March 2013</i>		
Financial Assets		
At fair value through profit and loss	481,476	481,476

17. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

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

- market risk – the possibility that financial loss might arise for the Pension Fund as a result of changes in such measures as interest rates and stock market movements.
- credit risk – the possibility that other parties might fail to pay amounts due to the Pension Fund.
- liquidity risk – the possibility that the Pension Fund might not have funds available to meet its commitments to make payments.
- re-financing risk – the possibility that the Pension Fund might be requiring to sell a financial instrument below its purchase price.

Overall Procedures for Managing Risk

The Pension Fund's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 and the associated regulations. These regulations set out permissible financial instruments, require the Administering Authority to maintain and invest on behalf of the Pension Fund in accordance with its investment principles, to take professional advice, to review investment performance and to operate a separate Pension Fund bank account. Overall these procedures require the Administering Authority to manage Pension Fund risk by maintaining and investing in accordance with a:

- Statement of Investment principles;
- Funding Strategy Statement;
- Statement of Governance Policy;
- Governance Compliance Statement.

The Pension Fund Investment Strategy is reviewed at least triennially following actuarial valuation by the Pension Fund Panel who monitor investment performance and compliance

quarterly, including the internal control arrangements of external fund managers and the custodian.

a) Market risk

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

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

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

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

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

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

Other price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows:

Asset type	Values as at 31 March 2014 £'000	Change +/- %	Value on increase £'000	Value on decrease £'000
Total Equities	390,482	12.1%	437,652	343,312
Diversified Growth	49,932	4.4%	52,144	47,720
UK Bonds	67,991	5.3%	71,622	64,360
Cash	15,021	0.2%	15,051	14,991
Property	19,708	3.1%	20,313	19,103
Total	543,134		596,782	489,486

Interest rate risk

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

The fund's interest rate risk is routinely monitored by the council and its investment advisors in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£UK). The fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

The fund's currency rate risk is routinely monitored by the council and its investment advisors in accordance with the fund's risk management strategy, including monitoring the range of exposure to currency fluctuations.

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the fund investment advisors, the council considers the likely volatility associated with foreign exchange rate movements to be 5.7% (as measured by one standard deviation).

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

The following table summarises the fund's currency exposure as at 31 March 2014 along with the impact that a 5.7% strengthening / weakening of the pound against the various currencies in which the fund holds investments would have on the values.

Asset type	Values as at 31 March 2014 £'000	Change +/- %	Value on increase £'000	Value on decrease £'000
Overseas Equities	336,814	5.7%	356,046	317,582
Overseas Corporate Bonds	33,328	5.7%	35,231	31,425
Overseas Cash	2,405	5.7%	2,542	2,268
Overseas Diversified Growth Funds	49,932	5.7%	52,783	47,081
Total	422,479		446,602	398,356

The 'Value on Increase' and 'Value on Decrease' for an individual currency exposure is calculated with reference to that currency's volatility, relative to GBP, over the three years to March 2014. Because currency changes are not necessarily correlated it is not appropriate to sum the outputs from each currency. In calculating the increase and decrease at a total fund level, it is necessary to establish the change in value of the aggregate of currencies held. It is this change that is applied to the overall currency exposure.

b) Credit risk

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

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

The Pension Fund has selected bond managers who have an investment strategy which requires investment only in high investment grade and collateralised products and who use research and market knowledge to minimise exposure to credit risk. The Pension Fund uses a custodian to ensure that all money due is paid in full and on time. Internally invested cash is placed in a special interest bearing account with the Council's bankers.

c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case to meet the pensioner payroll costs; and also cash to meet investment commitments. The RBK fund currently remains cash flow positive with contributions exceeding pensions payable, though this is regularly monitored.

The council has immediate access to a proportion of its pension fund cash holdings, as these are held in an instant access special interest bearing account maintained by Council officers. The remainder is invested in fixed term deposits taking into account likely future cash flows. Surplus funds are invested externally with fund managers. In the event of a funding shortfall the LGPS regulations permit the administering authority to borrow on behalf of the Pension Fund for up to 90 days. If required, funds can also be called back from investment managers to meet liabilities.

d) Refinancing risk

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

18. FUNDING ARRANGEMENTS**Actuarial Position**

Rates of contributions paid by the participating Employers during 2013/14 were based on the actuarial valuation carried out as at 31 March 2010, by the Fund's former actuary, Aon Hewitt. During 2013/14, the triennial valuation as at 31 March 2013 was carried out by the Fund's Actuary, Hymans Robertson. This will be used to determine employer contributions for the three years 2014-15 to 2016-17.

The following table shows a summary of the results of the two valuations

	31 March 2010	31 March 2013
	£m	£m
Market Value of assets	385	503
Total Past service Liabilities	530	712
Surplus / (Deficit)	(145)	(209)
Funding level	72.6%	70.6%

This shows that despite the Fund's assets increasing by £118m in the three year period, the deficit has grown and the funding level fallen. This is because of the impact of the decrease in real gilt yields on the value of liabilities, which is shown in the following comparison of the key assumptions used in the two valuations

Financial assumptions	31 March 2010		31 March 2013	
	nominal	real	nominal	real
Discount rate	6.8% *	3.5%	4.6%	2.1%
Salary increases **	5.3%	2.0%	4.3%	1.8%
Pension increases	3.3%	-	2.5%	-

**At 31 March 2010, Scheduled Bodies had a discount rate of 6.8% p.a. (in service and left service). The in service discount rate for Admission Bodies was 6.25% p.a. whilst their left service discount rate was 4.75% p.a.*

*** Excluding promotional increases.*

As a result of these changes, the employer contribution rates which would be required from participating employers have increased as follows:

Employer contribution rates (as % of pensionable pay)	31 March 2010	31 March 2013
Future service rate *	14.7%	21.0%
Past service adjustment (21 year spread)**	7.5%	10.9%
Total employer contribution rate	22.2%	31.9%

**rate required to meet the liabilities arising in respect of service after the valuation date*

*** rate required to restore the assets to 100% of the liabilities in respect of service prior to the valuation date, over an average recovery period of 21 years from the valuation date, if the membership remains broadly stable and pay increases are in line with the rate assumed at the valuation.*

The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority. Their contribution rates are calculated taking account of the Fund's funding strategy as described in the Funding Strategy Statement, and for the majority of Employers using the projected unit actuarial method.

The rates of contributions payable by each participating Employer over the period 1 April 2014 to 31 March 2017 are set out in a certificate dated 31 March 2014 which is appended to the actuary's report on the actuarial valuation. For those bodies which became separate employers within the fund since the valuation date, their contributions rates have been calculated individually and certified by the Fund's actuary.

19. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

CIPFA's Code of Practice requires the disclosure for the year ending 31 March 2014, of the actuarial valuation of promised retirement benefits as set out in IAS26 and that the actuarial present value should be calculated on an IAS 19 basis. This is a change from the previous practice where the Pension Fund accounts only showed the value of the assets.

IAS26 is the accounting standard that sets out the requirements for accounting and reporting in respect of retirement and the requirements for accounting and reporting of promised retirement benefit plans following the move to financial reporting of the Pension Fund Accounts under the IFRS.

31 March 2013 £m		31 March 2014 £m
(898)	Actuarial Present Value of Promised retirement benefits	(833)
501	Net Fund assets available to fund benefits	549
(397)	Net Pension Fund Liability	(284)

Actuarial present value of the promised retirement benefits as at 31 March 2014 is £833.0m.
Actuarial present value of the promised retirement benefits as at 31 March 2013 is £898.0m.

20. CURRENT ASSETS

31 March 2013 £'000			31 March 2014 £'000
86	HMRC tax		86
	Debtors:		
208	- Contributions due - employees	218	
690	-Contributions due - employers	747	
24	-Transfers in	6,341	7,306
115	-Other debtors		116
15	Cash		19
1,138			7,527

21. CURRENT LIABILITIES

31 March 2013 £'000		31 March 2014 £'000
8	Fund Custodian fees	7
497	Fund Managers' fees	418
126	Benefits payable	362
0	Transfer values	800
2,117	Other creditors	404
<u>2,748</u>		<u>1,991</u>

22. ADDITIONAL VOLUNTARY CONTRIBUTIONS

A number of active Fund members have elected to pay additional voluntary contributions to increase their personal benefits. Regulation 4(2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require that these are not paid into the Pension Fund.

The total AVCs paid by members in 2013/14 were £94,438 (£67,619 in 2012/13), as below:

31 March 2013 £'000		31 March 2014 £'000
0.3	Equitable Life	0.3
67.3	Aviva	94.1
<u>67.6</u>		<u>94.4</u>

These are invested with the Council's approved AVC providers and are a money purchase arrangement. At 31 March 2014, the total value of the AVC fund with Aviva was £778,700 (£649,426 at 31 March 2013) and with Equitable Life was £144,561 (£144,269 at 31 March 2013).

23. RELATED PARTY TRANSACTIONS

The Council is a related party to the Fund and in accordance with the regulations the Council's expenses in administering the scheme are charged to the Fund. The amount charged by the Council for 2013/14 was £684,075 (£640,531 in 2012/13)

None of the Councillors voting on the Pension Fund Panel are members of the Pension Fund.

The key management personnel for the Pension Fund are the same as for the Council as a whole. Their costs have been reasonably apportioned between the Pension Fund Accounts and the Authority's accounts, and are within scheme administration and investment management expenses as above. The costs of the Director of Finance cannot reasonably be apportioned in this way' Extra disclosure can be seen in the Authority's accounts under the notes related to Senior Officer's remuneration and Related Party Transactions.

24 & 25. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no known contingent liabilities or contingent assets as at 31 March 2014. There are no outstanding contractual commitments and no material relating non-adjusting events occurring subsequent to the period end.

26. IMPAIRMENT LOSSES

There were no impairment losses in the year.

27. STATEMENT OF INVESTMENT PRINCIPLES

In compliance with the LGPS Regulations, the Pension Fund Panel has prepared a Statement of Investment Principles (SIP). This statement sets out the principles governing decisions about investment management. The statement has been supplied to the investment managers and is available on the Council's website.

www.kingston.gov.uk/information/your_council/council_structure/finance/treasuryservices/fundinvestment.htm

The Pension Fund Panel reviewed its SIP during the 2013/14 financial year.

ANNUAL GOVERNANCE ASSURANCE STATEMENT 2013/14

THE COUNCIL'S RESPONSIBILITY

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

In discharging its responsibility, RBK is required to put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk. RBK has approved and adopted a code of corporate governance. The Annual Governance Statement (AGS) confirms this Council has arrangements in place which support the Council's compliance with the framework and the requirements of Regulation 4(2) of the Accounts and Audit [England] Regulations 2011 in relation to the publication of a statement on internal control. A copy of RBK's Code of Corporate Governance is on our website at

www.kingston.gov.uk/code_of_corporate_governance and can be obtained from our Head of Corporate Governance.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values, by which the Council is directed, controlled, accounts to, engages with and leads Kingston's communities. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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

The governance framework has been in place for the year ended 31 March 2014 and up to 30 June 2014 though, following the May elections, some aspects of the Council's formal Committee structure have been changed. In addition, Achieving for Children (AfC) the wholly owned Community Interest Company set up jointly by Kingston and Richmond Councils to deliver a wide range of Children's Services, came into being from 1 April 2014.

THE GOVERNANCE FRAMEWORK

The key elements of the systems and processes that comprise the Council's governance arrangements include arrangements for:

1. Focus, purpose and outcomes for the community and implementing a vision for the local area

- 1.1. Exercising strategic leadership by developing and clearly communicating the Authority's purpose and vision and its intended outcomes for citizens and service users

- 1.2. Ensuring that users receive a high quality service
- 1.3. Ensuring that the authority makes best use of resources and that tax payers and users receive excellent value for money

2. Members and officers working together to achieve a common purpose with clearly defined functions and roles

- 2.1. Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and the roles and responsibilities of neighbourhoods, overview & scrutiny and audit committees
- 2.2. Ensuring the public are clear on who to contact for what
- 2.3. Ensuring a constructive working relationship exists between members and officers and that the responsibilities of members and officers are carried out to a high standard

3. Promoting the Council's values and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- 3.1. Ensuring members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance
- 3.2. Ensuring that organisational values are put into practice and are effective

4. Taking informed and transparent decisions which are subject to effective scrutiny and manage risk

- 4.1. Ensuring the Council is rigorous and transparent about how decisions are taken and listens and acts on the outcome of constructive scrutiny
- 4.2. Ensuring it has good quality information, advice and support to ensure that services are delivered effectively and are what the community needs/wants
- 4.3. Ensuring it has an effective risk management system in place
- 4.4. Ensuring it uses its legal powers to the full benefit of the citizens and communities in our area

5. Developing the capacity and capability of members and officers

- 5.1. Ensuring it makes sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles
- 5.2. Ensuring it develops the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group
- 5.3. Ensuring it encourages new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal

6. Engaging with local people and other stakeholders to ensure robust public Accountability

- 6.1. Ensuring it exercises leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships and develops constructive accountability relationships
- 6.2. Ensuring it takes an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery by the authority, in partnership or by commissioning
- 6.3. Making best use of human resources by taking an active and planned approach to meet responsibilities to staff.

EFFECTIVENESS OF GOVERNANCE ARRANGEMENTS

The Royal Borough of Kingston upon Thames has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the authority who have responsibility for the development and maintenance of the governance environment, the work of the Head of Corporate Governance and Internal Audit and by comments made by external auditors and other review agencies and inspectorates.

Key elements of the governance framework operating during the year under review (2013/14) include the following bodies:

Name	Purpose
The Council	Sets the policy and budgetary framework and is responsible for the appointment of the Mayor; members of other bodies such as the Strategic and Neighbourhood Committees, Scrutiny Panel and the Audit, Standards, Licensing and Development Control Committees. It also adopts the Code of Conduct for Councillors, agrees any changes to the Council's Constitution and terms of reference for Committees and Panels and other Member bodies.
Strategic Committees	Politically proportionate and responsible for making decisions on those powers duties and functions of the Council that fall within their remit, within overall Council policy.
Neighbourhood Committees	Four committees made up of the councillors representing the electoral wards in each Neighbourhood, responsible for providing many of the services in their area. Each has its own budget and can make decisions on a range of services, including traffic management, planning applications, parks, libraries, housing management, youth service and licensing matters. Decisions of the Neighbourhoods are open to the 'call in' procedure.
Health Overview Panel	Acts as a lever to improve the health of local people in the widest sense. It looks at the whole health system, not just services provided, commissioned or managed by the NHS. It scrutinises and make reports or recommendations to the Council, health bodies and other relevant agencies about possible improvements in service.
Audit Committee	Reviews internal audit strategy, plans and performance; considers the most significant issues arising from internal and external audit work; and obtains assurance that appropriate action is being taken

	on those issues. It maintains an overview of the effectiveness of the Council's corporate governance arrangements particularly those concerned with risk management, internal control, financial governance, anti-fraud and anti-corruption strategies; and recommends for approval by the Policy & Resources Committee the annual Corporate Governance Statement and receives and considers the Council's Final Accounts and accompanying financial statements.
Standards Committee	Promotes and maintains high standards of conduct amongst elected, co-opted and advisory members and employees of the authority. The Committee advises the Council on the adoption of the Code of Conduct for Councillors, including its monitoring and updating.
Strategic Leadership Team	Provides leadership and strategic direction at officer level and develops policies and plans for consideration by Members.
Directorate Management Teams	These include leadership and management teams in Adults and Health,, Place, Finance, Learning & Children's Services and Organisational Development & Strategic Business who are responsible for the work of the services, their corporate responsibilities and to agree the strategic direction and plans for all aspects of their activities and to make decisions about delivery and approve and implement all related policies, plans and service developments and resource allocations.
Internal Audit (Shared Service)	Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

The process for maintaining and reviewing the effectiveness of the governance framework in place in 2013/14 was led by the Head of Corporate Governance who carried out the following work:

- reviewing reports from internal and external audit, external inspectors and other independent reviews
- documenting governance processes and practices
- holding discussions with each Directorate Management Team to assess the Council's corporate governance framework
- holding a discussion with the Strategic Leadership Team to assess the Council's corporate governance framework.

We have been advised of the results of the review of the effectiveness of the governance framework by the Audit Committee and that there are no areas of significant weakness. There were however nine Internal Audit reports where limited assurance was given:

- Software Licensing & Asset Management
- Pensions Administration

- Personalised Budgets – Direct Payments
- Residential Care Commissioning
- Licensing
- HRRC Contract
- Mayrise Project
- Caldicott
- South London Waste Partnership

In each case recommendations have been raised by Internal Audit, the implementation of which will be overseen by the Strategic Leadership Team.

A number of other areas of relative improvement have been identified and, over the coming year, we will take steps to address the improvement areas to further enhance our governance arrangements. We will monitor the progress and effectiveness of this programme during the course of the year.

In 2011/12 a requirement to report on Compliance with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government was introduced. A self assessment has been carried out against the 5 principles within this Code and all required standards have been assessed as being met.

Another new requirement was introduced last year requiring the Annual Governance Statement to note compliance with the CIPFA Statement on the Role of the Head of Internal Audit in Local Government. A self assessment has been carried out against the principles within this Code and all required standards have been assessed as being met.

Finally, the Head of Internal Audit and Investigation is required to provide the Council with an opinion on the adequacy and effectiveness of the internal control environment. In her Annual Report on the work of Internal Audit during 2013-14 the Head of Internal Audit and Investigation confirmed that, in her opinion, the Council does have an adequate and effective control process to manage the achievement of its objectives.

Subsequent to the initial approval of the 2011/12 Annual Governance Statement by the Audit and Policy & Resources Committees in June 2012, a report on the OFSTED inspection of Safeguarding and Looked After Children's Services was published on 10 July 2012. The report rated the Council's Safeguarding services as "Inadequate" and Looked After Children services as "Adequate". Although primarily concerned with practice within those services, the report did highlight a small number of issues with relevance to the governance framework. Accordingly, an Action Plan was developed and Directorate Management Teams were asked to have regard to it during the Annual Governance Statement assurance process. Any clear links between the outcomes of the Directorate Management Team self assessments and the Ofsted Action Plan were considered and incorporated in the AGS action plan that was subsequently developed.

In the following year, again after the approval of the 2012/13 AGS by both the Audit and Policy and Resources Committees, the report of a follow-up unannounced OFSTED inspection of the Council's arrangements for the protection of children was published on 12 July 2013. The report noted the good progress that had been made in improving safeguarding services and that 'solid foundations' are in place to deliver further improvements; however, despite the improvements, the overall effectiveness of safeguarding arrangements was found not yet developed enough to meet the OFSTED threshold criteria for an 'adequate' judgement.

Although there had been no change to the OFSTED judgement, some of the issues raised in the 2013 inspection report related indirectly to the overall governance framework and these were reflected appropriately in the AGS Action Plan for 2013/14.

Signed:.....

Name: Councillor Kevin Davis

Date:.....

Leader of the Royal Borough of Kingston upon Thames

Signed:.....

Name: Bruce McDonald

Date:.....

Chief Executive of the Royal Borough of Kingston upon Thames

GLOSSARY OF TERMS

Accounting Period

The timescale during which accounts are prepared. Local Authority accounts have an overall accounting period of one year from 1 April to 31 March.

Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements. Accounting policies define the process whereby transactions and other events are reflected in the financial statements.

Accounting Standards

A set of rules explaining how accounts are to be kept. By law, local authorities must follow 'proper accounting practices', which are set out in Acts of Parliament and in professional codes and statements of recommended practice.

Accruals

This is the concept that income and expenditure are recognised as they are earned or incurred and not as money is received or paid.

Acquisitions

The Council spends funds from the capital programme to buy assets such as land and buildings.

Active Member

A member of an occupational pension scheme who is building up pensions benefits, in either a defined benefit or a defined contribution scheme, from their current job.

Actuarial Valuation

Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Council on the fund's financial position and recommended employers' contribution rates.

Actuary

An adviser on financial information and assumptions relating to the pension scheme.

Admitted Body

A body which can be admitted to the LGPS with the agreement of the Administering Authority, it must be non profit-making and will normally be in receipt of a grant from either central or local government.

Agency Services

Services provided by or for another Local Authority or public body where the cost of carrying out the service is reimbursed.

Amortisation

The practice of reducing the value of assets to reflect their reduced value over time. The term means the same as depreciation, though in practice amortisation tends to be used for intangible assets.

Asset Register

A record of Council assets including land and buildings, housing, infrastructure, vehicles and equipment etc. This is maintained for the purpose of calculating capital charges that are made to service revenue accounts. It is update annually to reflect new acquisitions, disposals, revaluations and depreciation.

Assets

Any item of economic value owned by an individual or corporation, especially that which could be converted to cash

Assets under Construction

Assets not yet ready for use. This could be new building work in schools or road construction.

Audit Commission

The body responsible for the appointment of external auditors to local authorities, co-ordinating audits throughout the country, setting standards and monitoring performance.

Balances

The amount of money left over at the end of the year after allowing for all expenditure and income that has taken place. These are also known as financial reserves. They comprise of the General Fund balance, the Housing Revenue Account balance and Schools reserves.

Balance Sheet

A Statement of the Council's assets and liabilities at 31 March (Balance Sheet date).

Budget

A forecast of the Council's planned expenditure; the level of the council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes and other factors affecting the level or cost of services.

Business Rates

See Non-Domestic Rate (NDR)

Business Rate Supplement

The Business Rate Supplements Act 2009 enables levying authorities – county councils, unitary district councils and, in London, the Greater London Authority – to levy a supplement on Business Rates (NNDR) to support additional projects aimed at economic development of

the area. In 2011/12 a Business Rate Supplement is being levied by the Greater London Authority in relation to the Crossrail project.

Capital Adjustment Account

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

Capital Contributions

Some capital schemes receive contributions from third parties that have an interest in supporting a capital scheme.

Capital Grants

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

Capital Expenditure

Expenditure on the purchase, construction and enhancement of Council assets such as houses, offices, schools and roads. Expenditure can only be treated as “capital” if it meets statutory definitions and is in accordance with accounting practice and regulations.

Capital Financing

This term describes the method of financing capital expenditure, the principal methods now being loan financing, capital receipts and capital resource funds.

Capital Financing Requirement

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

The Authority’s total liabilities in respect of capital expenditure financed by credit less the provision made to meet these liabilities.

Capitalisation

Costs are capitalised to the extent that they create or improve any fixed asset with a useful economic life greater than one year.

Capital Programme

A 5 year plan that identifies Capital projects and purchases. The Capital Programme provides a planned schedule for financial planning and is reviewed annually.

Capital Receipts

These are proceeds arising from the sale of fixed assets and repayments of capital grants and loans. They may be used to finance new capital expenditure or to repay outstanding loan debts as laid down in rules set by the government.

Cash & Cash Equivalents

Cash is represented by money held by the Council and deposits available on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

The Code

This Code of Practice is based on International Financial Reporting Standards (IFRS), and has been developed by CIPFA/LASAAC Code Board under the oversight of the Financial Reporting Advisory Board. The Code provides guidance to all Local Authorities on how applying accounting standards for the production of the Statement of Accounts and outlines information that must be included.

Collection Fund

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

Community Assets

These are assets which the Council intends to hold in perpetuity, have no determinable useful life, and may have restrictions on their disposal, for example parks and historic buildings.

Comprehensive Income and Expenditure Account

A core financial statement that provides a summary of the resources generated and consumed by the Council in the year.

Contingent Assets

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future event not wholly within the Council's control

Contingent Liabilities

These are 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 Comprehensive Income and Expenditure Statement.

Council Tax

A major source of income to the Council. It is levied on households within the Council's area based on property values and the proceeds are paid into the Collection Fund for distribution to precepting authorities, which are the Council and the Greater London Authority.

Council Tax Benefit

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

Creditors

These are amounts owed by the Council for goods and services supplied, but for which payment has not been made at the end of the financial year.

Current Assets

These are assets that will be consumed within the next accounting period (i.e. less than one year).

Current Liabilities

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

Current Service Cost (Pensions)

The increase in the present value of the pension scheme's liabilities expected to arise from employee service in the current period.

Debtors

These are amounts owed to the Council but not received at the end of the financial year.

Dedicated Schools Grant (DSG)

DSG was introduced in 2006/07 as the principal source of funding for schools and related activities in England.

Deferred Credits

This is the term applied to deferred capital receipts and represents capital income still to be received. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years. The balance is reduced by the amount repayable in any financial year.

Deferred Liabilities

Liabilities which by arrangement are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time. The main example of this is outstanding finance lease obligations.

Deferred Member

A member who is no longer active in the Scheme but is not yet in receipt of a pension.

Defined Benefits Pension Scheme

Retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. The scheme may be funded or unfunded.

Depreciation

This is the loss in value of a tangible asset due to age, wear and tear, deterioration or obsolescence through technological or other changes. Depreciation is a “non-cash” charge as it merely reflects accounting assessments of the loss in value.

Earmarked Reserves

These are amounts which are set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Emoluments

All sums paid to or receivable by an employee, and including sums due by way of expense allowances (as far as those sums are chargeable to UK income tax) and also the money value of any other benefits received other than in cash. Pension contributions payable by employees are excluded.

Equity

The capital of a company belonging to the ordinary shareholders who have voting rights allowing them to influence the management of the company.

Events after the Balance sheet date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Fair Value

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm’s-length transaction.

Finance and Operating Leases

These are financing arrangements with a third party. A finance lease substantially transfers all of the risks and rewards of ownership of a fixed asset to the lessee. Such assets have been valued and included under Fixed Assets in the Balance Sheet. With an operating lease, the ownership of the asset remains with the leasing company and the annual rent is charged to the relevant service account.

Financial Instruments

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

Fixed Interest Security

A security which yields fixed and regular income (interest).

Formula Grant

Government subsidy to local authorities comprising two elements: Revenue Support Grant and redistributed National Non-Domestic Rates.

Funding Basis

This refers to the Funding Basis under regulations. The Council is required to include several items in the Comprehensive Income and Expenditure Account under The Code that are not a charge to Council Tax payers (e.g., depreciation).

General Fund

The Council's main revenue account that covers the net cost of all services other than the provision of council housing for rent.

Government Grants

This is financial assistance by the government, inter-government agencies or similar bodies to an Authority, in return for compliance with certain conditions relating to the activities of the Authority.

Heritage Assets

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

Historic Cost

The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Revenue Account (HRA)

A statutory account that contains all expenditure and income on the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund and the account must balance. Local Authorities are not allowed to make up any deficit on the HRA from the General Fund.

IAS19

Accounting Standard requiring the recognition by an authority of the attributable share of the assets and liabilities of pension funds with which it is associated showing the employer's commitment to increase contributions to make up any shortfall in attributable net assets, or its ability to benefit (via reduced contributions) from a surplus in the scheme, even though the fund retains title to the assets and the responsibility to pay pensions.

Impairment

A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

Infrastructure Assets

Fixed assets that are inalienable, expenditure on which is recoverable only by a continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

International Financial Reporting Standards (IFRS)

The accounting standards adopted by the International Accounting Standards Board (IASB). Local Authorities are required to produce 2010/11 accounts using IFRS.

Intangible Assets

These are assets of value that do not have physical substance, for example Software Licences, Franchises and patents. Expenditure incurred on these assets is capitalised at cost and charged to the Balance Sheet.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period, in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Inventories

Inventories are materials or supplies that will be consumed in producing goods or providing services or will be sold or distributed as part of an Authority's ordinary business.

Investment Properties

Property that is held solely to earn rentals or for capital appreciation.

Levies

Payments to London-wide bodies such as the London Pensions Fund Authority. The cost of these bodies is borne by local authorities in the area concerned, based on their Council Tax base and is met from the General Fund.

Liability

A financial obligation, debt, claim, or potential loss.

Long Term Borrowing

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

Minimum Revenue Provision (MRP)

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

Movement in Reserves Statement (MIRS)

A prime statement that draws together all the movement in both usable and unusable reserves.

Non-Domestic Rate (NDR)

The rates paid by businesses. The amount paid is based on the rateable value set by the Valuation Office multiplied by a rate in the £ set by the government which is the same throughout the country.

Net Book Value

An asset or liability's original book value net of any accounting adjustments such as depreciation.

Net Realisable Value

The open market value of the asset less the expenses to be incurred in realising the asset.

Non Distributed Costs

These are costs relating to retirement and unused and unusable share of assets. These cannot be charged to current service revenue accounts.

Outturn

This is the final expenditure and income in any financial year. Outturn reports usually compare the final net expenditure against the relevant annual budget.

Past Service Costs (Pensions)

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Pooling Arrangements (capital receipts)

Since 1 April 2004, 75% of "Right to buy" capital receipts have to be paid to the DCLG; the remaining element can be used to finance capital expenditure. A proportion of other housing receipts must also be paid over unless it is intended to use the receipts for affordable housing or regeneration projects.

Post Balance Sheet events

Events arising after the balance sheet date should be reflected in the statement of accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included.

Precept

A precept is an amount which the Council is required to collect from Council Tax on behalf of other non-billing authorities, such as the Greater London Authority (GLA) in London or County Councils outside London, to finance its net expenditure.

Prior Year Adjustments

These are material adjustments, which are applicable to prior years arising from the correction of fundamental errors or inaccuracies. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provision

This is an amount, which is set aside for a liability or loss in respect of a past event, which is likely to be incurred, but where the exact amount and date on which it will arise is uncertain.

Prudential Code

This is a code of practice agreed between central government and CIPFA for the Prudential Capital Finance System introduced on 1st April 2004. The system allows local authorities to set their own borrowing limits based upon affordability, sustainability and prudence. Local authorities are required by legislation to have regard to the code.

Public Works Loan Board (PWLB)

A central government agency which provides long and medium term loans to local authorities at interest rates only slightly higher than those at which government itself can borrow. Local Authorities are able to borrow a proportion of their requirements to finance capital spending from this source.

Related Parties

Two or more parties are defined to be related parties when at any time during the financial period concerned, one party has direct or indirect control or influence on the other party, for example;

- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Related Party Transaction

A related party transaction is the transfer of assets or performance of services by to or for a related party irrespective of whether a charge is made.

Reserves

The amounts held by way of balances and funds that are free from specific liabilities or commitments. The Council is able to earmark some of its reserves towards specific projects, whilst leaving some free to act as a working balance.

Revaluation Reserve

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

Revenue Expenditure

This is expenditure which is incurred on day to day running costs on recurring items involved in the delivery of services and is charged to the accounts within one financial year. Examples are salaries, wages, materials, supplies and services.

Revenue Expenditure funded by Capital under Statute (REFCUS)

Expenditure that may be classified under legislation as capital but does not result in the creation of a fixed asset on the Balance Sheet. This expenditure is generally charged to the relevant service revenue account in the year incurred with a corresponding credit to the Statement of Movements to ensure there is no cost to the General Fund.

Revenue Support Grant (RSG)

This is the main general grant paid by the government to the Council in respect of the revenue costs of providing all of its services. The amount of grant payable is based upon the government's assessment of the Council's needs taking into account its ability to raise income from Council Tax and its share of income from the NNDR national pool.

Scheduled Body

There are a number of employers who are required to provide membership of the Local Government Pension Scheme to all their employees. These employers are listed in a schedule that appears at the back of the Local Government Pension Scheme Regulations. Unlike admitted bodies, scheduled bodies cannot refuse membership of the Scheme to their employees

Section 151 Officer

Section 151 of the Local Government Act 1972 requires each local authority to appoint a suitably qualified officer to be responsible for the proper administration of its financial affairs. This officer is sometimes referred to as the Section 151 Officer. The Section 151 Officer for this Council is the Director of Finance.

Security

Any kind of transferable certificate of ownership.

Service Reporting Code of Practice (SeRCOP)

SeRCOP sets out the financial reporting guidelines for Local Authorities. It supplements the principles and practice set out in the Code of Practice on Local Authority Accounting (known as the Code), by establishing practice for consistent reporting.

Soft Loans

Loans made by the Authority at less than the prevailing market rate of interest. The SORP requires the discounted interest rate to be recognised as a reduction in the Fair Value of the asset when measured for the first time and a charge to the Income & Expenditure Account to represent the interest forgone.

Statement of Investment Principles (SIP)

Trustees of Pension Funds are required to prepare and keep up to date this written statement to show the governance decisions on the investment of scheme assets.

Temporary Borrowing

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

Termination Benefits

Amounts payable to employees as a result of a decision by the Council to terminate an officer's employment prior to normal retirement age or an officers decision to accept voluntary redundancy.

Unitised Fund

An investment vehicle whereby the contributions of a number of unit-holders are pooled and the total amount is then used to purchase assets such as shares, bonds, property and cash.

Useful life

The period over which the Council will derive benefits from the use of a fixed asset.

Valuation Bands

Currently for Council Tax purposes there are eight property valuation bands (Bands A to H) as set out in Part 1 of the Local Government Finance Act 1992. The amount each household pays depends upon which property band their home falls into. The property values are currently based upon property market values as at April 1991.

Write-offs

Income is recorded in the Council's accounts on the basis of amounts due. When money owing to the Council cannot be collected the income is already showing in the accounts and has to be reduced or written off.