# Royal Borough of Greenwich

## Statement of Accounts

## For the year ended 31 March 2014

## Contents

**Page**

# Notes to the Accounts Index

# Introduction from Councillor Chris Roberts, Leader of the Royal Borough of Greenwich

I am very pleased and proud to once more be able to report to the people of Greenwich that, through careful navigation and management, our finances remain in robust shape. These past few years have been among the most difficult to address given the substantial cuts which have been made to public finances. Nevertheless, we have successfully managed our way through, expanding rather than cutting our front line services while recognising the squeeze on household budgets and ensuring we froze the Council Tax for the seventh year in a row. Indeed, our independent external auditors have held Greenwich up as a model of financial management and value for money, despite the challenge of absorbing in excess of £100million in cuts and inflation over the last four years.

I know the freeze in Council Tax for a record seventh year in a row is especially important for our residents, many of whom are struggling with household budgets and we have taken our responsibility in this area very seriously. I am pleased we have expanded services for children and older residents, as well as providing more amenity and cultural facilities in this extremely challenging financial climate. We have also continued to increase the number of police officers in the borough by purchasing a dedicated unit of officers to tackle domestic violence while retaining the violent and organised crime unit which has tackled violent crime so successfully.

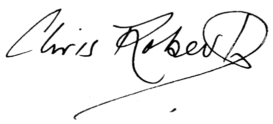
One of our main priorities is to continue to strengthen our local economy. We are tackling poverty in our borough by investing in a number of innovative schemes to get residents off benefit and into work. And we are the best in London at it. We are funding our own employment programmes and are opening a set of new specialist skills centres to give residents even better access to training and qualifications in sectors with excellent onward employment opportunities.

We continue to protect and enhance our front-line services and, as always, protecting the most vulnerable people in our borough is an absolute priority. We are supporting people to be independent in their own homes, and our innovative scheme to coordinate care teams with local health services is part of a national pioneer programme that is leading the way in integrated health and care services. Our ambitious housing targets are designed to meet increased demand and to support the on-going regeneration of our borough. In the next four years alone, we should see up to 500 homes built at genuinely affordable levels of rent.

Where many other boroughs have unfortunately had to close leisure and cultural facilities we have invested in and expanded our libraries and leisure centres. We are building a brand new leisure centre, library and customer service centre in Greenwich which will follow similar new centres in Eltham and Woolwich. Our new library in Woolwich is now one of the busiest in London according to the official figures published by the Chartered Institute of Public Finance and Accountancy. We are also pledged to construct a new cinema in Eltham High Street and a new leisure centre in Woolwich Town Centre. In Greenwich, we are promoting the development of a performing arts centre in the old Borough Halls and we will expand the pier capacity at both Greenwich and Woolwich to promote better use of the river.

With around 20.8 million people visiting Royal Greenwich annually, tourism is one of the most important sectors of the local economy, contributing over £1.3 billion during the Olympic year of 2012. The Royal Borough has ambitious proposals to further develop this sector by extending our tourism offer. With a cruise terminal and more hotels planned and under construction, Greenwich is continuing to increase its global profile as a major destination for visitors. In addition, our two new Crossrail stations are under construction and once open, will connect us to central London like never before. I have written previously that the Crossrail Station in Woolwich will revolutionise the borough and deliver hundreds of millions of pounds of inward investment. We are already seeing the early stages of this. Remember, this is a service which will place Woolwich just 14 minutes from Tottenham Court Road. It will provide a massive stimulus for local growth and regeneration and bring more jobs with it.

Finally, this is my final year as Leader of the Royal Borough. After fourteen years I decided it was time to move on and do something else. It has been a pleasure to serve the people of Greenwich, through both difficult times but also those of immense pride. To lead my party to four electoral successes is pleasing but more than party politics I am pleased that despite our solid majorities, we never became lazy or complacent. We continued to devise new plans and strategies to take our borough forward. My thanks go to my colleagues, the exceptional team of professional officers, my own staff in the Leader's office but most of all to you for giving me the best job I shall ever have.



**Cllr Chris Roberts, Leader of the Royal Borough of Greenwich.**

**06 June 2014**

# Structure of the Statement of Accounts

The key components of the Accounts are:

- Main Statements (4)
- Notes to the Accounts (44)
- Other Statements (5).

<u>Main Statements</u>

| | |
|---|---|
| **Movement in Reserves** | This shows the movement in the year on the different reserves held by the Royal Borough and represents the net worth. |
| Usable | *Can be spent in the future* |
| Unusable | *Cannot be spent*<br>• *Derived from accounting entries that make adjustments in respect of items required by accounting standards or legislation*<br>• *Examples include Capital Adjustment Account, Revaluation Reserve and Pension Reserve* |

| | |
|---|---|
| **Income & Expenditure** | This shows the accounting cost in the year of providing services and the resultant surplus / loss - this latter figure does not directly impact the taxpayer. |
| Cost Of Services | *Gross income and expenditure for each service is presented* |
| Other Operating I&E | *Includes the surplus or deficit from property, plant and equipment sales* |
| Financing and Investment I&E | *Includes interest payable and receivable* |
| Taxation and General Grant Income | *Includes revenue received from council tax, business rates and the government* |
| Other I&E | *Includes entries not included elsewhere such as revaluation or actuarial gains / losses* |

| | |
|---|---|
| **Balance Sheet** | This shows the value of the assets and liabilities of the Royal Borough - the net assets are matched by the reserves held. |
| Non-Current Assets | *This contains assets with a life of greater than one year* |
| Current Assets | *Includes cash, amounts owed to the Authority and other items that will be consumed in the short term* |
| Current Liabilities | *Includes amounts owed by the Authority in the short term* |
| Long Term Liabilities | *Includes longer term borrowing and the accounting cost of pensions* |
| Provisions | *Liabilities where the timing and amount may be uncertain* |
| Reserves | *The net of the above entries, split between usable and non usable* |

| **Cash Flow** | This shows the changes in and use of cash and cash equivalents during the period. |
|---|---|
| Operating | *Cashflows from day to day operations* |
| Investing | *Cashflows relating to capital activites* |
| Financing | *Cashflows relating to financing operations* |

Notes to the Accounts

There are 44 notes to the accounts which provide additional disclosures in respect of the entries within the main statements. They range from the main accounting policies that have been utilised through to valuation techniques employed.

Other Statements

Five other statements are presented:

1. Collection Fund

   The Collection Fund contains statements that reflect the statutory obligation for billing authorities to maintain a separate Collection Fund. The statements show the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government, of council tax and non-domestic rates.

2. Housing Revenue Account

   The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants.

3. Pension Fund Accounts

   The Royal Borough of Greenwich Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the Royal Borough of Greenwich.

4. Group Accounts

   These present the financial position of the Royal Borough's group of organisations. The Authority's group includes Greenwich Service Solutions Ltd (GSS), Greenwich Service Plus (GSP) and Meridian Home Start Ltd, all of these are wholly owned subsidiaries of the Royal Borough.

5. Annual Governance Statement

   The Annual Governance Statement sets out a framework in relation to risk management along with efficiency and effectiveness.

# Explanatory Foreword

The Statement of Accounts is presented in accordance with the Code of Practice on Local Authority Accounting 2013/2014, which incorporates some relatively minor technical changes since last year.

## The year 2013/2014

Council Tax Support Scheme
From 1 April 2013, the Authority has been responsible for a local scheme that has replaced Council Tax Benefit.

Public Health
The Authority took on responsibility for Public Health from 1 April 2013, the cost of which is met by a specific grant.

Funding / Non Domestic Rates
From 1 April 2013, the funding regime for local authorities has changed. A system based mainly on government Revenue Support Grant (RSG) was replaced by one that is partially based upon RSG but also allows London authorities to retain 30% of business rate income.

Spending Round (SR 2013)
The Government made an announcement in June 2013 regarding central Government departmental spending which is likely to have an adverse impact upon amounts receivable by the Authority from the Government in the form of future grants.

Revenue Expenditure
The 2013/2014 financial year was the third year of the Authority's current Medium Term Financial Strategy (MTFS).

The overall period has seen a combination of spending reductions, coupled with decisions to invest in services delivering a balanced position overall. The headlines over this period can be summarised as follows:

- initial savings target of £63m
- real inflationary cuts of £28m
- additional austerity cuts of £7m
- investment in areas such as Social Care of £5m
- efficiency premium for 2013/2014 of £8.4m
- efficiency premium for 2014/2015 of £3.1m.

The total revenue pressures met within this period therefore equate to in excess of £100m.

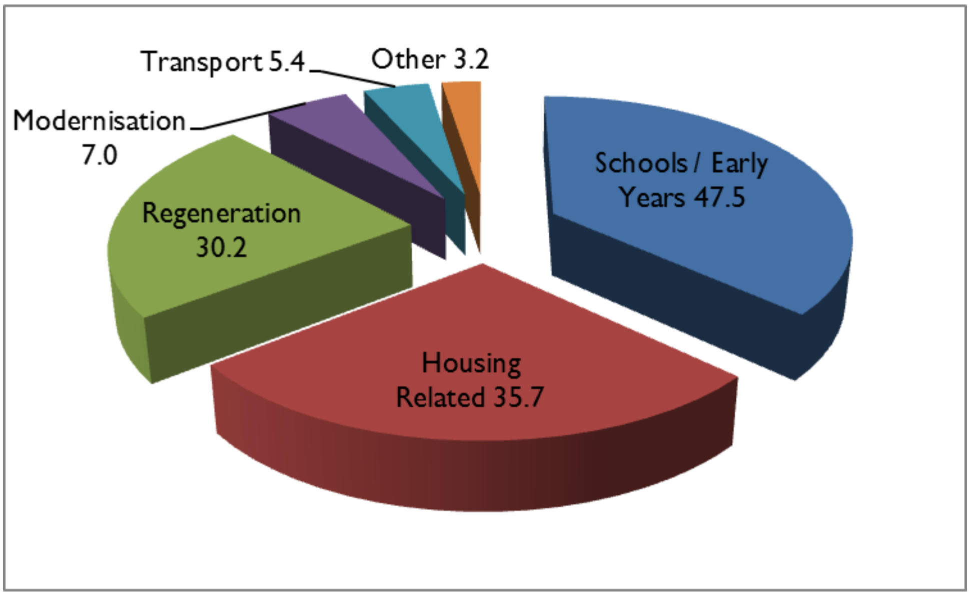
These pre-emptive decisions were based upon forecasts of future Government funding cuts and their timing, together with the intention to implement savings as quickly as possible. Whilst this approach represented a significant challenge, this was to ensure that the Borough's strong and stable financial position was maintained throughout the period of the MTFS and that the Borough's ability and capacity to continue to develop.

Strong management action throughout the year has resulted in a positive outcome with General Fund services delivering an underspend of £0.177m (2012/2013: £0.374m) and the HRA an underspend of £0.513m (2012/2013: £0.707m).

## Capital Investment

Capital investment of £129.0m was made in 2013/2014 – an increase of £20.3m from last year with the vast majority of this being spent on improving education facilities, housing related provision and regeneration.

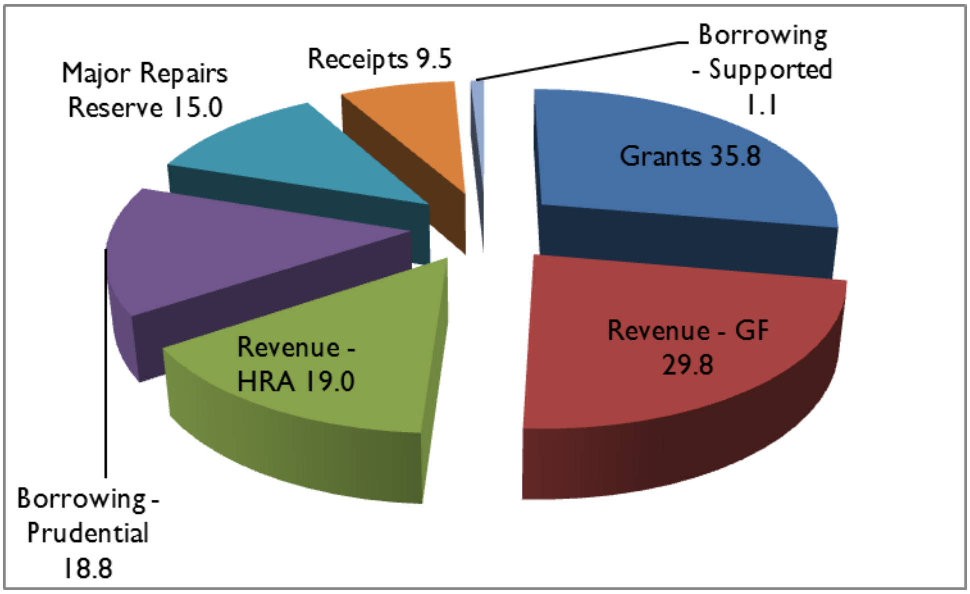
Capital Investment 2013/2014 (£m)




## Capital Financing

Over three quarters of the capital investment was financed by revenue resources and grants.

Financing of Capital Investment 2013/2014 (£m)




All borrowing undertaken is sustainable in that debt servicing costs are supported by identified revenue budgets. Borrowing for Housing purposes is restricted through the Self Financing regime, such that debt cannot rise above a government imposed cap of £334.6m).

Total nominal borrowing ended the year at £418.3m - a reduction of £8.6m

The asset base has a net book value of £2.0bn – an increase of £0.3bn.

## Future Financial Issues

MTFS

A new four year MTFS is being created and government announcements to date project a deficit from 2015/2016.  There are thus significant challenges ahead, albeit the Authority has demonstrated its ability to rise to these since 2010.

The aim now is to consolidate the Borough's position and ensure that the Council's financial resilience absorbs any turbulence caused by:

- Future reductions to Government funding and changes to the distribution mechanism
- Risks associated with on-going service provision and the delivery of the approved savings
- Collection of income.

The success of the series of MTFS has, therefore, allowed the Council to be well placed to consider the scope for extending its investment in a Growth Strategy. This is particularly vital since growth in housing, the business sector and the local economy are now critical factors for the Council's future MTFS, in light of the changes in how local authorities are now financed i.e. the Business Rates Retention scheme.

In effect, the Council has moved from a period of rebuilding its reserves and developing its financial standing, to one where it needs to utilise that financial capacity to secure as much benefit as possible from the government's new funding regime, which places a real premium on business and housing growth.

The Council has already agreed a Growth Strategy which identifies the Council's approach to developing the economic prospects of the Royal Borough. It remains important for the Council's overall financial position in the future that this is successfully delivered.

# Introductory Statements

## Statement of Responsibilities

### The Authority's Responsibilities

The Authority is required to:

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

### Approval of Accounts

I certify that the Statement of Accounts was approved by Council at its meeting on 30 July 2014.

**Cllr Mick Hayes**
**Mayor of the Royal Borough of Greenwich** **Dated** **30 July 2014**

### The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

### Certification of Chief Financial Officer

I hereby certify that the Statement of Accounts on pages 14-156 give a true and fair view of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31st March 2014.

**Debbie Warren CPFA** **Dated** **30 July 2014**
**Chief Finance Officer**

# Independent Auditor's Report to the Members of Royal Borough of Greenwich

## Opinion on the financial statements

We have audited the financial statements of Royal Borough of Greenwich for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Group Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Group Comprehensive Income and Expenditure Statement, the Balance Sheet, the Group Balance Sheet, the Cash Flow Statement, the Group 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 Royal Borough of Greenwich 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 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 and Group'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 financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Royal Borough of Greenwich as at 31 March 2014 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group 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, *Royal Borough of Greenwich* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

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

**Susan M Exton**

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

Grant Thornton House
Melton Street
Euston square
London
NW1 2EP

31 July 2014

# Main Financial Statements

## Movement in Reserves Statement

| | General Fund Balance | Earmarked General Fund Reserves | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | **Total Usable Reserves** | Unusable Reserves | **Total Authority Reserves** |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Balance at 31 March 2012** | **(40,720)** | **(205,214)** | **(6,140)** | **(15,032)** | **(715)** | **(28,687)** | **(296,508)** | **(735,872)** | **(1,032,380)** |
| Movement in reserves during 2012/13 | | | | | | | | | |
| (Surplus) or deficit on the provision of services | 36,880 | 0 | (8,299) | 0 | 0 | 0 | **28,581** | 0 | **28,581** |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 19,064 | **19,064** |
| **Total Comprehensive Income and Expenditure** | **36,880** | **0** | **(8,299)** | **0** | **0** | **0** | **28,581** | **19,064** | **47,645** |
| Adjustments between accounting basis & funding basis under regulations (Note 1) | (38,644) | 0 | (19,937) | (31,622) | 16,139 | (9,945) | **(84,009)** | 84,009 | **0** |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **(1,764)** | **0** | **(28,236)** | **(31,622)** | **16,139** | **(9,945)** | **(55,428)** | **103,073** | **47,645** |
| Transfers to/from Earmarked Reserves (Note 2) | 4,452 | (4,452) | 15,424 | 0 | **(15,424)** | **0** | **0** | 0 | **0** |
| **Increase/Decrease in 2012/13** | **2,688** | **(4,452)** | **(12,812)** | **(31,622)** | **715** | **(9,945)** | **(55,428)** | **103,073** | **47,645** |
| **Balance at 31 March 2013 carried forward** | **(38,032)** | **(209,666)** | **(18,952)** | **(46,654)** | **0** | **(38,632)** | **(351,936)** | **(632,799)** | **(984,735)** |
| Movement in Reserves during 2013/14 | | | | | | | | | |
| (Surplus) or deficit on provision of services | 3,861 | 0 | (127,918) | 0 | 0 | 0 | **(124,057)** | 0 | **(124,057)** |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | **0** | (95,528) | **(95,528)** |
| **Total Comprehensive Income and Expenditure** | **3,861** | **0** | **(127,918)** | **0** | **0** | **0** | **(124,057)** | **(95,528)** | **(219,585)** |
| Adjustments between accounting basis & funding basis under regulations (Note 1) | 3,771 | 0 | 108,217 | (20,324) | 14,961 | 9,010 | **115,635** | (115,635) | **0** |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **7,632** | **0** | **(19,701)** | **(20,324)** | **14,961** | **9,010** | **(8,422)** | **(211,163)** | **(219,585)** |
| Transfers to/from Earmarked Reserves (Note 2) | (7,192) | 7,192 | 14,961 | 0 | **(14,961)** | **0** | **0** | 0 | **0** |
| **Increase/Decrease in Year** | **440** | **7,192** | **(4,740)** | **(20,324)** | **0** | **9,010** | **(8,422)** | **(211,163)** | **(219,585)** |
| **Balance at 31 March 2014 carried forward** | **(37,592)** | **(202,474)** | **(23,692)** | **(66,978)** | **0** | **(29,622)** | **(360,358)** | **(843,962)** | **(1,204,320)** |

# Comprehensive Income and Expenditure Statement

| 2012/2013 Restated | | | | 2013/2014 | | |
|---|---|---|---|---|---|---|
| Gross Expenditure | Gross Income | Net Expenditure | | Gross Expenditure | Gross Income | Net Expenditure |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 47,975 | (37,620) | 10,355 | Central services to public | 19,947 | (10,504) | 9,443 |
| 23,357 | (4,868) | 18,489 | Cultural and related services | 16,616 | (1,505) | 15,111 |
| 40,931 | (8,980) | 31,951 | Environmental and regulatory services | 42,285 | (7,983) | 34,302 |
| 18,183 | (15,617) | 2,566 | Planning services | 22,809 | (13,666) | 9,143 |
| 380,144 | (280,124) | 100,020 | Education & children's services | 354,158 | (283,909) | 70,249 |
| 27,584 | (10,089) | 17,495 | Highways & transport services | 24,486 | (7,332) | 17,154 |
| 96,374 | (115,906) | (19,532) | Local authority housing (HRA) | (16,305) | (122,007) | (138,312) |
| 181,070 | (166,812) | 14,258 | Other housing services | 181,722 | (171,164) | 10,558 |
| 104,515 | (34,772) | 69,743 | Adult social care | 106,408 | (32,106) | 74,302 |
| 0 | 0 | 0 | Public Health | 19,171 | (19,298) | (127) |
| 5,860 | 0 | 5,860 | Corporate & democratic core | 4,815 | 0 | 4,815 |
| 1,951 | 0 | 1,951 | Non distributed costs | 8,070 | 0 | 8,070 |
| **927,944** | **(674,788)** | **253,156** | **Cost Of Services** | **784,182** | **(669,474)** | **114,708** |
| | | 36,769 | Other Operating Expenditure (Note 5) | | | 10,457 |
| | | 50,691 | Financing and Investment Income and Expenditure (Note 6) | | | 50,849 |
| | | (312,035) | Taxation and Non-Specific Grant Income (Note 7) | | | (300,071) |
| | | **28,581** | **(Surplus) or Deficit on Provision of Services** | | | **(124,057)** |
| | | (7,059) | (Surplus) or deficit on revaluation of property, plant & equipment assets | | | (80,237) |
| | | 26,123 | Actuarial (gains) / losses on pension assets / liabilities | | | (15,291) |
| | | **19,064** | **Other Comprehensive Income and Expenditure** | | | **(95,528)** |
| | | **47,645** | **Total Comprehensive Income and Expenditure** | | | **(219,585)** |

# Balance Sheet

| 31 March 2013 £000 | | Notes | 31 March 2014 £000 |
|---|---|---|---|
| 1,722,737 | Property, Plant & Equipment | 10 | 1,966,950 |
| 770 | Heritage Assets | 12 | 770 |
| 113 | Intangible Assets | 15 | 37 |
| 769 | Long Term Investments | 20 | 660 |
| 788 | Long Term Debtors | 20 | 755 |
| **1,725,177** | **Long Term Assets** | | **1,969,172** |
| 356,576 | Short Term Investments | 20 | 300,824 |
| 9,676 | Assets Held for Sale | 16 | 2,155 |
| 266 | Landfill Allowance | | 0 |
| 105 | Inventories | 24 | 142 |
| 39,747 | Short Term Debtors | 25 | 50,722 |
| 16,519 | Cash and Cash Equivalents | Cashflow | 44,772 |
| **422,889** | **Current Assets** | | **398,615** |
| (4,920) | Cash and Cash Equivalents | Cashflow | (275) |
| (12,360) | Short Term Borrowing | 20 | (10,606) |
| (72,590) | Short Term Creditors | 26 | (71,294) |
| (690) | Receipts in Advance | 9 | (681) |
| (8,715) | Provisions | 27 | (9,645) |
| (22) | Defra Liability | | 0 |
| **(99,297)** | **Current Liabilities** | | **(92,501)** |
| (506,054) | Long Term Creditors | 23 | (521,497) |
| (12,841) | Provisions | 27 | (12,804) |
| (418,347) | Long Term Borrowing | 20 | (411,024) |
| (126,792) | Other Long Term Liabilities | 18 / 20 | (125,641) |
| **(1,064,034)** | **Long Term Liabilities** | | **(1,070,966)** |
| **984,735** | **Net Assets** | | **1,204,320** |
| (351,936) | Usable Reserves | 2 / 3 | (360,358) |
| (632,799) | Unusable Reserves | 4 | (843,962) |
| **(984,735)** | **Total Reserves** | | **(1,204,320)** |

# Cash Flow Statement

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| (28,581) | Net surplus or (deficit) on the provision of services | 124,057 |
| 184,832 | Adjustments to net surplus or deficit on the provision of services for non cash movements | (16,165) |
| (78,164) | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 1) | (55,994) |
| 78,087 | Net cash flows from Operating Activities | 51,898 |
| (95,470) | Investing Activities (Note 2) | (10,097) |
| 20,706 | Financing Activities (Note 3) | (8,903) |
| 3,323 | Net increase or (decrease) in cash and cash equivalents | 32,898 |
| 8,276 | Cash and cash equivalents at the beginning of the reporting period | 11,599 |
| **11,599** | **Cash and cash equivalents at the end of the reporting period (Note 4)** | **44,497** |

## 1. Operating Activities

The cash flows for operating activities include the following items:

| | | |
|---|---|---|
| 1,046 | Interest received | 1,228 |
| (31,192) | Interest paid | (31,266) |

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

| | | |
|---|---|---|
| 6,093 | Depreciation | 30,129 |
| 35,445 | Impairment and downward valuations | (106,508) |
| 7,170 | Increase / (decrease) in creditors | 499 |
| 13,538 | (Increase) / decrease in debtors | (10,944) |
| 30 | (Increase) / decrease in inventories | (37) |
| (2,180) | Increase / (decrease) in receipts in advance | (9) |
| 20,869 | Movement in pension liability | 30,734 |
| 2,833 | Increase / (decrease) in provisions | 892 |
| 101,084 | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 38,836 |
| (50) | Other non-cash items charged to the net surplus or deficit on the provision of services | 243 |
| **184,832** | | **(16,165)** |

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financial activities:

| | | |
|---|---|---|
| (33,788) | Proceeds from the sale of property plant and equipment, investment property and intangible assets | (29,213) |
| (44,376) | Any other items for which the cash effects are investing or financing cash flows | (26,781) |
| **(78,164)** | | **(55,994)** |

## 2. Investing Activities

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| (94,853) | Purchase of property, plant and equipment, investment property and intangible assets | (119,604) |
| (6,972,145) | Purchase of short-term and long-term investments | (5,544,229) |
| 33,788 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 29,213 |
| 6,891,113 | Proceeds from short-term and long-term investments | 5,600,122 |
| 46,627 | Other receipts from investing activities | 24,401 |
| **(95,470)** | **Net cash flows from investing activities** | **(10,097)** |

## 3. Financing Activities

| | | |
|---|---|---|
| 20,000 | Cash receipts of short-term and long-term borrowing | 0 |
| 6,223 | Other receipts from financing activities | 2,403 |
| (2,502) | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | (2,750) |
| (3,015) | Repayments of short-term and long-term borrowing | (8,556) |
| **20,706** | **Net cash flows from financing activities** | **(8,903)** |

## 4. Cash and Cash Equivalents

| | | |
|---|---|---|
| 16,519 | Cash and bank balances | 44,772 |
| (4,920) | Bank overdraft | (275) |
| **11,599** | **Total cash and cash equivalents** | **44,497** |

# Notes to the Accounts

## 1. 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.

| 2013/2014 | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Adjustments involving the Capital Adjustment Account:** | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non current assets | (15,777) | (14,936) | | | | 30,713 |
| Reversal previous impairment loss | | 6,315 | | | | (6,315) |
| Revaluation losses on Property Plant and Equipment | (9,467) | (2,910) | | | | 12,377 |
| Reverse previous reval losses on Prop,Plant & Equip | 16,940 | 96,448 | | | | (113,388) |
| Amortisation of intangible assets | (76) | | | | | 76 |
| Capital grants and contributions applied | | | | | 16,364 | (16,364) |
| Revenue expenditure funded from capital under statute | (12,536) | | | | | 12,536 |
| 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 | (23,338) | (13,147) | | | | 36,485 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | 8,052 | | | | | (8,052) |
| Capital expenditure charged against the General Fund and HRA balances | 29,749 | 19,045 | | | | (48,794) |
| **Adjustments involving the Capital Grants Unapplied Account:** | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 26,679 | 102 | | | (26,781) | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | | | | 19,427 | (19,427) |
| **Adjustments involving the Capital Receipts Reserve:** | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 9,508 | 22,955 | (32,880) | | | 417 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | 9,536 | | | (9,536) |

| 2013/2014 | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|---|---|---|---|---|---|---|
| | Usable Reserves | | | | | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals | | (721) | 721 | | | 0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool. | (1,850) | | 1,850 | | | 0 |
| Balance of reserved receipts at year end | | | 472 | | | (472) |
| Transfer from Deferred Capital Receipts Reserve | (2,529) | | | | | 2,529 |
| **Adjustments involving the Deferred Capital Receipts Reserve:** | | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 32 | 147 | | | | (179) |
| Transfer to the Capital Receipts Reserve upon receipt of cash | | | (23) | | | 23 |
| **Adjustment involving the Major Repairs Reserve:** | | | | | | 0 |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | | 14,961 | | (14,961) |
| **Adjustments involving the Financial Instruments Adjustment Account:** | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 54 | (503) | | | | 449 |
| **Adjustments involving the Pensions Reserve:** | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 23) | (53,102) | (8,963) | | | | 62,065 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 26,766 | 4,565 | | | | (31,331) |
| **Adjustments involving the Collection Fund Adjustment Account:** | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 2,841 | | | | | (2,841) |
| Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rate income calculated for the year in accordance with statutory requirements | 1,207 | | | | | (1,207) |
| **Adjustment 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 | 618 | (180) | | | | (438) |
| **Total Adjustments** | **3,771** | **108,217** | **(20,324)** | **14,961** | **9,010** | **(115,635)** |

| 2012/2013 restated comparative figures | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Adjustments involving the Capital Adjustment Account:** | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non current assets | (14,040) | (19,368) | 0 | 0 | 0 | 33,408 |
| Revaluation losses on Property Plant and Equipment | (26,171) | (12,771) | 0 | 0 | 0 | 38,942 |
| Redemption of HRA debt | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortisation of intangible assets | (1,081) | (183) | 0 | 0 | 0 | 1,264 |
| Capital grants and contributions applied | 22,250 | 0 | 0 | 0 | 0 | (22,250) |
| Movement in the Donated Assets Account | 757 | 0 | 0 | 0 | 0 | (757) |
| Revenue expenditure funded from capital under statute | (12,364) | 0 | 0 | 0 | 0 | 12,364 |
| 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 | (60,625) | (9,606) | 0 | 0 | 0 | 70,231 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | 6,563 | 0 | 0 | 0 | 0 | (6,563) |
| Capital expenditure charged against the General Fund and HRA balances | 23,244 | 8,255 | 0 | 0 | 0 | (31,499) |
| **Adjustments involving the Capital Grants Unapplied Account:** | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 22,125 | 0 | 0 | 0 | (22,125) | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | 0 | 0 | 0 | 0 | 12,180 | (12,180) |
| **Adjustments involving the Capital Receipts Reserve:** | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 16,791 | 17,365 | (34,156) | 0 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | 549 | 0 | 0 | (549) |
| Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals | 0 | (368) | 368 | 0 | 0 | 0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool. | (1,302) | 0 | 1,302 | 0 | 0 | 0 |
| Balance of reserved receipts at year end | 0 | 0 | 343 | 0 | 0 | (343) |
| **Adjustments involving the Deferred Capital Receipts Reserve:** | | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 2,529 | 0 | 0 | 0 | 0 | (2,529) |
| Transfer to the Capital Receipts Reserve upon receipt of cash | 0 | 0 | (28) | 0 | 0 | 28 |

| 2012/2013 restated comparative figures | Usable Reserves | | | | | |
|---|---|---|---|---|---|---|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Adjustment involving the Major Repairs Reserve:** | | | | | | |
| Use of the Major Repairs Reserve to finance new capital expenditure | 0 | 0 | 0 | 16,139 | 0 | (16,139) |
| **Adjustments involving the Financial Instruments Adjustment Account:** | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 54 | (502) | 0 | 0 | 0 | 448 |
| **Adjustments involving the Pensions Reserve:** | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 23) | (42,137) | (6,428) | 0 | 0 | 0 | 48,565 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 24,092 | 3,604 | 0 | 0 | 0 | (27,696) |
| **Adjustments involving the Collection Fund Adjustment Account:** | | | | | | |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | 510 | 0 | 0 | 0 | 0 | (510) |
| **Adjustment 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 | 162 | 64 | 0 | 0 | 0 | (226) |
| **Total Adjustments** | **(38,643)** | **(19,938)** | **(31,622)** | **16,139** | **(9,945)** | **84,009** |

## 2. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2013/2014.

| | Balance at 1 April 2012 | Transfers Out 2012/2013 | Transfers In 2012/2013 | Balance at 31 March 2013 | Transfers Out 2013/2014 | Transfers In 2013/2014 | Balance at 31 March 2014 |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **General Fund:** | | | | | | | |
| S106 Agreements | **(6,682)** | 1,408 | (785) | **(6,059)** | 1,618 | (1,550) | **(5,991)** |
| Business Rates Retention | **0** | 0 | 0 | **0** | 0 | (6,070) | **(6,070)** |
| CCG Partnership | **(12,738)** | 2,141 | (5,101) | **(15,698)** | 1,902 | (3,316) | **(17,112)** |
| Children's Centres | **(2,104)** | 0 | 0 | **(2,104)** | 0 | 0 | **(2,104)** |
| Council Tax Equalisation | **(4,365)** | 0 | 0 | **(4,365)** | 0 | 0 | **(4,365)** |
| Dedicated Schools Grant | **(13,386)** | 5,690 | (4,463) | **(12,159)** | 5,784 | (6,577) | **(12,952)** |
| Delivering Council Priorities | **0** | 0 | 0 | **0** | 841 | (2,541) | **(1,700)** |
| Early Loan Redemption | **(1,458)** | 223 | (48) | **(1,283)** | 91 | (8) | **(1,200)** |
| Employment Project | **0** | 0 | 0 | **0** | 2,026 | (6,000) | **(3,974)** |
| Homelessness | **(486)** | 0 | (880) | **(1,366)** | 528 | (179) | **(1,017)** |
| Internal Insurance | **(12,762)** | 5,574 | (90) | **(7,278)** | 1,634 | (306) | **(5,950)** |
| Invest to Save | **(1,158)** | 0 | 0 | **(1,158)** | 0 | 0 | **(1,158)** |
| Investment Finance Fund | **(22,362)** | 7,270 | (8,590) | **(23,682)** | 21,945 | 0 | **(1,737)** |
| Leaseholder Insurance Reserve | **(878)** | 0 | (697) | **(1,575)** | 0 | (3) | **(1,578)** |
| LPFA Pensions Deficit Funding | **(3,560)** | 440 | 0 | **(3,120)** | 440 | 0 | **(2,680)** |
| Modernisation and Corporate Investment Programme | **(9,050)** | 2,011 | (6) | **(7,045)** | 5,604 | (54) | **(1,495)** |
| Pay Protection \ Redundancy | **(4,452)** | 2,326 | (1,662) | **(3,788)** | 4,836 | (5,509) | **(4,461)** |
| Planned Maintenance of Schools | **(15,720)** | 2,411 | (4,164) | **(17,473)** | 3,262 | (3,511) | **(17,722)** |
| Reablement | **0** | 0 | 0 | **0** | 320 | (2,052) | **(1,732)** |
| School Development | **(1,477)** | 729 | (838) | **(1,586)** | 570 | (2,167) | **(3,183)** |
| Universal Credit Migration | **0** | 0 | 0 | **0** | 0 | (2,540) | **(2,540)** |
| Vulnerable Person's Winter Pressures | **(763)** | 740 | (2,205) | **(2,228)** | 1,418 | (270) | **(1,080)** |
| Working Neighbourhoods Fund | **(6,869)** | 3,319 | (12) | **(3,562)** | 630 | (6) | **(2,938)** |
| Other | **(46,671)** | 10,885 | (24,856) | **(60,642)** | 56,954 | (14,600) | **(18,288)** |
| Sub-Total | **(166,941)** | **45,167** | **(54,397)** | **(176,171)** | **110,403** | **(57,259)** | **(123,027)** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Reserves held specifically for Capital Purposes** | | | | | | | |
| I.T. Systems Replacement | **(2,318)** | 1,862 | (2,778) | **(3,234)** | 2,469 | (1,564) | **(2,329)** |
| Primary Capital Programme | **(543)** | 0 | 0 | **(543)** | 0 | (1,059) | **(1,602)** |
| Priority Investment Programme | **0** | 0 | 0 | **0** | 0 | (61,167) | **(61,167)** |
| Revenue Support for Capital Programme | **(28,630)** | 22,849 | (16,457) | **(22,238)** | 27,224 | (11,543) | **(6,557)** |
| Vehicle Leasing | **(6,782)** | 1,834 | (2,532) | **(7,480)** | 761 | (1,073) | **(7,792)** |
| Sub-Total | **(38,273)** | **26,545** | **(21,767)** | **(33,495)** | **30,454** | **(76,406)** | **(79,447)** |
| **Total** | **(205,214)** | **71,712** | **(76,164)** | **(209,666)** | **140,857** | **(133,665)** | **(202,474)** |
| **HRA**<br>Major Repairs Reserve | **(715)** | **16,139** | **(15,424)** | **0** | **14,961** | **(14,961)** | **0** |

# 3. Usable Reserves

## Capital Grants Unapplied

These are capital grants that are available to finance new capital expenditure but have yet to be applied for that purpose.

| 2012/2013<br>£000 | | 2013/2014<br>£000 |
|---|---|---|
| **(28,688)** | **Balance at 1 April** | **(38,632)** |
| (22,125) | Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure statement | (10,417) |
| 12,181 | Application of grants to capital financing transferred to the Capital Adjustment Account | 19,427 |
| **(38,632)** | **Balance at 31 March** | **(29,622)** |

## Capital Receipts Reserve

These are usable capital receipts that are available for financing new capital expenditure.

| 2012/2013<br>£000 | | 2013/2014<br>£000 |
|---|---|---|
| **(15,033)** | **Balance at 1 April** | **(46,654)** |
| (32,524) | Cash sale proceeds credited as part of the gains/loss on disposal to the Comprehensive Income & Expenditure statement | (30,572) |
| 549 | Use of receipts to finance new capital expenditure | 9,536 |
| 368 | Contribution towards administrative costs of disposals | 721 |
| (14) | Transfer from Deferred Capital Receipts Reserve upon receipt of cash | (9) |
| **(46,654)** | **Balance at 31 March** | **(66,978)** |

# 4. Unusable Reserves

| 1 April 2012 £000 | 31 March 2013 £000 | | 31 March 2014 £000 |
|---|---|---|---|
| (263,555) | (224,913) | Revaluation Reserve | (291,266) |
| (938,006) | (917,779) | Capital Adjustment Account | (1,076,368) |
| 1,084 | 1,533 | Financial Instruments Adjustment Account | 1,981 |
| (379) | (2,880) | Deferred Capital Receipts Reserve | (506) |
| 459,062 | 506,054 | Pensions Reserve | 521,497 |
| (3,019) | (3,529) | Council Taxpayers Adjustment Account | (6,371) |
| 0 | 0 | Business Ratepayers Adjustment Account | (1,207) |
| 8,941 | 8,715 | Accumulated Absences Account | 8,278 |
| **(735,872)** | **(632,799)** | **Total Unusable Reserves** | **(843,962)** |

<u>Revaluation Reserve</u>

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:

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

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

| 2012/2013 £000 | | | 2013/2014 £000 |
|---|---|---|---|
| **(263,555)** | **Balance at 1 April** | | **(224,913)** |
| (41) | Adjustment to balance b/fwd | | 0 |
| **(263,596)** | **Balance at 1 April** | | **(224,913)** |
| (32,192) | Upward revaluation of assets | (205,639) | |
| 25,133 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 125,403 | |
| (7,059) | Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | | (80,236) |
| 3,947 | Difference between fair value depreciation and historical cost depreciation | 4,995 | |
| 41,795 | Accumulated gains on assets sold or scrapped | 8,888 | |
| 45,742 | Amount written off to the Capital Adjustment Account | | 13,883 |
| **(224,913)** | **Balance at 31 March** | | **(291,266)** |

<u>Capital Adjustment Account</u>

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

| 2012/2013 000's | | | 2013/2014 000's |
|---|---|---|---|
| **(938,006)** | **Balance at 1 April** | | **(917,779)** |
| 41 | Adjustment to balance b/fwd | | 0 |
| **(937,965)** | **Balance at 1 April** | | **(917,779)** |
| | **Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:** | | |
| 29,461 | • Charges for depreciation and impairment of non current assets | 25,718 | |
| 38,942 | • Revaluation losses on Property, Plant and Equipment | (107,325) | |
| 1,264 | • Amortisation of intangible assets | 76 | |
| 12,365 | • Revenue expenditure funded from capital under statute | 12,535 | |
| 70,230 | • 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 | 36,485 | |
| 152,262 | | (32,511) | |
| (41,795) | Adjusting amounts written out of the Revaluation Reserve | (8,888) | |
| **110,467** | **Net written out amount of the cost of non current assets consumed in the year** | | **(41,399)** |
| | **Capital financing applied in the year:** | | |
| (549) | • Use of the Capital Receipts Reserve to finance new capital expenditure | (9,536) | |
| (16,139) | • Use of the Major Repairs Reserve to finance new capital expenditure | (14,961) | |
| (22,250) | • Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | (16,365) | |
| (12,181) | • Application of grants to capital financing from the Capital Grants Unapplied Account | (19,427) | |
| (6,563) | • Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | (8,052) | |
| 0 | • Use of Capital Receipts to fund repayment of debt | 0 | |

| | | | |
|---|---|---|---|
| (31,499) | • Capital expenditure charged against the General Fund and HRA balances | (48,794) | |
| (343) | Reserved capital receipts | (55) | |
| **(89,524)** | | | **(117,190)** |
| (757) | Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement | 0 | |
| **(757)** | | | **0** |
| **(917,779)** | **Balance at 31 March** | | **(1,076,368)** |

## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2014 will be charged to the General Fund until extinguished in 2031/2032.

| **2012/2013 £000** | | **2013/2014 £000** | |
|---|---|---|---|
| **1,084** | **Balance at 1 April** | **1,533** | |
| 0 | Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement | 0 | |
| 449 | Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | 448 | |
| 449 | 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 | 448 | |
| **1,533** | **Balance at 31 March** | | **1,981** |

## 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 employers' 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 shortfall in the benefits earned by past and current employees and account for the resources that 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.

| **2012/2013 £000** | | **2013/2014 £000** |
|---|---|---|
| **459,062** | **Balance at 1 April** | **506,054** |

| | | |
|---|---|---|
| 26,123 | Actuarial gains or losses on pensions assets and liabilities | (15,291) |
| 48,565 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 62,065 |
| (27,696) | Employer's pensions contributions and direct payments to pensioners payable in the year | (31,331) |
| **506,054** | **Balance at 31 March** | **521,497** |

## Deferred Capital Receipts Reserve (England and Wales)

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.

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| **(379)** | **Balance at 1 April** | **(2,880)** |
| (2,529) | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (178) |
| 28 | Transfer to the Capital Receipts Reserve upon receipt of cash | 2,552 |
| **(2,880)** | **Balance at 31 March** | **(506)** |

## Council Taxpayers Adjustment Account

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

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| **(3,019)** | **Balance at 1 April** | **(3,529)** |
| (510) | Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements | (2,842) |
| **(3,529)** | **Balance at 31 March** | **(6,371)** |

## Business Ratepayers Adjustment Account

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

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| **0** | **Balance at 1 April** | **0** |
| 0 | Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements | (1,207) |
| **0** | **Balance at 31 March** | **(1,207)** |

Accumulated Absences Account

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

| 2012/2013 £000 | | 2013/2014 £000 | |
|---|---|---|---|
| **8,941** | **Balance at 1 April** | | **8,715** |
| (8,941) | Settlement or cancellation of accrual made at the end of the preceding year | (8,715) | |
| 8,715 | Amounts accrued at the end of the current year | 8,278 | |
| (226) | 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 | | (437) |
| **8,715** | **Balance at 31 March** | | **8,278** |

# 5. Other Operating Expenditure

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| 1,554 | Levies | 1,513 |
| 1,302 | Payments to the Government Housing Capital Receipts Pool | 1,850 |
| 33,913 | (Gains) / losses on the disposal of non current assets | 7,094 |
| **36,769** | Total | **10,457** |

# 6. Financing and Investment Income and Expenditure

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| 31,294 | Interest payable and similar charges | 30,747 |
| 20,475 | Pension net interest expense | 21,452 |
| (1,078) | Interest receivable and similar income | (1,350) |
| **50,691** | **Total** | **50,849** |

# 7. Taxation and Non Specific Grant Income

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| (81,694) | Council tax income | (69,802) |
| (152,003) | Non domestic rates | (74,151) |
| (2,947) | Revenue support grant | (109,628) |
| (30,258) | Non-ringfenced government grants | (19,709) |
| (45,133) | Capital grants and contributions | (26,781) |
| **(312,035)** | **Total** | **(300,071)** |

# 8. 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 Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

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

| **Income and Expenditure 2013/2014** | **Adults & Older People** | **Chief Executive's Dept** | **Children's Services** | **Regeneration & Skills** | **Housing Revenue Accounts** | **Housing General Fund** | **Community Safety** | **Total £000** |
|---|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | (52,882) | (99,825) | (251,444) | (48,590) | (161,125) | (5,587) | (33,503) | **(652,956)** |
| Government grants | (20,766) | (169,723) | (249,083) | (15,112) | (100) | (1,229) | (352) | **(456,365)** |
| **Total Income** | **(73,648)** | **(269,548)** | **(500,527)** | **(63,702)** | **(161,225)** | **(6,816)** | **(33,855)** | **(1,109,321)** |
| Employee expenses | 27,346 | 35,904 | 211,850 | 15,420 | 32,051 | 2,818 | 32,207 | **357,596** |
| Other service expenses | 119,506 | 263,444 | 370,682 | 57,542 | 116,739 | 9,421 | 32,072 | **969,406** |
| Support service recharges | 3,358 | 13,953 | 5,127 | 4,429 | 7,696 | 594 | 3,936 | **39,093** |
| **Total Expenditure** | **150,210** | **313,301** | **587,659** | **77,391** | **156,486** | **12,833** | **68,215** | **1,366,095** |
| **Net Expenditure** | **76,562** | **43,753** | **87,132** | **13,689** | **(4,739)** | **6,017** | **34,360** | **256,774** |

| **Income and Expenditure 2012/2013 Comparatives** | **Adults & Older People** | **Chief Executive's Dept** | **Children's Services** | **Regeneration & Skills** | **Housing Revenue Accounts** | **Housing General Fund** | **Community Safety** | **Total £000** |
|---|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | (44,030) | (114,307) | (250,587) | (39,043) | (152,995) | (3,903) | (31,497) | **(636,362)** |
| Government grants | (2,351) | (200,182) | (240,655) | (3,748) | (60) | (1,747) | (536) | **(449,279)** |
| **Total Income** | **(46,381)** | **(314,489)** | **(491,242)** | **(42,791)** | **(153,055)** | **(5,650)** | **(32,033)** | **(1,085,641)** |
| Employee expenses | 22,393 | 42,006 | 213,671 | 14,180 | 28,522 | 2,115 | 29,484 | **352,371** |
| Other service expenses | 97,436 | 303,638 | 360,610 | 38,313 | 103,362 | 9,151 | 29,278 | **941,788** |
| Support service recharges | 3,682 | 16,628 | 4,819 | 5,212 | 8,359 | 829 | 4,078 | **43,607** |
| **Total Expenditure** | **123,511** | **362,272** | **579,100** | **57,705** | **140,243** | **12,095** | **62,840** | **1,337,766** |
| **Net Expenditure** | **77,130** | **47,783** | **87,858** | **14,914** | **(12,812)** | **6,445** | **30,807** | **252,125** |

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

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| 252,125 | Net expenditure in the Directorate analysis | 256,774 |
| 0 | Net expenditure of services and support services not included in the Analysis | 0 |
| 50,589 | Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis | (124,215) |
| (49,558) | Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement | (17,851) |
| **253,156** | **Cost of Services in Comprehensive Income and Expenditure Statement** | **114,708** |

*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.

| 2013/2014 | Directorate Analysis | Services and Support Services not in Analysis | Amounts not reported to management for decision making | Amounts not included in I&E | Allocation of Recharges | Cost of Services | Corporate Amounts | Total |
|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fees, charges & other service income | (652,956) | 0 | 0 | 70,273 | 352,954 | **(229,729)** | 0 | **(229,729)** |
| Surplus or deficit on associates and joint ventures | 0 | 0 | 0 | 0 | 0 | **0** | 0 | **0** |
| Interest and investment income | 0 | 0 | 0 | 0 | 0 | **0** | (1,350) | **(1,350)** |
| Income from council tax | 0 | 0 | 0 | 0 | 0 | **0** | (69,802) | **(69,802)** |
| Government grants and contributions | (456,365) | 0 | 0 | 7,554 | 0 | **(448,811)** | (230,270) | **(679,081)** |
| **Total Income** | **(1,109,321)** | **0** | **0** | **77,827** | **352,954** | **(678,540)** | **(301,422)** | **(979,962)** |
| Employee expenses | 357,596 | 0 | 8,844 | 0 | (84,200) | **282,240** | 21,452 | **303,692** |
| Other service expenses | 948,787 | 0 | (41,719) | (75,059) | (229,661) | **602,348** | 0 | **602,348** |
| Support Service recharges | 39,093 | 0 | 0 | 0 | (39,093) | **0** | 0 | **0** |
| Depreciation, amortisation and impairment | 0 | 0 | (91,340) | 0 | 0 | **(91,340)** | 0 | **(91,340)** |
| Interest Payments | 19,106 | 0 | 0 | (19,106) | 0 | **0** | 30,748 | **30,746** |
| Precepts & Levies | 1,513 | 0 | 0 | (1,513) | 0 | **0** | 1,513 | **1,513** |
| Payments to Housing Capital Receipts Pool | 0 | 0 | 0 | 0 | 0 | **0** | 1,850 | **1,850** |
| Gain or Loss on Disposal of Non Current Assets | 0 | 0 | 0 | 0 | 0 | **0** | 7,094 | **7,094** |
| **Total expenditure** | **1,366,095** | **0** | **(124,215)** | **(95,678)** | **(352,954)** | **793,248** | **62,657** | **855,905** |
| **Surplus or deficit on the provision of services** | **256,774** | **0** | **(124,215)** | **(17,851)** | **0** | **114,708** | **(238,765)** | **(124,057)** |

| 2012/2013 Comparatives | Directorate Analysis | Services and Support Services not in Analysis | Amounts not reported to management for decision making | Amounts not included in I&E | Allocation of Recharges | Cost of Services | Corporate Amounts | Total |
|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fees, charges & other service income | (636,362) | 0 | 0 | 59,211 | 350,560 | **(226,591)** | 0 | **(226,591)** |
| Interest and investment income | 0 | 0 | 0 | 0 | 0 | **0** | (1,078) | **(1,078)** |
| Income from council tax | 0 | 0 | 0 | 0 | 0 | **0** | (81,694) | **(81,694)** |
| Government grants and contributions | (449,279) | 0 | 0 | 1,082 | 0 | **(448,197)** | (230,341) | **(678,538)** |
| **Total Income** | **(1,085,641)** | **0** | **0** | **60,293** | **350,560** | **(674,788)** | **(313,113)** | **(987,901)** |
| Employee expenses | 352,371 | 0 | 168 | 0 | (79,670) | **272,869** | 20,475 | **293,344** |
| Other service expenses | 920,703 | 0 | (23,193) | (88,766) | (227,283) | **581,461** | 0 | **581,461** |
| Support Service recharges | 43,607 | 0 | 0 | 0 | (43,607) | **0** | 0 | **0** |
| Depreciation, amortisation and impairment | 0 | 0 | 73,614 | 0 | 0 | **73,614** | 0 | **73,614** |
| Interest Payments | 19,531 | 0 | 0 | (19,531) | 0 | **0** | 31,294 | **31,294** |
| Precepts & Levies | 1,554 | 0 | 0 | (1,554) | 0 | **0** | 1,553 | **1,553** |
| Payments to Housing Capital Receipts Pool | 0 | 0 | 0 | 0 | 0 | **0** | 1,302 | **1,302** |
| Gain or Loss on Disposal of Non Current Assets | 0 | 0 | 0 | 0 | 0 | **0** | 33,914 | **33,914** |
| **Total expenditure** | **1,337,766** | **0** | **50,589** | **(109,851)** | **(350,560)** | **927,944** | **88,538** | **1,016,482** |
| **Surplus or deficit on the provision of services** | **252,125** | **0** | **50,589** | **(49,558)** | **0** | **253,156** | **(224,575)** | **28,581** |

# 9. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/2014.

| | 2012/2013 | 2013/2014 |
|---|---|---|
| | £000 | £000 |
| **Credited to Taxation and Non Specific Grant Income** | | |
| Council Tax | (81,694) | (69,802) |
| Redistributed Non Domestic Rates | (152,003) | (74,151) |
| Revenue Support Grant | (2,947) | (109,628) |
| Non-ringfenced Government Grants | (30,258) | (19,709) |
| Capital Grants and Contributions | (45,133) | (26,781) |
| **Sub Total** | **(312,035)** | **(300,071)** |

| | | |
|---|---|---|
| **Credited to Services** | | |
| Dedicated Schools Grant | (213,888) | (223,736) |
| Education Funding Agency | (15,545) | (9,777) |
| Pupil Premium | (8,118) | (11,830) |
| Rent Allowance Subsidy | (91,729) | (93,991) |
| Rent Rebate Subsidy | (65,908) | (65,301) |
| Council Tax Benefit | (22,844) | 0 |
| Benefit Administration Grant | (2,945) | (2,689) |
| Discretionary Housing Payment | (528) | (1,352) |
| Public Health Grant | 0 | (18,277) |
| Private Finance Initiative – Building Schools for the Future | (12,291) | (12,291) |
| Private Finance Initiative – Neighbourhood Resource Centres | (2,091) | (2,091) |
| Olympic Games Time | (3,150) | 0 |
| Skills Funding Agency | (2,077) | (1,990) |
| Other Miscellaneous Grants | (7,083) | (5,487) |
| **Sub Total** | **(448,197)** | **(448,812)** |
| **Total** | **(760,232)** | **(748,883)** |

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

## Revenue Grant Receipts in Advance

| | **2013/2014** |
|---|---|
| | **£000** |
| Standards Fund | 581 |
| Skills Funding Agency | 100 |
| **Total** | **681** |

# 10. Property, Plant and Equipment

**Movements in 2013/2014:**

| | Council Dwellings | Other Land and buildings | Vehicles Plant Furniture and Equipment | Infrastructure assets | Community assets | Surplus assets | Assets under construction | Total Property Plant and Equipment | PFI assets within PPE |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Cost or valuation** | | | | | | | | | |
| At 1 April 2013 | 910,567 | 715,371 | 14,476 | 131,192 | 6,459 | 11,908 | 20,495 | 1,810,468 | 103,286 |
| Additions | 32,286 | 50,960 | 736 | 5,668 | 282 | 0 | 26,554 | 116,486 | 199 |
| Revaluation increases/ (decreases) recognised in Revaluation Reserve | 84,489 | 82,549 | 0 | 0 | 0 | 371 | 0 | 167,409 | 9,275 |
| Revaluation increases/ (decreases) recognised in Surplus/ Deficit on Provision of Services | (2,910) | (9,625) | 0 | 0 | 0 | 0 | 0 | (12,535) | 0 |
| Derecognise - Disposals | (10,590) | (16,090) | (97) | 0 | 0 | (340) | 0 | (27,117) | 0 |
| Derecognise - Other | 0 | 0 | 0 | (536) | (135) | 0 | 0 | (671) | 0 |
| Assets reclassified (to)/from Held for Sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other movements in cost or valuation | 122 | 13,694 | 0 | 0 | (392) | (8,065) | (5,359) | 0 | 0 |
| **At 31 March 2014** | **1,013,964** | **836,859** | **15,115** | **136,324** | **6,214** | **3,874** | **41,690** | **2,054,040** | **112,760** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and Impairment** | | | | | | | | | |
| At 1 April 2013 | 51,725 | 2,151 | 8,911 | 24,357 | 44 | 543 | 0 | 87,731 | 271 |
| Depreciation charge | 14,423 | 11,765 | 1,693 | 2,147 | 11 | 40 | 0 | 30,079 | 1,838 |
| Depreciation written out to the Revaluation Reserve | 14,251 | 13,664 | 0 | 0 | 0 | 58 | 0 | 27,973 | 2,109 |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0 | 25 | 0 | 0 | 0 | 0 | 0 | 25 | 0 |
| Impairment losses(reversals) recognised in the Revaluation Reserve | 0 | 3,212 | 0 | 0 | 0 | 0 | 0 | 3,212 | 0 |
| Impairment losses(reversals) recognised in the Surplus/Deficit on the Provision of Services | 0 | (5,655) | 0 | 0 | 0 | 0 | 0 | (5,655) | 0 |
| Derecognise - Disposals | 172 | 47 | 49 | 0 | 0 | 2 | 0 | 270 | 0 |
| Derecognise - Other | 0 | 0 | 0 | 9 | 0 | 0 | 0 | 9 | 0 |
| Other movements in depreciation and Impairment | 0 | 138 | 0 | 0 | 0 | (138) | 0 | 0 | 0 |
| **At 31 March 2014** | **51,725** | **(2,125)** | **10,555** | **26,495** | **55** | **385** | **0** | **87,090** | **0** |
| **Net Book Value** | | | | | | | | | |
| **At 31 March 2013** | **858,842** | **713,220** | **5,565** | **106,835** | **6,415** | **11,365** | **20,495** | **1,722,737** | **103,015** |
| **At 31 March 2014** | **962,239** | **838,984** | **4,560** | **109,829** | **6,159** | **3,489** | **41,690** | **1,966,950** | **112,760** |

**Comparative Movements in 2012/2013:**

| | Council Dwellings | Other Land and buildings | Vehicles Plant Furniture and Equipment | Infrastructure assets | Community assets | Surplus assets | Assets under construction | Total Property Plant and Equipment | PFI assets within PPE |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Cost or valuation** | | | | | | | | | |
| At April 2012 | 916,745 | 730,808 | 12,513 | 127,444 | 5,588 | 12,818 | 5,172 | 1,811,088 | 103,153 |
| Additions | 24,367 | 46,473 | 2,228 | 4,410 | 1,255 | 0 | 18,169 | 96,902 | 4,169 |
| Revaluation increases/ (decreases) recognised in Revaluation Reserve | (10,033) | (3,005) | 0 | 0 | 0 | (289) | 0 | (13,327) | (1,239) |
| Revaluation increases/ (decreases) recognised in Surplus/ Deficit on Provision of Services | (16,400) | (27,160) | 0 | 0 | 0 | (321) | 0 | (43,881) | (2,797) |
| Derecognise - Disposals | (5,104) | (39,008) | (265) | 0 | 0 | 0 | 0 | (44,377) | 0 |
| Derecognise - Other | 0 | 0 | 0 | (662) | (384) | 0 | 0 | (1,046) | 0 |
| Assets reclassified (to)/from Held for Sale | 0 | 5,109 | 0 | 0 | 0 | 0 | 0 | 5,109 | 0 |
| Other movements in cost or valuation | 992 | 2,154 | 0 | 0 | 0 | (300) | (2,846) | 0 | 0 |
| **At 31 March 2013** | **910,567** | **715,371** | **14,476** | **131,192** | **6,459** | **11,908** | **20,495** | **1,810,468** | **103,286** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Accumulated depreciation and Impairment** | | | | | | | | | |
| At 1 April 2012 | 46,987 | 1,708 | 7,397 | 22,283 | 33 | 401 | 0 | 78,809 | 0 |
| Depreciation charge | 14,652 | 10,747 | 1,799 | 2,085 | 11 | 177 | 0 | 29,471 | 1,715 |
| Depreciation written out to the Revaluation Reserve | (14,570) | (9,816) | 0 | 0 | 0 | (57) | 0 | (24,443) | (1,444) |
| Depreciation written out to the Surplus/Deficit on the Provision of Services | 0 | 0 | (188) | 0 | 0 | 0 | 0 | (188) | 0 |
| Impairment losses(reversals) recognised in the Revaluation Reserve | 612 | 0 | 0 | 0 | 0 | 13 | 0 | 625 | 0 |
| Impairment losses(reversals) recognised in the Surplus/Deficit on the Provision of Services | 4,127 | 0 | 0 | 0 | 0 | 25 | 0 | 4,152 | 0 |
| Derecognise - Disposals | (83) | (493) | (97) | 0 | 0 | 0 | 0 | (673) | 0 |
| Derecognise - Other | 0 | 0 | 0 | (11) | 0 | 0 | 0 | (11) | 0 |
| Other movements in depreciation and Impairment | 0 | 5 | 0 | 0 | 0 | (16) | 0 | (11) | 0 |
| **At 31 March 2013** | **51,725** | **2,151** | **8,911** | **24,357** | **44** | **543** | **0** | **87,731** | **271** |
| **Net Book Value** | | | | | | | | | |
| **At 31 March 2012** | **869,758** | **729,100** | **5,116** | **105,161** | **5,555** | **12,417** | **5,172** | **1,732,279** | **103,153** |
| **At 31 March 2013** | **858,842** | **713,220** | **5,565** | **106,835** | **6,415** | **11,365** | **20,495** | **1,722,737** | **103,015** |

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

- Council Dwellings – 40 years
- Other Land and Buildings – 40 years
- Vehicles, Plant, Furniture and Equipment – 1-30 years
- Infrastructure – 40 years
- Surplus – 40 years
- Community Assets – The majority of these assets are not depreciated as they have an indeterminable life. Where a community asset is being used as an operational building, then it has been depreciated in line with the policy relating to that category of asset.

Capital Commitments
Aa at 31st March 2014, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/2014 and future years budgeted to cost £60.2m. Similar commitments at 31st March 2013 were £79.3m. The major commitments are:

- Housing Revenue Account projects - £21.5m
- Building Schools for the Future - £7.7m
- Schools Capital Programme - £10.9m
- Vehicle Replacement Programme - £5.8m
- Woolwich & Greenwich Foot Tunnels - £1.4m
- Leisure - £2.9m
- Greenwich Centre - £8.1m

Non Current Assets – Schools
The University Technology College opened as an Academy during the year and the sum of £14.6m has been written out of the Royal Borough's Balance Sheet to reflect the 125 year lease granted to the Academy.

Two schools (Crown Woods, Woolwich Polytechnic) are seeking academy status, the attainment of which may take place after the Authorised for Issue date. This would result in the disposal of their property, plant & equipment from the Authority's balance sheet for nil consideration. These are currently held classed as Other Land & Buildings within Property, Plant and Equipment at values of £39.5m and £22.4m respectively.

Revaluations
The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimations set out in the professional standards of the Royal Institution of Chartered Surveyors. In estimating fair value, regard has been given to the nature of the property by reference to its use, location, size, method of construction, age, all other relevant matters, and the prevailing market forces.

However, the Valuer has advised that there has been a significant movement in the value of assets during 2013/2014 where there is a residential element to the valuation process. As such, a further revaluation process has been undertaken as at 31 March 2014 to ensure that the carrying value of assets within the Balance Sheet is not materially different from their fair value as at that date. Over 90% of Other Land and Buildings (not carried at historic cost) within Property, Plant and Equipment (measured with reference to their opening value) were revalued at the end of the reporting period. Dwellings are already required to be valued as at 31 March 2014.

As a result of this, the valuation gains have resulted in significant reversals of losses that were charged to the I&E in previous years, totalling £113.388m.

The programme of revaluations is shown in the table below:

| | **Council Dwellings** | **Other Land and Buildings** | **Vehicles, Plant, furniture & Equipment** | **Infrastructure Assets** | **Community Assets** | **Surplus Assets** | **Assets Under Construction** | **Total Property, Plant and Equipment** |
|---|---|---|---|---|---|---|---|---|
| **Carried at historic cost** | 0 | 0 | 4,560 | 109,827 | 6,160 | 0 | 41,690 | 162,237 |
| Valued at fair value as at: | | | | | | | | |
| 31 March 2014 | 962,239 | 831,547 | 0 | 0 | 0 | 3,333 | 0 | 1,797,119 |
| 31 March 2013 | 0 | 4,502 | 0 | 0 | 0 | 156 | 0 | 4,658 |
| 31 March 2012 | 0 | 911 | 0 | 0 | 0 | 0 | 0 | 911 |
| 31 March 2011 | 0 | 2,025 | 0 | 0 | 0 | 0 | 0 | 2,025 |
| 31 March 2010 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Net Book Total** | **962,239** | **838,985** | **4,560** | **109,827** | **6,160** | **3,489** | **41,690** | **1,966,950** |

## 11. Impairment Losses

The Valuer has assessed the overall asset portfolio with regards to impairment.

As part of a significant redevelopment of the John Roan School, elements of the existing premises have been removed from use, thereby resulting in an impairment.

The total impairment charge of £3.872m has been reflected within the Accounts with £0.660m charged to the Surplus or Deficit on the Provision of Services and the balance taken to the Revaluation Reserve.

# 12. Heritage Assets

| | Art Collection | Mayor's Regalia | Other | Total Assets |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Cost or Valuation** | | | | |
| As at 1st April 2012 | 322 | 291 | 0 | 613 |
| Total Additions | 0 | 0 | 157 | 157 |
| **As at 31 March 2013** | **322** | **291** | **157** | **770** |

| | Art Collection | Mayor's Regalia | Other | Total Assets |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Cost or Valuation** | | | | |
| As at 1st April 2013 | 322 | 291 | 157 | 770 |
| Total Additions | 0 | 0 | 0 | 0 |
| **As at 31 March 2014** | **322** | **291** | **157** | **770** |

# 13. Heritage Assets: Multi Year Summary of Transactions

| | 2010 -2011 | 2011-2012 | 2012-2013 | 2013-2014 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Cost of acquisitions of heritage assets | | | | |
| Art Collection | 109 | 47 | 0 | 0 |
| **Total Cost of Purchase** | **109** | **47** | **0** | **0** |
| Value of heritage assets acquired by donation | | | | |
| Other | 0 | 0 | 157 | 0 |
| **Total Donations** | **0** | **0** | **157** | **0** |
| **Carrying Value** | **109** | **47** | **157** | **0** |

# 14. Heritage Assets: Further Information

General

Although there are many features and artefacts that are spread throughout the borough, the majority of heritage assets are located in three places – Charlton House, Woolwich Town Hall and the Greenwich Heritage Centre.

Nike Statue
The Royal Borough of Greenwich was the recipient of a donated Heritage Asset in 2012, a statue of Nike, the Goddess of Victory. The Nike Statue was a gift from Greece to the United Kingdom via the London Organising Committee of the Olympic Games Limited (LoCoG ) to express gratitude for hosting the 2012 Olympic and Paralympic Games.

Furniture
There are a number of oak carved items of furniture including a mayoral chair. They date from the 17$^{th}$ and 18$^{th}$ centuries and have a minimal value.

Clocks
There are several long case oak clocks dating from the 17$^{th}$ and 18$^{th}$ centuries which have a minimal value.

Paintings and Pictures
There are over 2,000 watercolours of various scenes in the borough by various artists over the last few centuries.

Archaeolology
The country's earliest stoneware kiln was excavated in 1973/1974 near the Woolwich Ferry and dates from around 1620-1650.

There are fragments from Lesnes Abbey (c1179) and also various Roman collections of building materials through to jewellery, mainly from Greenwich Park and Charlton.

Social History
Various collections including those covering the Royal Arsenal Co-operative Society (founded in Woolwich in the 19$^{th}$ century), Siemens (electrical company in the 19$^{th}$-20$^{th}$ centuries) and costume / memorabilia from residents over the years.

Archive Material
A broad selection of deeds (from 1387), manuscripts, books, microfilms, images, maps and ephemera.

Royal status
A fundamental part of gaining Royal status on 3 February 2012 has been the creation of a new Coat of Arms, a seal, the granting of Letters Patent and acquisition of four Tudor Maquettes.

Mayor's regalia
The current Mayoral and Mayoress Chain – used since the designation as a London Borough in 1965; and continuing to be used now since re-designation as a Royal Borough; together with The Chain and Mace of the Metropolitan Borough of Greenwich, before 1965; and, The Chain and Mace of the Metropolitan Borough of Woolwich, before 1965.

Preservation and Management
Following the approval by the Authority of an Acquisition and Disposal policy ("Greenwich Heritage Centre Acquisitions and Disposal (Collecting) Policy 2013-2017") in February 2013, Greenwich Heritage Centre holds full Museum Accreditation from the Arts Council. Its objective is to "to collect, safeguard and make accessible artefacts, documents and specimens concerning the history and heritage of the Royal Borough of Greenwich, which it holds in trust of society."

The Museum Accreditation Standard sets nationally agreed standards for Museums in the UK and provides a recognised framework in which Museums develop their collections and make them more accessible to the public. Accreditation Status also confers a range of specific benefits; it is often a necessary criterion when applying for funding from grant giving organisations; and, it is often a requirement for Museums to lend collections for the purposes of Temporary Exhibitions. Temporary Exhibitions are a key part of the Heritage Centre's programme.

The GHC will acquire items only from within the Royal Borough of Greenwich, except for items from elsewhere which have close association with a Greenwich Person or activity, or otherwise illustrate an aspect of the history of Greenwich. The GHC will not seek to acquire biological or geological specimens for as long as the relevant curatorial expertise is not represented in its staffing.

It will continue to maintain existing collections of this material. The GHC will continue to acquire items specifically for teaching use. These will be registered in the School Loans Inventory and will not form part of the museum's core collections.

The GHC's priorities in collecting in the future will be in acquiring items relating to the cultural diversity of the population of Greenwich, items relating to the lives of people of Greenwich in the late 20$^{th}$ and early 21$^{st}$ centuries, costume from 17$^{th}$ to 19$^{th}$ centuries and items relating to the working life of the people of Greenwich.

A preservation policy ("Greenwich Heritage Centre Preservation Policy 2007-2012") deals with:

- general housekeeping - cleaning, ensuring existence (alarms where appropriate) and quarantine for new acquisitions
- monitoring – out of direct sunlight, use of thermo hydrographs, air conditioning, pests and mould
- handling – cleanliness, use of gloves, books opened less than 120 degrees, providing support / packaging

An exit policy ("Greenwich Heritage Centre Object Exit Policy 2011-2016") deals with:

- loans (ensuring insurance and security)
- registering the transfer / documentation
- authority for exit (the Collections Manager, after verifying title)
- if the asset is to be destroyed it must be unusable or have been offered to other establishments to rehouse for a period of one year.

The Centre Manager reports to the Director of Culture, Sport and Media, with management information produced for the Authority as required.

## 15. Intangible Assets

The Authority accounts for IT licence and development costs as intangible assets. No intangible assets are internally generated. The carrying amount of intangible assets is amortised on a straight line basis, based on estimated useful lives of 5 years. The amortisation of £0.076m charged to revenue in 2013/2014 was charged to the relevant service area based on estimated usage.

The movement on intangibles during the year was:

| | 2012/2013 £000 | 2013/2014 £000 |
|---|---|---|
| Balance at start of year: | | |
| Gross carrying amounts | 15,400 | 239 |
| Accumulated amortisation | (12,701) | (126) |
| Net carrying amount at start of year | **2,699** | **113** |
| Additions: | | |
| Purchases | 38 | 0 |
| Amortisation for the period | (1,264) | (76) |
| Disposals | (15,199) | 0 |
| Other changes | 13,839 | 0 |
| Net carrying amount at end of year | **113** | **37** |
| Comprising: | | |
| Gross carrying amounts | 239 | 239 |
| Accumulated amortisation | (126) | (202) |
| | **113** | **37** |

# 16. Assets Held for Sale

| | 2012/2013 £000 | 2013/2014 £000 |
|---|---|---|
| **Balance outstanding at start of year** | **37,510** | **9,676** |
| Assets newly classified as held for sale: | | |
| Property, Plant and Equipment | 2,021 | 0 |
| Revaluation losses | (394) | 0 |
| Revaluation gains | 1,799 | 1,455 |
| Assets declassified as held for sale: | | |
| Property, Plant and Equipment | (7,130) | 0 |
| Assets sold | (24,130) | (8,976) |
| **Balance outstanding at year-end** | **9,676** | **2,155** |

# 17. Capital Expenditure and Capital Financing

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

**Capital Expenditure and Capital Financing**

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| **571,540** | **Opening Capital Financing Requirement** | **590,604** |
| | **Capital Investment** | |
| 96,301 | Property, Plant and Equipment | 116,486 |
| 38 | Intangible Assets | 0 |
| 12,365 | Revenue expenditure Funded from Capital under Statute | 12,536 |
| | **Sources of Finance** | |
| 549 | Capital receipts | 9,536 |
| 34,431 | Government grants and other contributions | 50,753 |
| 47,638 | Direct revenue contributions | 48,952 |
| 6,559 | MRP / loans fund principal | 8,052 |
| 463 | Reserved capital receipts | 55 |
| **590,604** | **Closing Capital Financing Requirement** | **602,278** |
| | **Explanation of Movement in Year** | |
| 205 | Increase in underlying need to borrow (supported by government financial assistance) | 1,143 |
| 22,560 | Increase in underlying need to borrow (unsupported by government financial assistance) | 10,531 |
| 3,321 | Assets acquired under PFI/PPP contracts | 0 |
| (6,559) | MRP | 0 |
| (463) | Reserved capital receipts | 0 |
| **19,064** | **Increase / (decrease) in Capital Financing Requirement** | **11,674** |

## 18. Private Finance Initiatives and Similar Contracts

The Authority has two PFI contracts

1. Provision of Neighbourhood Resource Centres (NRCs).

A PFI agreement was signed in 2002 for the provision of three Centres. The three NRCs were designed to replace the Authority's four Homes for Elderly People (HEP) and deliver a range of high quality services for older people. The NRCs opened between May and August 2004 and provide residential and nursing care beds and a day-care service. The contract is for 30 years. The NRCs are on three sites provided by the Authority. The Authority is leasing the sites to the Provider for 30 years at nil value. The sites will be returned to the Authority for nil consideration at the end of the contract.

In accordance with the Code of Practice on Local Authority Accounting the assets provided under the PFI contract and the sites provided by the Authority are recognised on the authority's Balance Sheet. Movements in value are detailed in the analysis movement on Property, Plant and Equipment.

Under this contract the Authority paid £9.996m in 2013/2014. The Authority is required to make the following payments to the Provider:

| Year | Payment for Services £000 | Interest £000 | Reimbursement of capital expenditure £000 |
|---|---|---|---|
| 2014/2015 | 8,174 | 1,545 | 112 |
| 2015/2016 to 2018/2019 | 33,808 | 6,181 | 1,310 |
| 2019/2020 to 2023/2024 | 46,633 | 6,690 | 3,133 |
| 2024/2025 to 2028/2029 | 54,761 | 4,227 | 3,494 |
| 2029/2030 to 2033/2034 | 58,073 | 3,062 | 8,164 |
| 2034/2035 | 6,544 | (80) | 914 |
| Total | **207,993** | **21,625** | **17,127** |

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

| | 2012/2013 £000 | 2013/2014 £000 |
|---|---|---|
| Balance outstanding at start of year | 17,335 | 17,242 |
| Payments during the year | (93) | (115) |
| **Balance outstanding at year end** | **17,242** | **17,127** |

2. Provision of two secondary schools.

The Authority entered into an agreement in 2009 for the provision of two schools, Crown Woods and Thomas Tallis. The schools came into operation during 2011/2012 and the contract runs for 25 years. The sites have been made available to the operator at nil value for the duration of the contract and will be returned to the Authority for nil consideration at the end of the contract.

In accordance with the Code of Practice on Local Authority Accounting the assets provided under the PFI contract and the sites provided by the Authority are recognised on the Authority's Balance Sheet. Movements in value are detailed in the analysis movement on Property, Plant and Equipment.

Under this contract the Authority made payments totalling £14.939m in 2013/2014. The Authority is required to make the following payments to the Provider:

| Year | Payment for Services £000 | Interest £000 | Reimbursement of capital expenditure £000 |
|---|---|---|---|
| 2014/2015 | 2,719 | 9,565 | 2,165 |
| 2015/2016 to 2018/2019 | 13,146 | 36,075 | 9,590 |
| 2019/2020 to 2023/2024 | 23,431 | 38,855 | 13,703 |
| 2024/2025 to 2028/2029 | 31,142 | 29,267 | 18,667 |
| 2029/2030 to 2033/2034 | 40,519 | 15,971 | 26,078 |
| 2034/2035 to 2036/2037 | 13,752 | 5,589 | 24,887 |
| **Total** | **124,709** | **135,322** | **95,090** |

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

| | 2012/2013 £000 | 2013/2014 £000 |
|---|---|---|
| Balance outstanding at service commencement | 95,617 | 97,113 |
| Payments during the year | (1,825) | (2,023) |
| Capital expenditure incurred during the year | 3,321 | 0 |
| **Balance outstanding at year end** | **97,113** | **95,090** |

3. S106 Liabilities

Section 106 receipts are monies paid to the Council by developers in relation to the granting of planning permission and typically detail works that are required to be carried out or relate to the provision of new facilities as a result of that permission (e.g. affordable homes, early years provision). These sums are ringfenced and can only be spent as part of an agreement with the developer. As at 31 March 2014, the Council held £13.550m of S106 liabilities.

## 19. Leases

**Authority as Lessee**

### Finance Leases

The Authority has one industrial estate (Thistlebrook) and some IT and telecommunications equipment under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

| | 31 March 2013 £000 | 31 March 2014 £000 |
|---|---|---|
| Vehicles, Plant, Furniture and Equipment | 1,688 | 1,035 |

N.B. Thistlebrook Industrial Estate is held on the Balance Sheet at £1

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

| | **31 March 2013 £000** | **31 March 2014 £000** |
|---|---|---|
| Finance lease liabilities (net present value of minimum lease payments): | | |
| • current | 612 | 640 |
| • non-current | 2,793 | 2,152 |
| Finance costs payable in future years | 5,819 | 5,684 |
| **Minimum lease payments** | **9,224** | **8,476** |

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

| | **Minimum Lease Payments** | | **Finance Lease Liabilities** | |
|---|---|---|---|---|
| | **31 March 2013 £000** | **31 March 2014 £000** | **31 March 2013 £000** | **31 March 2014 £000** |
| Not later than one year | 746 | 746 | 612 | 640 |
| Later than one year and not later than five years | 1,468 | 802 | 1,119 | 479 |
| Later than five years | 7,010 | 6,928 | 1,674 | 1,673 |
| | **9,224** | **8,476** | **3,405** | **2,792** |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2013/2014 contingent rents payable by the Authority were £179,082 (2012/2013: £179,082).

The Authority has sub-let some units of the industrial estate held under the finance lease. At 31 March 2014 the minimum payments expected to be received under non-cancellable sub-leases was £903,143 (£738,948 at 31 March 2013).

**Operating Leases**

Property

The Authority has acquired some land and a number of buildings to assist with service provision throughout the borough.

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

| | **31 March 2013 £000** | **31 March 2014 £000** |
|---|---|---|
| Not later than one year | 922 | 968 |
| Later than one year and not later than five years | 3,636 | 3,758 |
| Later than five years | 8,658 | 7,762 |
| **Minimum lease payments** | **13,216** | **12,488** |

The leases are held for a variety of reasons and are charged to their relevant service line in the Comprehensive Income & Expenditure Statement. The lease payments recognised as an expense in the period total £1,209,162 (£988,890 in 2012/2013).

The Authority has sub-let some of the assets held under the above operating leases. At 31 March 2014 the minimum payments expected to be received under non-cancellable sub-leases was £2,517,625 (£727,125 at 31 March 2013).

**External Leasing**

**Vehicles and Plant**

All primary operating lease agreements in respect of vehicles and plant held by the Authority had expired by the 31st March 2010. Secondary operating leases are renewed for a one year period subject to three months' notice. The amount paid in respect of lease agreements in 2013/14 was £149,351 (£178,600 in 2012/2013).

At 31st March 2014 the Authority's future liability is dependent on operational decisions to extend leases for a further year or give notice to terminate. Lease rentals are paid in advance.

**Internal Leasing**

The Authority operates an internal leasing fund for the acquisition of vehicles used principally in the provision of waste collection, building maintenance, street cleansing and passenger services.

In 2013/14 the Authorities' accounts include expenditure to the value of £761,248 (£858,252 in 2012/2013), which was funded by the internal leasing fund.

Repayments were made to the fund in 2013/14 totalling £986,935 (£1,003,879 in 2012/2013). The repayments are made to the fund to enable future replacement and are based on the expected primary life of the vehicle.

## Authority as Lessor

### Finance Leases

The Authority has leased out part of a Car Park (Calderwood Street) to a Building Management company on a finance lease with a remaining term of 113 years.

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

| | **31 March 2013 £000** | **31 March 2014 £000** |
|---|---|---|
| Finance lease debtor (net present value of minimum lease payments): | | |
| • non-current | 308 | 308 |
| Unearned finance income | 8,222 | 8,147 |
| **Gross investment in the lease** | **8,530** | **8,455** |

The gross investment in the lease and the minimum lease payments will be received in the following periods:

| | **Gross investment in the Lease** | | **Minimum Lease payments** | |
|---|---|---|---|---|
| | **31 March 2013 £000** | **31 March 2014 £000** | **31 March 2013 £000** | **31 March 2014 £000** |
| Not later than one year | 75 | 75 | 75 | 75 |
| Later than one year and not later than five years | 299 | 299 | 299 | 299 |
| Later than five years | 8,156 | 8,081 | 8,156 | 8,081 |
| **Minimum lease payments** | **8,530** | **8,455** | **8,530** | **8,455** |

There have been no contingent rents received in respect of the Calderwood Street Car Park lease in 2013/2014 (£nil in 2012/2013).

Academies

The University Technology College opened as an Academy during the year.

Under the provisions of the Academies Act 2010 the Authority issued a 125 year finance lease for nil consideration.

**Operating Leases**

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

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

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

| | 31 March 2013 £000 | 31 March 2014 £000 |
|---|---|---|
| Not later than one year | 3,352 | 4,079 |
| Later than one year and not later than five years | 9,934 | 12,757 |
| Later than five years | 18,202 | 21,202 |
| **Minimum lease payments** | **31,488** | **38,038** |

There have been no contingent rents received under operating lease agreements in 2013/2014 (£nil in 2012/2013).

## 20. Financial Instruments

Categories of Financial Instruments

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

| | Long Term | | Short Term | |
|---|---|---|---|---|
| | 2012/2013 | 2013/2014 | 2012/2013 | 2013/2014 |
| | £000 | £000 | £000 | £000 |
| **Investments** | | | | |
| Loans and Receivables | 769 | 660 | 191,742 | 96,056 |
| Available for Sale Financial Assets | 0 | 0 | 164,833 | 204,768 |
| **Total Investments** | **769** | **660** | **356,575** | **300,824** |

| | Long Term | | Short Term | |
|---|---|---|---|---|
| **Debtors*** | | | | |
| Loans and Receivables | 788 | 755 | 32,057 | 42,081 |
| **Total Debtors** | **788** | **755** | **32,057** | **42,081** |
| **Cash at Bank / In Hand** | | | **16,519** | **44,772** |
| **Cash Overdrawn** | | | **(4,920)** | **(275)** |
| **Borrowings** | | | | |
| Financial Liabilities at amortised cost | (418,347) | (411,024) | (12,360) | (10,606) |
| **Total Borrowings** | **(418,347)** | **(411,024)** | **(12,360)** | **(10,606)** |
| **Other Long Term Liabilities** | | | | |
| PFI and Finance Lease Liabilities | (115,010) | (112,091) | (2,749) | (2,917) |
| **Total Other Long Term Liabilities** | **(115,010)** | **(112,091)** | **(2,749)** | **(2,917)** |
| **Creditors*** | | | | |
| Financial Liabilities at amortised cost | 0 | 0 | (62,175) | (57,573) |
| **Total Creditors** | **0** | **0** | **(62,175)** | **(57,573)** |

* The figure for creditors excludes prepaid income of £0.400m (2012/2013 £0.317m) and also excludes Collection Fund entries of £13.321m (2012/2013 £10.415m). The figure for debtors (net of bad debts provision) excludes prepayments of £1.692m (2012/2013 £1.293m) and also excludes Collection Fund entries of £6.949m (2012/2013 £6.397m).

## Income, Expense, Gains and Losses

| **£000** | **2012/2013** | | | **2013/2014** | | |
|---|---|---|---|---|---|---|
| | Financial Liabilities measured at amortised cost | Financial Assets: Loans and Receivables | Financial Assets: Available for Sale | Financial Liabilities measured at amortised cost | Financial Assets: Loans and Receivables | Financial Assets: Available for Sale |
| Interest Expense | (19,531) | | | (19,329) | | |
| **Total Expense in Surplus or Deficit on the Provision of Services** | **(19,531)** | | | **(19,329)** | | |
| Interest Income | | 410 | 594 | | 487 | 697 |
| **Total Income in Surplus or Deficit on the Provision of Services** | | **410** | **594** | | **487** | **697** |

Fair Values of Assets and Liabilities

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

- based on rates for equivalent loans at that date (premature redemption rates for PWLB)
- no impairment is recognised
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.

The fair values calculated are as follows:

| | 31 March 2013 | | 31 March 2014 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| | **£000** | **£000** | **£000** | **£000** |
| Financial Liabilities | (550,636) | (637,068) | (536,913) | (599,271) |
| Creditors | (62,175) | (62,175) | (57,573) | (57,573) |

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2014) arising from a commitment to pay interest to lenders above current market rates.

| | 31 March 2013 | | 31 March 2014 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| | **£000** | **£000** | **£000** | **£000** |
| Loans and Receivables | 209,031 | 209,047 | 141,488 | 141,505 |
| Available for Sale | 164,833 | 164,864 | 204,768 | 204,766 |
| Short Term Debtors | 32,057 | 32,057 | 42,081 | 42,081 |
| Long Term Debtors | 788 | 788 | 755 | 755 |

The fair value of the assets is higher than the carrying amount where the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions as at 31 March 2014) attributable to the commitment to receive interest above current market rates.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

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

Soft Loans

Loans made or received at less than market rates are as follows:

- The Authority granted an interest free loan to Long Lane Junior Football Club. The outstanding balance on the loan at the Balance Sheet date is £0.069m.

- Previously, the Authority has been granted interest free loans with an outstanding balance of £0.047m at the Balance Sheet date, by Salix, an independent social enterprise, not for profit organisation in relation to energy conservation works carried out by the Authority.

The Authority has deemed both these amounts de minimis and will account for them on a cash basis, rather by determining the equivalent interest rate.

## 21. Nature and Extent of Risks Arising from Financial Instruments

The Authority'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 Authority
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- 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 Authority'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 based on the Local Government Act 2003 and associated regulations. This requires the Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Authority to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations.
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - the Authority'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
  - its maximum annual exposures to investments maturing beyond a year.
- by the adoption of a Treasury Policy Statement and treasury management by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Authority's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update. These policies are implemented by a central treasury team.

Credit Risk

Credit risk arises from deposits with financial institutions, investment securities and as credit exposures to the Authority's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria.

However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- credit default swap spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries
- share prices
- UK institutions provided with support from the UK Government
- a £30m credit limit (with the exception of the UK Government)
- news and information from the City via Bloomberg and other sources.

The Authority does not expect any losses from non- performance by any of its counterparties in relation to deposits and securities. There has been no occurrence of a default with regard to the investments held at the Balance Sheet date. The Director of Finance has reviewed the portfolio and determined that no allowance is required for such within these accounts.

The Authority does not generally allow credit for customers. The past due but not impaired amount (forming part of the Authority's debtors) can be analysed by age as follows:

| **Debtor Age** | **2012/2013** | **2013/2014** |
|---|---|---|
| | £000 | £000 |
| Less than three months | 11,951 | 16,451 |
| Three to six months | 588 | 455 |
| Six to one year | 1,995 | 1,276 |
| More than one year | 4,411 | 4,342 |
| | **18,945** | **22,524** |

All sums owing are due to be settled within one year.

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above, as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Authority has investments in Treasury Bills, which are classified as "Available for Sale", which are readily tradable in a liquid market.

The Authority has ready access to borrowings from the money markets to cover any day to day cash flow need and the PWLB and money markets for access to longer term funds. The Authority 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 therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates (see Refinancing Risk).

Refinancing Risk

The Authority 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 Authority 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 Authority 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
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority'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 Authority sets limits on the proportion of its fixed rate borrowing during specified periods. Aside from a small number of interest free loans granted to the Authority in respect of financing energy efficiency projects, interest rates on loans varied between 3.480% - 11.625% (2012/2013: 3.480% - 11.625%). The principal maturity analysis of financial liabilities is as follows:

| **Principal Debt Maturity Profile** | **2012/2013** | **2013/2014** |
|---|---|---|
| | £000 | £000 |
| Less than one year | 8,558 | 7,325 |
| Between one and five years | 31,947 | 28,079 |
| Between five and ten years | 16,583 | 20,038 |
| Between ten and twenty years | 39,731 | 32,821 |
| More than twenty years | 330,086 | 330,086 |
| **Total** | **426,905** | **418,349** |

Within the "more than twenty years" category are £129m of market loans. They have options built into them whereby after a period of time, the lender may ask for the rate payable to be changed. The Authority has the option to either accept this increase or repay the loan in full, without penalty. The risk to the Authority is that these options are exercised at a time of unfavourable interest rates. The Authority has set a limit of 40% of its long term borrowing that can be undertaken on this basis. The option dates have been spread over several years to ensure that the risk of this scenario occurring is reduced.

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

## Market Risk

<u>Interest Rate Risk</u>

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. During periods of falling interest rates and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure.

The long term borrowing of the Authority is held at a fixed rate and thus there would be no effect on the Comprehensive Income and Expenditure Statement, or the debit to the Housing Revenue Account, if interest rates were different from those that prevailed on the Balance Sheet date. Investments are also held at fixed rate.

Price Risk

The Authority does not generally invest in equity shares but does have holdings of Treasury Bills. The Authority is consequently exposed to gains or losses arising from movements in the prices of these instruments should it wish to sell them before their maturity date.

The Treasury Bills are all classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. There has been no major change in interest rate expectation between the date on which the securities were acquired and the Balance Sheet date, the carrying value thus equates to the fair value of the Treasury Bills.

It is the Authority's current policy not to trade the securities before their maturity date unless there are exceptional circumstances.

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.

Financial Guarantees

The Widehorizons Trust Ltd delivers outdoor education services at various establishments. In 2008 the Council agreed to guarantee a loan of up to £1.5m to the Trust by Futurebuilders Ltd. As at 31st March 2014, the total loan drawn down was £1.5m. The lender is a government backed fund offering support and investment to third sector organisations delivering public services. The Council has reviewed the probability of the guarantee being called and the likely amount payable. The company's accounts for the period 1st August 2012 to 31st July 2013 shows an operating surplus. Accordingly the Council has determined that, based on current information, the guarantee will not be called.

## 22. Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are eligible to be members of the Teachers' Pension Scheme, administered by the Department for Education. Certain Public Health employees who transferred to the Authority 01/04/13 are eligible to be members of the NHS Pension Scheme. The Schemes provide relevant employees 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 Schemes are technically defined benefit schemes. However, the Schemes are unfunded and use notional funds as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Schemes with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, they are accounted for on the same basis as defined contribution schemes.

In 2013/2014, the Authority paid £11.644m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/2013 were £11.658m and 14.1%. There were contributions of £0.013m remaining payable at the year-end.

In 2013/2014, the Authority paid £0.274m to the NHS Pension Scheme in respect of retirement benefits, representing 14% of pensionable pay.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and included within Note 25.

## 23. Defined Benefit Pension Schemes

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

The Authority participates in two post- employment schemes:

- The Local Government Pension Scheme (LGPS), administered locally by the Royal Borough of Greenwich (RBG) – 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. The Authority is an employer within the London Pension Fund Authority (LPFA), which is also a LGPS fund.
- 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. No further awards have been made since 2008 in respect of the LGPS, however, this facility remains as part of the Teachers' Pension Scheme.

The policy for recognising actuarial gains and losses is that actuarial gains and losses are recognised in the reserves i.e. in Other Comprehensive Income and Expenditure.

Transactions Relating to Post-employment Benefits
The cost of retirement benefits are recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions (in accordance with IAS 19). This accounting standard has been revised (see note 40).
However, the charge required to be made against council tax is based on the cash payable in the year (derived from the employer contribution rates of 18.5% for RBG and 24.2% for LPFA, plus lump sums as required), therefore, 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:

| Comprehensive Income and Expenditure Statement | Local Government Pension Scheme £000 2012/2013 Total | 2013/2014 RBG | 2013/2014 LPFA | 2013/2014 Total | Discretionary Benefits £000 2012/2013 Total | 2013/2014 RBG | 2013/2014 LPFA | 2013/2014 Total |
|---|---|---|---|---|---|---|---|---|
| **Cost of Services** | | | | | | | | |
| Service cost comprising : | | | | | | | | |
| Current service cost* | **30,776** | 37,465 | 743 | **38,208** | **0** | 0 | 0 | **0** |
| Past service costs | **360** | 530 | 157 | **687** | **0** | 0 | 0 | **0** |
| Settlements and curtailments | **(3,046)** | 1,638 | 80 | **1,718** | **0** | 0 | 0 | **0** |
| **Financing and Investment Income and Expenditure** | | | | | | | | |
| Net interest expense | **18,233** | 18,332 | 709 | **19,041** | **2,242** | 2,291 | 120 | **2,411** |
| **Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services** | **46,323** | **57,965** | **1,689** | **59,654** | **2,242** | **2,291** | **120** | **2,411** |
| **Other Post- Employment Benefits Charged to the Comprehensive Income and Expenditure Account** | | | | | | | | |
| Re-measurement of the net defined liability comprising: | | | | | | | | |
| Return on plan assets | **(67,095)** | (12,431) | 14 | **(12,417)** | **0** | 0 | 0 | **0** |
| Actuarial (gains) or losses arising on changes in demographic assumptions | **0** | 117,096 | 573 | **117,669** | **0** | 11,488 | 45 | **11,533** |
| Actuarial (gains) or losses arising on changes in financial assumptions | **84,850** | (8,657) | (4,729) | **(13,386)** | **1,067** | 1,184 | (120) | **1,064** |
| Other | **0** | (107,540) | (12,082) | **(119,622)** | **7,300** | 0 | (132) | **(132)** |
| **Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement** | **64,078** | **46,433** | **(14,535)** | **31,898** | **10,609** | **14,963** | **(87)** | **14,876** |
| **Movement in Reserves Statement** | | | | | | | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code | **(46,323)** | (57,965) | (1,689) | **(59,654)** | **(2,242)** | (2,291) | (120) | **(2,411)** |
| Actual amount charged against the General Fund Balance for pensions in the year: | | | | | | | | |
| Employer's contributions payable to the scheme | **23,410** | 26,274 | 977 | **27,251** | | | | |
| Retirement benefits payable to pensioners | | | | | **4,286** | 3,871 | 209 | **4,080** |

* Current service costs include administration expenses

**Pensions assets and liabilities recognised in the balance sheet**

The amount included in the balance sheet arising from the authority's obligation in respect of it defined benefits plans is as follows:

| | Funded Liabilities: Local Government Pension Scheme £000 | | | | Unfunded Liabilities: Discretionary Benefits £000 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2012/2013 | 2013/2014 | | | 2012/2013 | 2013/2014 | | |
| | Total | RBG | LPFA | Total | Total | RBG | LPFA | Total |
| Present value of defined benefit obligation | 1,325,948 | 1,314,050 | 80,265 | 1,394,315 | 57,301 | 65,066 | 3,031 | 68,097 |
| Fair value of plan assets | (877,195) | (865,296) | (75,619) | (940,915) | 0 | 0 | 0 | 0 |
| **Net liability arising from defined benefit obligation** | **448,753** | **448,754** | **4,646** | **453,400** | **57,301** | **65,066** | **3,031** | **68,097** |

**Reconciliation of the movements in the fair value of scheme (plan) assets**

| | Local Government Pension Scheme £000 | | | |
|---|---|---|---|---|
| | 2012/2013 | 2013/2014 | | |
| | Total | RBG | LPFA | Total |
| **Opening balance 1 April** | 806,278 | 810,924 | 66,271 | 877,195 |
| Interest on scheme assets | 36,227 | 35,581 | 2,330 | 37,911 |
| Re-measurement gain/ loss | | | | |
| Return on assets less interest | 67,095 | 12,431 | (14) | 12,417 |
| Other | 0 | 11,372 | 10,274 | 21,646 |
| Administration expenses | (990) | (651) | (99) | (750) |
| Employer contributions | 27,696 | 30,145 | 1,186 | 31,331 |
| Contributions by scheme participants | 8,137 | 9,150 | 124 | 9,274 |
| Benefits paid | (59,860) | (43,437) | (4,453) | (47,890) |
| Settlements | (7,388) | (219) | 0 | (219) |
| **Closing balance 31 March** | **877,195** | **865,296** | **75,619** | **940,915** |

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.

However, from 2013/2014 the expected return and the interest cost has been replaced with a single net interest cost, which will effectively set the expected return equal to the IAS19 discount rate.

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

| | Funded Liabilities: Local Government Pension Scheme | | | | Unfunded Liabilities: Discretionary Benefits | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | £000 | | | | £000 |
| | 2012/13 | 2013/14 | | | 2012/13 | 2013/14 | | |
| | Total | RBG | LPFA | Total | Total | RBG | LPFA | Total |
| **Opening balance 1 April** | **1,214,467** | **1,239,519** | **86,429** | **1,325,948** | **50,873** | **53,974** | **3,327** | **57,301** |
| Current service cost | **29,786** | 36,814 | 644 | **37,458** | **0** | 0 | 0 | **0** |
| Interest cost | **54,461** | 53,913 | 3,039 | **56,952** | **2,242** | 2,291 | 120 | **2,411** |
| Contributions by scheme participants | **8,137** | 9,150 | 124 | **9,274** | **0** | 0 | 0 | **0** |
| Actuarial gains and losses | **84,850** | 12,271 | (5,964) | **6,307** | **8,367** | 12,672 | (207) | **12,465** |
| Benefits paid | **(55,574)** | (39,566) | (4,244) | **(43,810)** | **(4,286)** | (3,871) | (209) | **(4,080)** |
| Past service costs | **360** | 530 | 157 | **687** | **0** | 0 | 0 | **0** |
| Entity combinations | 0 | 0 | 0 | 0 | **0** | 0 | 0 | **0** |
| Curtailments | **2,063** | 1,735 | 80 | **1,815** | **0** | 0 | 0 | **0** |
| Settlements | **(12,497)** | (316) | 0 | **(316)** | **0** | 0 | 0 | **0** |
| **Closing balance 31 March** | **1,326,053** | **1,314,050** | **80,265** | **1,394,315** | **57,196** | **65,066** | **3,031** | **68,097** |

**Local Government Pension Scheme assets**

The Discretionary Benefits arrangement has no assets to cover its liabilities. The LGPS assets consist of the following categories, by amount and proportion of the total assets held:

**RBG**

| £000 | 2012/2013 £000 | | | 2013/2014 £000 | | |
|---|---|---|---|---|---|---|
| | **Quoted price in active markets** | **Quoted prices not in active markets** | **Total** | **Quoted price in active markets** | **Quoted prices not in active markets** | **Total** |
| UK and Overseas Unit Trusts | 0 | 0 | **0** | 233,630 | 0 | **233,630** |
| Unitised Insurance Policies | 0 | 0 | **0** | 207,671 | 0 | **207,671** |
| Equity Investments | 315,071 | 25,517 | **340,588** | 140,698 | 23,708 | **164,406** |
| Bonds | 154,076 | 0 | **154,076** | 155,753 | 0 | **155,753** |
| Alternatives | 251,387 | 0 | **251,387** | 25,959 | 0 | **25,959** |
| Property | 48,655 | 0 | **48,655** | 69,224 | 0 | **69,224** |
| Cash | 16,218 | 0 | **16,218** | 8,653 | 0 | **8,653** |
| **Total** | **785,407** | **25,517** | **810,924** | **841,588** | **23,708** | **865,296** |

**LPFA**

| £000 | 2012/2013 £000 | | | 2013/2014 £000 | | |
|---|---|---|---|---|---|---|
| | **Quoted price in active markets** | **Quoted prices not in active markets** | **Total** | **Quoted price in active markets** | **Quoted prices not in active markets** | **Total** |
| Equity Investments | 9,278 | 0 | **9,278** | 40,078 | 0 | **40,078** |
| LDI/ Cashflow matching | 20,544 | 0 | **20,544** | 4,537 | 0 | **4,537** |
| Property | 0 | 0 | **0** | 0 | 2,269 | **2,269** |
| Infrastructure | 0 | 0 | **0** | 0 | 3,025 | **3,025** |
| Commodities | 0 | 0 | **0** | 756 | 0 | **756** |
| Target Return Portfolio | 35,786 | 0 | **35,786** | 22,686 | 0 | **22,686** |
| Cash | 0 | 663 | **663** | 0 | 2,269 | **2,269** |
| **Total** | **65,608** | **663** | **66,271** | **68,057** | **7,563** | **75,620** |

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 LGPS and Discretionary Benefits liabilities have been assessed by Barnett- Waddingham, an independent firm of actuaries, using data from the full triennial valuation as at 31 March 2013 rolled forward to 31 March 2014.

The principal assumptions used by the actuary have been:

| Assumptions | RBG | | LPFA | |
|---|---|---|---|---|
| | **2012/2013** | **2013/2014** | **2012/2013** | **2013/2014** |
| **Mortality assumptions (yrs)** | | | | |
| Longevity at 65 for current pensioners | | | | |
| • Men | 17.3 | 23.6 | 20.3 | 21.2 |
| • Women | 21.3 | 24.7 | 23.3 | 24.4 |
| Longevity at 65 for future pensioners | | | | |
| • Men | 19.2 | 25.8 | 22.3 | 23.6 |
| • Women | 23.2 | 27.0 | 25.2 | 26.7 |
| **Other assumptions (%)** | | | | |
| | **2012/2013** | **2013/2014** | **2012/2013** | **2013/2014** |
| Rate of inflation (RPI) | 3.4 | 3.6 | 3.2 | 3.4 |
| Rate of inflation (CPI) | 2.6 | 2.8 | 2.4 | 2.6 |
| Rate of increase in salaries | 4.8 | 4.3 | 4.1 | 4.4 |
| Rate of increase in pensions | 2.6 | 2.8 | 2.4 | 2.6 |
| Rate for discounting scheme liabilities* | 4.4 | 4.4 | 3.6 | 4.2 |

*effectively also equal to the expected return.

There has been no change in the rate for discounting scheme liabilities between 2012/2013 and 2013/2014 for the RBG scheme. For the LPFA scheme the discount rate has increased from 3.6% to 4.2%, an increase of 0.6%. Had the discount rate remained at 2012/2013 levels, the defined benefits obligation would have increased by £6.954m.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes whilst all other assumptions remain constant.

| | Increase in assumption £000 | | | Decrease in assumption £000 | | |
|---|---|---|---|---|---|---|
| | RBG | LPFA | Total | RBG | LPFA | Total |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | (23,280) | (1,142) | **(24,422)** | 23,703 | 1,159 | **24,862** |
| Rate for increase in salaries (increase or decrease by 0.1%) | 3,328 | 81 | **3,409** | (3,308) | (80) | **(3,388)** |
| Rate for increase in pensions (increase or decrease by 0.1%) | 20,723 | 1,096 | **21,819** | (20,354) | (1,081) | **(21,435)** |
| Longevity (increase or decrease by 1 year) | (47,238) | (2,852) | **(50,090)** | 47,638 | 2,852 | **50,490** |

### Asset and Liability Matching Strategy

Under LDI investment held within the LPFA scheme, investment RPI swaps are used to hedge 25% of the Fund's cash flow liability against inflation.

### Impact on the authority's cash flows

The liabilities show the underlying commitments that the Authority has in the long run to pay post-employment (retirement) benefits. The total liability of £521.497m (2012/2013: £506.054m) has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in an overall balance of £1.204bn (2012/2013: £0.985bn). However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the LGPS 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 objective of the scheme is to achieve 100% funding. Funding levels are monitored on an annual basis. A triennial valuation was carried out as at 31 March 2013, utilising three pools of employers within the scheme. The valuation has taken account of the national changes to the scheme under the Public Pensions Services Act 2013. The Act provides for scheme regulations to be made within a common framework, to establish new career average re-valued earnings to pay pensions and other benefits to certain public servants. The next triennial valuation is due to be completed on 31 March 2016.

The total contributions expected to be made in respect of defined benefits by the Authority in the year to 31 March 2015 are £26.392m.

The weighted average duration of the defined benefit obligation for RBG scheme members is 18 years (20 years 2012/2013) and LPFA scheme members is 14 years (13 years 2012/2013).

# 24. Inventories

| | Consumable Stores | | Client Services Work in Progress | | Total | |
|---|---|---|---|---|---|---|
| | 2012/13 | 2013/14 | 2012/13 | 2013/14 | 2012/13 | 2013/14 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Balance outstanding at start of year** | **115** | **89** | **20** | **16** | **135** | **105** |
| Purchases | 70 | 216 | 31 | 0 | 101 | 216 |
| Recognised as an expense in the year | (96) | (178) | (35) | (1) | (131) | (179) |
| **Balance outstanding at year-end** | **89** | **127** | **16** | **15** | **105** | **142** |

# 25. Short –Term Debtors

| 31 March 2013 £000 | | 31 March 2014 £000 |
|---|---|---|
| 6,799 | Central government bodies | 10,693 |
| 3,464 | Other local authorities | 5,755 |
| 1,441 | NHS bodies | 7,571 |
| 0 | Public corporations and trading funds | 35 |
| 28,043 | Other entities and individuals | 26,668 |
| **39,747** | **Total** | **50,722** |

Debtors are shown net of bad debts provision of £29.108m at 31st March 2014 and £25.949m at 31st March 2013.

# 26. Short - Term Creditors

| 31 March 2013 £000 | | 31 March 2014 £000 |
|---|---|---|
| (13,846) | Central government bodies | (12,450) |
| (4,884) | Other local authorities | (7,187) |
| (652) | NHS bodies | (812) |
| (53,208) | Other entities and individuals | (50,845) |
| **(72,590)** | **Total** | **(71,294)** |

# 27. Provisions

| | Balance at 1 April 2013 £000 | Amounts used in 2013/2014 £000 | Additional provisions made in 2013/2014 £000 | Balance at 31 March 2014 £000 |
|---|---|---|---|---|
| **Short term:** | | | | |
| Accumulated Absence Provision | (8,715) | 437 | 0 | (8,278) |
| Adaptor Project Provision | 0 | 0 | (753) | (753) |
| CRC Allowances Provision | (313) | 361 | (406) | (358) |
| LRB Provision | 0 | 0 | (32) | (32) |
| Redundancy Provision | (697) | 473 | 0 | (224) |
| **Long term:** | | | | |
| Insurance Provision | (11,827) | 281 | 0 | (11,546) |
| Leaseholder Insurance Provision | (4) | 4 | 0 | 0 |
| RBG Appeals Provision | 0 | 0 | (1,258) | (1,258) |
| **Total** | **(21,556)** | **1,556** | **(2,449)** | **(22,449)** |

Material provisions are:

Accumulated Absence Provision
The Accumulated Absences provision represents the accrual for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31st March.

Insurance Provision
The Authority's internal insurance fund account is used to cover the cost of insurance. The fund is used to meet the insurance premiums, meet the cost of the insurance claims beneath the insurance excess and provide for insurance claims that have yet to be settled. Through the fund a wide range of insurance risks are covered. These include public liability, employer's liability, vehicles and fire.

The timing of any outstanding claims is dependent upon third party solicitors and the courts and it is therefore impossible to state clearly when the resultant economic benefit transfer will occur. There is also uncertainty around existing claims so no assumptions have been made in respect of future events, and reimbursements.

The costs within the Authority's internal insurance fund are met through contributions from departmental services towards the cost of insurance, through central support charges.

The Authority previously used Municipal Mutual Insurance Limited to provide insurance cover, until its demise in the 1990s. MMI has continued to meet claims covering the period up until it ceased providing further cover. However, under the administration arrangements, there was provision for scheme creditors (of which the Authority is one) to be called upon to contribute to future scheme liability.

RBG Appeals Provision
This represents the Authority's share of contributions made to the Collection Fund Income and Expenditure Account for a provision in relation to business rate appeals.

# 28. Acquired Operations

On 1 April 2013 public health staff and services were transferred from the primary care trusts (PCTs) to local authorities. In order to discharge this new public health responsibility, the Royal Borough of Greenwich (along with other local authorities) has been provided with a ring-fenced public health grant.

## 29. Dedicated Schools Grant

The Authority'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 2012. 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 2013/2014 are as follows:

| £000s | Central Expenditure | Individual Schools Budget | Total |
|---|---|---|---|
| Final DSG for 2013/2014 before academy recoupment | | | 238,307 |
| Academy figure recouped for 2013/2014 | | | (14,571) |
| Total DSG after academy recoupment for 2013/2014 | | | 223,736 |
| Brought forward from 2012/2013 | | | 12,159 |
| Carry forward to 2014/2015 agreed in advance | | | 0 |
| Agreed initial budgeted distribution in 2013/2014 | 50,552 | 185,343 | 235,895 |
| In year adjustments | (5,102) | 5,102 | 0 |
| Final budgeted distribution for 2013/2014 | 45,450 | 190,445 | 235,895 |
| Less actual central expenditure | (33,724) | | (33,724) |
| Less actual ISB deployed to schools | | (190,445) | (190,445) |
| Plus local authority contribution for 2013/2014 | 0 | 0 | 0 |
| Carry forward to 2014/2015 | 11,726 | 0 | 11,726 |

The total amount of reserves held by schools at 31st March 2014 was £15.058m (£15.301m at 31st March 2013).

## 30. Pooled Budgets

Under the terms of a Section 75 Agreement (National Health Service Act 2006), a partnership arrangement exists between the Authority and Oxleas National Health Service Foundation Trust in respect of mental health. The pooled budgets meet the cost of providing all services for people from this client group.

| **Greenwich Integrated Mental Health Service 2013/2014** | **2012/2013 £000** | **2013/2014 £000** |
|---|---|---|
| Funding provided to the pooled budget | | |
| the Authority | 3,251 | 2,352 |
| the Trust | 21,156 | 21,397 |
| | **24,407** | **23,749** |
| Expenditure met from the pooled budget | | |
| the Authority | 3,171 | 2,343 |
| the Trust | 21,403 | 21,723 |
| | **24,574** | **24,066** |
| **Net deficit arising on the pooled budget during the year** | **(167)** | **(317)** |

## 31. Agency Services

The Authority carries out certain work on an agency basis for which it is fully or partially reimbursed. The principal areas of agency work are:

<u>The London Boroughs of Tower Hamlets and Newham</u>

As joint owner of Greenwich and Woolwich Foot Tunnels with the London Boroughs of Tower Hamlets and Newham, the Authority carries out all maintenance works on an agency basis, with 50% of the expenditure reimbursed. Total expenditure in 2013/2014 was:

| | **2012/2013 £** | **2013/2014 £** |
|---|---|---|
| Greenwich Foot Tunnel | 236,836 | 243,013 |
| Woolwich Foot Tunnel | 211,092 | 214,145 |

## 32. Trust Funds

The Authority administers the Charities Holding Account on behalf of a number of trustees. Monies held on behalf of relatives of residents of Authority run homes to be spent on enhancing the care given.

| (£000s) | Balance as at 1 April 2013 | Income | Expenditure | Balance as at 31 March 2014 |
|---|---|---|---|---|
| Charities Holding Account | 68 | 10 | 61 | 17 |
| **Total** | **68** | **10** | **61** | **17** |

The Authority acts as a trustee for the following funds:

| (£000s) | Balance as at 1 April 2013 | Income | Expenditure | Balance as at 31 March 2014 |
|---|---|---|---|---|
| Cemeteries Perpetuity Fund | 34 | 0 | 0 | 34 |
| Education Trust Funds | 52 | 8 | 7 | 53 |
| Margaret McMillan Field Study Centre | 2,927 | 0 | 2 | 2,925 |
| Other | 154 | 25 | 8 | 171 |
| **Total** | **3,167** | **33** | **17** | **3,183** |

<u>Cemeteries Perpetuity Fund</u>
Fund held in order to contribute towards the maintenance of graves in perpetuity.

<u>Education Trust Funds</u>
Legacies left to provide achievement towards at school prize giving, left to specific schools for specific awards.

<u>Margaret McMillan Field Centre</u>
The role of the Margaret McMillan Trust and Centre is to support children from deprived inner city areas in having the opportunity to visit a wide variety of countryside based centres, and to support projects that provide for their needs. The Trust supports young people from inner city areas, including parts of Greenwich and Deptford where Margaret McMillan worked.

The value of investments is disclosed at cost, less any provision required for loss in value.

The Fund Balances are invested in gilt-edged and equity securities and interest earning internal balances of the Authority with the exception of the Margaret McMillan Field Study Centre. These balances are invested in non-current assets or held on bank deposit.

<u>Other</u>
Amounts held by the Authority acting as trustee for minors.

## 33. 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 to non-audit services provided by the Authority's external auditors:

| | 2012/2013 £000 | 2013/2014 £000 |
|---|---|---|
| Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year*. | 234 | 222 |
| Fees payable to external auditors for the certification of grant claims and returns for the year. | 138 | 44 |
| **Total** | **372** | **266** |
| | | |
| * 2013/2014 includes a rebate of £35,150 | | |

## 34. 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 Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority 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.

The UK Government exerts significant control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides a significant amount of its funding in the form of grants and prescribes the terms of many transactions that the Authority has with other parties (e.g housing benefits). Grants received from government departments are set out in the subjective analysis in Note 8 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are shown in Note 17.

**<u>Officers</u>**

Gillian Palmer, an employee of the Authority is a Director of London Grid for Learning Trust. An amount of £23,844 was paid to the organisation from the Authority during the year.

**<u>Members</u>**

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2013/2014 is shown in Note 35.

Councillor MacCarthy, acting in a personal capacity, is a member of the board of the Greenwich Dance Agency. An amount of £150,164.96 was paid to the organisation from the Authority during the year.

Councillor Walker, acting in a personal capacity, is on the management committee of the "Turning Pages" Community Centre. An amount of £13,000 was paid to the organisation from the authority during the year, with £3,900 outstanding at year end.

Some Members of the Authority are nominated to the board of local organisations as Authority appointed Members and have declarable transactions not listed above, as follows:

| Name of organisation | Councillor(s) | Value of transactions £ | Outstanding balances £ |
|---|---|---|---|
| Age Exchange | Mary Mills | 9,906 | 369 |
| Charlton Triangle | Norman Adams | 90,000 | 0 |

| | | | |
|---|---|---|---|
| Homes | Mark James<br>Allan MacCarthy<br>Steve Offord<br>Janet Gillman | | |
| Children's Trust Board | Denise Hyland<br>Chris Roberts<br>Jackie Smith | 231,139 | 18,261 |
| RBG Destination Management Company | Peter Kotz<br>Chris Roberts | See note below | See note below |
| Eltham Crematorium | Harpinder Singh<br>Maureen O'Mara | See note Below | See note below |
| Firepower | Angela Cornforth | 60,000 | 0 |
| Gallions Housing Association | Peter Brooks | 14,099 | 0 |
| Greenwich and Docklands International Festival | Mohammed Iqbal<br>Barbara Barwick | 155,440 | 0 |
| Greenwich Community College | Denise Hyland<br>Jackie Smith | 997,326 | 174,017 |
| Greenwich Co-operative Development Agency | Mick Hayes<br>Harpinder Singh<br>John Fahy | 326,830 | 7,059 |
| Greenwich Dance Agency | Norman Adams | 150,165 | 0 |
| Greenwich Housing Rights | Matthew Pennycook | 300,343 | 981 |
| Greenwich Leisure Limited | Peter Brooks<br>Mick Hayes<br>Harpinder Singh | 4,862,965 | 0 |
| Greenwich Service Plus | Peter Brooks | See note below | See note below |

| | | | |
|---|---|---|---|
| Greenwich Service Solutions | Peter Brooks | See note below | See note below |
| Greenwich Theatre Board | Norman Adams<br><br>Dermot Poston | 272,668 | 0 |
| Horn Park community association | Christine May | 2,720 | 0 |
| Local Government Information Unit | Alex Grant | 19,600 | 0 |
| Long Lane Football Club | Jim Gillman | 3,138 | 0 |
| Meridian Home Start Ltd | Chris Roberts | See note below | See note below |
| New Charlton Community Centre | Barbara Barwick | 36,690 | 0 |
| Oxleas Foundation Trust | John Fahy | 4,875,378 | 391,416 |
| South East London Combined Heat and Power Company | Harpinder Singh | 5,999,997 | 0 |
| St Pauls Academy | Steve Offord | 223,767 | 519 |
| Thames Gateway London Partnership | Denise Hyland | 30,899 | 0 |
| Twinkle Park Trust | David Grant | 50 | 0 |
| Widehorizons Outdoor Education Trust | Christine May | 177,672 | 938 |
| Woolwich and Plumstead Relief in Sickness Fund | Don Austen | 150 | 0 |

**Other Public Bodies**

The Authority has entered into a pooled budget agreement with Oxleas NHS Foundation Trust as outlined in Note 30.

**Eltham Crematorium**

The Authority runs the Eltham Crematorium under a joint committee arrangement with London Borough of Bexley and Dartford Borough Council.

The Authority holds funds in its bank account on behalf of the Eltham Crematorium; the balance as at 31 March 2014 was £713,980 (£898,771 at 31 March 2013).

The Authority received a distribution from the Crematorium during the financial year 2013/2014 of £558,400 (£504,800 in 2012/2013).

Support services were undertaken by the Authority on behalf of the Eltham Crematorium during the financial year 2013/2014 amounting to £135,082 (£153,236 in 2012/2013).

## Entities Controlled or Significantly Influenced by the Authority

The Authority has three wholly owned subsidiaries:

- Greenwich Service Plus (GSPlus) Limited
- Greenwich Service Solutions (GSS) Limited
- Meridian Home Start Limited

During 2013/2014 the Authority's accounts include amounts payable of £24,448,076 to GSPlus from the Authority for services received and charged GSPlus £2,526,479 for services provided.

During 2013/2014 the Authority's accounts include amounts payable of £198,087 to GSS from the Authority for services received, and amounts charged of £802 for services provided.

During 2013/2014 the Authority's accounts include amounts of £39,541 charged to Meridian Home Start for services provided, and £18,348 paid for services received.

Amounts outstanding as at 31 March 2014 were as follows:

| **Entity** | **Debtors** | **Creditors** |
|---|---:|---:|
| GSPlus | £2,007,062 | £2,731,073 |
| GSS | £82,268 | £20,241 |
| Meridian Home Start | £8,520 | £36,250 |

The overall relationship between the Authority and its subsidiaries is detailed in the Group Accounts section of the Accounts.

Royal Borough of Greenwich Destination Management Company

This Community Interest Company was formed in 2013/2014 between six parties. Those organisations, who have signed the article of association, are listed below:

- Royal Borough of Greenwich

- Greenwich Hospital
- Ansco Arena Limited
- Enderby Wharf Limited
- Greenwich Trading Company Limited
- National Maritime Museum

The Board has thirteen directors, with RBG appointing two, each other member appointing one, and six to be appointed by those seven directors.

The company substantially commenced operations on 1st December 2013 and its main objectives are to promote tourism and investment in the Royal Borough, and contribute to enhancing perceptions of the Royal Borough of Greenwich as a place to visit, live, work and study. £208,097 was paid to the organisation from the authority during the 2013/2014 financial year.

**<u>Pension Fund</u>**

Administrative services were undertaken by the Authority on behalf of the Pension Fund, under a Service Level Agreement valued at £708,691 in 2013/2014 (£870,559 in 2012/2013).

The Authority is the single largest employer of members of the Pension Fund and contributed £26.0m to the fund in 2013/2014 (£22.0m in 2012/2013).

## 35. Members' Allowances

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

| | 2012/2013 £ | 2013/2014 £ |
|---|---|---|
| Allowances | 943,620 | 941,852 |
| **Total** | **943,620** | **941,852** |

## 36. Officers' Remuneration

### Senior Employees

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

| Post Title | Name | Year | Salary, Fees and Allowances £ | Compensation for Loss of Office £ | Pension Contributions £ | Totals £ |
|---|---|---|---|---|---|---|
| Chief Executive | M Ney | 2013/14 | 190,000 | | 35,150 | 225,150 |
| | | 2012/13 | 190,000 | | 35,150 | 225,150 |
| Director of Regeneration, Enterprise and Skills | J Comber | 2013/14 | 167,917 | | 31,065 | 198,982 |
| | | 2012/13 | 164,167 | | 30,371 | 194,538 |
| Head Teacher Crown Woods | M Murphy | 2013/14 | 157,034 | | 22,142 | 179,176 |
| | | 2012/13 | 156,123 | | 22,013 | 178,136 |
| Director of Children's Services | G Palmer | 2013/14 | 150,000 | | 27,750 | 177,750 |
| | | 2012/13 | 150,000 | | 27,750 | 177,750 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Director of Finance (Section 151 Officer) | | 2013/14 | 145,000 | | 26,825 | 171,825 |
| | | 2012/13 | 145,000 | | 26,825 | 171,825 |
| Assistant Chief Executive | Note 1 | 2013/14 | 24,925 | 135,781 | 4,918 | 165,624 |
| | | 2012/13 | 118,000 | | 28,556 | 146,556 |
| Director of Housing | | 2013/14 | 135,000 | | 24,975 | 159,975 |
| | | 2012/13 | 126,667 | | 23,433 | 150,100 |
| Director of Adults and Older People Services | | 2013/14 | 125,000 | | 23,125 | 148,125 |
| | | 2012/13 | 125,000 | | 23,125 | 148,125 |
| Director of Culture, Sport and Media | Note 2 | 2013/14 | 125,000 | | 23,125 | 148,125 |
| | | 2012/13 | 52,817 | | 23,338 | 76,155 |
| Director of Community Safety and Environment | | 2013/14 | 125,000 | | 23,125 | 148,125 |
| | | 2012/13 | 125,000 | | 23,125 | 148,125 |
| Head of Law and Governance | | 2013/14 | 116,000 | | 21,460 | 137,460 |
| | | 2012/13 | 116,000 | | 21,460 | 137,460 |
| Deputy Director - Public Health and Wellbeing | | 2013/14 | 105,052 | | 14,692 | 119,744 |
| | Note 3 | 2012/13 | N/A | | N/A | N/A |
| Assistant Chief Executive – Policy, Inclusion and Partnership | Note 4 | 2013/14 | 2,131 | 113,151 | 394 | 115,676 |
| | | 2012/13 | 100,000 | | 18,968 | 118,968 |

Notes

1. Last day of service 02/06/13.
2. New post effective 11/10/12.
3. New statutory position for 2013/14.
4. Last day of service 07/04/13.

## Officer Bandings

The Authority's employees, including the senior officers listed above, receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

| **Remuneration Band** | **2013/2014** No of employees | **2012/2013** No of employees |
|---|---|---|
| £50,000 - £54,999 | 209* | 212* |
| £55,000 - £59,999 | 132* | 121* |
| £60,000 - £64,999 | 63* | 60* |
| £65,000 - £69,999 | 55 | 64* |
| £70,000 - £74,999 | 32* | 33* |
| £75,000 - £79,999 | 30* | 21* |
| £80,000 - £84,999 | 21* | 17* |
| £85,000 - £89,999 | 18* | 14* |
| £90,000 - £94,999 | 7* | 8* |
| £95,000 - £99,999 | 10* | 9* |
| £100,000 - £104,999 | 5* | 3 |
| £105,000 - £109,999 | 4 | 4* |

| | | |
|---|---|---|
| £110,000 - £114,999 | 3* | 3* |
| £115,000 - £119,999 | 8* | 5* |
| £120,000 - £124,999 | 2* | 0 |
| £125,000 - £129,999 | 4* | 4 |
| £130,000 - £134,999 | 0 | 0 |
| £135,000 - £139,999 | 1 | 0 |
| £140,000 - £144,999 | 0 | 0 |
| £145,000 - £149,999 | 1 | 1 |
| £150,000 - £154,999 | 1 | 3* |
| £155,000 - £159,999 | 1 | 2 |
| £160,000 - £164,999 | 1* | 1 |
| £165,000 - £169,999 | 2* | 0 |
| £170,000 - £174,999 | 0 | 0 |
| £175,000 - £179,999 | 0 | 1* |
| £180,000 - £184,999 | 0 | 0 |
| £185,000 - £189,999 | 0 | 0 |
| £190,000 - £194,999 | 1 | 1 |

* this total includes amounts payable in respect of compensation for loss of office

## Termination Benefits

A number of employee contracts have been terminated. Amounts contained within the Accounts relating to their remuneration by way of redundancy / other payments made are shown below. An element relating to pension fund strain is also recorded within the figures. The strain is calculated under IAS19, but the amounts actually payable by the Authority to the relevant pension fund are calculated separately and are on a different basis.

The numbers of exit packages with total value per band and total cost of the compulsory and other redundancies are set out in the table below:

| Exit package cost band (including special payments) | Number of Compulsory Redundancies | | Number of other departures agreed | | Total number of exit packages by cost band | | Total cost of exit packages in each band £ | |
|---|---|---|---|---|---|---|---|---|
| | 2012/13 | 2013/14 | 2012/13 | 2013/14 | 2012/13 | 2013/14 | 2012/13 | 2013/14 |
| **£0 - £20,000** | 16 | 7 | 93 | 76 | 109 | 83 | £861,465 | £799,587 |
| **£20,001 - £40,000** | 1 | 1 | 37 | 24 | 38 | 25 | £1,105,025 | £ 697,882 |
| **£40,001 - £60,000** | 1 | 0 | 25 | 17 | 26 | 17 | £1,302,470 | £ 847,132 |
| **£60,001 - £80,000** | 0 | 0 | 13 | 10 | 13 | 10 | £901,964 | £ 719,706 |
| **£80,001 - £100,000** | 0 | 0 | 8 | 2 | 8 | 2 | £723,407 | £179,456 |
| **£100,001 - £150,000** | | | 10 | 9 | 10 | 9 | £1,212,575 | £1,074,854 |
| **£150,001 - £250,000** | | | 3 | 4 | 3 | 4 | £503,659 | £744,377 |
| **TOTAL** | **18** | **8** | **189** | **142** | **207** | **150** | **£6,610,565** | **£5,062,994** |
| **Exit Provisions** | | | | | | | **£640,770** | **£224,266** |
| **Cost Charged to the Comprehensive I&E** | | | | | | | **£7,251,335*** | **£5,287,260*** |

* includes £1.485m relating to pension strain (£2.016m in 2012/2013) not immediately payable to the Pension Fund.

## 37. Contingent Liabilities

As at 31 March 2014 the Authority had the following contingent liabilities:

(a) Following a decision by the Government to review the operation of land charges, the Local Government Association is assessing possible claims against authorities. It is thus possible that the Authority could receive claims for reimbursement of fees charged in the delivery of this service. The timing and amounts of any potential claims are uncertain.

(b) The authority has made a provision for NDR appeals based upon information available at the year end. It is possible that appeals, not known at the balance sheet date, could yet arise. Timings and amounts are unknown.

(c) Amounts have been provided in the accounts in respect of Mutual Municipal Insurance. However, given the uncertain level of ultimate claims that could arise, further sums may be payable, the timing and level of which are unclear.

## 38. Material Items of Income and Expense

There are no material items that have not been disclosed on the face of the Comprehensive Income and Expenditure Statement or elsewhere within the Accounts.

## 39. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director of Finance on 6 June 2014 and events taking place after this date are not reflected in the financial statements or notes. There were no adjusting or non-adjusting events taking place between the reporting period end and the authorised for issue date.

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

A prior period adjustment has been made to the 2012/2013 published Statement of Accounts in relation to the change in International Accounting Standard 19 (IAS 19) – Employee Benefits.

The key changes under the new IAS19 standard are as follows:

- The “finance cost” which was previously the difference between the interest on liabilities and expected return on assets is replaced by a “net interest cost”
- Deferral of actuarial gains and losses is no longer permitted and the deficit (or surplus) should be recognised in full on the balance sheet
- Treatment of expenses i.e. administration costs, other than those relating to investment management, are expensed as they are incurred
- Recognition of past service costs - curtailments are accounted as past service costs (or negative past service costs)
- More disclosures are required about the risks / sensitivities posed by the Scheme

- Various components within the disclosures have been relabelled.

Changes to the Movement in Reserves Statement and Comprehensive Income and Expenditure Statement are presented below. There is no change to the Balance Sheet. Comparators within the note on Defined Benefit Pension Schemes have been restated.

## Changes to the 2012/2013 Movement in Reserves Statement

| | General Fund Balance | Earmarked General Fund Reserves | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | **Total Usable Reserves** | Unusable Reserves | **Total Authority Reserves** |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| (Surplus) or deficit on the provision of services | 8,033 | 0 | 1,227 | 0 | 0 | 0 | **9,260** | 0 | **9,260** |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | **0** | (9,260) | **(9,260)** |
| Adjustments between accounting basis & funding basis under regulations | (8,033) | 0 | (1,227) | 0 | 0 | 0 | **(9,260)** | 9,260 | **0** |
| **Net Change** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |

## Changes to the 2012/2013 Comprehensive Income and Expenditure Statement

| | **Net Expenditure** | **IAS 19 Effects** | **Restated Net Expenditure** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| Central services to public | 10,200 | 155 | 10,355 |
| Cultural and related services | 18,449 | 40 | 18,489 |
| Environmental and regulatory services | 31,857 | 94 | 31,951 |
| Planning services | 2,506 | 60 | 2,566 |
| Education & children's services | 99,618 | 402 | 100,020 |
| Highways & transport services | 17,480 | 15 | 17,495 |
| Local authority housing (HRA) | (19,654) | 122 | (19,532) |
| Other housing services | 14,244 | 14 | 14,258 |
| Adult social care | 69,655 | 88 | 69,743 |
| Corporate & democratic core | 5,860 | 0 | 5,860 |
| Non distributed costs | 1,951 | 0 | 1,951 |
| **Cost Of Services** | **252,166** | **990** | **253,156** |
| Other Operating Expenditure | 36,769 | 0 | 36,769 |
| Financing and Investment Income and Expenditure | 42,421 | 8,270 | 50,691 |
| Taxation and Non-Specific Grant Income | (312,035) | 0 | (312,035) |
| **(Surplus) or Deficit on Provision of Services** | **19,321** | **9,260** | **28,581** |
| (Surplus) or deficit on revaluation of property, plant & equipment assets | (7,059) | 0 | (7,059) |
| Actuarial (gains) / losses on pension assets / liabilities | 35,383 | (9,260) | 26,123 |
| **Other Comprehensive Income and Expenditure** | **28,324** | **(9,260)** | **19,064** |
| **Total Comprehensive Income and Expenditure** | **47,645** | **0** | **47,645** |

## 41. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The accounts contain 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 risk of material adjustment in the forthcoming financial year are as follows:

| **Item** | **Uncertainty** | **Effect if actual results differ from assumptions** |
|---|---|---|
| Arrears | At 31 March 2014, the Authority had a general fund balance of sundry debtors totalling £27.4m. A review of significant balances suggested that an impairment of doubtful debts of 9% (£2.4m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. | If collection rates attributable to collecting aged general fund debt were to deteriorate by 5%, the allowance would need to increase by £1.0m. |
| Business Rates | The Authority must meet its relevant share of backdated business rate appeals. A provision has been made within the accounts, utilising Valuation Office data, previous experience, facts and intelligence gathered, as at the end of the reporting period. | It is possible that the estimate provided may not be sufficient to meet claims arising e.g. through greater success rates than previously experienced. |
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied. | The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £24.4m. However, the assumptions interact in complex ways. During 2013/2014, the actuaries advised that, overall, the net pensions liability had increased by £15.4m as a result of updating estimates to reflect current market conditions. |
| PFI / Finance Leases | These arrangements have an implied finance lease within the agreement which (on a constant basis) has been used to calculate future payments disclosed within the accounts. | The PFI arrangements are inherently long term in nature. Fluctuations in the inflation indexation could result in future payments being higher than presented. |
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic environment makes it uncertain that the Authority will be able to sustain its | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.8m for every year that useful lives had to be reduced. |

| | | |
|---|---|---|
| | current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the assets. | |

## 42. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code has introduced several changes in accounting standards which will be required in the 2014/2015 Statement of Accounts. The adoption of these standards is not considered likely to have a significant impact on the accounts.

<u>IAS 1 Presentation of the Financial Statements</u>
This standard is mainly presentational and will result in changes of name to two of the main financial statements as follows:

- “Balance Sheet” becomes “Statement of Financial Position”
- “Cash Flow” becomes “Statement of Cash Flows”.

Other changes include the requirement to provide comparative information, which the Authority currently complies with and also to disclose reclassification of other comprehensive income items, for which there are none.

<u>IAS 27 Separate Financial Statements</u>
This standard clarifies the need to produce single entity accounts for the Authority.

<u>IAS 28 Investments in Associates and Joint Ventures</u>
This standard clarifies the requirement to produce accounts where an associate or joint venture has been identified. No material entities of this type exist for the current year.

<u>IAS 32 Financial Instruments: Presentation</u>
The standard clarifies the offsetting of financial assets and liabilities. This has no effect upon the Accounts.

<u>IFRS 10 Consolidated Financial Statements</u>
This standard places a new definition upon “control”. Under the revised definition, there is no change to the accounting arrangements i.e. the Authority would continue to produce Group Accounts as it has done so for the entities mentioned within that section.

<u>IFRS 11 Joint Arrangements</u>
This standard places a new definition upon “joint arrangements”. Under the revised definition, there is no change to the accounting arrangements i.e. the Authority would continue to account for Eltham Crematorium as a joint operation within the single entity accounts.

<u>IFRS 12 Disclosure of Interests in Other Entities</u>
This standard places a requirement to disclose an entity’s interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. For the material interests reported in the current year’s Accounts, no further disclosure is required.

# 43. Accounting Policies

### General
The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which states that the Accounts are 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 2013/2014 (the "Code") and the Service Reporting Code of Practice 2013/2014 ("SeRCoP", based upon International Financial Reporting Standards (IFRS), supported by policies and statutory guidance issued under Section 21 of the Local Government Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

- Revenue from the sale of goods is recognised when the 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.

- 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 are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue 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.

### Carbon Reduction Commitment (CRC) Energy Efficiency Scheme
The Authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. 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.

### Cash and Cash Equivalents
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in no more than a three month period from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

**Acquired Operations**

Acquired operations are those that the authority has acquired during the reporting period as a result of the reorganisation of local government, or the transfer of services acquired as a consequence of legislation. The authority will account for these in accordance with IAS 1 and where material, disclose any comparative amounts, if applicable.

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

<u>Change in Accounting Policy</u>

Policies are the principles used to prepare the financial statements. A change in policy generally originates from the accounting standards although it could come from being able to provide more relevant and reliable information. These are normally processed retrospectively, although in some cases can be prospective, where stated.

<u>Change in Accounting Estimate</u>

This is an adjustment of the carrying amount of an asset or liability resulting from new information. These are processed prospectively in the current and future reporting periods.

<u>Prior Period Error</u>

This is a material omission or misstatement that could reasonably have been accounted for in the preparation of the accounts for the previous reporting period. This is processed through retrospective restatement of the accounts by amending the opening balances and comparative amounts for the prior period.

**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 non-current assets during the year:

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

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue (the Minimum Revenue Provision) 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 amortisation are, therefore, replaced by the contribution from 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.

**Employee Benefits**

<u>Benefits Payable during Employment</u>

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the 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 appropriate service in the Comprehensive Income and Expenditure Statement at the earlier of the following dates:

- When the Authority can no longer withdraw the offer of those benefits
- When the Authority recognises costs of a restructuring and involves the payment of termination benefits

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 NHS Pension Scheme
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pensions Scheme, administered by the Royal Borough of Greenwich or the London Pension Fund Authority (LPFA).

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

However, the arrangements for the NHS and Teachers Schemes' means that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The relevant cost of services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS and Teachers' Pensions schemes in the year.

The Local Government Pension Scheme

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

- The liabilities of the Royal Borough of Greenwich and LPFA pension funds 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 based on the annualised yield at the point on the Merrill Lynch AA rated corporate bond curve that equates to the estimated duration of the liabilities, for the respective fund of which the Borough is an employer.
- The assets of the Royal Borough of Greenwich and LPFA pension funds attributable to the Authority are included in the Balance Sheet at their fair value:
  - for quoted securities – current bid price
  - for unquoted securities – professional estimate
  - for unitised securities – current bid price, except where only a single price is available in which case, net asset value
  - for property – market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment 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.

- Remeasurements 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 Royal Borough of Greenwich and LPFA pension funds – 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.

**Events after the Reporting Period**

These are 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 event can be identified:

Adjusting

Those events that provide evidence of conditions that existed at the end of the reporting period. Where material, the financial statements and notes are amended to reflect the impact of the events.

Non-Adjusting

Those events that are indicative of conditions that arose after the reporting period. The financial statements are not amended to reflect the events, but additional explanatory notes are provided.

**Material Items of Income and Expenditure**

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.

**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 Guarantees

These will be assessed at fair value at their inception and will be kept under review.

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.

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. Values are based on the following principles:

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in 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. 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).

**Foreign Currency Translation**
Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Realised gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**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 Authority 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 are shown as liabilities on the Balance Sheet until outstanding conditions are satisfied. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and

Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

**Heritage Assets**

Where an asset is primarily retained for its contribution to knowledge and culture, it is designated as a heritage asset. However, where an asset is in operational use then it is classified accordingly, rather than as a heritage asset.

The Authority's heritage assets are primarily held in the Heritage Centre, Charlton House and Woolwich Town Hall.

Charlton House and the Town Hall house paintings and statues. The Authority owns and operates the Greenwich Heritage Centre, which has six main collections:

- Furniture
- Clocks
- Pictures
- Archaeology / Geological
- Social history
- Archive material

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

The collection, as a whole, is relatively static and acquisitions and donations are infrequent. Where they do occur, acquisitions are initially recognised at cost and donations are recognised at valuation, ascertained by the museum's staff, utilising professional valuation organisations where appropriate. Where material, these items are reported in the Balance Sheet, with items in excess of £10,000 being individually disclosed. In relation to the Authority's overall asset base, values are relatively low and, as such, revaluations are not undertaken frequently due to the high cost of the process involved in valuing a diverse set of assets and the lack of comparative values. The items themselves are enduring in nature and, therefore, are not depreciated.

The carrying amounts of heritage assets are reviewed when there is evidence of impairment. Any impairment is recognised and measured in accordance with the Authority's general policy on impairment.

The proceeds of any disposals are disclosed separately in the notes to the financial statements and are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment.

**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.

Intangible assets are measured initially at cost and are carried thereafter 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.

**Interests in Companies**

The Authority has material interests in companies that have the nature of subsidiaries and has, accordingly, prepared group accounts.

**Inventories**

Inventories are included in the Balance Sheet at cost.

**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.

**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 will be accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

<u>The Authority as Lessee</u>

<u>Finance Leases</u>

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. 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

- 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.

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.

<u>Operating Leases</u>
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, unless another systematic basis is more representative of the benefits received by the Authority.

<u>The Authority as Lessor</u>
<u>Finance Leases</u>
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. The sale proceeds, representing the Authority's net investment in the lease, 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), matched by a lease (long-term debtor) asset in the Balance Sheet.
Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain or loss presented in the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase or decrease the General Fund Balance. The net investment in the lease is required to be treated as a capital receipt and the carrying value of the asset is posted to the Capital Adjustment Account. 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 (England and Wales) or the General Fund where the lease was entered into on or before 31st March 2010. 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, unless another systematic basis is more representative of the time pattern in which the benefit derived from the leased asset is diminished.

**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 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 under construction and other surplus assets.

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.

**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 and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. A de minimis level of £10,000 has been adopted for the inclusion of Property, Plant and Equipment.

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.

The valuations are undertaken by Mr Simon Marsh M.R.I.C.S and are made in accordance with the guidance from the Department of Communities and Local Government and the RICS Valuation-Professional Standards published by the Royal Institution of Chartered Surveyors. Valuations for use within the Accounts are sought by the Director of Finance from the Director of Regeneration, Enterprise and Skills. The relevant staff work in separate directorates, are professionally qualified and abide by their respective institute's ethical and other requirements. HRA assets are valued as at 31 March with other assets valued as at 01 April. Where an asset class is revalued, over 80% (with reference to its opening balance) of that class is revalued.

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). The Beacon method has been applied to arrive at the vacant possession value of dwellings before adjusting to 25% for EUV-SH. Both those parts of the valuations are as recommended by the Department for Communities and Local Government in their Stock Valuation for Resource Accounting – Guidance for Values 2010.
- 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 to ensure that their carrying amount is not materially different from their fair value at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains (exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

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:

- o 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)

- o 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:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight line allocation over the useful life as estimated by a suitably qualified officer
- infrastructure – straight-line allocation over 40 years.

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

Disposals and Non-current Assets Held for Sale

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

Schools held on the balance sheet are disposed for nil consideration when they transfer to Academy status.

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 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, as represented by the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

**Private Finance Initiative**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The Authority has two PFI schemes (the provision of three Neighbourhood Resource Centres and two schools) where the assets are carried in its Balance Sheet.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs – these are charged against the unitary payment as incurred

## Provisions, Contingent Assets and Liabilities

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.

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 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.

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.

## Reserves

The Authority sets aside reserves for earmarked purposes. 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 the relevant policies.

**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.

**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.

## 44. Critical Judgements in Applying Accounting Policies

Significant judgements are made by management in applying accounting policies, which could have a material effect upon the accounts.

Funding
An organisation can be judged to be a "going concern" if, for the foreseeable future, there is a high level of confidence that it will have the necessary liquid resources to meet its liabilities as they fall due and will be able to sustain its business model, strategy and operations and remain solvent, including in the face of reasonably predictable internally or externally-generated shocks.

Despite there being a high degree of uncertainty about future levels of funding for local government, the Authority has undertaken a robust analysis of its financial strength and resolved to maintain a freeze in the local element of Council Tax. There is no indication that the assets of the Authority are likely to be impaired. As such, the Authority has determined that it is a going concern.

Group Boundaries
The group boundaries have been estimated using the criteria associated with the Code. In line with this, the Authority has identified three material subsidiaries and produced Group Accounts accordingly. From December 2013, a fourth organisation, known as the Royal Borough of Greenwich Destination Management Company, would be accounted for as an Associate entity. However, due to its limited trading time it has been deemed immaterial with respect to the production of Group Accounts. Material transactions in relation to this entity appear under Related Party Transactions.

Leases
The Authority classifies these as either operational or finance leases. It is not always clear which type may be the correct one to use and as such, the Authority uses judgement to determine whether the lease is a finance lease (i.e. it transfers substantially the risks and rewards relating to ownership) or not (in which case it is an operating lease).

Schools – Recognition on Balance Sheet
In accordance with the Code (in particular with reference to IAS 16), the Authority recognises schools on the balance sheet where future economic benefits or service potential associated with the school will flow to the Authority. Where the Authority can employ staff and is responsible for the admission criteria, these schools are recognised.

There are several types of school within the borough, with community and voluntary controlled recognised on the balance sheet.

| School Type | Admission Criteria | Appoint Staff | Legal Ownership | Benefits Flowing | On Balance Sheet |
|---|---|---|---|---|---|
| Community | ✓ | ✓ | ✓ | ✓ | ✓ |
| Voluntary Controlled (VC) | ✓ | ✓ | × | ✓ | ✓ |
| Voluntary Aided (VA) | × | × | × | × | × |
| Trust | × | × | × | × | × |
| Foundation | × | × | × | × | × |
| Academies | × | × | × | × | × |
| Free schools | × | × | × | × | × |

<u>Schools - Transfers to Academy</u>

Schools held on the balance sheet are disposed for nil consideration when they transfer to Academy status. This is in contrast to the alternative accounting treatment of impairing when the approval to transfer to Academy status is granted.

# Additional Financial Statements

## Collection Fund Account

The Collection Fund are agent's statements that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statements show the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

## Income and Expenditure Account

| Income and Expenditure Account (£000s) | Note | Council Tax | Business Rates | Total 31/03/14 | Council Tax | Business Rates | Total 31/03/13 |
|---|---|---|---|---|---|---|---|
| **Income** | | | | | | | |
| Council Tax Income | **4** | (93,386) | | (93,386) | (86,489) | | (86,489) |
| Council Tax Benefits | **4** | | | | (22,624) | | (22,624) |
| Business Rates Receivable | **5** | | (69,131) | (69,131) | | (64,518) | (64,518) |
| Business Rates Supplement | **6** | | (2,129) | (2,129) | | (2,027) | (2,027) |
| B Rates transitional payments | | | (162) | (162) | | (50) | (50) |
| **Total Income** | | **(93,386)** | **(71,422)** | **(164,808)** | **(109,113)** | **(66,595)** | **(175,708)** |
| **Expenditure** | | | | | | | |
| **Precepts and Demands** | | | | | | | |
| Council Tax | | | | | | | |
| Royal Borough of Greenwich | | 65,243 | | 65,243 | 79,484 | | 79,484 |
| Greater London Authority | | 20,151 | | 20,151 | 24,850 | | 24,850 |
| Business Rates | | | | | | | |
| Royal Borough of Greenwich | | | 17,831 | 17,831 | | | |
| Greater London Authority | | | 11,887 | 11,887 | | | |
| Central Government | | | 29,717 | 29,717 | | 62,550 | 62,550 |
| Business Rates Supplement | **6** | | 2,120 | 2,120 | | 2,017 | 2,017 |
| **Previous Year's Surplus** | | | | | | | |
| Council Tax | **7** | 2,254 | | 2,254 | 2,237 | | 2,237 |
| **Collection Fund Charges** | | | | | | | |
| Council Tax bad debts | **8** | 2,044 | | 2,044 | 1,885 | | 1,885 |
| Business Rates bad debts | **9** | | 1,199 | 1,199 | | 1,676 | 1,676 |
| Business Rates appeals | **10** | | 4,192 | 4,192 | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Business Rates cost of collection | | | 275 | 275 | | 278 | 278 |
| BRS cost of collection | **6** | | 9 | 9 | | 10 | 10 |
| B Rates transitional payments | | | 162 | 162 | | 51 | 51 |
| Interest | | | 8 | 8 | | 13 | 13 |
| **Total Expenditure** | | **89,692** | **67,400** | **157,092** | **108,456** | **66,595** | **175,051** |
| **(Surplus)/Deficit for Year** | | **(3,694)** | **(4,022)** | **(7,716)** | **(657)** | **0** | **(657)** |

## Fund Statement

| Fund Statement (£000s) | Note | Council Tax | Business Rates | Total 31/03/14 | Council Tax | Business Rates | Total 31/03/13 |
|---|---|---|---|---|---|---|---|
| **Fund Balance B/F** | | **(4,626)** | **0** | **(4,626)** | **(3,969)** | **0** | **(3,969)** |
| (Surplus)/Deficit for Year | | (3,694) | (4,022) | (7,716) | (657) | 0 | (657) |
| **Fund Balance C/F** | **11** | **(8,320)** | **(4,022)** | **(12,342)** | **(4,626)** | **0** | **(4,626)** |

## Notes to the Collection Fund accounts

### 1 The Council Tax System

The council tax is the means of raising income from local residents to pay for services within the Royal Borough. The council tax is levied on domestic properties and the charge is based on the valuation band assessed for each dwelling. The Valuation Office has appointed a Listing Officer for the Royal Borough who is responsible for property valuations, valuation registers and appeals.

Council tax collected in the Borough is split between relevant preceptors, the Borough (75%) and the GLA (25%).

### 2 The Business Rates System

The business rate is the means of raising income from local businesses to pay for services within the Royal Borough. The business rate is levied on non-domestic properties and the charge is based on the valuation band assessed for each premise. The Valuation Office has appointed a Listing Officer for the Royal Borough who is responsible for property valuations, valuation registers and appeals.

Business rates collected in the Borough is split between relevant preceptors, the Borough (30%), the GLA (20%) and Central Government (50%).

### 3 Accounting Policies

The Collection Fund Income and Expenditure Account is prepared on an accruals basis and complies with appropriate regulations and the Code of Practice on Local Authority Accounting. The transactions of the Collection Fund are wholly prescribed by legislation. The year-end surplus or deficit on the Collection Fund is apportioned between the relevant interested parties.

### 4 Council Tax Income

In 2013/2014 the Royal Borough set a band D tax of £1,283.91 (£1,287.63 in 2012/2013). These charges are before any appropriate discounts. The charge for each band is a ratio of band D. The 2013/2014 charges were:

| | 2013/2014 | 2013/2014 | 2012/2013 |
|---|---|---|---|
| **Band** | **Ratio to Band D** | **Council Tax (£)** | **Council Tax (£)** |
| A | 6/9 | 855.94 | 858.42 |
| B | 7/9 | 998.60 | 1,001.49 |
| C | 8/9 | 1,141.25 | 1,144.56 |
| D | 1 | 1,283.91 | 1,287.63 |
| E | 11/9 | 1,569.22 | 1,573.77 |
| F | 13/9 | 1,854.54 | 1,859.91 |
| G | 15/9 | 2,139.85 | 2,146.05 |
| H | 18/9 | 2,567.82 | 2,575.26 |

The Royal Borough's taxbase, which is used in the tax calculation, is based on the number of dwellings in each band on the listing produced by the Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes and appeals. The taxbase estimate for 2013/2014 was 66,503 (81,019 in 2012/2013) as calculated below. From 1st April 2013 Council tax benefit has been replaced by a Council tax discount. The significant reduction in the tax base reflects this.

| | | 2013/2014 | | | | 2012/2013 |
|---|---|---|---|---|---|---|
| **Band** | **Dwellings Per Valuation List** | **Adjustment For Disabled Banding Appeals, Discounts And Exemptions** | **Revised Dwellings** | **Ratio To Band D** | **Band D Equivalent** | **Band D Equivalent** |
| A(Disabled) | 0 | 3 | 3 | 5/9 | 1 | 2 |
| A | 10,489 | (4,563) | 5,926 | 6/9 | 3,951 | 5,411 |
| B | 19,914 | (7,632) | 12,282 | 7/9 | 9,552 | 12,468 |
| C | 38,973 | (11,364) | 27,609 | 8/9 | 24,542 | 30,065 |
| D | 20,552 | (4,997) | 15,555 | 1 | 15,555 | 18,478 |
| E | 10,146 | (1,811) | 8,335 | 11/9 | 10,187 | 11,307 |
| F | 2,779 | (321) | 2,458 | 13/9 | 3,550 | 3,749 |
| G | 1,907 | (130) | 1,777 | 15/9 | 2,961 | 2,972 |
| H | 322 | (47) | 275 | 18/9 | 551 | 542 |
| **Total** | **105,082** | **(30,862)** | **74,220** | | **70,850** | **84,994** |
| Less Allowance for Non Collection | | | | | (4,605) | (4,249) |
| Plus Adjustment for Armed Forces Dwellings | | | | | 258 | 274 |
| **Royal Borough Tax base** | | | | | **66,503** | **81,019** |

Based on the estimated tax base of 66,503 an income yield for 2013/2014 of £85.4m (£104.3m in 2012/2013) was anticipated. The actual taxbase was equivalent to 72,735 (84,738 in 2012/2013) including backdated transactions and the equivalent yield was £93.4m (£109.1m in 2012/2013).

## 5 Business Rate Income

| **Business Rate Income** | **2013/2014 (£000)** | **2012/2013 (£000)** |
|---|---|---|
| Debits Raised | 85,542 | 79,741 |
| Relief and Exemption granted | (14,120) | (13,145) |
| **Total Collectable** | **71,422** | **66,596** |

The Non-Domestic Rate Multiplier is set nationally and for 2013/2014 was 47.1p (45.8p in 2012/2013). The total rateable value for non-domestic rated property in the Royal Borough for 2013/2014 was £175.7m (£170.2m in 2012/2013). Business Rates Income for 2012/2013 has been adjusted to show comparative figures for business rates bad debt provision and transitional payments.

### 6 Business Rates Supplement

In April 2010, a levy of 2p on non-domestic properties with a rateable value of over £55,000 in London was introduced. This is paid to the GLA and helps to finance Cross Rail.

### 7 Council Tax apportionment of surplus

A Council Tax surplus of £2.254m was distributed in 2013/2014 to the Royal Borough (£1.717m) and the GLA in (£0.537m).

### 8 Provision for Irrecoverable Council Tax Debts

Contributions are made from the Collection Fund Income and Expenditure Account to a provision for bad debts. During 2013/2014 £2.044m (£1.885m in 2012/2013) was contributed to the council tax bad debt provision and £0.216m (£0.918m in 2012/2013) of irrecoverable debts were written off.

### 9 Provision for Irrecoverable Business Rates Debts

Contributions are made from the Collection Fund Income and Expenditure Account to a provision for bad debts. During 2013/2014 £1.199m (£1.676m in 2012/2013) was contributed to the business rates bad debt provision and £0.354m (£1.360m in 2012/2013) of irrecoverable debts where written off. The Income and Expenditure Account for the collection fund has been adjusted to show a comparative figure for the contribution to bad debts 2012/2013 which had been netted off business rate income.

### 10 Provision for Business Rates Appeals

Contributions are made from the Collection Fund Income and Expenditure Account to a provision for business rate appeals. The provision was calculated on the basis of outstanding appeals at 31st March 2014 as supplied by the Valuation Office. The percentage of appeals that are likely to be successful and the percentage reduction in rateable value on successful appeals were estimated based on historical trends. Local intelligence identified possible appeals that are yet to be notified to the Valuation Office and this was also taken into account. During 2013/2014 the sum of £4.192m was contributed to the provision.

### 11 Collection Fund Surplus

#### Council Tax

The balance on the Fund for Council Tax at 31st March 2014 is £8.320m. Of this sum, £1.949m is the GLA's share of the Collection Fund and is shown as a creditor in the Authority's Balance Sheet. The balance of £6.371m is the Royal Borough's share of the Collection Fund. £0.525m will be distributed to the GLA in 2014/2015. The remaining Council Tax balance will be taken into account in future budget setting processes.

#### Business Rates

The balance on the Fund for Business Rates at 31st March 2014 is £4.022m. Of this sum £0.804m the GLA's share of the Collection Fund surplus, and £2.011m is the Government share. Both of these items are shown as a creditor in the Authority's Balance Sheet. The balance is the Royal Borough's share of the Collection Fund. £0.877m will be distributed to in the GLA and £2.193m distributed to the Government in 2014/2015. The remaining Business Rates balance will be taken into account in future budget setting processes.

# Housing Revenue Account
# Income and Expenditure Statement

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

| 2012/2013 | | 2013/2014 |
|---|---|---|
| **£000** | **Expenditure** | **£000** |
| 23,054 | Repairs and Maintenance | 25,129 |
| 37,292 | Supervision and Management | 38,339 |
| 1,849 | Rent, Rates, Taxes and Other Charges | 2,204 |
| 32,437 | Depreciation and Impairment of non-current Assets | (84,760) |
| 148 | Debt Management Costs | 112 |
| 1,415 | Movement in the allowance for bad debts (not specified by the Code) | 2,671 |
| 179 | Sums Directed by the Secretary of State that are expenditure in accordance with the Code | 0 |
| **96,374** | **Total Expenditure** | **(16,305)** |
| | **Income** | |
| (109,558) | Dwelling Rents (gross) | (114,376) |
| (2,770) | Non Dwelling Rents (gross) | (2,741) |
| (3,240) | Charges for services and facilities | (4,806) |
| (294) | Contribution towards expenditure | (83) |
| (44) | HRA subsidy receivable – Note 1 | 0 |
| **(115,906)** | **Total Income** | **(122,006)** |
| **(19,532)** | **Net income of HRA Services as included in the whole Authority Comprehensive Income and Expenditure Statement** | **(138,311)** |
| 453 | HRA Services Share of Corporate and Democratic Core | 493 |
| 320 | HRA share of other amounts included in the whole Authority net expenditure of continuing operations but not allocated to specific services | 923 |
| **(18,759)** | **Net Income of HRA Services** | **(136,895)** |

| | | |
|---|---|---|
| | **HRA share of the operating income and expenditure included in the whole Authority Comprehensive Income and Expenditure Statement** | |
| (7,392) | (Gain) or Loss on sale of HRA non-current Assets | (9,233) |
| 15,384 | Interest Payable and Similar Charges | 15,280 |
| 0 | Capital Grants and Contibutions | (102) |
| (224) | HRA Interest and Investment Income | (90) |
| 2,692 | Net Interest on the Net Defined Benefit Liability (Asset) | 3,122 |
| **(8,299)** | **(Surplus) / Deficit for the Year on HRA Services** | **(127,918)** |

## Housing Revenue Account
## Movement on the HRA Statement

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| **(6,140)** | **Balance on the HRA as at the end of the previous reporting period** | **(18,952)** |
| (8,299) | (Surplus) or deficit for the year on the HRA Income and Expenditure Statement | (127,918) |
| (19,937) | Adjustment between accounting basis and funding basis under the legislative framework | 108,217 |
| **(28,236)** | **Net (Increase) or decrease before transfers to or from reserves** | **(19,701)** |
| 15,424 | Transfer to or from earmarked reserves | 14,961 |
| **(12,812)** | **(Increase) or decrease in year on the HRA** | **(4,740)** |
| **(18,952)** | **Balance on the HRA at the end of the current reporting period** | **(23,692)** |

# Notes to the Housing Revenue Account

## 1. Housing Subsidy

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| 44 | Charges for Capital | 0 |
| **44** | **Net Housing Subsidy (Payable) Receivable for the Year** | **0** |

From 1 April 2012 a new system known as Self Financing came into operation and subsidy is therefore no longer receivable.

Deductions from the rent rebate subsidy made due to the operation of the policy on rent rebate subsidy limitation are charged to the HRA. In 2013/2014 no charge was made as the calculation showed the Authority to be outside the subsidy limitation.

## 2. Depreciation and Impairment

| | 2013/2014 |
|---|---|
| **Depreciation and Impairment** | **£000** |
| Depreciation on HRA assets | |
| Property Plant and Equipment Assets – Dwellings | 14,423 |
| Property Plant and Equipment Assets - Other | 538 |
| | 14,961 |
| Impairment and Revaluation Losses | 6,822 |

HRA valuations were reviewed at 1st April 2013 and the 31st March 2014. The valuations are based on Stock Valuation for Resource Accounting, a guide issued by CLG. This guide incorporates a factor to recognise the specific nature of valuing social housing. This factor, which reduces the assessed value, has remained at 25%.

An increase in the value of residential property over the reporting period has resulted in valuation gains, which in turn has led to a significant reversal of losses that were charged to the HRA I&E in previous years, totalling £96.448m.

## 3. Housing Stock

The Council was responsible for managing 22,276 dwellings as at 31st March 2014. The property is analysed below:

| **Analysis of HRA Dwellings at 31st March 2014** | **1 Bed** | **2 Beds** | **3 & more** | **Total** |
|---|---|---|---|---|
| Low rise flats in blocks up to 2 storeys | 1,411 | 1,068 | 358 | 2,837 |
| Medium rise flats in blocks of 3-5 storeys | 3,906 | 3,412 | 1,663 | 8,981 |
| High rise flats in blocks of 6 or more storeys | 1,539 | 1,776 | 235 | 3,550 |
| Houses and bungalows | 248 | 1,216 | 5,437 | 6,901 |
| Multi occupied dwellings | | | | 7 |
| **Total** | | | | **22,276** |

The HRA valuations were reviewed as at 1st April 2013 and the 31st March 2014. These figures represent the valuation less disposals and depreciation.

| 31st March 2013 £000 | Balance Sheet Valuation of HRA Assets | 31st March 2014 £000 |
|---|---|---|
| | Property Plant and Equipment Assets - | |
| 858,842 | Dwellings | 962,239 |
| 33,866 | Property Plant and Equipment Assets – Other | 40,136 |
| 2,391 | Assets held for Sale | 1,455 |
| **895,099** | **Total** | **1,003,830** |

The Vacant Possession Value is the Council's estimate of the total sum that it would receive if all the assets were sold on the open market. The balance sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than the rent that would be obtainable on the open market, and the balance sheet value is therefore lower than the Vacant Possession Valuation. The difference between the two values therefore shows the economic cost of providing housing at less than market value.

| At 1st April 2013 £000 | Vacant Possession Value | At 1st April 2014 £000 |
|---|---|---|
| 3,458,803 | HRA Dwellings | 3,846,904 |

## 4. Major Repairs Reserve

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| (715) | Balance as at 1st April | 0 |
| 16,139 | Financing of Capital Expenditure for year | 14,961 |
| (15,424) | Depreciation for the year | (14,961) |
| **0** | **Balance as at 31st March** | **0** |

## 5. HRA Capital Financing

| 2012/2013 £000 | HRA Capital Expenditure | 2013/2014 £000 |
|---|---|---|
| 24,367 | Houses | 32,286 |
| 14 | Other Property | 2,238 |
| 29 | Vehicles and Equipment | 0 |
| **24,410** | **Total** | **34,524** |

| | Financed by: | |
|---|---|---|
| 0 | Capital Receipts | 200 |
| 16,139 | Major Repairs Reserve | 14,961 |
| 16 | Other Grants | 317 |
| 8,255 | Revenue | 19,046 |
| **24,410** | **Total** | **34,524** |

**Summary of HRA Capital Receipts**

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| | **Capital Receipts** | |
| 0 | Land | 1,568 |
| 12,069 | Houses | 20,431 |
| 4,946 | Other Property | 253 |
| **17,015** | **Total** | **22,252** |

## 6. Rent Arrears

HRA rent arrears at 31st March 2014 totalled £10.267m. This excludes prepayments of £2.919m and may be analysed as follows:

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| | **Arrears** | |
| 6,685 | Due from Current Tenants | 6,829 |
| 2,728 | Due from Former Tenants | 3,438 |
| **9,413** | | **10,267** |
| (2,229) | Less Prepayments | (2,919) |
| **7,184** | **Net Arrears** | **7,348** |

These arrears are charges due from tenants i.e. rent, heating and other charges. The HRA has been setting aside funds to meet irrecoverable debts in respect of such arrears. At 31st March 2014 the provision totalled £7.582m.

## 7. Pension Costs - IAS 19

IAS19 has been incorporated in the HRA. Entries have been calculated on the basis of the HRA's apportioned share of pension costs during the financial year.

# Group Accounts

## Group Movement in Reserves Statement

| | General Fund Balance | Earmarked General Fund Reserves | Housing Revenue Account | Major Repairs Reserve | Capital Receipts Reserve | Capital Grants Unapplied | **Total Usable Reserves** | Unusable Reserves | **Total Authority Reserves** |
|---|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Balance at 31 March 2012** | **(42,732)** | **(205,214)** | **(6,140)** | **(715)** | **(15,032)** | **(28,687)** | **(298,520)** | **(726,439)** | **(1,024,959)** |
| Movement in Reserves during 2012/13 | | | | | | | | | |
| (Surplus) or deficit on the provision of services | 37,122 | 0 | (8,299) | 0 | 0 | 0 | **28,823** | 0 | **28,823** |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 18,168 | **18,168** |
| **Total Comprehensive Income and Expenditure** | **37,122** | **0** | **(8,299)** | **0** | **0** | **0** | **28,823** | **18,168** | **46,991** |
| Adjustments between accounting basis & funding basis under regulations | (28,725) | 0 | (19,937) | 16,139 | (31,622) | (9,945) | **(74,090)** | 74,090 | **0** |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **8,397** | **0** | **(28,236)** | **16,139** | **(31,622)** | **(9,945)** | **(45,267)** | **92,258** | **46,991** |
| Transfers to/from Earmarked Reserves | 4,452 | (4,452) | 15,424 | (15,424) | 0 | 0 | **0** | 0 | **0** |
| **Increase/Decrease in 2012/2013** | **12,849** | **(4,452)** | **(12,812)** | **715** | **(31,622)** | **(9,945)** | **(45,267)** | **92,258** | **46,991** |
| **Balance at 31 March 2013** | **(29,883)** | **(209,666)** | **(18,952)** | **0** | **(46,654)** | **(38,632)** | **(343,787)** | **(634,181)** | **(977,968)** |
| Movement in Reserves during 2013/14 | | | | | | | | | |
| (Surplus) or deficit on the provision of services | 4,080 | 0 | (127,918) | 0 | 0 | 0 | **(123,838)** | 0 | **(123,838)** |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | **0** | (91,269) | **(91,269)** |
| **Total Comprehensive Income and Expenditure** | **4,080** | **0** | **(127,918)** | **0** | **0** | **0** | **(123,838)** | **(91,269)** | **(215,107)** |
| Adjustments between accounting basis & funding basis under regulations | 3,771 | 0 | 108,217 | 14,961 | (20,324) | 9,010 | **115,635** | (115,635) | **0** |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | **7,851** | **0** | **(19,701)** | **14,961** | **(20,324)** | **9,010** | **(8,203)** | **(206,904)** | **(215,107)** |
| Transfers to/from Earmarked Reserves | (7,192) | 7,192 | 14,961 | (14,961) | 0 | 0 | **0** | 0 | **0** |
| **Increase/Decrease in year** | **659** | **7,192** | **(4,740)** | **0** | **(20,324)** | **9,010** | **(8,203)** | **(206,904)** | **(215,107)** |
| **Balance at 31 March 2014 carried forward** | **(29,224)** | **(202,474)** | **(23,692)** | **0** | **(66,978)** | **(29,622)** | **(351,990)** | **(841,085)** | **(1,193,075)** |

# Group Income and Expenditure Statement

| 2012/2013 Gross Expenditure £000 | 2012/2013 Gross Income £000 | 2012/2013 Net Expenditure £000 | | 2013/2014 Gross Expenditure £000 | 2013/2014 Gross Income £000 | 2013/2014 Net Expenditure £000 |
|---|---|---|---|---|---|---|
| 45,821 | (35,353) | 10,468 | Central services to the public | 18,089 | (8,272) | 9,817 |
| 22,775 | (4,868) | 17,907 | Cultural and Related services | 16,008 | (1,501) | 14,507 |
| 35,844 | (8,708) | 27,136 | Environmental and Regulatory services | 37,170 | (7,705) | 29,465 |
| 16,854 | (15,616) | 1,238 | Planning services | 21,529 | (13,666) | 7,863 |
| 367,242 | (280,124) | 87,118 | Education and children's services | 341,102 | (283,908) | 57,194 |
| 27,452 | (10,089) | 17,363 | Highways and transport services | 24,383 | (7,330) | 17,053 |
| 96,252 | (115,826) | (19,574) | Local authority housing (HRA) | (16,456) | (121,959) | (138,415) |
| 180,955 | (166,812) | 14,143 | Other housing services | 181,703 | (171,164) | 10,539 |
| 102,000 | (34,772) | 67,228 | Adult social care | 103,935 | (32,106) | 71,829 |
| 0 | 0 | 0 | Public Health | 19,169 | (19,297) | (128) |
| 5,860 | 0 | 5,860 | Corporate and democratic core | 4,815 | 0 | 4,815 |
| 1,951 | 0 | 1,951 | Non distributed costs | 8,070 | 0 | 8,070 |
| 27,961 | (5,632) | 22,329 | Other operating activities | 29,787 | (7,632) | 22,155 |
| **930,967** | **(677,800)** | **253,167** | **Cost Of Services** | **789,304** | **(674,540)** | **114,764** |
| | | 36,788 | Other Operating Expenditure | | | 10,525 |
| | | 50,830 | Financing and Investment Income and Expenditure | | | 50,883 |
| | | 0 | Surplus or Deficit of Discontinued Operations | | | 19 |
| | | (312,010) | Taxation and Non-Specific Grant Income | | | (300,071) |
| | | **28,775** | **(Surplus) or Deficit on Provision of Services** | | | **(123,880)** |
| | | 48 | Tax Expenses | | | 42 |
| | | **28,823** | **Group (Surplus) or Deficit on Provision of Services** | | | **(123,838)** |
| | | (7,059) | Surplus or deficit on revaluation of property, plant and equipment assets | | | (80,428) |
| | | 25,227 | Actuarial (gains) / losses on pension assets / liabilities | | | (10,841) |
| | | **18,168** | **Other Comprehensive Income and Expenditure** | | | **(91,269)** |
| | | **46,991** | **Total Comprehensive Income and Expenditure** | | | **(215,107)** |

# Group Balance Sheet

| 31 March 2013 £000 | | 31 March 2014 £000 |
|---|---|---|
| 1,724,333 | Property, Plant & Equipment | 1,968,676 |
| 770 | Heritage Assets | 770 |
| 0 | Investment Property | 0 |
| 113 | Intangible Assets | 37 |
| 769 | Long Term Investments | 660 |
| 788 | Long Term Debtors | 755 |
| **1,726,773** | **Long Term Assets** | **1,970,898** |
| 356,576 | Short Term Investments | 300,824 |
| 9,676 | Assets Held for Sale | 2,155 |
| 266 | Landfill Allowance | 0 |
| 217 | Inventories | 421 |
| 39,009 | Short Term Debtors | 50,615 |
| 19,520 | Cash and Cash Equivalents | 48,064 |
| **425,264** | **Current Assets** | **402,079** |
| (4,920) | Cash and Cash Equivalents | (275) |
| (12,360) | Short Term Borrowing | (10,723) |
| (74,060) | Short Term Creditors | (73,646) |
| (690) | Receipts in Advance | (681) |
| (8,715) | Provisions | (9,645) |
| (22) | Defra Liability | 0 |
| **(100,767)** | **Current Liabilities** | **(94,970)** |
| (506,276) | Long Term Creditors | (521,589) |
| (12,841) | Provisions | (12,804) |
| (418,347) | Long Term Borrowing | (411,024) |
| (135,838) | Other Long Term Liabilities | (139,515) |
| 0 | Capital Grants Receipts in Advance | 0 |
| **(1,073,302)** | **Long Term Liabilities** | **(1,084,932)** |
| **977,968** | **Net Assets** | **1,193,075** |
| (343,787) | Usable Reserves | (351,990) |
| (634,181) | Unusable Reserves | (841,085) |
| **(977,968)** | **Total Reserves** | **(1,193,075)** |

# Group Cash Flow Statement

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| (28,823) | Net surplus or (deficit) on the provision of services | 123,838 |
| 181,074 | Adjustments to net surplus or deficit on the provision of services for non cash movements | (15,662) |
| (78,161) | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (55,994) |
| 74,090 | Net cash flows from Operating Activities | 52,182 |
| (95,885) | Investing Activities (Note 7) | (10,091) |
| 20,806 | Financing Activities (Note 8) | (8,903) |
| (989) | Net increase or (decrease) in cash and cash equivalents | 33,188 |
| 15,589 | Cash and cash equivalents at the beginning of the reporting period | 14,601 |
| **14,600** | **Cash and cash equivalents at the end of the reporting period** | **47,789** |

## Notes to the Group Accounts

### 1. Preparation

Group Accounts have been prepared to include the accounts of the Royal Borough and three wholly owned subsidiaries, Greenwich Service Solutions Ltd, Greenwich Service Plus and Meridian Home Start Ltd.

From December 2013, a fourth organisation, known as the Royal Borough of Greenwich Destination Management Company (providing Tourism related services), would be accounted for as an Associate entity. However, due to its limited trading time it has been deemed immaterial with respect to the production of Group Accounts.

Intra group transactions have been eliminated using the single entity's policies where appropriate.

### 2. Greenwich Service Solutions Ltd (GSS)

GSS was established on 22nd December 2008 with a share capital of 100 £1 shares, wholly owned by the Royal Borough. The auditors of GSS are:

McCabe Ford Williams
Bank Chambers
1 Central Avenue
Sittingbourne
Kent
ME10 4AE

### 3. Greenwich Service Plus (GSPlus)

GSPlus was established on 4th November 2009. It is a wholly owned subsidiary, limited by guarantee. The auditors are McCabe Ford Williams (as above).

## 4. Meridian Home Start Ltd

The company was established in January 2011 with a share capital of 1 £1 share, wholly owned by the Royal Borough. The auditors are McCabe Ford Williams (as above).

## 5. Cash and Cash Equivalents

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

| 2012/2013 | | 2013/2014 |
|---|---|---|
| £000 | | £000 |
| 19,520 | Cash and bank balances | 48,064 |
| (4,920) | Bank overdraft | (275) |
| **14,600** | **Total Cash and Cash Equivalents** | **47,789** |

## 6. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

| 2012/2013 | | 2013/2014 |
|---|---|---|
| £000 | | £000 |
| 1,046 | Interest received | 1,228 |
| (31,192) | Interest paid | (31,266) |

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

| | | |
|---|---|---|
| 6,181 | Depreciation | 30,191 |
| 35,630 | Impairment and downward valuations | (106,517) |
| 4,255 | Increase / (decrease) in creditors | 2,351 |
| 11,998 | (Increase) / decrease in debtors | (12,591) |
| 19 | (Increase) / decrease in inventories | (205) |
| (2,180) | Increase / (decrease) in receipts in advance | (8) |
| 12,096 | Movement in pension liability | 31,135 |
| 2,833 | Increase / (decrease) in provisions | 892 |
| 101,084 | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | 38,836 |
| (102) | Other non-cash items charged to the net surplus or deficit on the provision of services | 254 |
| **171,814** | | **(15,662)** |

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financial activities:

| | | |
|---|---|---|
| (33,788) | Proceeds from the sale of property plant and equipment, investment property and intangible assets | (29,213) |
| (44,373) | Any other items for which the cash effects are investing or financing cash flows | (26,781) |
| **(78,161)** | | **(55,994)** |

## 7. Cash Flow Statement – Investing Activities

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| (95,267) | Purchase of property, plant and equipment, investment property and intangible assets | (119,611) |
| (6,972,145) | Purchase of short-term and long-term investments | (5,544,229) |
| 0 | Other payments for investing activities | 0 |
| 33,788 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 29,226 |
| 6,891,113 | Proceeds from short-term and long-term investments | 5,600,122 |
| 46,626 | Other receipts from investing activities | 24,401 |
| **(95,885)** | **Net cash flows from investing activities** | **(10,091)** |

## 8. Cash Flow Statement – Financing Activities

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| 20,000 | Cash receipts of short- and long-term borrowing | 0 |
| 6,323 | Other receipts from financing activities | 2,403 |
| (2,502) | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | (2,750) |
| (3,015) | Repayments of short- and long-term borrowing | (8,556) |
| 0 | Other payments for financing activities | 0 |
| **20,806** | **Net cash flows from financing activities** | **(8,903)** |

## 9. Accounts

The accounts for GSS Ltd and GSP can be obtained from:

Birchmere Business Site,
Eastern Way
London SE28 8BF.

The accounts for Meridian Home Start Ltd can be obtained from:

Director of Housing Services
The Woolwich Centre
35 Wellington St
London SE18 6HQ

# Independent Auditor's Report to the Members of Royal Borough of Greenwich

## Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Royal Borough of Greenwich for the year ended 31 March 2014 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Asset 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 Royal Borough of Greenwich 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 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 accounts 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 accounts sufficient to give reasonable assurance that the accounts 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 accounts. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited accounts 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 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 accounts are prepared is consistent with the accounts.

**Susan M Exton**

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

Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

31 July 2014

# Royal Borough of Greenwich Pension Fund

## Fund Account

| 31 March 2013 | | Notes | 31 March 2014 |
|---|---|---|---|
| £000 | | | £000 |
| | **Dealings with Members, Employers and Others directly involved in the Scheme** | | |
| | Contributions Receivable: | 5 | |
| (25,796) | Employer Contributions | | (30,016) |
| (9,284) | Member Contributions | | (10,590) |
| (3,966) | Transfers in from Other Pension Funds | 6 | (3,936) |
| | Benefits: | 7 | |
| 32,328 | Pensions | | 33,923 |
| 9,685 | Lump Sum & Death Benefits | | 8,612 |
| 12,720 | Payments to and on account of Leavers | 8 | 2,143 |
| 963 | Administration Expenses | 9 | 752 |
| **16,650** | **Net (additions) / withdrawals from Dealings with Members** | | **888** |
| | **Returns on Investment** | | |
| (6,181) | Investment Income | 10 | (7,602) |
| (101,079) | Profit and Losses on disposal of Investments and Changes in Value of Investments | 13 | (46,315) |
| 141 | Taxes on Income | 11 | 178 |
| 1,343 | Investment Management Expenses | 12 | 1,427 |
| **(105,776)** | **Net Returns on Investment** | | **(52,312)** |
| **(89,126)** | **Net (increase) / decrease in the Net Assets available for Benefits during the year** | | **(51,424)** |

# Net Asset Statement

| 31 March 2013 | | Notes | 31 March 2014 |
|---|---|---|---|
| £000 | | | £000 |
| | **Investment assets** | | |
| 166,861 | Equities | 13 | 177,758 |
| | Pooled Investment Vehicles: | 13 | |
| 172,487 | Fixed Interest OEIC | | 172,985 |
| 51,680 | Property Unit Trusts | | 77,412 |
| 225,462 | Unitised Insurance Policies | | 224,901 |
| 223,491 | Other Unit Trusts | | 244,767 |
| 18 | Derivative Contracts | 13 | 0 |
| 1,600 | Property – Freehold | 3 | 1,600 |
| 28,025 | Private Equity | 14 & 23 | 26,029 |
| 7,895 | Cash Deposits | 19 | 3,073 |
| 0 | Cash Equivalents | 14 | 6,812 |
| 7,656 | Other Investment Balances | 18 | 10,693 |
| | **Investment Liabilities** | | |
| (13) | Derivative Contracts | 13 | 0 |
| (6,005) | Other Investment Balances | 18 | (14,028) |
| **879,157** | **Net Investment Assets / (Liabilities)** | | **932,002** |
| | **Current Assets** | | |
| 236 | Contributions Due | 18 | 304 |
| 59 | Other Current Assets | 18 | 230 |
| 6,747 | Cash Balances | 19 | 5,062 |
| | **Current Liabilities** | | |
| (306) | Unpaid Benefits | 18 | (374) |
| (881) | Other Current Liabilities | 18 | (788) |
| **5,855** | **Net Current Assets / (Liabilities)** | | **4,434** |
| **885,012** | **Net Assets of the Scheme available to fund Benefits at the Period End** | | **936,436** |

The financial statements of the Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2014. The triennial actuarial valuation of the Fund does take into account the long term liabilities of the fund. An overview of the valuation is provided in note 17. The full valuation report can be viewed by visiting www.royalgreenwich.gov.uk.

# Notes to the Pension Fund Accounts

## 1 Description of Fund

The following description of the Fund is a summary only. For more detail, reference should be made to the Royal Borough of Greenwich Pension Fund Annual Report 2013/2014 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme Regulations.

a) General

The Royal Borough of Greenwich Pension Fund (the "Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by the Royal Borough of Greenwich. It is a contributory defined pension scheme to provide pensions and other benefits for employees of the Royal Borough of Greenwich and those organisations with admitted or scheduled body status within the Fund. The Fund is overseen by the Royal Borough of Greenwich Pension Investment and Administration Panel. The Fund is governed by the Superannuation Act 1972 and is administered in accordance with the following 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

All employees (except teachers) with a contract of employment greater than 3 months are eligible to join the scheme. Membership of the Fund is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the fund include:

- Administering Authority: This is the Royal Borough of Greenwich (the "Authority")
- Scheduled Bodies: Local authorities and similar bodies whose staff are automatically entitled to be members of the Fund. The scheduled bodies of the Fund are Eltham Crematorium, St Paul's Academy, Greenwich Service Solutions Limited, Greenwich Service Plus Limited, Corelli College, Greenwich Free School, Charlton Academy, Harris Academy, Shooters Hill Academy and University Technical College.
- Admitted Bodies: Other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. These include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There were 38 active employer organisations within the Fund as at 31 March 2014 (32 as at 31 March 2013). The following table summarises the composition of the membership of the Fund as at 31 March 2014.

| Membership | Administering Body | | Admitted Bodies | | Scheduled Bodies | |
|---|---|---|---|---|---|---|
| | 13/14 | 12/13 | 13/14 | 12/13 | 13/14 | 12/13 |
| Employees contributing into Fund | 6,682* | 5,102 | 348 | 340 | 664 | 674 |
| Pensioners / Dependents | 5,900 | 5,795 | 129 | 121 | 97 | 76 |
| Former Members entitled to Deferred Benefits | 4,850 | 4,928 | 176 | 186 | 117 | 109 |

*In accordance with legislation issued by the Department for Work and Pensions on 1 October 2012, the Royal Borough of Greenwich, as an employer within the fund, undertook the auto-enrolment process from 1 June 2013. This resulted in an increase of active members.

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and by employers whose rates are set based on the triennial actuarial funding valuations.

d) Benefits

Pension benefits are based on final pensionable pay and length of pensionable service. There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits. Benefits are index-linked in order to keep pace with inflation.

## 2 Basis of Preparation

The Statement of Accounts (the "Accounts") summarise the Fund's transactions for the 2013/2014 financial year and its position at year-end 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 2013/2014 (the "Code") which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in Note 17 of these accounts.

## 3 Summary of Significant Accounting Policies

### a) Accounts

The Accounts summarise the transactions and net assets of the Fund and comply in all material respects with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2013/2014 which is IFRS compliant.

### b) Basis of Preparation

An actuarial valuation was carried out as at 31 March 2010. This determined contribution rates for the next three years (from 1 April 2011) with an aim to maintain the solvency of the fund. Therefore these Accounts have been produced on a going concern basis.

The most recent actuarial valuation was carried out 31 March 2013 and determines the contribution rates for the next three years from 1 April 2014.

### c) Investment Valuations and their effects

Investments are shown in the Net Asset Statement at either their market or fair value, which has been determined as follows:

(i) Listed securities are shown by reference to bid-market price at the close of business on 31 March 2014.

(ii) Unit trusts are priced as follows:

- Unit trust and managed fund investments are stated at the bid price quoted by their respective managers prior to the close of business on 31 March 2014.
- Single priced funds, closed ended property funds, and fixed interest Open Ended Investment Companies (OEICs), which are valued on a Net Asset Value basis.

(iii) Unitised insurance policies are valued at mid-price and are calculated on each business day at noon.

(iv) Private Equity valuations are based upon the underlying investments within each portfolio, the majority of which are based upon figures as at 31 December 2013, reflecting the nature of valuing those investments. The cash flows are adjusted up to 31 March 2014 using the same accounting policies. It is less easy to trade private equity than it is for quoted investments. Therefore, when the assets are realised the amount received may not necessarily be the amount that they are valued at and any differences could be significant.

### d) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that mature in no more than a three month period from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### e) Prior Period Adjustments, Changes in Accounting Policies, 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 Fund'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.

IFRS 7 Financial Instruments: Disclosures has been adopted for the 2013/2014 accounts. The new standard requires that additional disclosures are made surrounding continuing interests in derecognised assets. The Fund does not engage in securities lending, securitisation and other activities that give rise to this event. Therefore the adoption of this standard has had no impact on the accounts.

## f) Events after the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are 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 Accounts are adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Accounts are 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 Accounts.

## g) Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Net Asset Statement when the Fund 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.

Financial Assets

Financial assets are recognised on the Net Asset Statement when the Fund becomes a party to the contractual provisions of a financial instrument.

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
- fair value through profit or loss - assets that are held for trading.

## h) Debtors and Creditors

Except where otherwise stated, the Accounts have been prepared on an accruals basis i.e. income and expenditure is recognised as it is earned or incurred, not as it is received or paid. The main exception to this is transfers in and out of the fund which are accounted for on a cash basis.

## i) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Fund 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 Net Asset Statement but are disclosed in a note to the Accounts.

## j) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. Any recoverable amounts outstanding at the Reporting Period end will be classified as a debtor.

## k) Property

The fund owns the freehold of one investment property – New Lydenburg Industrial Estate. The property was revalued as at 31 March 2012 at a value of £1.6m by Simon Marsh, whom is a Valuer employed by the Royal Borough of Greenwich and a member of the Fund, utilising the Appraisal and Valuation Standards Manual 6th Edition published by The Royal Institution of Chartered Surveyors. The valuation was based on the Open Market Value of the freehold interest, having regard to the actual lease terms and evidence of current levels of rent and yields for the class of property, adjusted to reflect age, condition and characteristics of the particular locality. Any surplus / deficit on valuation is reflected in the Fund Account and is shown as a Change in Market Value of Investments. The fund receives £0.115m rental income per year in respect of this property.

## l) Fees

Investment management fees are calculated by reference to the market value of portfolio assets under management at the end of each quarter. The exceptions to this are Fidelity, where market value based fees are charged on a daily basis and Private Equity fees, which are based upon amounts committed to each manager.

## m) Foreign Currency

Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into Sterling at the rate ruling on 31 March 2014.

## n) Income

(i) Interest income

Interest income is recognised in the Fund as it accrues. Any amount not received by the end of the reporting period is reflected within the net assets statement as "Other Investment Balances" and disclosed within the note on Debtors and Creditors.

(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 reflected within the net assets statement as "Other Investment Balances" and disclosed within the note on Debtors and Creditors.

(iii) Distributions from pooled funds

Some pooled investment vehicles within the portfolio are accumulation funds and, as such, the change in market value also includes income, which is re-invested in the fund. The market price for those units reflects this re-invested income. Non accumulating units give rise to dividends.

(iv) Income from property

Other than unitised holdings (above), freehold property gives rise to rental income. These amounts are recognised on a straight line basis over the life of the operating lease.

(v) Private Equity distributions

These are split between their constituent elements i.e. dividend, interest, gain / loss or return of capital, as advised by the fund manager.

(vi) Movement in the net market value of investments

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

## 4 Critical Judgements in Applying Accounting Policies and Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

The Accounts contain critical judgements in applying accounting policies and estimated figures 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 following items have a significant risk of material adjustment in the forthcoming financial year:

a) <u>Functional Currency</u>

The Royal Borough of Greenwich Pension Fund considers Sterling to be the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. Sterling is the currency in which management measures its performance and reports its results.

b) <u>Private equity</u>

<u>LGT</u>

Management uses its judgement to select a variety of methods and makes assumptions that are not always supported by observable market prices or rates. The majority of the Company's investments use either U.S. GAAP or utilise a combination of IFRS and International Private Equity and Venture Capital valuation guidelines to value their underlying investments. The predominant methodology adopted by the general partners for the buyout investments in LGT is a market approach which takes market multiples using a specified financial measure (e.g. EBIDTA), recent public market and private transactions and other available measures for valuing comparable companies.

<u>Wilshire</u>

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Wilshire generally use the capital balance reported by the investee fund manager of the limited partnership investment as the primary input to its valuation; however adjustments to the reported capital balance (net asset value) may be made based on various factors, including, but not limited to, the attribute of the interest held, including the rights and obligations and any restrictions or illiquidity on such interests and the fair value of such investment partnership's investment portfolio or other assets and liabilities.

The manager generally holds interests in such funds for which there is no active market, although, in some situations a transaction may occur in the 'secondary market' where an investor purchases a limited partner's existing interest and remaining commitment. To the extent these transactions become known to Wilshire, they may be considered as a data point in Wilshire's determination of an investment's fair value.

c) <u>Pension Fund liability</u>

It is a statutory requirement that the funding level is calculated every three years by the appointed actuary in order to determine employer contribution rates for the forthcoming three years. However the methodology used within the accounts is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 16. These estimates are subject to significant variances based upon changes to the underlying assumptions.

## 5 Contributions Receivable

Contributions represent the total amounts receivable from employers within the scheme in respect of their own contributions and any of their employees who are members of the scheme. The employer's contributions are made at a rate determined by the Fund's Actuary as necessary to maintain the Fund in a state of solvency, having regard to existing and future liabilities. The Primary Contribution Rate used during 2013/2014 was 18.5%. Member contribution rates are determined by a banding mechanism linked to pensionable pay. Contributions shown in the revenue statement can be broken down as follows:

| 2012/2013 | | 2013/2014 |
|---|---|---|
| £000 | | £000 |
| | **Employee Contributions:** | |
| (7,990) | Administering Authority | (9,147) |
| (643) | Admitted Bodies | (683) |
| (651) | Scheduled Bodies | (760) |
| **(9,284)** | **Total Employee Contributions** | **(10,590)** |
| | **Employer Contributions:** | |
| (22,352) | Administering Authority | (26,200) |
| (1,604) | Admitted Bodies | (1,683) |
| (1,840) | Scheduled Bodies | (2,133) |
| **(25,796)** | **Total Employer Contributions** | **(30,016)** |
| **(35,080)** | **Total Contributions Receivable** | **(40,606)** |

## 6 Transfers in from Other Pension Funds

| 2012/2013 | | 2013/2014 |
|---|---|---|
| £000 | | £000 |
| (3,966) | Individual Transfers | (3,936) |
| **(3,966)** | **Total Transfers in from Other Pension Funds** | **(3,936)** |

## 7 Benefits

Benefits payable are made up of pension payments and lump sums payable upon retirement and death. These have been brought into the accounts on the basis of all valid claims approved during the year.

| 2012/2013 | | 2013/2014 |
|---|---|---|
| £000 | | £000 |
| | **Pensions:** | |
| 31,547 | Administering Authority | 32,953 |
| 498 | Admitted Bodies | 569 |
| 283 | Scheduled Bodies | 401 |
| **32,328** | **Total Pensions Payable** | **33,923** |

| | | |
|---|---|---|
| | **Lump Sums:** | |
| 8,187 | Administering Authority | 6,953 |
| 425 | Admitted Bodies | 56 |
| 472 | Scheduled Bodies | 595 |
| **9,084** | **Total Lump Sums** | **7,604** |
| | | |
| | **Death Benefits:** | |
| 574 | Administering Authority | 959 |
| 0 | Admitted Bodies | 0 |
| 27 | Scheduled Bodies | 49 |
| **601** | **Total Death Benefits** | **1,008** |
| | | |
| **42,013** | **Total Benefits Payable** | **42,535** |

## 8 Payments to and on Account of Leavers

| 2012/2013 | | 2013/2014 |
|---|---|---|
| £000 | | £000 |
| 14 | Refunds to Members leaving Service | 14 |
| (2) | Payments for Members joining State Scheme | 0 |
| 10,997 | Group Transfers | 0 |
| 1,711 | Individual Transfers | 2,129 |
| **12,720** | **Total Payments to and on Account of Leavers** | **2,143** |

The £10.997m bulk group transfer in 2012/13 relates to the transfer of 110 employees engaged in the operation of the Woolwich Ferry from the Royal Borough of Greenwich Pension Fund to the London Pension Fund Authority. This was a result of the transfer of the staff in 2008 from the Royal Borough of Greenwich to Serco Limited.

## 9 Administration Expenses

| 2012/2013 | | 2013/2014 |
|---|---|---|
| £000 | | £000 |
| 870 | Service Level Agreement with Royal Borough of Greenwich | 709 |
| 11 | Combined Benefit Recharge | 11 |
| 6 | Levies / Subscriptions | 0 |
| 1 | Bank Fees | 0 |
| 19 | Audit Fees | 19 |
| 0 | Legal Fees | 4 |
| 5 | Document imaging | 0 |
| 0 | Registration Charges | 8 |
| 51 | Other expenditure | 1 |
| **963** | **Total Administration Expenses** | **752** |

## 10 Investment Income

| 2012/2013 | | 2013/2014 |
|---|---|---|
| £000 | | £000 |
| (115) | Rental Income from Property | (115) |
| (3,654) | Dividends from Equities | (4,693) |
| | Income from Pooled Investment Vehicles: | |
| (2,318) | Property Unit Trusts | (2,584) |
| (89) | Withholding Tax Reclaimed | (193) |
| (6) | Interest | (18) |
| (1) | Commissions | 1 |
| **(6,181)** | **Total Investment Income** | **(7,602)** |

## 11 Taxes on Income

UK Income Tax

The Fund is exempt and approved under the Finance Act 1970. It is therefore not liable to UK income tax on interest, dividends and property income, or to capital gains tax.

Value Added Tax

By virtue of the Royal Borough of Greenwich being the Administrating Authority, VAT input tax is recoverable on Fund activities.

Overseas Tax

Taxation agreements exist between the UK and certain EC and other countries whereby a proportion of the tax deducted locally from investment earnings may be reclaimed. The proportion reclaimable and the timescale involved varies from country to country.

| 2012/2013 | | 2013/2014 |
|---|---|---|
| £000 | | £000 |
| 108 | Withholding Tax Non Reclaimable – Equities | 101 |
| 33 | Withholding Tax Non reclaimable – Property Unit Trusts | 77 |
| **141** | **Total Taxes on Income** | **178** |

## 12 Investment Management Expenses

| 2012/2013 | | 2013/2014 |
|---|---|---|
| £000 | | £000 |
| 1,216 | Management Fees | 1,192 |
| 127 | Other Professional Fees | 235 |
| **1,343** | **Total** | **1,427** |

## 13 Investments

The investment managers and their mandates are as follows:

| Manager | Mandate |
|---|---|
| Bernstein* | Active Global Equity |
| Blackrock | Passive Global Equity |
| CBRE Global Investors | Property |
| Fidelity | Bond |
| LGT Capital Partners | Private Equity |
| State Street Global Markets* | Passive Global Equity |
| Wilshire | Private Equity |

*In September 2013 Bernstein's mandate was terminated. The assets were moved to a State Street Global Markets Liquidity Fund.

The market value of the Fund is comprised as follows:

| | 2012/2013 Market Value £000 | 2012/2013 Market Value % | 2013/2014 Market Value £000 | 2013/2014 Market Value % |
|---|---|---|---|---|
| Bernstein | 192,422 | 22 | 53 | 0 |
| Blackrock | 427,809 | 48 | 456,702 | 49 |
| CBRE Global Investors | 55,342 | 6 | 67,460 | 8 |
| Fidelity | 172,487 | 19 | 172,985 | 18 |
| LGT Capital Partners | 13,756 | 2 | 13,180 | 1 |
| Royal Borough of Greenwich | 8,648 | 1 | 8,192 | 1 |
| State Street Global Markets | 0 | 0 | 205,015 | 22 |
| Wilshire | 14,548 | 2 | 12,849 | 1 |
| **Total** | **885,012** | **100** | **936,436** | **100** |

The change in market value of the Fund during the year is represented as follows:

| Manager | Market Value 31 March 2013 £000 | Purchases £000 | Sales £000 | Change in Market Value of Investments £000 | Change in Working Capital £000 | Market Value 31 March 2014 £000 |
|---|---|---|---|---|---|---|
| Bernstein | 192,422 | (103,151) | (58,179) | (25,802) | (5,237) | 53 |
| Blackrock | 427,809 | 7,208 | (17,182) | 29,108 | 9,759 | 456,702 |
| CBRE Global Investors | 55,342 | 32,847 | (9,821) | 3,656 | (14,564) | 67,460 |
| Fidelity | 172,487 | (207)[a] | (1) | 706 | 0 | 172,985 |
| LGT | 13,756 | 201 [b] | (2,203) | 1,426 | 0 | 13,180 |
| Royal Borough of Greenwich | 8,648 | 6,370 | (5,080) | (7) | (1,739) | 8,192 |
| State Street Global Markets | 0 | 306,462 | (138,820) | 36,543 | 830 | 205,015 |
| Wilshire | 14,548 | 433 [b] | (2,538) | 685 | (279) | 12,849 |
| **Total** | **885,012** | **250,163** | **(233,824)** | **46,315** | **(11,230)** | **936,436** |

The prior year comparator is as follows:

| Manager | Market Value 31 March 2012 | Purchases | Sales | Change in Market Value of Investments | Change in Working Capital | Market Value 31 March 2013 |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Bernstein | 254,231 | 75,319 | (147,886) | 12,752 | (1,994) | 192,422 |
| Blackrock | 291,908 | 668,829 | (602,732) | 69,913 | (109) | 427,809 |
| CBRE Global Investors | 55,668 | 2,000 | (2,089) | (2,571) | 2,334 | 55,342 |
| Fidelity | 156,208 | (158)[a] | (1) | 16,438 | 0 | 172,487 |
| LGT | 13,823 | (2,316)[c] | 0 | 2,249 | 0 | 13,756 |
| Royal Borough of Greenwich | 10,510 | 0 | 0 | 219 | (2,081) | 8,648 |
| Wilshire | 13,538 | (1,343)[c] | 0 | 2,074 | 279 | 14,548 |
| **Total** | **795,886** | **742,331** | **(752,708)** | **101,074** | **(1,571)** | **885,012** |

a. The negative Fidelity purchase relates to management fees which are charged by reducing the market value of the holdings by the amount of the fee.
b. In 2013/2014 distributions have been split into income (dividends, interest and gains) and distributions of capital reducing the book cost.
c. Distributions of capital reducing the book cost.

In September 2013 £166m of assets were transferred from Bernstein to a State Street Global Markets Liquidity Account where the assets are managed passively. Cash has been placed into cash equivalents within this account to earn a return.

The change in market value of investments during the year is comprised of new money invested and the realised and unrealised profits or losses for the year:

| 2012/2013 | | 2013/2014 |
|---|---|---|
| £000 | | £000 |
| 795,886 | Opening Market Value | 885,012 |
| (11,952) | Net Revenue Cash in / (out) flow | 5,109 |
| 75,632 | Realised profit / (loss) | 42,019 |
| 25,446 | Unrealised profit / (loss) | 4,296 |
| **885,012** | **Closing Market Value** | **936,436** |

The value of quoted and unquoted securities is broken down as follows:

| 2012/2013 | | 2013/2014 |
|---|---|---|
| £000 | | £000 |
| 175,934 | Quoted | 186,344 |
| | Unquoted: | |
| 28,025 | Private Equity | 26,029 |
| 665,652 | Other | 713,079 |
| 15,401 | Working Capital | 10,984 |
| **885,012** | **Total** | **936,436** |

Of the total amount classified as "unquoted – other" £642.7m relates to investment vehicles where the underlying investments are themselves quoted (£621.4m in 2012/2013).

The following table analyses the investment assets between UK and overseas:

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| 550,925 | UK | 583,771 |
| 318,686 | Non UK | 341,681 |
| 15,401 | Working capital | 10,984 |
| **885,012** | **Total** | **936,436** |

Individual investment assets with a market value of greater than 5% of the total fund value are as follows:

| Investment Assets | Manager | 2013/2014 £000 | 2013/2014 % |
|---|---|---|---|
| Blackrock Collective Investment UK Equity Tracker | Blackrock | 191,459 | 20 |
| UK Aggregate Bond Fund | Fidelity | 172,985 | 18 |
| Aquila Life UK Equity Index Fund | Blackrock | 127,346 | 14 |

The prior year comparator is as follows:

| Investment Assets | Manager | 2012/2013 £000 | 2012/2013 % |
|---|---|---|---|
| Blackrock Collective Investment UK Equity Tracker | Blackrock | 176,259 | 20 |
| UK Aggregate Bond Fund | Fidelity | 172,487 | 19 |
| Aquila Life UK Equity Index Fund | Blackrock | 129,919 | 15 |

Investments exceeding 5% within each class of security are as follows:

| Class of Security Asset | Manager | 2013/2014 £000 | 2013/2014 % within asset class |
|---|---|---|---|
| **Fixed Interest OIEC** | | | |
| Fidelity UK Aggregate Bond Fund | Fidelity | 172,985 | 100 |
| **Property Unit Trusts** | | | |
| Schroder Exempt Property Unit Trust | CBRE | 6,410 | 8 |
| West End of London Property Fund | CBRE | 5,922 | 8 |
| Industrial Property Investment Fund | CBRE | 5,858 | 8 |
| Unite UK Student Accommodation | CBRE | 5,055 | 7 |
| UBS Global Asset Management | CBRE | 4,863 | 6 |
| Henderson UK Shopping Centre | CBRE | 4,744 | 6 |
| Lend Lease retail Partnership | CBRE | 4,857 | 6 |

| | | | |
|---|---|---|---|
| Rockspring Hanover Property Unit Trust | CBRE | 4,579 | 6 |
| M+G Secured Property Income | CBRE | 3,999 | 5 |
| **Unitised Insurance Policies** | | | |
| Aquila Life UK Equity Index Fund | Blackrock | 127,346 | 57 |
| Aquila Life US Equity Index Fund | Blackrock | 35,071 | 16 |
| Aquila Life Pacific Rim Equity Index Fund | Blackrock | 25,415 | 11 |
| Aquila Life European Equity Index Fund | Blackrock | 20,616 | 9 |
| Aquila Life Japan Equity Index Fund | Blackrock | 13,865 | 6 |
| **Other Unit Trusts** | | | |
| Blackrock Collective Investment UK Equity Tracker | Blackrock | 191,459 | 78 |
| ishares MSCI emerging Markets | States Street Global | 22,649 | 9 |
| Aquila Emerging Markets Fund | Blackrock | 22,847 | 9 |
| **Property – Freehold** | | | |
| New Lydenberg Industrial Estate | Internal | 1,600 | 100 |
| **Private Equity** | | | |
| LGT Crown European Private Equity | LGT | 13,180 | 51 |
| Wilshire US Private Markets Fund VII, L.P. | Wilshire | 7,751 | 30 |
| Wilshire European Private Markets Fund VII, L.P. | Wilshire | 4,085 | 16 |

The prior year comparator is as follows:

| **Class of Security Asset** | **Manager** | **2012/2013 £000** | **2012/2013 % within asset class** |
|---|---|---|---|
| **Fixed Interest OIEC** | | | |
| Fidelity UK Aggregate Bond Fund | Fidelity | 172,487 | 100 |
| **Property Unit Trusts** | | | |
| Hercules Property Unit Trust | CBRE | 5,481 | 11 |
| UBS Global Asset Management Triton Property Unity Trust | CBRE | 5,461 | 11 |
| Schroders UK Property Fund | CBRE | 4,208 | 8 |
| Lend Lease retail Partnership | CBRE | 4,002 | 8 |
| M & G Secured Property Income Fund | CBRE | 3,899 | 8 |
| Henderson UK Shopping Centre Fund | CBRE | 3,629 | 7 |
| Blackrock UK Property Fund Blackrock UK | CBRE | 3,607 | 7 |
| Palmer Capital Development Fund | CBRE | 3,383 | 7 |
| Airport Industrial Property Unit Trust | CBRE | 2,736 | 5 |
| West End of London Property Unit Trust | CBRE | 2,636 | 5 |
| **Unitised Insurance Policies** | | | |
| Aquila Life UK Equity Index Fund | Blackrock | 129,919 | 58 |
| Aquila Life US Equity Index Fund | Blackrock | 33,858 | 15 |
| Aquila Life Pacific Rim | Blackrock | 27,137 | 12 |
| Aquila Life European Equity Index Fund | Blackrock | 17,773 | 8 |

| | | | |
|---|---|---|---|
| Aquila Life Japan Equity Index Fund | Blackrock | 14,104 | 6 |
| **Other Unit Trusts** | | | |
| Blackrock Collective Investment UK Equity Tracker | Blackrock | 176,259 | 79 |
| Blackrock Emerging Markets Fund | Blackrock | 17,580 | 8 |
| ACM Bernstein Emerging Markets Off Shore Fund | Alliance Bernstein | 12,002 | 5 |
| **Property – Freehold** | | | |
| New Lydenberg Industrial Estate | Internal | 1,600 | 100 |
| **Private Equity** | | | |
| LGT Crown European Private Equity | LGT | 13,756 | 49 |
| Wilshire US Private Markets Fund VII, L.P. | Wilshire | 8,459 | 30 |
| Wilshire European Private Markets Fund VII, L.P. | Wilshire | 4,443 | 16 |
| Wilshire Asia Private Markets Fund VII, L.P. | Wilshire | 1,367 | 5 |

The Fund has a policy of not entering into stock lending arrangements. Therefore, as in previous years, there were no stock lending arrangements in place during the financial year ending 31 March 2014.

Derivatives

The following investment products are classed as derivatives and may be used by the Fund managers:

- Stock index futures – used for the purposes of efficient portfolio management.
- Short currency forwards – used for defensively hedging non UK exposure back to sterling.
- Local access products – used to gain exposure to stocks where the manager is unable to purchase them directly.

On 31 March 2014 the Fund did not have any derivative holdings or derivative open trades.

On 31 March 2013 two "exchange traded" derivatives existed for the trade of futures to be settled in June 2013. The notional value of derivative trades was £1.0m. Included within the Cash Deposits line in the Net Asset Statement there was £0.048m which was held as collateral in relation to these derivatives.

## 14 Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

| 31 March 2013 | | | | 31 March 2014 | | |
|---|---|---|---|---|---|---|
| Fair value through profit and loss | Loans and receivables | Financial liabilities at amortised costs | | Fair value through profit and loss | Loans and receivables | Financial liabilities at amortised costs |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| | | | **Financial Assets** | | | |
| 166,861 | | | Equities | 177,758 | | |
| | | | Pooled Investment Vehicles: | | | |
| 172,487 | | | Fixed Interest OEIC | 172,985 | | |
| 51,680 | | | Property Unit Trusts | 77,412 | | |
| 225,462 | | | Unitised Insurance Policies | 224,901 | | |
| 223,491 | | | Other Unit Trusts | 244,767 | | |
| 18 | | | Derivative Contracts | 0 | | |
| 28,025 | | | Private Equity | 26,029 | | |
| | 7,895 | | Cash Deposits | | 3,073 | |
| | 0 | | Cash Equivalents | | 6,812 | |
| | 7,229 | | Other investment balances | | 10,312 | |
| | 236 | | Contributions Due | | 304 | |
| | 59 | | Other Current Assets | | 230 | |
| | 6,747 | | Cash Balances | | 5,062 | |
| **868,024** | **22,166** | **0** | **Total Financial Assets** | **923,852** | **25,793** | **0** |
| | | | **Financial Liabilities** | | | |
| (13) | | | Derivative Contracts | 0 | | |
| | | (6,005) | Other Investment Balances | | | (14,028) |
| | | (306) | Unpaid Benefits | | | (374) |
| | | (881) | Other Current Liabilities | | | (788) |
| **(13)** | **0** | **(7,192)** | **Total Financial Liabilities** | **0** | **0** | **(15,190)** |
| **868,011** | **22,166** | **(7,192)** | **Net Financial Assets** | **923,852** | **25,793** | **(15,190)** |

The net gains and losses on financial instruments are as follows:

| 31 March 2013 | | 31 March 2014 |
|---|---|---|
| £000 | | £000 |
| | **Financial Assets** | |
| 101,060 | Fair Value Through Profit and Loss | 46,306 |
| 16 | Loans and Receivables | (4) |
| | **Financial Liabilities** | |
| (2) | Fair Value Through Profit and Loss | 13 |
| **101,074** | **Total** | **46,315** |

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values:

| Carrying Value | Fair Value | | Carrying Value | Fair Value |
|---|---|---|---|---|
| 31March 2013 | | | 31 March 2014 | |
| £000 | £000 | | £000 | £000 |
| | | **Financial Assets** | | |
| 868,024 | 868,024 | Fair Value Through Profit and Loss | 923,852 | 923,852 |
| 22,166 | 22,166 | Loans and Receivables | 25,793 | 25,793 |
| **890,190** | **890,190** | **Total Financial Assets** | **949,645** | **949,645** |
| | | **Financial Liabilities** | | |
| (13) | (13) | Fair Value Through Profit and Loss | 0 | 0 |
| (7,192) | (7,192) | Financial Liabilities at Amortised Cost | (15,190) | (15,190) |
| **(7,205)** | **(7,205)** | **Total Financial Liabilities** | **(15,190)** | **(15,190)** |

Valuation of Financial Instruments carried at Fair Value

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

Level 1 – Where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities and unit trusts.

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

Level 3 – Where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Included in this level are the Fund's private equity investments, the valuations of which are provided by the private equity managers. A breakdown of the opening market value to closing market value for Private Equity investments can be found in Note 13. This shows Private Equity movements in year for Wilshire and LGT.

The following table provides an analysis of the Financial Assets and Liabilities of the Fund and are grouped, based upon the level at which the fair value is observable.

| Values as at 31 March 2014 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Financial Assets** | | | | |
| Financial Assets at Fair Value through profit and loss | 186,344 | 711,479 | 26,029 | 923,852 |
| **Net Financial Assets** | **186,344** | **711,479** | **26,029** | **923,852** |

| Values as at 31 March 2013 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Financial Assets** | | | | |
| Financial Assets at Fair Value through profit and loss | 175,947 | 664,052 | 28,025 | 868,024 |
| **Net Financial Assets** | **175,947** | **664,052** | **28,025** | **868,024** |

## 15 Nature and Extent of Risks arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Investment and Administration Panel. Risk management policies are established to identify and analyse the risks faced by the Fund. Policies are reviewed regularly to reflect changes in activity and market conditions.

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 risk.

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 Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

- The exposure of the Fund to market risk is monitored through risk analysis, to ensure that risk remains within tolerable levels
- Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contacts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

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 price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital.

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

Other Price Risk – Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's performance management advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the reporting period:

| **Asset** | **Potential Market Movements (+/-)** |
|---|---|
| UK Equities | 12.32% |
| Overseas Equities | 12.42% |
| Bonds | 5.05% |
| Property | 2.10% |
| Cash | 0.02% |
| Private Equity | 5.26% |

This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund investments moved 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** | **Value as at 31 March 2014** | **Percentage Change** | **Value on Increase** | **Value on Decrease** |
|---|---|---|---|---|
| | **£000** | % | **£000** | **£000** |
| Cash and Cash Equivalents | 14,946 | 0.02 | 14,949 | 14,943 |
| UK Equities | 335,328 | 12.32 | 376,640 | 294,016 |
| Overseas Equities | 312,099 | 12.42 | 350,861 | 273,336 |
| Bonds | 172,985 | 5.05 | 181,721 | 164,249 |
| Property | 79,012 | 2.10 | 80,671 | 77,353 |
| Private Equity | 26,029 | 5.26 | 27,398 | 24,660 |
| Other Investment Balances | (3,715) | 0.0 | (3,715) | (3,715) |
| **Total Assets available to Pay Benefits** | **936,684** | | **1,028,525** | **844,842** |

The prior year comparator is as follows:

| Asset | Value as at 31 March 2013 | Percentage Change | Value on Increase | Value on Decrease |
|---|---|---|---|---|
| | £000 | % | £000 | £000 |
| Cash and Cash Equivalents | 14,642 | 0.0 | 14,642 | 14,642 |
| UK Equities | 325,548 | 13.3 | 368,846 | 282,250 |
| Overseas Equities | 290,270 | 13.5 | 329,457 | 251,084 |
| Bonds | 172,487 | 4.5 | 180,249 | 164,725 |
| Property | 53,280 | 2.0 | 54,346 | 52,214 |
| Private Equity | 28,025 | 5.2 | 29,483 | 26,568 |
| Other Investment Balances | 1,651 | 0.0 | 1,651 | 1,651 |
| **Total Assets available to Pay Benefits** | **885,903** | | **978,674** | **793,134** |

Interest Rate Risk

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

The Fund's direct exposure to interest rate movements is through its cash and fixed interest security holdings.

Interest Rate Risk - Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. It is currently felt that interest rates are unlikely to move up or down by more than 50 basis points (bps) over the course of the next year.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 50 bps change in interest rates:

| Asset | Carrying Amount as at 31 March 2014 | Change in Year in the Net Assets available to Pay Benefits | |
|---|---|---|---|
| | | + 50 bps | -50 bps |
| | £000 | £000 | £000 |
| Cash Balances | 5,062 | 25 | (25) |
| Cash on Deposit | 3,073 | 15 | (15) |
| Fixed Interest OEIC | 172,985 | 865 | (865) |
| **Total Interest Rate Risk Assets** | **181,120** | **905** | **(905)** |

The prior year comparator is as follows:

| Asset | Carrying Amount as at 31 March 2013 | Change in Year in the Net Assets available to Pay Benefits | |
|---|---|---|---|
| | | + 50 bps | -50 bps |
| | £000 | £000 | £000 |
| Cash Balances | 6,747 | 34 | (34) |
| Cash on Deposit | 7,895 | 40 | (40) |
| Fixed Interest OEIC | 172,487 | 862 | (862) |
| **Total Interest Rate Risk Assets** | **187,129** | **936** | **(936)** |

<u>Currency Risk</u>

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 Sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than Sterling.

<u>Currency Risk – Sensitivity Analysis</u>

Following consultation with the Fund's performance management advisors, the following table shows the potential impact of foreign exchange rate movements on the overseas holdings within the Fund (the analysis assumes that all other variables, in particular interest rates, remain constant):

| Asset | Asset Value as at 31 March 2014 | Potential Change in Foreign Exchange Rate | Value on Increase | Value on Decrease |
|---|---|---|---|---|
| | £000 | % | £000 | £000 |
| Private Equity | 26,029 | 5.3 | 27,409 | 24,649 |
| Overseas Property Unit Trusts | 3,554 | 6.13 | 3,771 | 3,336 |
| Overseas Unitised Insurance Policies | 97,555 | 5.54 | 102,962 | 92,148 |
| Overseas Unit Trust Other | 53,308 | 6.14 | 56,581 | 50,035 |
| Overseas Equities | 161,235 | 5.83 | 170,634 | 151,836 |
| Cash held in Foreign Currencies | 617 | 5.33 | 650 | 584 |
| **Total Currency Risk Assets** | **342,298** | | **362,007** | **322,588** |

The prior year comparator is as follows:

| Asset | Asset Value as at 31 March 2013 | Potential Change in Foreign Exchange Rate | Value on Increase | Value on Decrease |
|---|---|---|---|---|
| | £000 | % | £000 | £000 |
| Private Equity | 28,025 | 5.6 | 29,594 | 26,457 |
| Overseas Property Unit Trusts | 390 | 7.8 | 420 | 359 |
| Overseas Unitised Insurance Policies | 95,543 | 5.7 | 100,989 | 90,097 |
| Overseas Unit Trust Other | 47,231 | 6.5 | 50,301 | 44,161 |
| Overseas Equities | 147,491 | 6.3 | 156,783 | 138,199 |
| Cash held in Foreign Currencies | 541 | 4.8 | 567 | 515 |
| **Total Currency Risk Assets** | **319,221** | | **338,654** | **299,788** |

## 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, with the exception of the derivatives positions held in year where the risk equates to the net market value of a positive derivative position, 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.

Contractual credit risk is represented by the net payment or receipt that remains outstanding and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

The Fund has a private equity portfolio where there is a higher credit risk. The Fund has a target 5% allocation to this area thereby capping exposure to this asset class.

Deposits are not made with banks and financial institutions unless they are rated independently and have a high credit rating.

The Fund's cash holding under its treasury management arrangements at 31 March 2014 was £5.1m (£6.7m at 31 March 2013). This was held as follows:

| Counterparty Type | Balance as at 31 March 2013 | Balance as at 31 March 2014 |
|---|---|---|
| | £000 | £000 |
| **Current Account (Overnight Balance)** | | |
| UK Banks | 6,747 | 5,062 |
| **Total** | **6,747** | **5,062** |

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The cash position of the Fund is monitored to ensure that the Fund has adequate cash resources to meet its commitments.

The Fund has immediate access to monies held in its current account. Monies on deposit are also highly liquid and are available to the Fund if needed.

If the Fund found itself in a position where it did not have the monies to meet its immediate commitments, it is able to borrow for up to 90 days. If there was a longer term shortfall, then investments could be sold to provide additional cash.

Financial liabilities of £15.190m are all due to be settled within 12 months of the net asset statement date.

Refinancing risk

The key risk is that the Fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

## 16 Actuarial Position

The adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by an Actuary appointed by the Fund. This actuarial valuation also assesses the contribution rate required to meet the future liabilities of the Fund by considering the benefits that accrue over the course of the three years to the next full valuation.

In line with the regulations that funds should be revalued every three years, the actuarial valuation applicable for 2013/2014 was carried out as at 31 March 2010 (effective from 1 April 2011).

The method of calculating the employer's contribution rate is derived from the cost of the benefits building up over the year following the valuation date. This method is known as the 'Projected Unit Method'. It is a method considered appropriate by the Actuary for a fund open to new members. As the Fund remains open to new members, its age profile is not currently rising significantly. If the age profile began to rise significantly, the projected unit method would calculate an increase in current service cost as scheme members approached retirement.

Assets have been valued at a 6 month smoothed market value straddling the valuation date. The assumptions used in the calculation and applied during the intervaluation period are summarised as follows:

| **Financial Assumptions** | **March 2010** | |
|---|---|---|
| | **% p.a.** | **Real % p.a.** |
| Investment Return | | |
| Equities | 7.4 | 3.9 |
| Gilts | 4.5 | 1.0 |
| Bonds & Property | 5.6 | 2.1 |
| Discount Rate | 6.7 | 3.2 |
| Pay Increases | 5.0 | 1.5 |
| Price Inflation | 3.5 | 0.0 |
| Pension Increases | 3.0 | (0.5) |

The difference between the assumptions applied and actual performance in the intervaluation (01/04/2007-31/03/2010) period are as follows:

| **Financial Experience** | **Actual %** | **Assumed %** | **Difference %** |
|---|---|---|---|
| Price Inflation | 2.9 | 3.4 | (0.5) |
| Pay Increases | 5.4 | 5.4 | 0.0 |
| Pension Increases | 2.9 | 3.4 | (0.5) |
| Investment Returns | (2.0) | 6.6 | (8.6) |

The market value of the Fund at the 2010 review date was £729m (£758m in 2007) and results showed that assets represented 85% of the liabilities (almost 100% in 2007). The Fund deficit arising from the valuation was £121m as at 31 March 2010 (£4m as at 31 March 2007), which is to be spread and recovered over a 23 year period. The reconciliation of the primary contribution rate is shown below:

| **Contribution Rate Analysis** | **March 2010** |
|---|---|
| | % |
| Future Service Total | 14.1 |
| Deficit Contribution | 4.4 |
| **Total Employer Contribution Rate** | **18.5** |

The agreed contribution rates in accordance with the results of the actuarial valuation is as follows:

| **Year** | **Royal Borough of Greenwich** | **Other Bodies** |
|---|---|---|
| 2011/12 | 18.5% | 16.5% - 21.0% |
| 2012/13 | 18.5% | 16.5% - 21.0% |
| 2013/14 | 18.5% | 16.5% - 21.0% |

A valuation was carried out as at 31 March 2013 and is effective from 1 April 2014. The market value of the Fund at the 2013 review date was £885m (£729m in 2010) and results showed that assets represented 86% of the liabilities (85% in 2010). The Fund deficit arising from the valuation was £141m as at 31 March 2013 (£121m as at 31 March 2010), which is to be spread and recovered over a 23 year period. The common contribution rate remains at 18.5% from 1 April 2014.

## 17 Actuarial Present Value of Promised Retirement Benefits

The net liability of the Fund in relation to the actuarial present value of promised retirement benefits and the net assets available to fund these benefits is as follows (based upon IAS 19 information available as at 31 March 2014):

| | 31 March 2013 £000 | | 31 March 2014 £000 | |
|---|---|---|---|---|
| Present Value of Funded Obligation | | | | |
| Vested Obligation | (1,093,783) | | (1,290,837) | |
| Non-Vested Obligation | (283,787) | | (137,178) | |
| Total Present Value of Funded Obligation | | (1,377,570) | | (1,428,015) |
| Fair Value of Scheme Assets | | 885,011 | | 936,436 |
| **Net Liability** | | **(492,559)** | | **(491,579)** |

## 18 Debtors and Creditors

Transactions are accounted for on an accruals basis, except where stated. The following material amounts were due to, or payable from, the Fund as at 31 March 2014:

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| | **Investment Debtors:** | |
| 6,884 | Sale of Investments | 9,782 |
| 428 | Tax Refunds Due | 381 |
| 339 | Dividends Due | 530 |
| 5 | Other | 0 |
| **7,656** | **Total Investment Debtors** | **10,693** |
| | **Member Debtors:** | |
| 236 | Contributions | 304 |
| 59 | Other | 230 |
| **295** | **Total Member Debtors** | **534** |
| **7,951** | **Total Debtors** | **11,227** |

Analysed By:

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| 7,951 | Other Entities and Individuals | 11,227 |
| **7,951** | | **11,227** |

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| | **Investment Creditors:** | |
| **(516)** | Management Fees | **(263)** |
| **(5,476)** | Purchase of Investments | **(13,753)** |
| **(13)** | Custody Fees | **(12)** |
| **(6,005)** | **Total Investment Creditors** | **(14,028)** |
| | **Member Creditors:** | |
| (306) | Benefits Unpaid | (374) |
| (881) | Other | (788) |
| **(1,187)** | **Total Member Creditors** | **(1,162)** |
| **(7,192)** | **Total Creditors** | **(15,190)** |

Analysed By:

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| (611) | Central Government Bodies | (642) |
| 0 | Public corporations and trading funds | 0 |
| 0 | Local Authorities | (78) |
| (6,581) | Other entities and individuals | (14,470) |
| **(7,192)** | **Total Creditors** | **(15,190)** |

## 19 Cash

The cash balance can be further analysed as follows:

| | 2012/2013 £000 | 2013/2014 £000 |
|---|---|---|
| Royal Borough of Greenwich Pension Fund Cash at Hand | 7,218 | 5,209 |
| Alliance Bernstein Cash at Hand | 3,347 | (178) |
| CBRE Cash at Hand | 4,077 | 2,598 |
| State Street Global Markets | 0 | 506 |
| **Total Cash** | **14,642** | **8,135** |

The balance held in the Fund bank account as at 31 March 2014 was £5.062m (£6.747m as at 31 March 2013).

## 20 Additional Voluntary Contributions

Contributing members have the right to make Additional Voluntary Contributions (AVCs) to enhance their pension. The Authority made such a scheme available to staff through Equitable Life. During 2000/2001, Equitable Life announced itself closed to new business. On 23 December 2010 the Government passed an Equitable Life Bill to enable it to compensate Equitable Life policyholders who lost money due to the near collapse of the insurer in 2000. Since 2000, employees have had the option to pay current contributions into a Clerical Medical Fund. In accordance with section 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, AVCs are prohibited from being credited to the Local Government Pension Scheme and are thus not consolidated within the Fund accounts. However, a summary of the contributions made by members during the year and the total value of the AVC funds, at 31 March 2014, are shown below:

| 2012/2013 £000 | | 2013/2014 £000 |
|---|---|---|
| 81 | AVC Contributions to Clerical Medical | 82 |
| 4 | AVC Contributions to Equitable Life | 3 |
| **85** | **Total Contributions** | **85** |

| 31 March 2013 £000 | | 31 March 2014 £000 |
|---|---|---|
| 880 | Clerical Medical Market Value | 978 |
| 496 | Equitable Life Market Value | 499 |
| **1,376** | **Total Market Value** | **1,477** |

## 21 Related Party Transactions

The UK Government exerts a significant influence over the Fund through enacting the various Regulations (mentioned herein). It is a major source of funding for the Royal Borough of Greenwich (the Administering Authority and largest employer within the fund).

During the year, no trustees or Key Management Personnel of the Authority with direct responsibility for pension fund issues have undertaken any material transactions with the Pension Fund, other than the following:

1. Administrative services were undertaken by the Authority on behalf of the Fund, under the SLA, valued at £0.709m (2012/2013: £0.871).
2. The Royal Borough of Greenwich is the single largest employer of members of the pension fund and contributed £26.0m to the fund in 2013/2014 (2012/2013: £22.0m).
3. With respect to other Scheduled Bodies, an amount of £0.084m was owed to the Fund by Academies at year-end for contributions due.
4. The following members of the Pension Fund Investment and Administration Panel are also members of the Pension Fund:
    - Councillor Austen
    - Councillor Kotz
    - Councillor MacCarthy
    - Councillor Cornforth
    - Councillor Dickinson

    Each member of the Panel is required to declare their interests at meetings.

5. Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7 (2) – (4) of the Accounts and Audit (England) Regulations 2011) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. The disclosures required by Regulation 7 (2) – (4) of the Accounts and Audit (England) Regulations 2011 can be found in the main accounts of the Royal Borough of Greenwich. The Director of Finance fulfils the definition of the key management personnel responsible for the Pension Fund.

## 22 Contingent Liabilities

There were no contingent liabilities as at 31 March 2014.

## 23 Commitments

The Fund has commitments in relation to its private equity holdings. These commitments are drawn down in tranches over time as and when the private equity managers request them. As of 31 March 2014 the Fund had £3.423m of private equity commitments outstanding (31 March 2013: £4.660m). These are not required to be included in the Accounts.

## 24 Accounting Standards that have been Issued but have not yet been Adopted

There are no accounting standards issued but not yet adopted which affect the pension fund accounts.

## 25 Events after the Reporting Period

New Local Government Pension Scheme regulations came into force in April 2014. The new regulations include moving to a career average scheme, a 1/49$^{th}$ accrual rate (currently 1/60$^{th}$), linking retirement age to State Pension Age and a 50/50 scheme option allowing members to pay half the contributions in return for half the benefits. The contribution rate for part time workers will no longer be determined by whole time equivalent salary and will now link to actual pensionable pay. Benefits accrued prior to 1 April 2014 will be protected, including benefits based on final salary and current retirement age.

The Statement of Accounts was authorised for issue by the Director of Finance on 6 June 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date gave rise to information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

# Annual Governance Statement

## 1. Scope of responsibility

The Royal Borough of Greenwich is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Royal Borough also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Royal Borough is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Royal Borough has approved and adopted a code of corporate governance based on the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be obtained from the Assistant Director of Finance (Governance and Audit). This statement explains how the Royal Borough has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the effectiveness of its system of internal control.

## 2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which it is accountable to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot totally eliminate risks in achieving policies, aims and objectives and therefore provides a reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Royal Borough's policies, aims and objectives, to evaluate the likelihood of those risks occurring and the impact on the Royal Borough should they occur and how to manage them efficiently, effectively and economically.

The governance framework has been in place during the year ended 31 March 2014 and up to the date of approval of the annual statement of accounts.

## 3. The governance framework

The following paragraphs outline the key elements of the systems and processes that comprise the Royal Borough's governance framework and arrangements. This is summarised in the Royal Borough's Local Code of Corporate Governance.

### *Identifying and communicating the authority's vision*

The Greenwich Strategy (the sustainable community strategy) set a vision to 2015, established by the local strategic partnership, for the whole of Royal Greenwich. This is available on the Royal Borough's internet and intranet site.

Subsequently, the Royal Borough developed a Growth Strategy and an Anti-Poverty Strategy as the overarching Strategies.

In June 2013, the Cabinet agreed a tranche of priorities for 2013/14 as follows:

<u>Growth Strategy</u>

- Pursue priorities identified within the master plans to support regeneration, growth and employment.
- Consider opportunities to support the development of major transport infrastructure, in particular the river crossings.
- Maximise role of the river in economic development and tourism, including the expansion of Greenwich Pier.
- Identify options for increasing school places and finding new sites, new school on Peninsula and raise standards of post-16 education.

<u>Anti-Poverty Strategy</u>

- Recognise that most employment will come from growth of SMEs. Examine ways of supporting small businesses to help them expand local employment opportunities and reduce unemployment within Greenwich. Enhance approaches to business support, including potential role of Greenwich Enterprise Board.
- Pursue options for joining up funding streams for Skills and Training and for moving to a personalised approach.
- Greenwich Local Labour Project/Youth Unemployment.
- Pursue range of housing options including role of Meridian Housing, and Right to Buy (RTB) receipts.
- Build upon significant demand for downsizing options including for older people and reassess priorities for new build where feasible to support this.
- Explore partnership with Energy supplier on Fuel Poverty and promote energy sustaining programme.

<u>Health & Social Care</u>

- Engage NHS on improving access to healthcare and out of hours services.
- Identify option to address pressures on A&E and urgent care.
- Review of Public Health contracted services.

<u>Environment</u>

- In pursuit of cleaner streets, examine level of resources deployed and consider options to increase base budget.
- Improve approach to town centre management, enforcement, role of wardens and CCTV as part of the analysis above.
- Standards in Private Rented Accommodation.

Crime & Community Safety

- Maintain support for VOCU.
- Progress Domestic Violence Initiative.
- Monitor impact of Revised MPS Policing Plans and promote co-location options.

Culture Sport & Leisure

- Develop plans for a potential performing arts hub in Greenwich taking advantage of reducing existing footprint and costs of existing buildings.
- Seek to translate interest of English National Ballet to relocate to Woolwich as a major boost to cultural fabric of Woolwich.
- Deliver on Olympic legacy for Athletics at Sutcliffe Park, subject to planning consents.
- Maximise integration of Playground to Podium facilities to ensure access and opportunity for disabled children.

During 2013-14 the Cabinet have received further reports on the delivery of these priorities.

In addition, the Overview and Scrutiny Committee have also received updates.

Directorate Service Plans reflect Royal Greenwich's key improvement priorities and include outcome performance measures, actions and risks. These are communicated to staff through service and team meetings and are available on the departmental pages on the Royal Borough's intranet.

***Measuring the quality of services for users***

The Royal Borough seeks to secure continuous improvement in service delivery and has a robust performance management framework, including strong scrutiny arrangements.

During 2013-14 the Royal Borough can point to numerous achievements and improvement to services that have and will continue to benefit users:

- Building on its position as the first borough in 80 years to gain Royal Borough status.
- Continuation of the annual Sportathon as part of its Olympic legacy – a five day event for all the Borough's primary schools, supported by the Army, Greenwich Leisure Limited and Charlton Athletic Football Club.
- Created an Investment Strategy to deliver the Masterplans and the Council's priorities.
- Secured £9 million of funding in new facilities in schools, communities and sports.
- Worked with developers to deliver over 4100 new homes in the next 3-5 years (1090 affordable) and achieved one of the highest completions in London.
- Raised educational aspirations and standards – achieving the fourth highest in the country at Key Stage 2 in both English and mathematics, and matching or exceeding the national and London performance in every key indicator of educational performance, for children aged 5 to 16.
- Over the last four years Greenwich Local Labour and Business has supported over 4,000 people into employment.

Within the 2013 the Royal Borough received national recognition as the Local Government Chronicle Council of the Year.

The Council has key objectives in place across services that have been communicated to service managers. These objectives are incorporated into Directorate Service Plans which are designed to be improvement planning tools, against which performance and key tasks can be tracked. Each directorate's Senior Management Team regularly receives performance reports based on an assessment of data.

The Royal Borough participates in a number of benchmarking arrangements, including with other London Boroughs through the Local Area Performance Solution. This provides benchmarking information to enable rigorous comparison of performance, and inform service improvement strategies.

The service plan itself is designed to be a monitoring tool as well as an improvement planning tool. Thus, performance against targets and the performance in implementing the key tasks for the year can be tracked.

There is an officer group, the Corporate Performance Management Group, made up of representatives from all directorates. The group is responsible for the development, maintenance and quality of performance management and monitoring arrangements based around the corporate performance framework. Regular bulletins are issued and disseminated on any matters which relate to performance management issues, whether at the national, regional or local level. The group reports directly into GMT performance sessions.

Quarterly monitoring of key performance information is reported and compared to other local councils. At service level, it is the responsibility of the service manager to undertake day to day monitoring of performance and the software is used to support managers to do this.

At the operational level, the Royal Borough's Performance Review and Development Scheme for all staff (PRADS) ensures that individual employees' work tasks and objectives link to the Corporate Plan and community strategy priorities and are monitored regularly by line managers.

At Member level, the Leader allocates portfolios to each Member of the Cabinet and agrees priorities and he/she is then responsible for performance in that area. Directors regularly provide Cabinet Members with performance information. In addition, the Royal Borough has arrangements for councillor scrutiny of performance across the whole authority and also with regard to performance measures being taken forward with partner organisations.

The Overview and Scrutiny Committee, the overarching scrutiny body, monitors and reviews Council services and performance generally at a more strategic level to make sure local needs and service standards are met. The Members of the Overview and Scrutiny Committee are notified of all executive decisions taken by the Leader, Cabinet, individual Cabinet Members and Chief Officer key decisions and have the opportunity to call these in for further consideration. The Committee carries out pre-decision scrutiny on budget proposals and has an opportunity to submit comments to the Cabinet. The Committee's thematic scrutiny panels monitor performance across a range of key services and, where appropriate, can require Cabinet Members to attend and also partner organisations. Cabinet Members submit regular reports to the appropriate Scrutiny Panel and are questioned on the delivery of their priorities for the year. The Leader of the Council attends Overview and Scrutiny Committee to report on progress with priorities.

The Overview and Scrutiny Call-In Sub-Committee works in a contingency and support role to the Overview and Scrutiny Committee and is one of the options open to Members when an executive decision is called in (the other two being to refer the matter back to the decision taker for further consideration or to refer to Council if the matter is considered contrary to the Policy or Budget Framework). Members of the Overview and Scrutiny Committee can 'call-in' executive decisions taken by the Leader, Cabinet, an individual Cabinet Member or a Chief Officer key decision unless the decision has been classified as urgent.

Performance is also scrutinized by relevant partnership boards such as the Children's Trust, Safer Greenwich Partnership, and the Health and Wellbeing Board from April 2013.

***Ensuring quality data***

The Overview and Scrutiny Committee plays an active role in examining performance data, questioning the way data has been compiled, analysed and interpreted, its validity and compliance with prescribed definitions. For example, panels routinely consider performance in relation to children's services, revenues and benefits, customer services, human resources and headline equality measures. In 2013-14 scrutiny focused on a range of NHS, Public Health and adult social care indicators and outcomes.

RBG has an agreed Performance Data Quality Policy which sets out the Council's approach and commitment to the production of high quality performance management data, including associated actions and risks, for use in service planning and improvement. It sets out the principles and responsibilities that should be in place within directorates to maintain high standards of performance data. High quality, timely and meaningful data is essential to Royal Greenwich in making informed decisions, improving services and for public accountability. In particular in:

- Supporting Royal Greenwich's corporate planning process and directorates' business plans;
- Identifying priorities and performance improvement; and
- Providing valid and robust data for public consumption and internal/ external inspection.

The Royal Borough's guidance document, *Performance Data Quality in Greenwich,* sets out the quality standards required, advises on the usage of data and defines the key roles and responsibilities in the process.

Within the Royal Borough, Chief Officers have responsibility for ensuring that performance data quality meets the standards required and the Assistant Director Customer Services has the role of Corporate Performance Data Quality Champion. He ensures that data quality was considered by the Royal Borough's management team (GMT) and the officers' Corporate Performance Management Group.

He is also responsible for reviewing the policy and guidance annually and for signing off any changes which are then circulated to all relevant officers, including chief officers.

The primary responsibility for establishing data quality arrangements which adhere to the overall policy and guidance is devolved to service directorates.

***Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions and protocols for communication***

The Royal Borough's Constitution defines and documents the roles and responsibilities of the Cabinet (executive), Council and Scrutiny (non executive) and Chief Officers. It also provides clear direction for decision making and delegation and is continuously reviewed to ensure that it is current and up to date. The Scheme of Delegation includes delegation to individual Cabinet Members. The provisions of the Constitution take account of the scheme of delegation. The Leader of the Council is responsible for the executive scheme of delegation. It is included in the Constitution and written notification of any in-year changes are reported to the Council's Monitoring Officer and reported to full Council.

With regards to communication, the Royal Borough has communication standards and guidance which cover both internal and external communication, designed to produce greater consistency, effectiveness, economy and co-ordination of the Royal Borough's communication with the public. Decisions made by the Royal Borough are communicated via minutes which are published on the Royal Borough's internet and in print. Decisions taken by the Cabinet, individual Cabinet Member and Chief Officer key decisions are published direct to the website on the day of decision. All members of the Council are notified of these decisions and members of the Overview and Scrutiny Committee are afforded the opportunity to call them in.

The scrutiny function has its own policy and procedure manual for the conduct of its activities which is aligned to the constitution.

***Developing, communicating and embedding codes of conduct***

The Head of Law and Governance is the Royal Borough's Monitoring Officer. He is responsible for ensuring the lawfulness and fairness of decision making and monitors and reviews the Royal Borough's Constitution. He is also the lead officer supporting the Royal Borough's Standards Committee. Following the enactment of the Localism Act the Council, in June 2012, adopted a revised Code of Conduct and established a new Standards Committee (replacing the former statutory committee). The new code of conduct goes beyond the statutory minimum set by the legislation. The new Standards Committee includes three independent members (appointed by full Council) and three councillors, the Committee is chaired by one of the independent members.

The Council, in line with the legislation, has also appointed an Independent Person to advise the Standards Committee prior to deciding what sanction, if any, should be imposed if a member or co-opted member has contravened the Code of Conduct. The main objectives are to promote and maintain high standards of conduct by Members of the Royal Borough and to deal with complaints that Members have broken the Code of Conduct. The Royal Borough has within its constitution, a Code of Conduct for Members and protocols for good practice in planning and in licensing. All members are required to complete a Register of Interest form and these are published to the Council's website. Members are also reminded to inform the Monitoring Officer of any changes of interests that have to be registered within 28 days of that change.

Within the Royal Borough's Human Resources Policies and Procedures, there are the Rules and Codes of Conduct for employees and Officers Declaration of Interests Policy, which includes the policy on the acceptance of gifts and hospitality, and conflicts of interest and the use of confidential information. Within the Constitution, there is also a protocol for working relationships between Members and Officers of the Royal Borough.

***Reviewing and updating standing orders, standing financial instructions, a scheme of delegation, defining how decisions are taken and managing risks***

<u>Financial Control</u>

Responsibility for the financial management of the Royal Borough falls within the statutory functions of the S.151 Officer. It is primarily discharged through the Finance Directorate Financial Standing Orders (Regulations) and Procedures, and Schemes of Delegation which provide the framework for financial management across the Royal Borough. The S.151 Officer ensures that these are kept under continuous review and the current arrangements comply with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

There are regularly updated financial systems procedures and manuals which cover all the Royal Borough's main financial systems. The Royal Borough's Budget and Policy Framework comprises all key strategies and plans which are required by statute to be agreed by the full Council. The Royal Borough has in place established mechanisms for the reporting of financial/management information to both Members and officers. There are periodic revenue monitoring and annual outturn reports presented to Cabinet, which are also provided to the Greenwich Management Team.

Decision Making/Scrutiny

The Royal Borough's constitution clearly outlines the roles and responsibilities of the Executive (Leader, Cabinet Members, Cabinet bodies and Chief Officers), and how decisions are scrutinised by the Overview and Scrutiny Committee and its Scrutiny Panels. Also included are the arrangements for 'Calling In' executive decisions and Councillor Call for Action.

The Royal Borough's committee report writing guidelines outline the necessity of having both financial and legal comments, and where applicable a risk assessment of the various decisions that Members are being asked to make. Detailed guidelines also exist for the taking of key decisions by Chief Officers and individual decisions by Cabinet Members. The Council also fully complies with the revised Access to Information requirements and ensures that 28 day notice is given before an executive key decision is taken.

Overview and Scrutiny Committee receives referrals from Cabinet to scrutinise the use of exemptions to standing orders with regard to letting contracts and also waivers to standing orders. A report on all such items is examined closely by the Committee on a regular basis-following consideration by Cabinet.

Overview and Scrutiny Committee receives referrals from Cabinet to scrutinise the use of exemptions to standing orders with regard to letting contracts. A report on all such items is examined closely by the Committee on a regular basis as well as by Cabinet.

Managing Risks

The Royal Borough has an established and effective risk management framework, which includes, a Corporate Risk Management Strategy approved by Cabinet. It has an up to date Risk Management Strategy, the Royal Borough has undertaken a recent review to identify its strategic, directorate, service and project/partnership risks and prioritises, evaluates and controls its risks to support the delivery of the Royal Borough's objectives. Through the Corporate Performance Management Group there is an integrated approach to the implementation and embedding of risk management within the planning and decision making process, assessing risks and considering the impact of risks upon departmental and service performance and delivery. There is a clearly defined process for reviewing the Corporate and Departmental risks, reporting, and monitoring risks through Departmental Management Teams, the Greenwich Management Team and the Audit and Risk Management Panel.

In relation to insurable risks these are regularly reviewed, both by officers and by the Royal Borough's insurer, to ensure that the level of cover is appropriate and the Royal Borough achieves best value from the insurance cover it purchases or self insures. The recent measures have produced favourable results and following a recent tendering exercise the Council achieved savings on its insurance premium at a time when rates are generally increasing significantly.

All directorates and divisions have Emergency Planning and Business Continuity Management (BCM) Plans which are reviewed annually in line with the Royal Borough's Emergency Planning and Business Continuity Management Strategy which was updated in April 2013.

A Greenwich Safety Management System (GSMS) is in place and is subject to regular review and communicated to staff. The Council's Health and Safety Policy Statement is reviewed every 2 years and approved by the Greenwich Management Team. The Policy was last updated in April 2013.

The risk management of these issues is very much 'joined up', for example both Emergency Planning and Business Continuity Management and Health and Safety are included within the Council's Strategic Risk Register.

The Royal Borough also has an Internal Audit and Anti Fraud Service which, through its risk assessed and prioritised annual plans, ensures that significant risks are regularly reviewed and reported to senior managers and Members. There is a Counter Fraud and Corruption Policy which states the Royal Borough's commitment to protecting public monies.

***Undertaking the core functions of an Audit Committee***

The Royal Borough has an Audit and Risk Management Panel (which serves as an Audit Committee) whose main responsibilities are to receive the annual review of governance and internal control and be satisfied that it properly reflects the governance framework of the Royal Borough and any actions required to improve it. The ARM Panel receives a comprehensive suite of reports on governance issues including the annual plans and performance reports of Internal Audit and Anti Fraud. Summary audit reports are also presented to the panel to provide assurances that action is being taken where necessary to improve control. On risk management, the ARM panel receives reports on how strategic risks are being effectively managed. The Audit and Risk Management Panel is underpinned by an officer governance group responsible for financial governance matters.

***Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful***

As part of the Overview and Scrutiny process, members have undertaken monitoring work in this respect during 2013-14 including:

- Compliance with the Regulation of Investigatory Powers Act current and previous legislative requirements.
- Management of Capital Projects generally, and in particular lessons learned from the management of a specific project (Foot Tunnels)
- Royal Borough's Trading Companies
- Destination Management Organisation
- Children's Services complaints and FOI requests
- Regulated Services – Adoption, fostering and care units
- Independent Reviewing Officer's Report under Section 118 of the Adoption and Children Act 2002
- Electoral Services – compliance with government requirements
- Welfare Reforms and the Royal Borough's Anti-Poverty Strategy
- Third Sector summary evaluation of commissioned services and detailed consideration of progress of the Greenwich Inclusion Project
- Progress in implementing the Royal Borough's Growth Strategy
- Delivery of major Regeneration Schemes; Kidbrooke Village, Heart of East Greenwich and Woolwich Estates
- Use of the Council leased suite at the O2 Arena to ensure that costs are covered
- Lettings of Council owned commercial premises
- Development of the Council's IT System, resolving major problems
- Implement and impact of budget reductions e.g. Customer Services, Human Resources
- Customer Services Performance – all service outlets
- Revenues and Benefits Service Performance
- Council Tax collection rates and implementation of Local Council Tax Scheme

All Chief Officers are required to plan and discharge their departmental functions in accordance with Royal Borough policies and legislative requirements. Departmental Management Teams provide local leadership and operational management. Corporate leadership is provided by the Greenwich Management Team led by the Chief Executive.

The Chief Finance (s151) Officer, who within Greenwich is the Director of Finance, and the Monitoring Officer have the ability, after consulting with the Chief Executive, to report to Cabinet or full Council and the Royal Borough's external auditor, if either considers that any proposal, decision or course of action will involve incurring unlawfulness or unlawful expenditure. It is embedded within the Royal Borough's reporting system that all committee reports contain a financial implications paragraph which has been cleared by the s151 Officer or nominated representatives, and a legal implications paragraph which has been cleared by the Monitoring Officer or his nominated representatives.

Of particular importance are the Royal Borough's Financial Regulations, Procedures and Schemes of Delegation. These are kept under continuous review and are properly communicated to the relevant level of officer, assisting in ensuring that financial transactions are adequately controlled.

Through the Royal Borough's procurement arrangements, contracts are awarded through a competitive process and in accordance with the appropriate legislation. The contract register is maintained and updated to take account of new contract and contractual arrangements, and to help underpin the Councils' response to the Government's transparency agenda. The Council keeps under continual review ways of working with other councils to identify possible collaborative opportunities in procurement, supplier relationship management and contract management.

There is an information governance framework in place with the Greenwich Management Team having overall responsibility for the Royal Borough's IT Strategy. The Assistant Director Customer Services is the Proper Officer for the duty to notify the Information Commissioner of any changes in accordance with Section 20 of the Data Protection Act 1998 and is the Senior Information Risk Owner for the Royal Borough in accordance with Local Government Association guidance and best practice. The development and embedding of assurance for the information governance framework, includes:

- Day to day oversight of the corporate information security policy and provision of an annual statement of the security of information assets for the Annual Governance Statement that is delegated to the Assistant Director for Customer Services
- Officers who are assigned specific responsibility for managing Data Protection, Information Security, and FOI.
- A designated senior officer (Caldicott guardian) in the Directorate of Adults and Older People's Services who is responsible for overseeing and advising on all procedures affecting access to person-identifiable health/social care data.
- An Information Governance Group board dealing with compliance requirements and NHS information sharing.
- Comprehensive pages on the intranet detailing the Royal Borough's Data Protection and Information Security policies.
- A draft Data/Information Sharing Agreement, for use when data sharing with partners.
- Arrangements for keeping staff continuously aware of information governance policies and guidelines.
- Arrangements for staff to confirm that they will act in accordance with the Royal Borough's ICT policies each time they log on to the Royal Borough's IT systems.
- Staff awareness of Data Protection responsibilities as an integral part of staff inductions for the use of the main business systems.
- A review confirmed compliance with Government's Code of Recommended Practice for Local Authorities on Data Transparency.

***Processes for whistle-blowing and for receiving and investigating complaints from the public***

The Royal Borough has a Whistle Blowing policy which outlines how it will respond to any concerns raised. There is a formal complaints procedure which enables complaints to be raised about Councillors, services and staff, and these complaints are rigorously investigated and responded to.

***Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training***

The Royal Borough identifies Members' training needs and provides a number of training sessions designed to prepare them for their strategic roles as Councillors.

- London Scrutiny Network Members' meetings covered a range of topics including changes to the health accountability arrangements, welfare reforms, children and young people key issues in London.
- A Centre for Public Scrutiny Event in June 2014 covered Health scrutiny relations with NHS England and Public Health England.

2013-14 marked the end of the council administration and therefore Scrutiny Members were experienced in their role, development needs as such tended to concentrate on engagement with partners and seeing the impact of regeneration schemes, welfare reforms and council investment.

To this end Scrutiny Members visited:

- Kidbrooke Village Senior Living Apartments
- The Heart of East Greenwich Development
- The Money House Project providing young people with financial management skills to help them sustain their social housing tenancy
- Digital Enterprise Greenwich and Ravensbourne College to ensure Members were better able to understand the Council's Digital Strategy
- Greenwich Foodbank which helped Members to understand the nature of assistance that could be provided and how residents can access the help they need

In addition the Royal Borough runs a comprehensive programme for all levels of staff particularly managers, aimed at developing and supporting them. There are also support networks including Corporate Senior Managers (senior officers) and Managers Network which ensures that the latest developments within the Royal Borough, affecting how officers work and services are delivered, are communicated and cascaded.

***Establishing clear channels of communication with all sections of the community and other stakeholders***

One of the Royal Borough's values is *"listening to our communities and empowering local people"*. To achieve this, the Royal Borough currently uses a variety of mechanisms for different purposes and for reaching different sections of the community.

These include; Housing Panels of tenants and councillors; borough-wide housing tenant and leaseholder panels; community safety panels; Sure Start management groups and parents forums; Greenwich Young People's Council; Citizens panel; service-specific consultation exercises, including satisfaction surveys; questionnaires and focus groups; and community engagement events.

In relation to internal communications, this is carried out via various officer networking groups, the intranet, a number of specialist or departmental staff newsletters, circulated Departmental Management Team minutes and section/staff meetings etc.

***Incorporating good governance arrangements in respect of partnerships and other group working***

The Royal Borough is involved in various partnerships. Council members are involved with all strategic partnership boards, and the Overview and Scrutiny Committee and its scrutiny panels monitor the performance of the partnerships. Following a self evaluation process of the Local Strategic Partnership, a new partnership officer group was established – the Partnership Information and Intelligence Group, to improve arrangements for sharing information and support the partnership process.

A key objective is a sound governance framework for partnership working at all levels – strategic, "executive" and operational – that provides effective leadership and coordination to the delivery of the shared vision for the borough as set out in the Greenwich Strategy.

The Royal Borough also has contracts in place with three wholly owned arm's length management organisations. These companies deliver services to the Royal Borough and received some support services from the Royal Borough, but are able to compete for additional contracts beyond the borough boundaries and work in partnership with other commercial organisations. These organisations are:

- Greenwich Service Plus Limited which supplies building cleaning, catering and fleet management services to the Royal Borough;
- Greenwich Service Solutions Limited which is primarily responsible for supplying school catering services to the Royal Borough but through its trading activities elsewhere it offers cleaning services facilities management security services, agency staff, skills training and ICT support; and
- Meridian Home Start Limited which took over responsibility for the letting, management and maintenance of a selection of homes.

The Royal Borough is a major partner in a Destination management Company, which began trading in 2013. Visit Greenwich aims to promote the Royal Borough as a place to visit, a place to live, and a place to work and do business. The Royal Borough has a Service Level Agreement in place to deliver its tourism function.

The Royal Borough has also established the Royal Greenwich Heritage Trust as a community interest company in order to preserve, enhance and strengthen the management of some of Greenwich's historical buildings and memorials. Again, there is a Service Level Agreement in place.

With effect from 1 April 2013 the Royal Borough successfully transferred the Public Health function from the NHS, and ensured that appropriate governance arrangements were in place. This included the transfer of staff, the novation of contracts, the identification and assessment of risks, and the establishment of appropriate operational arrangements from 1 April 2013. The executive scheme of delegation was updated to reflect the Council's new public health duties and the establishment of the post of Director of Public Health.

## 4. Review of effectiveness

The Royal Borough has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, i.e. the governance review group, the Head of Internal Audit's annual report, and by comments made by external auditors.

Within the Royal Borough's governance framework, there are various levels of assurance that the governance review group has weighted in relation to priority of importance. First and foremost is the level of internal control exerted by the management of the Royal Borough. This is summarised in the Sources of Assurance for 2013/14 attached.

Overall, the review of effectiveness concluded that the governance arrangements had been in place for the financial year ended 31 March 2014 and with the exception of the governance issues detailed in the following section (5), these arrangements were operating effectively and in accordance with good practice.

The review process has been performed by senior officers who reviewed evidence of how governance operated during the year and determined its effectiveness. The process included reviewing the;

- Council's constitution; arrangements for communicating with the citizens of Royal Greenwich and other stakeholders;
- Performance management arrangements;
- Roles, responsibilities and training of the Members and officers responsible for governance;
- Process for making financially and legally prudent risk assessed decisions;
- Internal control arrangements to ensure compliance with policies and procedures;
- Overall risk management arrangements and the process for reporting concerns and complaints;
- Activities of the relevant member committees and panels;
- Governance control self assessments undertaken by Departmental Chief Officers;
- Head of Internal Audit report on the Royal Borough's internal control arrangements based on Audit's work programme during the year;
- Arrangements for following up actions identified from the previous Annual Governance Review process; and
- Findings of the Royal Borough's external auditors on any work undertaken on the governance of the Royal Borough.

## 5. Significant governance issues

From this work the governance review group consider that the following areas need to be addressed during 2014-2015. Formal reports in relation to these areas will be provided to the Audit and Risk Management Panel during 2014-2015 in order that progress can be monitored.

| Governance Area | Governance Control Issue | Action Required | Responsible Officer |
|---|---|---|---|
| IT - Disaster Recovery /Business Continuity | The issue of the adequacy of the Council's IT disaster recovery systems has been raised in previous AGS action plans. The ARM Panel were made aware of progress on this issue in March by the Assistant Director of Finance (Customer Services and ICT strategy). The current position is that the Woolwich Centre Data Centre was fully commissioned in December 2012 and now holds the majority of the new RBG ICT server farm; with most legacy servers housed in the Council's secondary Data Centre on the Royal Arsenal Estate. The ICT Strategy service will continue through its on-going optimisation of the ICT environment to further exploit both Data Centres and achieve additional robustness and resilience. Work is underway as part of the current re-tendering of ICT contracts to commission data | The improvements in operational resiliency and speed of recovery delivered by the new ICT infrastructure have enabled the Council to consider downgrading the likelihood and potential impact of risk in relation to IT disaster recovery and business continuity. This position will however be subject to assurance through a post implementation review with appropriate input from Internal Audit during the summer of 2014, the outcome of this to be subsequently reported to the ARM Panel | Assistant Director (Customer Services) |

| | | | |
|---|---|---|---|
| | centre sites out of borough, it is expected the contract for this element will be let by August 2015. It is still the case that an assessment of the robustness of the Council's IT disaster recovery systems will take place by the Council's Internal Audit function prior to any decision on whether the issue can be removed from this action plan. | | |
| Payroll | The issue of payroll control has also been raised in previous AGS action plans. The ARM panel have been made aware of progress being made on these issues. The latest position is that the Council has recently started to implement a new payroll system. Some payrolls have indeed already been implemented whilst others are targeted for completion this summer. To ensure it is prudent to remove the issue from this action plan Internal Audit will, over the coming months, assess the new system and provide its views on the new control environment to management. The position will be reported to the ARM panel as appropriate. | Ensure that the Council's new payroll system provides a sufficiently robust financial control environment. The position will be reported to the ARM Panel | Assistant Director (Customer Services) |

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

Denise Hyland

**Cllr Denise Hyland**

**Leader of the Council**

**Dated : 30 July 2014**

Mary Ney

**Mary Ney**

**Chief Executive**

**Dated : 30 July 2014**

# Glossary

**Accounting Policies**
Rules and Practices are adopted by the Authority that dictate how transactions and events are shown or costed.

**Accruals**
Income and expenditure are recognised as they are earned or incurred not as money is received or paid.

**Actuary**
An independent professional who advises on the position of the Pension Fund.

**Actuarial Valuation**
The Actuary reviews the assets & liabilities of the Pension Fund every three years.

**Appropriation**
The assignment of revenue for a specific purpose.

**Balance Sheet**
A statement of recorded assets, liabilities and other balances at the end of an accounting period.

**BSF**
Building Schools for the Future

**Capital Expenditure**
Expenditure on new assets such as land and buildings or on the enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

**Capital Receipts**
Income received from the disposal of land, buildings & other capital assets.

**Carrying Amount**
The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.

**Code**
The Accounting Code of Practice on Local Authority Accounting in the United Kingdom 2013/2014.

**Collection Fund Account**
A Fund operated by the billing authority into which all receipts of council tax and national non-domestic rates are paid.

**Community Assets**
Assets that the Authority intends to hold in perpetuity, which have no determinable useful life and which may have restrictions on their disposal e.g parks and historic buildings.

**Comprehensive Income and Expenditure Statement**
Statement of net cost for the year of all the Authority's services, and how this cost is financed from government grant and local taxpayers.

**Council Tax**
A tax on domestic properties introduced 1st April 1993 to replace the Community Charge.

**CPI**
Consumer Prices Index – a measure of inflation.

**Creditors**
Amounts owed by the Authority for goods and services received where payment has not been made at the date of the Balance Sheet.

**Debtors**
Amounts owed to the Authority for goods and services provided but not received at the date of the Balance Sheet.

**Depreciation**
The loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

**Earmarked Reserves**
Amounts set aside for a specific purpose or a particular service or type of expenditure.

**Fair Value**
Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

**Finance Lease**
A lease that transfers substantially all the risks and rewards of ownership to the lessee. Assets under such leases are recognised as the lessee's property.

**FIAA – Financial Instruments Adjustment Account**
Provides a balancing mechanism between the different rates at which gains and losses are recognised under the Code and are required by statute to be met from the General Fund.

**General Fund**
The account that summarises the revenue costs of providing services that are met by the Authority's demand on the collection fund, specific government grants and other income.

**Gross Expenditure**
Total expenditure before deducting income.

**Heritage Asset**
An asset with, historical, artistic, scientific, technological, geophysical, environmental or cultural significance.

**HRA**
This is the Housing Revenue Account, which includes the expenditure and income for the provision of rented dwelling. Items to be included are prescribed by the Local Government and Housing Act 1989.

**IAS19**
IAS19 is a complex accounting standard, but is based upon a simple principle – that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. Following the adoption of IAS19, the net pensions asset/liability to be recognised is made up of two main elements:

- Liabilities – the retirement benefits that have been promised

- Assets – the attributable share of investments held to cover the liabilities.

A further explanation of this issue is given within the Statement of Accounting Policies.

**IFRS**
International Financial Reporting Standards.

**Infrastructure Assets**
Non-current assets that cannot be easily disposed of, expenditure on which is only recovered by continued use of the asset e.g. highways and footpaths.

**Minimum Revenue Provision**
The amount that the Authority has determined to set aside each year as a provision for the repayment of debt.

**National Non Domestic Rates (also known as Business Rates)**
A flat rate in the pound set by Government and levied on businesses in the borough.

The tax is collected by the Authority. 30% is retained by the Authority, 20% is paid to the GLA and 50% is paid to Government.

**Net Expenditure**
Gross expenditure less income.

**Non-Current Assets**
(In)tangible assets that result in benefits to the Authority and the services it provides for more than one year.

**Non-Operational Assets**
Non-current assets held by the Authority but not used or consumed in the delivery of services e.g. investment properties and assets that are surplus to requirements.

**NRC**
Neighbourhood Resource Centre.

**Operating Lease**
A lease under which the asset can never become the property of the lessee.

**Outturn**
Actual income and expenditure for a financial year.

**Precept**
The charge made by one authority on another to finance its net expenditure.

**Private Finance Initiative**
Government initiative under which the Authority buys the services of a private sector supplier to design build finance and operate a public facility.

**Provision**
Amounts set aside for any liability or loss that is likely to be incurred, but where the exact amount and date is uncertain.

**PWLB**
Public Works Loans Board (advances loans to local authorities).

**Rateable Value**
The value of a property for rating purposes set by the Valuation Office Agency, an executive agency of HM Revenue and Customs. Business rates payable are calculated by multiplying the rateable value of the property by the rate in the pound set by the government.

**Reserves**
The amount held in balances and funds that are free from specific liabilities or commitments.

**Revenue Expenditure**
The regular day-to-day running costs incurred in providing services e.g. employee costs and purchase of materials.

**Revenue Expenditure Funded from Capital under Statute**
Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation or enhancement of Authority owned assets.

**Revenue Support Grant**
The main grant paid by central government to the Authority towards the costs of all its services.

**RPI**
Retail Prices Index – a measure of inflation.

**SeRCOP**
Service Reporting Code of Practice

**Soft Loans**
Funds advanced or taken on at less than market rates.

**Support Services**
Activities of a professional, technical and administrative nature, which support front line services.