

The Royal Borough of Kensington and Chelsea Statement of Accounts

2014-15

Financial Year End: 31 March 2015



THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA

Statement of Accounts

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FOREWORD

INTRODUCTION

The Statement of Accounts sets out details of the Council's income and expenditure for the financial year 2014-15 and its Balance Sheet at 31 March 2015. This covers the General Fund, Housing Revenue Account, Pension Fund and all the other accounts for which the Council is responsible.

The Statement of Accounts comprises 'key' financial statements, explanatory notes and supplementary financial statements:

- The **Movement in Reserves Statement** (MiRS) is a summary of the changes to the Council's reserves during the course of the financial year. The reserves represent the Council's net worth and are analogous to the equity of a private company. Reserves are divided into 'usable' and 'unusable' reserves. Usable reserves can be used to fund expenditure or reduce the Council Tax; unusable reserves cannot.
- The **Comprehensive Income and Expenditure Statement** (CIES) reports all of the Council's gains and losses during the financial year. The CIES is prepared in accordance with International Financial Reporting Standards (IFRS) and the detail will therefore differ from the Council's management accounts and revenue budgets. However, the Council's financial position i.e. the working balance and reserves, will be the same.
- The **Balance Sheet** is a 'snapshot' of the Council's assets, liabilities and reserves on 31 March 2015. The reserves are always equal to the Council's assets less the Council's liabilities. Assets represent everything owned by the Council and money owed to it. Liabilities are the sums that the Council owes to others.
- The **Cash Flow Statement** shows the changes to the Council's cash and 'cash equivalents' during the financial year. Cash equivalents are assets that can be readily converted into cash and have a low likelihood of a change in value. The statement shows cash flows from: 'operating' activities, which are the cash flows from the Council's services; 'investing' activities, which are the cash flows from the Council's capital investment, investments and asset sales; and 'financing' activities, which are primarily the cash flows relating to the Council's borrowings.
- The **Notes** provide more detail about the items contained in the key financial statements, the Council's accounting policies and other information that help interpretation and understanding of the key financial statements and accounts.
- The **Supplementary Financial Statements** provide details of the Housing Revenue Account (HRA), Collection Fund, London Residuary Body (LRB) and Pension Fund. These are provided to aid interpretation and understanding of the key financial statements and notes, to provide additional statutory information and to disclose information of use to other parties.

The foreword also sets out in summary the Council's 2014-15 management accounts which are reported in full to July 2015 Cabinet.

The outturn for 2014-15 includes:

- a General Fund underspend of £23.4 million against the balanced budget set. This represents 5 per cent of the Council's gross recurrent spending on services;
- the working balance confirmed at £10 million – the Council's agreed minimum;
- usable reserves at 31 March 2015 of £265 million (£267 million at 31 March 2014); and
- a robust Balance Sheet.

2014-15 BUDGET

Annually, the Cabinet has set out its financial and service plans in its Budget Proposals document¹. Full details are set out in the relevant financial year's revenue budget and capital programme².

In brief, the Council's budget for 2014-15 included:

- a Council Tax freeze for the Royal Borough for 2014-15 at the rate first set in 2009-10;
- net savings of £11 million offsetting cost pressures and grant losses; which produced;
- a gross budget of £427 million of which of £72 million is funded from Council Tax; and
- a final capital budget of £79 million.

REVENUE SPENDING AND FUNDING

The Statement of Accounts sets out the Council's spending and funding in line with accounting requirements. This section and the section on capital spending and funding explain the same information in the form of the Council's management accounts. The Council's financial position (for example, total usable reserves and final working balance) is the same in both formats.

With the Town Clerk's agreement, services can carry forward into the next financial year some of their underspend for the previous year, if for instance a project is late to complete. After

¹ The Council's 2014-15 Budget Proposals can be found at:

<http://www.rbkc.gov.uk/council/howthecouncilworks/ourperformance/businessplanning.aspx>

² The Council's 2014-15 revenue budget and capital programme can be found at:

<http://www.rbkc.gov.uk/council/howthecouncilmanagesmoney/councilspendingandfinances.aspx>

agreed budget carry forwards to 2015-16 of £1.6 million, the balance of the 2014-15 underspend has been transferred into the Transformation Fund, Property Strategy Reserve and the Council's Capital Expenditure Reserve.

Working balance 31 March 2014	£m 10.0
Add 2014-15 General Fund underspend	(23.4)
Less 2014-15 underspend carried forward to 2015-16	1.6
Transfer to Transformation Fund	2.2
Transfer to Property Strategy Reserve	1.0
Transfer to Capital Expenditure Reserve	18.6
Working balance 31 March 2015	10.0

The management accounts outturn position is as set out below:

	Budget 2014-15 £'000	Actual 2014-15 £'000	Variance 2014-15 £'000
Service Budgets			
Adult Social Care	60,871	56,489	(4,382)
Children's Services	43,749	43,748	(1)
Environment, Leisure and Residents' Services	33,791	32,550	(1,241)
Housing Services	13,574	13,787	214
Library, Archive and Heritage Services	6,074	5,967	(107)
Planning and Borough Development	4,802	3,342	(1,460)
Public Health	1,110	1,110	0
Transport and Technical Services	(10,745)	(15,601)	(4,855)
Corporate Services	23,917	21,654	(2,264)
Adult and Family Learning Services	84	84	0
Service Total	177,227	163,131	(14,097)
Contingency and Central Budgets	3,239	-	(3,239)
Net Cost of Services	180,467	163,131	(17,336)
External Interest	56	56	(0)
Pension Fund Liabilities	558	(1,081)	(1,639)
Interest and Investment Income	(1,300)	(1,759)	(459)
Capital Adjustment Account	(9,056)	(9,073)	(17)
Transfer to/from reserves (revenue)	3,674	426	(3,248)
Levies	3,361	3,346	(15)
Council Tax Freeze Grant	(800)	(805)	(5)
New Homes Bonus	(1,095)	(1,303)	(207)
Education Services Grant	(1,314)	(1,287)	28
Net Spending	174,550	151,651	(22,898)
Funded by			
Revenue Support Grant	(56,297)	(56,297)	0
National Non-Domestic Rates (retained locally)	(81,217)	(81,662)	(446)
Business Rates Tariff (paid to government)	35,065	35,065	0
Council Tax	(72,102)	(72,120)	(18)
Outturn	0.000	(23,363)	(23,363)
Transfers to Reserves			
Transfer to Budget Carry Forward Reserve	0	1,587	1,587
Transfer to Transformation Fund	0	2,206	2,206
Transfer to Property Strategy Reserve	0	1,000	1,000
Transfer to Capital Expenditure Reserve	0	18,569	18,569
Balanced Budget	0.000	0.000	0.000

CAPITAL SPENDING AND FUNDING

The Council invests in its property assets and makes capital investments in services. The Council budgeted to spend £79 million on capital projects in 2014-15. Summary details are set out below.

Service	Budget £'000	Actual £'000	Variance £'000	Variance %
Adult Social Care	2,074	434	(1,640)	(79%)
Children's Services	15,750	14,302	(1,448)	(9%)
Environment, Leisure and Residents' Services	23,848	20,589	(3,259)	(14%)
Housing General Fund	1,081	695	(386)	(36%)
Housing Revenue Account	18,897	13,658	(5,239)	(28%)
Library, Archive and Heritage Services	2,927	2,222	(705)	(24%)
Transport and Technical Services	3,604	1,592	(2,012)	(56%)
Corporate Services	10,883	7,852	(3,031)	(28%)
Total 2014-15 Capital Programme	79,064	61,344	(17,720)	(22%)

Just over £16 million of the £18 million underspend on capital projects will slip into 2015-16.

	Underspend 2014-15 £'000	Slippage 2015-16 £'000
Ellesmere House	0	1,072
Schools Projects	0	942
Kensington Leisure Centre	0	554
Parks Strategy	0	971
Athlone Gardens and Womington Green	0	487
Little Wormwood Scrubs Boundary Wall	0	400
Silchester Garages	0	1,047
Grenfell Tower	0	2,153
Central Library	0	690
Golborne Road Area Improvement	0	880
Other underspends	1,522	7,003
Subtotal	1,522	16,199
Total		17,720

Capital expenditure in 2014-15 was funded mainly from the Council's own resources with £8 million of external grants and contributions.

Funding Source	£'000
Capital Grants and Contributions	8,256
Capital Expenditure Reserve	18,848
Other General Fund Reserves	1,324
Housing Revenue Account Reserves	9,876
Capital Receipts	20,207
Direct Revenue Financing	63
Internal Borrowing	2,770
Total Funding	61,344

31 MARCH 2015 BALANCE SHEET

The Balance Sheet as at 31 March 2015 is summarised below. Aside from pension liabilities that are volatile and re-estimated each year, the overall position is an increase in the net assets of the Council of over £100 million partly offset by an increase in the estimated pension fund liability (both a snapshot at 31 March). The increase in the Council's property valuations is driven by the buoyant central London property market.

	31-Mar-15	31-Mar-14
	£m	£m
Long term assets	1,587	1,474
Current assets less current liabilities	195	196
Net Pension liabilities	(266)	(199)
Other long term liabilities	(173)	(169)
Net Assets	1,343	1,302
Represented by		
Usable reserves	265	267
Unusable reserves	1,078	1,035
Total Reserves	1,343	1,302

The breakdown of the usable reserves is set out below:

	31-Mar-15	31-Mar-14
	£m	£m
General Fund	232	237
Schools Reserves	6	6
Housing Revenue Account	22	20
London Residuary Body	4	4
Total	265	267

HOUSING REVENUE ACCOUNT (HRA)

The Statement of Accounts also includes the ring-fenced Housing Revenue Account for the provision of social housing. The Housing Revenue Account showed a surplus of £2.6 million and increased its working balance by the same amount. Full details are set out in on pages 121 – 129.

LONDON RESIDUARY BODY (LRB)

The accounts also include statements related to functions that transferred to the Council from the former London Residuary Body (residual matters relating to the abolition of the Inner London Education Authority in 1999, which the Council manages on behalf of the rest of the inner London boroughs). Details are set out on pages 152 – 153.

FUTURE OUTLOOK

The Council once again froze Council Tax for 2015-16. Funding reductions and cost pressures were matched by over £15 million in budget reductions which - including prior year savings – brings the total budget reductions to £72 million over five years. The Council is also planning to fund an ambitious capital programme - £250 million over the next three years - without any external borrowing.

The national economic outlook has improved from that of previous years but the deficit in the UK's public finances remains unsustainably large. Therefore, the Government has delivered substantial cuts to local government funding and is expected to announce more.

The Council remains well positioned to meet these challenges. It is planning for substantial budget reductions for 2016-17 and future years, both as an individual authority and as part of Tri-borough and Bi-borough working on delivery of shared services with the neighbouring boroughs of the City of Westminster and the London Borough of Hammersmith & Fulham.

ACCOUNTING POLICIES

The 2014-15 accounts are compliant with International Financial Reporting Standards (IFRS). They comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* (the Code), which is based on IFRS.

The accounting policies adopted by the Council comply with the Code and are set out on pages 37 - 54. These are substantially unchanged from 2013-14.



Nicholas Holgate
Town Clerk

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Council's chief financial officer is the Town Clerk;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Town Clerk's Responsibilities

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

In preparing this Statement of Accounts, the Town Clerk has:

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

The Town Clerk has also:

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

I certify that the Statement of Accounts 2014-15 gives a true and fair view of the financial position of the Council as at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.



Nicholas Holgate
Town Clerk

I certify on behalf of the Council that the Statement of Accounts 2014-15 was reviewed by the Audit and Transparency Committee on 21 September 2015.



Councillor Paul Warrick
Chairman of the Audit and Transparency Committee

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

ANNUAL GOVERNANCE STATEMENT 2014-15

Introduction and purpose of the Annual Governance Statement

This Annual Governance Statement builds upon those of previous years. It summarises key governance mechanisms and records the significant governance issues that need to be addressed over the coming year. The full *Code of Corporate Governance* can be found on the Council's website and forms part of the [Royal Borough's Constitution](#).

The purpose of the statement is to enable the Council to meet its obligations under the *Accounts & Audit (England) Regulations 2015*, which requires that the Council prepares such a statement.

A governance framework has been in place for the year ended 31 March 2015 and remained up to the date of approval of the Statement of Accounts.

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Governance framework

Corporate governance generally refers to the process by which organisations are directed, controlled and held to account.

The governance framework enables the Council to monitor the achievement of its strategic objectives. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. In order to support good governance reliance is placed on the Council's governance framework. Further information about transparency and openness in the Council can be found on the Council's internet page under [Council and Democracy](#).

The Constitution

The conduct of the Council is defined by formal procedures and rules, which are in the Constitution and sets out how the Council operates, how decisions are made and the procedures that are followed (please see the [Council's Constitution](#)).

The Council

During the period of the review the Council comprised 50 Councillors. There were 18 wards - 14 three-member Wards and four two-member Wards. The composition of the Council was Conservative 37, Labour 12 and Liberal Democrat 1. All Councillors meet together as the Council and full Council meetings are scheduled to take place generally five times a year.

How the Council operates

The Council is a large organisation with a total turnover over £500 million. It is responsible for providing or commissioning several hundred separate services and the three year capital programme is £250 million.

The Council has been recognised as one that achieves high performance. It also has an annual appraisal of its credit rating by Standards and Poors and is currently ranked AAA – the highest rating.

The Council is responsible for the administration of the election process at European, national, and local level.

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are for the Council to determine.

The Council is required to appoint a Monitoring Officer who monitors and reviews the operation of the Constitution, and ensures the aims and principles of the Constitution are achieved. The Monitoring Officer advises on compliance with the Constitution and together with the Shared Services Director of Law ensures that decision making is lawful. The Chief Solicitor has been appointed to this statutory post and has been involved in reviewing the Code of Corporate Governance and preparing this statement from its early stages. The Chief Solicitor is satisfied that the arrangements in place are working effectively and that no matters of significance have been omitted from this Statement.

Following Council elections in May 2014, the previous interim management arrangements for a Bi-borough Chief Executive with Hammersmith and Fulham were reversed. Nicholas Holgate was appointed, formally, to the post of Town Clerk of the Royal Borough of Kensington and Chelsea.

Senior staff, led by the Town Clerk, provide policy options and analysis to Councillors in respect of decisions, the Councillors reflect on officer recommendations prior to taking key decisions. The staff manages the day-to-day business of the Council.

Strategic plans and policies

The annual revenue and capital budgets are prepared, consulted upon and reflected in the Forward Plan which is considered and approved by full Council in March each year. This sets the level of Council Tax and capital investment for the forthcoming financial year. Budget plans are summarised in a document - [Budget Proposals](#) - which was published after approval of the budget in March 2014.

How we ensure our arrangements are working

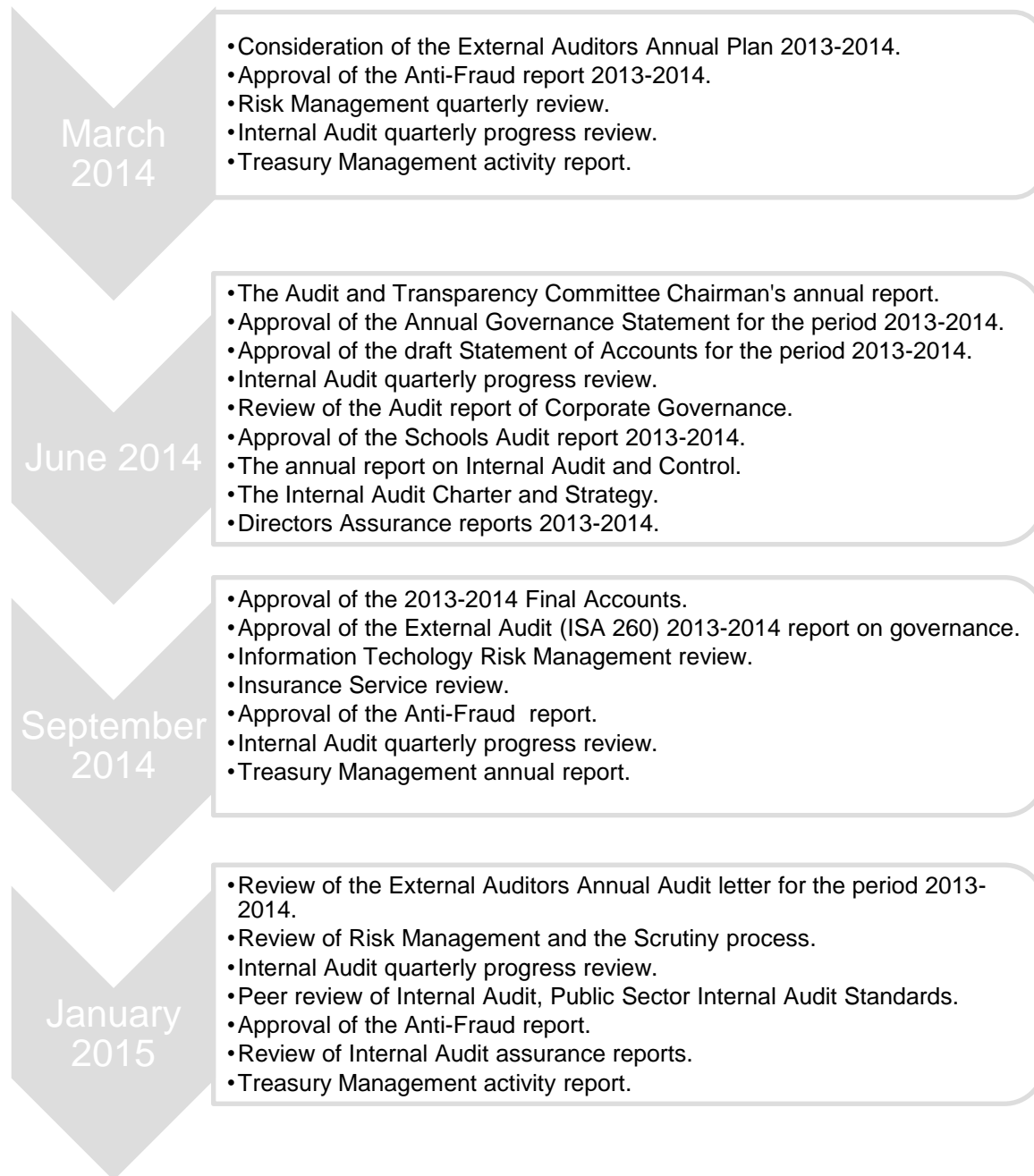
To monitor the effectiveness of the Council's corporate governance systems, a review is undertaken each year of the governance framework, the basis of which is shown in the diagram below.

Sources of Assurances Required

Corporate Governance	Management Team	Services are delivered economically, efficiently & effectively
<ul style="list-style-type: none"> • Constitution (incl. statutory officers, scheme of delegation, financial management and procurement rules) • Audit and Transparency Committee • Internal and external audit • Independent external sources • Scrutiny function • Council, Cabinet and Panels • Medium Term Financial Strategy • Complaints system • HR policies and procedures • Whistleblowing and other countering fraud arrangements • Risk management framework • Performance management system • Codes of conduct 	<ul style="list-style-type: none"> • The role of Chief Officers • Delivery of Council's aims and objectives • Corporate Planning • Business, Financial and Commissioning Plans • Officer codes of conduct • Performance appraisal • The role of the Chief Financial Officer • The role of the Head of Internal Audit • Roles and responsibilities of Members and Officers • Timely production of a Statement of accounts • External and Internal audit reports recommendations • Review of Corporate Governance 	<ul style="list-style-type: none"> • Management of risk • Effectiveness of internal controls • Democratic engagement and public accountability • Budget and financial management arrangements • Standards of conduct and behaviour • Compliance with laws and regulations, internal policies and procedures • Action plans dealing with significant issues are approved, actioned and reported on • Local Government Ombudsman report • Electoral Commission report • Scrutiny reviews • Effectiveness reviews of Audit and Transparency Committee and Scrutiny Committees, Internal Audit • Employee performance • Budgetary control • Compliance with the Code of Procurement • Stakeholder engagement • Evaluation of benefits gained from investments and projects

Audit and Transparency Committee Key Audit Business

The following diagram provides a summary of information on the areas that the Committee has considered:



Audit and Transparency Committee - Seeking assurance

The Audit and Transparency Committee has responsibility for receiving many reports that deal with issues key to good governance. It acts as the Council's Audit Committee.

In relation to its principal role in providing the Council with independent assurance on the Council's governance arrangements, including the risk management framework and the associated control environment, the Audit and Transparency Committee gained assurance from a number of sources.

The Committee continued to review the Council's compliance with key controls on key systems and procedures, the associated management of risk in these areas, and requested follow up reports from senior management on the following:

- Information Technology risk management;
- The work of the Prevent strategy and programme;
- Schools Management Intervention Board;
- Scrutiny and risk management.

The Committee was satisfied that appropriate controls were in place in these areas.

Effectiveness review of Scrutiny Committees

Cabinet Members make up the Executive and are responsible for undertaking all of the Council's functions reserved to full Council or delegated to Committees or officers, as well as taking, key decisions either individually or collectively as the Cabinet. The Executive is held to account by five Scrutiny Committees. Each has a specific remit, for example Housing or Children's Services.

Scrutiny Committees can:

- ask the Cabinet to think again about a decision, either through pre-decision scrutiny or call-in;
- summon Cabinet Members and senior council staff to account for what they have done or plan to do;
- put local services (for example the National Health Service) under the spotlight by undertaking in-depth reviews;
- make suggestions to the Cabinet or to full Council about alternative ways of delivering services; and
- involve the public in any of the above activities.

Membership of the Scrutiny Committees reflects the current political representation of the Council. The Chairman of each Scrutiny Committee sits on the Scrutiny Steering Group, which helps to coordinate scrutiny work across all five Committees.

Scrutiny reviews and the annual work programme

During September each year, Scrutiny Committees identify and agree a programme of work for the coming year, to ensure they are scrutinising the most important topics and issues falling within their remit. Residents, Councillors and officers participate in this programme of work. The programme is not fixed and issues can, with the agreement of the Chairman, be added to it at any time.

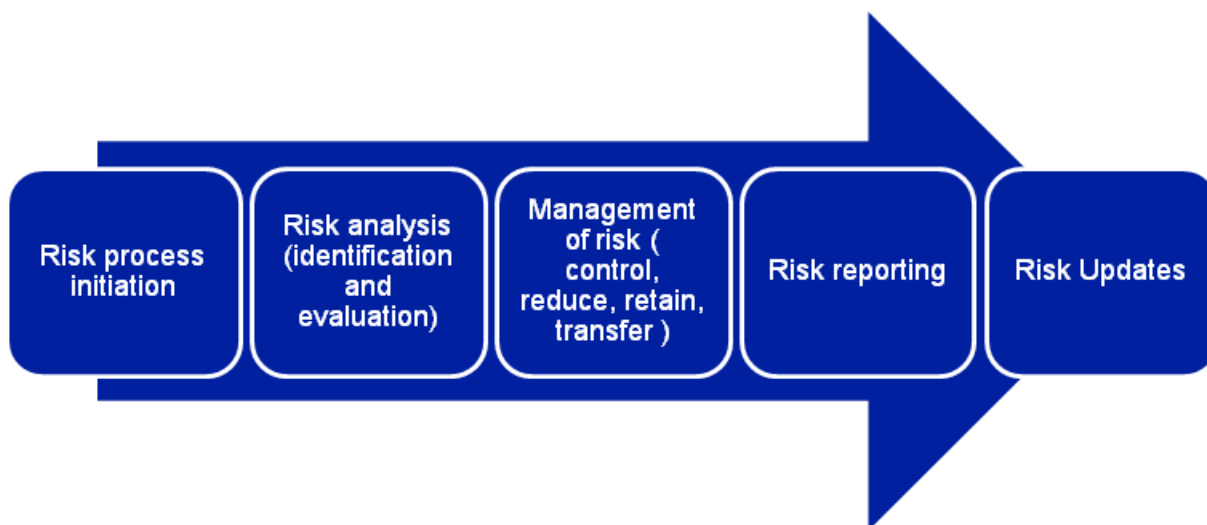
Once the work programme is agreed, the Committees regularly establish time-limited working groups (usually made up of three or four Councillors drawn from that Committee's membership) to look at the issues that have been identified for review. These working groups consider evidence and views from a wide range of stakeholders, including professionals, service users and academic experts, as well as studying national best practice and guidance. At the end of the evidence gathering phase, a report is produced with recommendations intended to resolve the issue or improve the way the Council operates.

Managing Key Risks

The successful delivery of the Council's aims and policies depends on the ability to tolerate and manage risk rather than eliminate it altogether therefore a certain amount of risk taking is inevitable. All Councillors and officers are responsible for ensuring that the implications or risks are considered as part of the decisions they take. The Council has adopted the *Shared Services Risk Management Strategy*. It was reviewed by the Audit and Transparency Committee and reflects the approach the Council wishes to take to the management of risk.

The *Risk Management Strategy Statement* sets out the intended approach to risk management to be used for shared and sovereign services to respond to risk and opportunities in the delivery of both strategic and operational objectives. Management must follow a uniform process to ensure consistency and high quality of risk management.

The following diagram outlines the Council's approach to identifying and managing risk.



Risk review process

It is recognised by the Council, that risk management is an integral part of good governance. Services are undergoing substantial changes that will continue into 2015 resulting in a variety of business models being used across the Council.

The aim of the Council is to ensure that:

- risk management becomes a natural component of its management and change processes;
- risks are identified, understood and managed to an acceptable level; and
- opportunities are seized.

This Strategy Statement supports a *Shared Service Risk Management Policy* and its commitment to:

- raise awareness of the benefits of effective risk management;
- adopt and embed a risk aware culture; and
- establish and maintain a consistent and integrated framework that anticipates and meets the changing needs of the councils over time and in doing so ensures that risk management arrangements are in accord with established best practice.

Managing the risk of fraud

To fulfil the Council's Corporate Strategy, it is recognised that the Council must maximise its financial resources and ensure fraud and misappropriation is reduced to a minimum.

The Council will not tolerate fraud or corruption by its Councillors, officers, suppliers, contractors or service users and will take all necessary steps to investigate all allegations of fraud or corruption and pursue sanctions available in each case, including removal from office, dismissal and/or prosecution.

The *Corporate Fraud Strategy* is based on three key themes: acknowledge, prevent and pursue, and it adheres to the *Local Government Fraud Strategy*.

This *Anti-Fraud and Corruption Strategy* summarises the Council's position, building on the content of a number of corporate policy statements incorporated in the Council's Constitution namely:

- *Members Code of Conduct;*
- *Officers Code of Conduct;*
- *Whistleblowing Policy;*
- *Financial Procedure Rules; and*
- *Procurement Procedure Rules and Contract Regulations.*

A *Fraud Response Plan* is available to all officers and Members. It provides guidance on what actions they need to take in the event of their becoming aware of a fraud or an act of corruption.

Bribery

Gifts and hospitality need to be dealt with in an appropriate way so that the Council and its staff are seen to be honest, fair and open at all times. All officers and staff have a responsibility to declare any offer of a gift, hospitality, benefit or service with a value in excess of £20, even if the offer is not accepted. Officers who are offered, or who receive unsolicited gifts with a value of £20 or more must record this in the Gifts and Hospitality Register System, and discuss with their line manager what action should follow such an offer or receipt. Members are required to notify the Monitoring Officer of any gifts or hospitality in excess of £50.

For more information about these revised procedures, please see the *Anti-Bribery Policy*.

Freedom of Information, including Environmental Information requests.

In the period 1,531 requests were logged by the Council.

- 88 per cent of requests were completed within the 20 working day deadline.
- 66 per cent of cases were responded to in full and nine per cent of cases were refused in full.
- Twenty requests for internal review were received. In 16 cases the original decision was upheld. One decision was overturned and one was partially overturned. In one case the information requested is scheduled to be published at a later date. There is one case yet to be responded to.

Chief Financial Officer

The Council has appointed a Chief Financial Officer. This is a statutory post, responsible for delivering and overseeing the financial management arrangements of the Council. The Town Clerk is the Chief Financial Officer and is a member of, and chairs, the Council's Chief Officers' Management Team.

The Chief Financial Officer has been involved in reviewing the Corporate Governance of the Council and overview of the preparation of this Statement from its early stages. He is satisfied with the arrangements in place for managing finances and manager compliance with the Code of Procurement. The Chief Financial Officer considers the arrangements are working effectively and that no matters of significance have been omitted from this Statement.

Internal and External Audit Assurance

The Council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit team and external auditors, KPMG.

This assurance is further supplemented by the reviews undertaken by external agencies such as OFSTED and the Care Quality Commission. The Internal Audit team utilises the services of external providers to undertake specialist reviews such as technical audits of information systems.

Internal Audit

The Audit and Transparency Committee agreed that the *Public Sector Internal Audit Standards* (PSIAS) should be followed from April 2013. These have been developed specifically for public sector organisations.

The Committee approved the *Internal Audit Charter*, which sets out the role of internal audit, its responsibilities, and clarifies its independence. Internal audit is required to review annually how it complies with the charter. The Committee considered the review in January 2015 and decided that there were no issues of 'non-conformance' with the PSIAS that needed to be included in this Statement.

An independent review conducted by one of the participating London Audit Group members is to be undertaken during 2015-16. This will identify any opportunities for further improving the service.

One of the key assurance statements the Council receives is the annual report and opinion of the Head of Internal Audit.

From the Internal Audit work undertaken in 2014-15, it is the opinion of Internal Audit that reasonable assurance can be provided for the system of internal control that has been in place at the Royal Borough of Kensington and Chelsea for the year ended 31 March 2015; that it accords with proper practice, except for any details of significant internal control issues as documented in this Annual Governance Statement.

External Audit

The Council's external auditor, KPMG, issued an unqualified value for money (VFM) conclusion for 2013-14 on 23 September 2014. The report concluded that the Council has proper arrangements for securing financial resilience. To arrive at its conclusion, KPMG reviewed financial governance, financial planning and financial control processes, as well as how the Council was prioritising resources and improving efficiency and productivity.

KPMG issued an unqualified opinion on the Council's financial statements on 23 September 2014 and concluded that the financial statements gave a true and fair view of the financial position of the Council and of its expenditure and income for the year. The financial statements also include those of the Pension Fund.

KPMG reviewed the 2013-14 Annual Governance Statement and concluded that it was consistent with their understanding.

There were no areas for improvement noted.

Significant Governance Issues in 2013-14.

The progress made on dealing with governance issues previously identified is shown below.

Adult Social Care risk management.

Management of risk is intrinsically important to the successful delivery of objectives. The department recognises the importance of a risk management process and has now embedded and integrated risk management throughout business processes. These include consideration of a departmental risk register comprising strategic, business as usual and change risks that are measured, allocated, categorised and reviewed.

Public Health, financial accounting and charging.

As of 1 April 2013 local authorities took on a key role in improving the health and wellbeing of their local population; and working in partnership with clinical commissioning groups and other health institutions. This involves commissioning and collaborating on a range of public health services. A review of the financial accounting and charging arrangements set out by the Department of Health established a limited assurance on expenditure made in accordance with the Department of Health grant conditions. The conditions cover how the grant may be spent and the activities on which it may be spent. The Business Partners, with the assistance of the Business Support Team, have made significant progress throughout the year satisfactorily addressing the issues raised in the audit.

Significant Governance Issues in 2014-15.

While generally satisfied with the effectiveness of corporate governance arrangements and the internal control environment, as part of continuing efforts to improve governance arrangements the following issues, as highlighted in the statement, have been identified for improvement.

Managed Services

The Managed Services Programme is intended to standardise operations and reduce costs across the London Borough of Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea and Westminster City Council. It provides a standard system irrespective of the council or the service. The system that was chosen provides a common transactional Human Resources, Payroll and Finance service. It is expected to provide a saving of over £6 million by 2015-16 across the three boroughs.

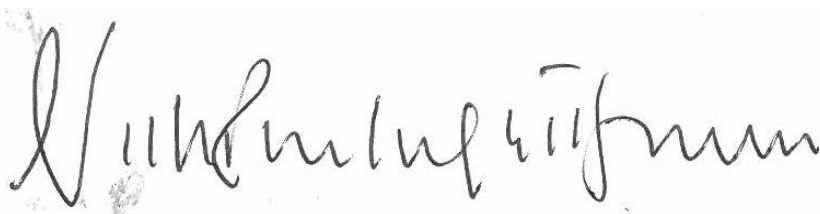
There were four audits of the programme undertaken during the year of which a limited assurance was determined of the control environment associated with systems readiness, change management and testing. This reflected the normal condition of a complex business transformation change programme and system implementation at this stage of its development and delivery cycle.

The go live date for the Programme was 1 April 2015 so this has no impact on the Statement of Accounts for 2014-15. Implementation problems are being encountered and officers and the contractors are working to resolve these.

Signed:

A handwritten signature in black ink, appearing to read 'Nicholas Holgate', written in a cursive style.

Nicholas Holgate
Town Clerk

A handwritten signature in black ink, appearing to read 'Nicholas Holgate', written in a cursive style.

Councillor Paget-Brown
The Leader of the Council
On behalf of the Royal Borough of Kensington and Chelsea.

GLOSSARY OF TERMS

Balance Sheet	This is a 'snapshot' of the Council's assets, liabilities and reserves on 31 March 2015. The reserves are always equal to the Council's assets less the Council's liabilities. Assets represent everything owned by the Council and money owed to it. Liabilities are the sums that the Council owes to others.
Budget	A forecast of the Council's planned expenditure; the level of the council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes and other factors affecting the level or cost of services.
Business Rates Tariff	Under the local authority grant distribution system, authorities either pay a portion of their retained rates to the Government (a tariff) or are paid back a portion of the national total (a top-up). The Council pays a business rates tariff.
Cabinet	The Cabinet is the executive body responsible for undertaking all of the Council's functions except those functions that are reserved to the full Council or delegated to committees or officers. When the executive meets collectively, it is known as 'the Cabinet'. Individual councillors that are members of the executive are known as 'Cabinet Members'.
Capital Adjustment Account	An account recording financing transactions relating to capital expenditure. This account is not available for general use to fund capital expenditure.
Capital Expenditure	Spending on the acquisition or enhancement of fixed (non-current) assets or advances and loans to other individuals or organisations.
Capital Receipts	Income received from the sale of fixed assets or repayment of capital advances.
CIPFA	Chartered Institute of Public Finance and Accountancy.
Collection Fund	A statutory account into which Council Tax and National Non-Domestic Rates are paid and from which amounts are paid to the Council and the precepting body, the Greater London Authority.
Community Assets	A class of fixed (non-current) assets that are expected to be held by the Council in perpetuity to deliver services. Examples include parks.
Depreciation	A measure of the consumption or wearing out of a fixed (non-current) asset over its useful economic life.

Fixed or 'Non-current' Assets	Assets that provide benefit to the Council and its services for a period in excess of one year.
General Fund	The primary revenue account, which records the cost of providing the majority of the Council's services.
Heritage Asset	An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.
Housing Revenue Account (HRA)	A statutory account recording the income and expenditure relating to the Council's provision of social housing.
IAS19 Employment Benefits	This International Accounting Standard is based on the principle that an organisation should account for retirement and other benefits when it is committed to give them, even if the actual payments will be made many years into the future.
Infrastructure	A class of fixed (non-current) assets that includes bridges, roads and highway works. Infrastructure assets are not normally saleable.
Intangible Assets	A class of non-financial fixed (non-current) assets that do not have any physical substance, but are identifiable and are controlled by the Council, for example purchased software licences.
LASAAC	Local Authority (Scotland) Accounts Advisory Committee.
London Residuary Body (LRB)	The authority to which functions were transferred from the Greater London Council and the Inner London Education Authority. Residual functions for inner-London, including education awards, were subsequently transferred to the Council on behalf of London's local authorities.
LPFA	London Pensions Fund Authority.
Major Repairs Allowance (MRA)	The Major Repairs Allowance is an element of Government subsidy payable to the Housing Revenue Account. It represents the capital cost of keeping the housing stock in its current condition. Unused Major Repairs Allowance is held in the Major Repairs Reserve (MRR) until required.
Management Board	The Council's senior management team.
Minimum Revenue Provision (MRP)	The amount defined by statutory regulation that must be set aside to provide for the redemption of debt.

Monitoring Officer	A role, carried out by the Chief Solicitor, to report to the Council any potential illegality, misadministration or injustice that may come to his or her attention.
National Non Domestic Rates (NNDR)	The form of local taxation charged on non-residential premises at a level set by the Government. As part of the grant distribution system (the Business Rates Retention Scheme) business rates are collected and a share retained by the local authority and the balance paid to the local preceptor and the Government.
Precept	The charge made by another public authority on the Council to finance its net expenditure. The Council currently has one precepting authority, the Greater London Authority (GLA).
Public Works Loan Board (PWLB)	Government agency responsible for the financing of a large proportion of local authority borrowing.
Related Parties	Related parties are those individuals and entities that the Council either has the ability to influence, or to be influenced by. Related parties include the Government, subsidiary and associated companies, the Pension Fund, Councillors and senior officers.
Reserves (Unusable)	Unusable reserves are reserves that in simple terms balance the Council's Balance Sheet and cannot be released to spend on services. For example, the Revaluation Reserve records the effect of revaluing fixed assets and is not available for general use in the financing of capital expenditure. Full details are set out in Note 23 Unusable Reserves.
Reserves (Usable)	<p>Usable reserves are those reserves that can be released to spend on services or added to for future spending on services.</p> <p>Details of these are set out in Note 8 Transfers to and from Earmarked Reserves and Usable Reserves.</p> <p>The Council has a detailed reserves policy as set out in its published revenue budget book which can be found at How the Council Manages Money.</p> <p>The Council holds material and ongoing earmarked reserves for the following purposes:</p> <p>General Fund Earmarked Reserves</p> <p><i>Better City Life</i> - Provides resources for new policy priorities.</p>

Budget Carry Forward - Earmarks funds for budgets carried forward from previous years' revenue underspends to meet the cost of specific projects.

Capital Expenditure – Provides a source of funding for capital investment and revenue costs in support of capital investment.

Car Parking – Holds the surpluses from on-street parking places and contraventions and is controlled by the provisions of Section 55 of the Road Traffic Regulation Act 1984 (as amended) including the application of any surplus income held in such an account.

Community Safety – Holds funds for community safety initiatives within the Council.

Corporate Information Systems (IS) Initiatives – Provides funds for the financing of corporate information systems.

Cost Reduction (Transformation Fund) – Resources for 'invest to save' opportunities identified as part of the business and financial planning process.

Demand Growth – Resources to meet the effects of volatile demand on budgets (to improve budget resilience).

Economic Development - For investment in economic development and regeneration initiatives.

Excellence All Round – Funds initiatives to improve services.

Insurance – Earmarked insurance fund to cover future insurance liabilities.

Lead Flood Authority – Fund to hold government allocated funding for the discharge of the relevant Lead Flood Authority duties and responsibilities or related activities.

Licensing and Planning Costs – Provides funds to meet costs from unexpected planning and licensing legal cases.

Local Elections – Holds funds set aside to cushion the financial impact of local elections.

Local Initiative (Transformation Fund) – Provides resources to support the introduction of transformative projects.

Planning and Borough Development Resources – An agreed fund to hold part of the 2013-14 service underspend to strengthen the service’s resources over future years and to align resources more accurately to workload.

Property Strategy – Meets the cost of feasibility studies and condition surveys to assist in asset management and capital budget planning.

Repairs and Renewals – Provides for the replacement of vehicles and plant, office machinery and special items. It is funded from annual revenue contributions.

Service Risks – Provides for unexpected service requirements and funds the cost of reducing risks.

Severance (Transformation Fund) – Provides resources to meet the costs of potential job losses.

Specific Grant Loss (Specific Grant Loss Housing) – Provides resources to help cushion against adverse changes in specific grant regimes where there are unavoidable financial commitments (specifically held for General Fund Housing).

Strategic Regeneration – Provides resources to support regeneration activities funded from the (now ended) Local Authority Business Growth Incentive Scheme (LABGI).

Supporting People - Provides resources to cushion the impact of reduced grant allocation for this service.

Troubled Families – Holds funding allocated by government for Troubled Families initiatives.

Value Added Tax (VAT) – Provides resources to mitigate the impact of a breach in the VAT partial exemption ratio. The Council can only recover VAT on exempt activities up to five per cent of its VAT bill. The Council is currently below this limit, but may in the future exceed it.

Voluntary Sector Fund - A fund to: support the voluntary sector to deliver new types of services that have the potential to become self-funding in the medium term after a period of start-up public funding; assist the voluntary sector to provide services to new beneficiaries to meet an identified need; and support voluntary sector organisations that have not hitherto delivered services within the Royal Borough or received Council funding.

Housing Revenue Account Earmarked Reserve:

Controlled Repairs – Provides resources for TMO repair projects.

Revenue Support Grant	Grant which can be used for any purpose from central government allocation as part of the local authority grant distribution system alongside a share of National Non Domestic Rates.
Revenue Expenditure	Day-to-day expenditure incurred in the provision of services including salaries, goods and services.
REFCUS	Revenue Expenditure Funded from Capital Under Statute.
Section 151 Officer	A term used to describe the chief financial officer, whose responsibilities are set out in the <i>Statement of Responsibilities for the Statement of Accounts</i> . The Council's chief financial officer is the Town Clerk.
SeRCOP	CIPFA's Service Reporting Code of Practice, which provides guidance on financial reporting to stakeholders and establishes 'proper practice' with regard to consistent financial reporting.
SOLACE	Society of Local Authority Chief Executives.
Tenant Management Organisation (TMO)	The Kensington and Chelsea Tenant Management Organisation Limited manages the Council's Housing Revenue Account dwelling stock on behalf of the Council.

Core Financial Statements 2014-15



THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

We have audited the financial statements of the Royal Borough of Kensington and Chelsea for the year ended 31 March 2015 on pages 33 to 154. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

Respective responsibilities of the Town Clerk and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended;

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

Matters on which we are required to report by exception

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

- the annual governance statement set out on pages 9 to 19 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

Conclusion on the Royal Borough of Kensington and Chelsea's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

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

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

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

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

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, the Royal Borough of Kensington and Chelsea put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Certificate

In our audit report dated 30 September 2015, we explained that we could not formally conclude the audit on that date as we were considering objections relating to 2014/15.

We have now completed this work.

No matters have come to our attention since our report dated 30 September 2015 that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion.

We certify that we have completed the audit of the accounts of the Royal Borough of Kensington and Chelsea in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Andrew Sayers

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

15 Canada Square, London, E14 5GL

Date: 19 September 2016

Movement in Reserves Statement

Notes	Revenue Reserves				Capital Reserves			Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Council Reserves £'000
	General Fund	Earmarked Reserves	Housing Revenue Account	Other Usable Reserves	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
Balance at 31 March 2013	10,000	184,346	16,061	13,342	702	10,427	6,462	241,341	913,121	1,154,462
<u>Movement in reserves during 2013-14</u>										
Surplus / (deficit) on provision of services	7,874	-	(1,785)	-	-	-	-	6,089	-	6,089
Other Comprehensive Expenditure and Income	-	-	-	(112)	-	-	-	(112)	141,738	141,626
Total Comprehensive Expenditure and Income	7,874	-	(1,785)	(112)	-	-	-	5,977	141,738	147,715
Adjustments between accounting basis and funding basis under regulations	7a/b (1,619)	-	4,637	-	(310)	16,701	681	20,090	(20,090)	-
Net increase / decrease before transfers to Earmarked Reserves	6,255	-	2,852	(112)	(310)	16,701	681	26,067	121,648	147,715
Transfers to / from Earmarked Reserves	(6,255)	(927)	29	(2,558)	-	9,615	-	(97)	97	-
Increase / (decrease) in 2013-14	8 -	(927)	2,881	(2,670)	(310)	26,316	681	25,970	121,745	147,715
Balance at 31 March 2014	10,000	183,419	18,942	10,672	392	36,743	7,143	267,311	1,034,867	1,302,178
<u>Movement in reserves during 2014-15</u>										
Surplus / (deficit) on provision of services	28,949	-	(3,922)	-	-	-	-	25,027	-	25,027
Other Comprehensive Expenditure and Income	-	-	-	(234)	-	-	-	(234)	15,827	15,593
Total Comprehensive Expenditure and Income	28,949	-	(3,922)	(234)	-	-	-	24,793	15,827	40,620
Adjustments between accounting basis and funding basis under regulations	7a/b (25,765)	-	6,434	-	216	(9,040)	674	(27,481)	27,481	-
Net increase / decrease before transfers to Earmarked Reserves	3,184	-	2,512	(234)	216	(9,040)	674	(2,688)	43,308	40,620
Transfers to / from Earmarked Reserves	(3,184)	3,509	45	(370)	-	8	-	8	(8)	-
Increase / (decrease) in 2014-15	8 -	3,509	2,557	(604)	216	(9,032)	674	(2,680)	43,300	40,620
Balance at 31 March 2015	10,000	186,928	21,499	10,069	608	27,711	7,817	264,631	1,078,166	1,342,797

Comprehensive Income and Expenditure Statement

	Year Ended 31 March 2015			Year Ended 31 March 2014			Notes
	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
Central services to the public	11,145	(4,890)	6,255	8,606	(4,719)	3,887	
Cultural and related services	29,003	(5,884)	23,119	20,938	(5,703)	15,235	
Environment and regulatory services	41,104	(9,877)	31,227	39,597	(9,374)	30,223	
Planning services	19,330	(4,700)	14,630	12,063	(5,601)	6,462	
Education and children's services	172,057	(119,458)	52,599	202,348	(127,933)	74,415	
Highways and transport services	42,248	(51,215)	(8,967)	42,184	(52,477)	(10,293)	
Local authority housing – other	50,172	(54,923)	(4,751)	45,060	(52,417)	(7,357)	
Other housing services	197,398	(178,653)	18,745	194,623	(177,954)	16,669	
Adult social care	70,635	(23,713)	46,922	65,434	(20,296)	45,138	
Public health	17,799	(17,389)	410	17,380	(16,232)	1,148	
Corporate and democratic core	8,644	(2,084)	6,560	9,182	(1,162)	8,020	
Non distributed costs – past service pension costs	641	-	641	760	-	760	
Non distributed costs – (gain) / loss on settlements	-	(1,138)	(1,138)	-	(3,038)	(3,038)	
Non distributed costs – other	6,383	(4,273)	2,110	13,001	(2,484)	10,517	
Cost of services	666,559	(478,197)	188,362	671,176	(479,390)	191,786	27b
Other Operating Expenditure	4,378	(6,159)	(1,781)	4,786	(9,611)	(4,825)	9
Financing and Investment Income and Expenditure	29,722	(60,341)	(30,619)	27,713	(30,980)	(3,267)	10
Taxation and Non-Specific Grant Income	35,065	(216,054)	(180,989)	34,395	(224,178)	(189,783)	11
Net (Surplus) / Deficit on Provision of Services			(25,027)			(6,089)	27b
(Surplus) or deficit on revaluation of non-current assets			(71,584)			(93,422)	23b
(Surplus) or deficit on revaluation of available for sale financial assets			980			(15)	
Remeasurements of the net defined benefit liability / asset			54,777			(48,301)	40
Any other (gains) / losses required to be included			234			112	
Other Comprehensive Income and Expenditure			(15,593)			(141,626)	
Total Comprehensive Income and Expenditure			(40,620)			(147,715)	

Balance Sheet

	31 March '15 £'000	31 March '14 £'000	Notes
<u>Long-term Assets</u>			
Property, Plant and Equipment	1,338,328	1,266,510	12a
Heritage Assets	44,416	45,516	13
Investment Property	201,621	159,451	14
Intangible Assets	2,153	2,533	15
Long Term Investments	23	23	16a
Long Term Debtors	95	102	17b
Total Long Term Assets	1,586,636	1,474,135	
<u>Current Assets</u>			
Short Term Investments	216,978	256,105	16a
Assets Held for Sale	4,538	4,538	19
Inventories	206	114	
Short Term Debtors	51,415	44,667	17a
Cash and Cash Equivalents	34,869	10,199	18
Total Current Assets	308,006	315,623	
<u>Current Liabilities</u>			
Short Term Borrowing	10,793	10,216	16a
Short Term Creditors	98,847	106,645	20
Provisions	3,801	2,670	21
Total Current Liabilities	113,441	119,531	
<u>Long-term Liabilities</u>			
Long Term Creditors	-	-	
Provisions	7,635	5,696	21
Long Term Borrowing	141,373	149,943	16a
Other Long Term Liabilities	265,758	198,846	44
Capital Grants Receipts in Advance	23,638	13,564	33c
Total Long Term Liabilities	438,404	368,049	
Net Assets	1,342,797	1,302,178	
<u>RESERVES</u>			
Usable Reserves	264,631	267,311	7/8
Unusable Reserves	1,078,166	1,034,867	7/23
Total Reserves	1,342,797	1,302,178	

Cash Flow Statement

	2014-15 £'000	2013-14 £'000	Notes
Net surplus / (deficit) on the provision of services London Residuary Body	25,027 (234)	6,089 (112)	
Net surplus / (deficit)	24,793	5,977	
Adjustments to net surplus or deficit on the provision of services for non-cash movements	2,651	111,437	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(2,353)	(3,007)	
Net cash flows from Operating Activities	25,091	114,407	24
Investing Activities	7,592	(118,780)	25
Financing Activities	(8,013)	(6,274)	26
Net increase / (decrease) in cash and cash equivalents	24,670	(10,647)	
Net cash and cash equivalents at the beginning of the reporting period	10,199	20,846	
Net cash and cash equivalents at the end of the reporting period	34,869	10,199	18

The cash flow statement has been prepared using the indirect method in accordance with proper practice.

Notes to the Core Financial Statements

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2014-15 financial year and its financial position at 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the *Accounts and Audit Regulations 2011* in accordance with proper accounting practices. Proper practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* (the Code) and the *Service Reporting Code of Practice 2014/15 (SeRCoP)*, supported by International Financial Reporting Standards (IFRS).

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. The Statement of Accounts has been prepared on a 'going concern' basis.

ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council 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 Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for as income and expenditure respectively, based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue or expenditure has been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Exceptional Items

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

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

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

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

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

v. Events after the Balance Sheet Date

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

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

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

vi. 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.

vii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014-15 (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 Council's status as a multi-functional, democratic organisation.
- **Non-Distributed Costs:** the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

viii. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the 'first-in first-out' (FIFO) costing formula.

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

ix. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund 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 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 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 benefits and employee benefits. These do not represent usable resources for the Council and are explained in the relevant policies and notes.

x. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that must be met by the recipient as specified or the grant must be repaid.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund in the Movement in Reserves Statement. Where a grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where a grant is received and applied in-year, 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.

xi. Property, Plant and Equipment

Non-current 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 for 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 the future economic benefits or service potential associated with the item will flow to the Council and that 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. minor repairs and maintenance, is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

The Council capitalises borrowing costs incurred whilst assets are under construction. With the exception of HRA dwellings, the Council does not capitalise aggregate expenditure of less than £10,000 in any given year for a given asset unless expenditure is expected to exceed £10,000 during the life of a project. Expenditure on HRA dwellings is capitalised in line with Government guidance irrespective of the amount expended.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance. Where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council. Assets are then carried in the Balance Sheet using the following measurement bases:

- **Community assets and assets under construction:** historic cost.
- **Infrastructure:** depreciated historic cost.
- **Dwellings:** fair value, determined using the basis of existing use value for social housing (EUV-SH).
- **All other assets:** fair value, determined as the amount that would be paid for the asset in its existing use ('Existing Use Value' or EUV) except where: the asset is specialised or no market exists for an asset when Depreciated Replacement Cost (DRC) is used as an estimate of fair value; or a non-property asset has a short useful life, low value, or both, when depreciated historic cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum they are revalued every five years. 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.

Revaluation losses for an asset are initially charged to the Revaluation Reserve up to the balance held in the reserve for that asset. Once the balance on the reserve is exhausted or where no balance exists, the revaluation loss is charged to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Where a revaluation loss previously recognised in the Comprehensive Income and Expenditure Statement is reversed, 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.

Impairment

The Balance Sheet values of assets are assessed at year-end to determine if 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.

Impairments are initially charged to the Revaluation Reserve up to the balance held in the reserve for that asset. Once any balance on the reserve is exhausted or where no balance exists, the impairment is charged to the appropriate service line in the Comprehensive Income and Expenditure Statement.

Where an impairment previously recognised in the Comprehensive Income and Expenditure Statement is reversed, 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 charged on Property, Plant and Equipment assets and infrastructure assets. Assets without a determinable finite useful life e.g. freehold land, Community Assets and non-property Heritage assets, and assets that are not yet available for use i.e. assets under construction, are not depreciated.

Depreciation is calculated on the following bases:

- **Dwellings:** dwellings are depreciated on a straight-line basis over the estimated useful life of the property.
- **Other land and buildings:** buildings are depreciated on a straight-line basis over the estimated useful life of the property.
- **Vehicles, plant, furniture and equipment:** straight-line over the anticipated useful life of the asset.
- **Infrastructure:** straight-line over the anticipated useful life of the asset.

For all assets re-valued from 1 April 2010, subject to a de minimis threshold of £1 million for the total value of the whole asset, the Council will hold and separately depreciate components, up to a maximum number of five per asset, that meet the following criteria:

- are worth at least 10 per cent of the total value of the asset (a de minimis threshold of £0.5 million for any individual component); and
- have a significantly shorter life, defined as less than two thirds of the current life of the whole asset.

Revaluation gains are also depreciated by an amount equal to the difference between the current depreciation charged and the depreciation that would have been chargeable based on the historic cost of the assets. The difference is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

A non-current asset is classified as an “Asset Held for Sale” when it is probable that its value will be recovered through its sale and the following criteria, as set out in IFRS 5 and the Code, are met:

- The asset must be available for sale in its present condition subject to the terms that are usual and customary for the sale of such assets.
- The sale must be highly probable: management must be committed to a plan to sell the asset, which has been initiated; the asset must be actively marketed at a price that is reasonable in relation to its current fair value; it is expected that the sale will be completed within one year; and it is unlikely that significant changes to the plan will be made, or the plan of sale withdrawn.

If the criteria are met, the asset is valued immediately prior to reclassification using the valuation basis specified in the Code for that category of assets. Once reclassified, the asset is carried at the lower of this valuation or its fair value less costs to sell. If the carrying amount of the asset is reduced, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Increases in the value of an asset are not recognised except where a loss has been posted to the Comprehensive Income and Expenditure Statement, when an amount up to the value of that loss can be recognised. Depreciation is not charged on Assets Held for Sale.

If an asset no longer meets the criteria to be classified as Assets Held for Sale, it is reclassified back to the appropriate category of non-current asset and valued at the lower of:

- its carrying amount before it was classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as Held for Sale; or
- the recoverable amount at the date of the decision not to sell the asset.

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are also credited to the same line in the Comprehensive Income and Expenditure Statement 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. Receipts are credited to the Capital Receipts Reserve and statutorily can then only be used for new capital investment or set aside to reduce the Council's debt or underlying need to borrow (the 'Capital Financing Requirement'). Receipts are appropriated to the reserve from the General Fund in the Movement in Reserves Statement.

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

xii. Charges to Revenue for Non-Current Assets

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

- **depreciation** attributable to the assets used by the relevant service;
- **revaluation and impairment** losses on assets used by the service in excess of any accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- **amortisation** of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation losses, impairments and amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This contribution is calculated on a prudent basis by the Council in accordance with statutory guidance and is known as the Minimum Revenue Provision (MRP). Depreciation, revaluation and, impairment losses and amortisation are therefore replaced by the MRP 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.

xiii. Heritage Assets

The Council holds a range of Heritage Assets comprising the Council's two museum buildings and land (Leighton House and 18 Stafford Terrace), the museum collections, the art in parks, local regalia and a local studies and archive collection held in Kensington Library. Heritage Assets are accounted for in accordance with UK GAAP under Financial Reporting Standard (FRS) 30.

A Heritage Asset is defined as an asset with *“historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.”*

Heritage Assets are accounted for at current cost except “where it is not practical to obtain a valuation at a cost which is commensurate with the benefits to users of the financial statements” when “Heritage Assets shall be measured at historic cost” (paragraph 4.10.2.8 of the Code). Under the Code, “valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers nor is there any prescribed minimum period between revaluations” (paragraph 4.10.2.9 of the Code).

The Heritage Property Assets (the museums) are valued and accounted for in accordance with the Council's accounting policies on property i.e. fair value, determined as the amount that would be paid for the asset in its existing use (“Existing Use Value” or “EUUV”). The museums are depreciated over their expected useful lives.

The museum collections and the art in parks are reported in the Balance Sheet at insurance valuation (based on market values). These valuations are reviewed periodically as deemed appropriate for insurance purposes. The Council self insures assets valued below £250,000 and it therefore does not have valuation certificates for all items worth less than this amount. Acquisitions are recognised at cost. The museum collections and art are deemed to have indeterminate lives and high residual value. Hence the Council does not deem it appropriate to charge depreciation for these assets.

The local regalia and the local studies and archive collection are not disclosed on the Balance Sheet because the collections are of low Balance Sheet value due to individual items either: having nil or low market value; being worth less than the Council's de minimis threshold of £10,000; or having no up-to-date valuation that is reliable. (FRS 30 does not require the Council to obtain valuations of heritage assets where none exists.)

The Council's heritage asset holdings are static with low numbers of acquisitions or donations and no recent disposals.

xiv. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used for the delivery of services, the production of goods. An investment property that is likely to be sold cannot be classified, under IFRS, as an Asset Held for Sale.

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

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

xv. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance, but are controlled by the Council 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 Council for a period greater than one year.

Internally generated assets consist of software, which is capitalised when the Council will be able to generate future economic benefits or deliver service potential by using the software. The expenditure capitalised is that which can be measured reliably and has been spent on development.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services. Costs may be capitalised when a website is used to deliver or enhance services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion and they are therefore carried at amortised cost. Intangible assets are amortised over their 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 and 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. Such gains and losses are therefore reversed out of the General Fund 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.

xvi. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They 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 Council 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 deducted from or added to the amortised cost of the new or modified loan as appropriate 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 to be spread over future years. The Council spreads the gain or loss over the term that was remaining on the loan when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- **Loans and receivables:** assets that have fixed or determinable payments, but are not quoted in an active market.
- **Available-for-Sale assets:** assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument classified as such. They are initially measured at fair value and are subsequently measured at 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 Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

Where assets are identified as impaired because it is likely that due to a past event, 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 a service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is 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 Council becomes a party to the contractual provisions of a financial instrument classified as such. They are initially measured and subsequently 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 Council.

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 either it is likely that due to a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is equal to any shortfall of fair value compared to 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.

xvii. 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, having originally been invested for a period no longer than three months.

Cash equivalents are investments that, having originally been invested for no longer than three months, are repayable on demand or readily convertible to known amounts of cash with an insignificant risk of change in value. Fixed Deposits are not considered to be readily convertible since they are only repayable at the point of maturity and cannot be traded or redeemed without penalty.

Cash and cash equivalents are held to meet the daily cash flow needs of the Council. These are distinct from investments that are held for the purposes of capital protection or appreciation and/or earning a return.

xviii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate of the amount of the obligation can be made. For instance, the Council may be involved in a court case that could eventually result in settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation at the Balance Sheet Date. They are measured at the best estimate of the expenditure required to settle the obligation, taking into account the 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 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 Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made, but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council 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 Council.

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.

xix. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of a non-current asset; or is revenue expenditure under accounting regulations, but is funded from capital under statute, is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer via the Movement in Reserves Statement from the General Fund to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of Council Tax.

xx. Leases

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under a finance lease is recognised on the Balance Sheet at the commencement of the lease either at its fair value, measured at the inception date of the lease, or if lower, the present value of the minimum lease payments. The asset recognised is matched by a liability representing the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are used to write down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment, which writes down the lease liability; and
- a finance charge, which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund and is required to be treated as a capital receipt. Where a premium has been received, this is transferred from the General Fund 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 to the Deferred Capital Receipts Reserve via the Movement in Reserves Statement. When the future rentals are received, the element of the capital receipt relating to the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, 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 via the Movement in Reserves Statement.

Operating Leases

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

xxi. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within the 12 months following year-end. They include benefits for current employees such as salaries, paid annual leave, paid sick

leave, bonuses and non-monetary benefits, such as cars. They are recognised as a service expense in the year in which an employee renders service to the Council. 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 and 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 the Surplus or Deficit on the Provision of Services, but then reversed out via 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 to an employee as a result of a decision by the Council to terminate his or her employment before the normal retirement date, or an employee's decision to accept voluntary redundancy. The benefits are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the employee is informed of his or her likely redundancy (known as 'redundancy advice') i.e. when the Council is demonstrably committed to termination of employment.

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

Post Employment Benefits

Employees of the Council are usually members of one of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme (LGPS), which for the majority of staff is administered by the Council and for a relatively small number, by the London Pension Fund Authority.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees of the Council. However, the arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified and specifically allocated to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension Scheme for the year.

Staff who were compulsorily transferred from the Primary Care Trust to the Council when responsibility to Public Health was transferred to the Council on 1 April 2013 remain part of the NHS pension scheme. The NHS pension scheme is a defined benefit scheme that is accounted for as if it were a defined contribution scheme, in line with statutory requirements. Public Health is a Tri-borough service hosted by Westminster City Council, but the Council accounts for its share of Public Health spending as if it were incurred directly by the Council.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on actuarial assumptions about mortality rates, employee turnover rates and projected earnings of current employees etc.

Liabilities are discounted to their value at current prices, using a discount rate determined by the actuary that is based on the indicative rate of return on high quality corporate bonds. The actuary's estimate of the duration of the pension fund liabilities is 19 years, so the discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA-rated corporate bond yield curve. This was 3.3 per cent at 31 March 2015.

The assets of the Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- **Quoted securities:** current bid price.
- **Unquoted securities:** professional estimate.
- **Unitised securities:** current bid price.
- **Property:** market value.

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

Service cost, comprising:

- **Current service cost:** the increase in liabilities as a result of years of service earned by employees in the financial year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- **Past service cost:** the increase in liabilities arising from fund performance relating 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 liability (asset):** The change in the net defined benefit liability due to the passage of time, which is charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. It is calculated by applying the same discount rate used to measure the defined benefit obligation, to the net defined benefit liability (Asset), taking into account any changes due to contributions and benefit payments.

Remeasurements, comprising:

- **Return on plan assets:** investment returns, excluding amounts included in net interest on the net defined benefit liability (asset); debited to the Pensions Reserve.

- **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; debited to the Pensions Reserve.
- **Contributions paid to the Kensington and Chelsea Pension Fund:** cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. This means that there are appropriations via the Movement in Reserves Statement 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 Council 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 the decision is taken and accounted for using the same policies as are applied to the Local Government Pension Scheme.

xxii. Collection Fund

The accounting framework recognises an agent/principal relationship with regard to the Collection Fund. The Council is recognised as an agent, collecting National Non Domestic Rates on behalf of the Government. In addition, relevant shares of the assets and liabilities of the Collection Fund have been devolved to precepting bodies; in the Council's case, the Greater London Authority.

xxiii. Carbon Reduction Commitment Allowances

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The Council is required to purchase and surrender allowances (currently retrospectively) on the basis of emissions i.e. the amount of carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances and 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 Council is recognised and reported in the cost of services and is apportioned to services on the basis of energy consumption.

2. Accounting Standards Issued Not Yet Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

The following standards have been issued that will be adopted by the Code in 2015-16 and will be applicable to the Council from 1 April 2015.

IFRS 13 Fair Value Measurement introduces a requirement for the concept of fair value measurement to be applied to all assets and liabilities which use fair value as a measurement basis. In respect of property, plant and equipment the only change is in the valuation of surplus property. Currently surplus property is valued at existing use value before being reclassified as surplus assets. In future surplus assets will be valued at fair value.

IFRIC 21 Levies clarifies the recognition point for payment of levies as the activity which triggers the payment of the levy. This is not expected to have any impact on the Council, as this is already current accounting practice.

In addition there have been a number of minor changes to existing accounting standards.

IFRS 8 Operating Segments will require the Council to disclose the factors used to identify the Council's reportable segments. This may require an additional disclosure in the 2015-16 accounting policies.

IAS 16 Property, Plant and Equipment amendment sets out that where non-current assets are revalued, the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount. This is not expected to have a material impact for the Council.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out on Note 1, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events. In the accounts these are as follows:

- There is a high degree of uncertainty concerning future funding for local government. The Council believes that this uncertainty is neither sufficient nor significant enough in its likely impact to warrant impairment of assets due to reduced levels of service provision or a need to close facilities. Furthermore, property prices in the Royal Borough are such that any asset the Council deems surplus is unlikely to be disposed of for less than its current fair value.
- The Council entered into joint working arrangements with neighbouring local authorities, the City of Westminster and the London Borough of Hammersmith & Fulham. These arrangements are currently referred to as 'Tri-borough' or 'shared working'. The proposals have not reduced the level of service provided by the Council. Therefore, the Council believes that it is not necessary to impair any non-current asset in light of Tri-borough and shared working. Property prices in the Royal Borough are such that any asset the Council deems surplus is unlikely to be disposed of for less than its current fair value.

- The Council has significant reserves set aside to meet the costs of its transformation projects and potential redundancies, whether due to Tri-borough and shared working, or any other reconfiguration of services that delivers greater efficiency, or is the result of Government changes to funding or service arrangements. Therefore, the Council does not believe that it is necessary to set aside any additional funds or to make any provision to meet such costs.
- The Council is required to take a view on which school assets are recognised on the Council's Balance Sheet. The Council has recognised community schools. The Council has not recognised Voluntary Aided, Free, or Academy schools as it is of the view that these school assets are - to varying degree - beyond the control of the Council.

4. Assumptions Made about the Future and Other Major Sources of Estimation

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

The items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are set out overleaf:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Non-current Assets	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties. During the past financial year, the property market in the Royal Borough grew, particularly for high-end residential properties, but the number and relevance of asset sales against which the Council could judge the fair value of its property assets was low. Therefore, the Council judged that no fundamental alteration to the estimates that underpin the valuation of its properties and dwellings was required. Should evidence emerge in 2014-15 that causes the Council to amend these estimates, the estimated fair value of its property and dwellings could change.	<p>A reduction in estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. For example, a 10 per cent reduction in the value of the Council's investment properties would result in a £20 million charge to the Comprehensive Income and Expenditure Statement.</p> <p>Conversely, an increase in value would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>Depreciation charges for operational buildings will change in direct proportion to the change in estimated fair value.</p> <p>The net book value of non-current assets subject to potential revaluation is around £1.6 billion.</p>

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex estimates relating to, amongst others, the discount rate used, the rate at which salaries are projected to increase, changes in retirement age, mortality rates and expected returns on pension fund assets. Consulting actuaries provide advice concerning these estimates.	The effect of changes in these estimates on the net pension liability of the Council can be measured, but are complex and interact in a complex manner. The Council is reliant on the advice of its actuaries regarding estimates and the calculations of their effects. For example, changes in estimates, such as the measure of inflation and rate of inflation, could either reduce or increase the net pensions liability.
Business Rates	Following the introduction on 1 April 2013 of the Business rates retention scheme, local authorities are liable for their proportionate share of successful appeals against business rates. A provision based on best available information (the Valuation Office ratings list of appeals and an analysis of successful appeals to date) has been made for this liability.	Under the Business Rates Retention Scheme, the Council's financial exposure for financial losses in excess of the provision made is limited to £1.9 million.

5. Material Items of Income and Expense

Investment properties were revalued as at 31 March 2015 and resulted in a £43 million increase in revaluation. This is detailed in note 14 of the accounts.

6. Events after the Balance Sheet Date

The sale of the two held for sale assets disclosed in Note 19 – Bassett Road and Denyer Street sites - completed shortly after the balance sheet date. The receipts before costs of disposal were over £30 million. This income was already included in the Council's three year planned programme of capital investment reported to and agreed by Council in March 2015.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

The following tables detail the adjustments that are made between the total comprehensive income and expenditure recognised by the Council in accordance with proper accounting practice and the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

Movement on Usable Reserves 2014-15

	Revenue Reserves					Capital Reserves			Total Usable Reserves £'000
	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Schools Reserves £'000	London Residuary Body £'000	Major Repairs Reserve £'000	Capital Receipts Reserves £'000	Capital Grants Unapplied £'000	
Balance at 1 April 2014	10,000	183,419	18,942	6,495	4,177	392	36,743	7,143	267,311
Surplus or (deficit) on provision of services	28,949	-	(3,922)	-	-	-	-	-	25,027
Other comprehensive expenditure and income	-	-	-	-	(234)	-	-	-	(234)
Total Comprehensive Expenditure and Income	28,949	-	(3,922)	-	(234)	-	-	-	24,793
<i>Adjustments between accounting basis and funding basis under regulations</i>									
Reversal of items debited or credited to the CIES									
Depreciation of tangible non-current assets (excluding HRA depreciation)	9,715	-	-	-	-	-	-	-	9,715
Amortisation of intangible non-current assets (excluding HRA amortisation)	653	-	-	-	-	-	-	-	653
HRA depreciation / amortisation	-	-	2,992	-	-	-	-	-	2,992
Impairment / revaluation losses (charged to the CIES)	15,513	-	13,255	-	-	-	-	-	28,768
Capital grants and contributions applied	(1,679)	-	-	-	-	-	-	-	(1,679)
Revenue Expenditure Funded from Capital Under Statute	8,036	-	279	-	-	-	-	-	8,315
Movement in the market value of investment property	(42,839)	-	-	-	-	-	-	-	(42,839)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	6,042	-	-	-	-	-	-	-	6,042
Capital grants and contributions unapplied credited to the CIES	(674)	-	-	-	-	-	-	674	-
Transfer of sale proceeds credited as part of the gain / loss on disposal to the CIES	(12,490)	-	-	-	-	-	12,490	-	-
Use of capital grants to finance capital expenditure	-	-	-	-	-	-	-	-	-
Use of capital receipts reserve to finance capital expenditure	-	-	-	-	-	-	(20,207)	-	(20,207)
Reversal of items relating to retirement benefits debited or credited to the CIES	25,997	-	-	-	-	-	-	-	25,997
Amount by which council tax income and residual community charge adjustment included in the CIES is different from the amount taken to the General Fund in accordance with regulations	(230)	-	-	-	-	-	-	-	(230)
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	118	-	-	-	-	-	-	-	118
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(56)	-	-	-	-	-	-	-	(56)
Insertion of items not debited or credited to the CIES									
Statutory provision for the repayment of debt - Minimum Revenue Provision	(984)	-	-	-	-	-	-	-	(984)
Statutory repayment of debt (finance lease liabilities)	(20)	-	-	-	-	-	-	-	(20)
Voluntary provision above the Minimum Revenue Provision	(310)	-	-	-	-	-	-	-	(310)
Contribution to disposal costs of capital sales	290	-	-	-	-	-	(290)	-	-
HRA capital receipts to housing central pool	1,033	-	-	-	-	-	(1,033)	-	-
Revenue contribution to finance capital	(19,872)	-	-	-	-	-	-	-	(19,872)
Employers' contributions to pension schemes	(14,008)	-	-	-	-	-	-	-	(14,008)
Reversal of Major Repairs Allowance credited to the HRA	-	-	(10,092)	-	-	10,092	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	(9,876)	-	-	(9,876)
Total adjustment between accounting basis and funding basis under regulations	(25,765)	-	6,434	-	-	216	(9,040)	674	(27,481)
Net increase / decrease before transfers to earmarked reserves	3,184	-	2,512	-	(234)	216	(9,040)	674	(2,688)
Transfers to / from earmarked reserves (see Note 8)	(3,184)	3,509	45	(370)	-	-	8	-	8
Increase / decrease (movement) in-year	-	3,509	2,557	(370)	(234)	216	(9,032)	674	(2,680)
Balance at 31 March 2015 carried forward	10,000	186,928	21,499	6,125	3,944	608	27,711	7,817	264,631

Movement on Usable Reserves 2013-14

	Revenue Reserves					Capital Reserves			Total Usable Reserves £'000
	General Fund Balance £'000	Earmarked Reserves £'000	Housing Revenue Account £'000	Schools Reserves £'000	London Residuary Body £'000	Major Repairs Reserve £'000	Capital Receipts Reserves £'000	Capital Grants Unapplied £'000	
Balance at 1 April 2013	10,000	184,346	16,061	9,052	4,289	702	10,427	6,462	241,341
Surplus or (deficit) on provision of services	7,874	-	(1,785)	-	-	-	-	-	6,089
Other comprehensive expenditure and income	-	-	-	-	(112)	-	-	-	(112)
Total Comprehensive Expenditure and Income	7,874	-	(1,785)	-	(112)	-	-	-	5,977
Adjustments between accounting basis and funding basis under regulations									
Reversal of items debited or credited to the CIES									
Depreciation of tangible non-current assets (excluding HRA depreciation)	9,586	-	-	-	-	-	-	-	9,586
Amortisation of intangible non-current assets (excluding HRA amortisation)	754	-	-	-	-	-	-	-	754
HRA depreciation / amortisation	-	-	2,791	-	-	-	-	-	2,791
Impairment / revaluation losses (charged to the CIES)	20,726	-	9,087	-	-	-	-	-	29,813
Capital grants and contributions applied	(2,036)	-	-	-	-	-	-	-	(2,036)
Revenue Expenditure Funded from Capital Under Statute	13,712	-	11	-	-	-	-	-	13,723
Movement in the market value of investment property	(17,148)	-	-	-	-	-	-	-	(17,148)
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	4,417	-	-	-	-	-	-	-	4,417
Capital grants and contributions unapplied credited to the CIES	(960)	-	-	-	-	-	-	960	-
Transfer of sale proceeds credited as part of the gain / loss on disposal to the CIES	(14,297)	-	-	-	-	-	14,297	-	-
Use of capital grants to finance capital expenditure	-	-	-	-	-	-	-	(279)	(279)
Use of capital receipts reserve to finance capital expenditure	-	-	-	-	-	-	(80,745)	-	(80,745)
Reversal of items relating to retirement benefits debited or credited to the CIES	28,448	-	-	-	-	-	-	-	28,448
Amount by which council tax income and residual community charge adjustment included in the CIES is different from the amount taken to the General Fund in accordance with regulations	(280)	-	-	-	-	-	-	-	(280)
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(347)	-	-	-	-	-	-	-	(347)
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	(56)	-	-	-	-	-	-	-	(56)
Insertion of items not debited or credited to the CIES									
Statutory provision for the repayment of debt - Minimum Revenue Provision	(1,038)	-	-	-	-	-	-	-	(1,038)
Statutory repayment of debt (finance lease liabilities)	(35)	-	-	-	-	-	-	-	(35)
Voluntary provision above the Minimum Revenue Provision	(304)	-	-	-	-	-	-	-	(304)
Contribution to disposal costs of capital sales	268	-	-	-	-	-	(268)	-	-
HRA capital receipts to housing central pool	1,473	-	-	-	-	-	(1,473)	-	-
Revenue contribution to finance capital	(21,906)	-	-	-	-	-	-	-	(21,906)
Employers' contributions to pension schemes	(22,596)	-	-	-	-	-	-	-	(22,596)
Reversal of Major Repairs Allowance credited to the HRA	-	-	(7,252)	-	-	7,252	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	-	-	(7,562)	-	-	(7,562)
Transfer of Deferred Capital Receipts to Capital Receipts Reserve (Holland Park School)	-	-	-	-	-	-	84,890	-	84,890
Total adjustment between accounting basis and funding basis under regulations	(1,619)	-	4,637	-	-	(310)	16,701	681	20,090
Net increase / decrease before transfers to earmarked reserves	6,255	-	2,852	-	(112)	(310)	16,701	681	26,067
Transfers to / from earmarked reserves (see Note 8)	(6,255)	(927)	29	(2,558)	-	-	9,615	-	(97)
Increase / decrease (movement) in-year	-	(927)	2,881	(2,558)	(112)	(310)	26,316	681	25,970
Balance at 31 March 2014 carried forward	10,000	183,419	18,942	6,495	4,177	392	36,743	7,143	267,311

Movement in Unusable Reserves 2014-15

	Revaluation Reserve £000	Pensions Reserve £000	CAA £000	Deferred Capital Receipts £000	FIAA £000	AFS FI Reserve £000	CFAA £000	STACA Reserve £000	Unusable Reserves £'000	Total Usable Reserves £'000	All Reserves £'000
Balance at 1 April 2014	611,037	(198,790)	624,812	28	(799)	15	312	(1,748)	1,034,867	267,311	1,302,178
Movement in reserves during 2014-15											
Surplus or (deficit) on provision of services	-	-	-	-	-	-	-	-	-	25,027	25,027
Revaluation gains and losses	71,678	-	-	-	-	-	-	-	71,678	-	71,678
Impairment losses (chargeable to the Revaluation Reserve)	(94)	-	-	-	-	-	-	-	(94)	-	(94)
Movement in Available for Sale Financial Instruments	-	-	-	-	-	(980)	-	-	(980)	-	(980)
Movement in the Pensions Reserve	-	(54,777)	-	-	-	-	-	-	(54,777)	-	(54,777)
Other comprehensive expenditure and income	-	-	-	-	-	-	-	-	-	(234)	(234)
Total Comprehensive Expenditure and Income	71,584	(54,777)	-	-	-	(980)	-	-	15,827	24,793	40,620
Adjustments between accounting basis and funding basis under regulations											
Reversal of items debited or credited to the CIES											
Depreciation of tangible non-current assets (excluding HRA depreciation)	-	-	(9,715)	-	-	-	-	-	(9,715)	9,715	-
Amortisation of intangible non-current assets (excluding HRA amortisation)	-	-	(653)	-	-	-	-	-	(653)	653	-
HRA depreciation / amortisation	-	-	(2,992)	-	-	-	-	-	(2,992)	2,992	-
Impairment / revaluation losses (charged to the CIES)	-	-	(28,768)	-	-	-	-	-	(28,768)	28,768	-
Capital grants and contributions applied	-	-	1,679	-	-	-	-	-	1,679	(1,679)	-
Revenue Expenditure Funded from Capital Under Statute	-	-	(8,316)	-	-	-	-	-	(8,316)	8,316	-
Movement in the market value of investment property	-	-	42,839	-	-	-	-	-	42,839	(42,839)	-
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	-	-	(6,042)	-	-	-	-	-	(6,042)	6,042	-
Use of capital receipts reserve to finance capital expenditure	-	-	20,207	-	-	-	-	-	20,207	(20,207)	-
Reversal of items relating to retirement benefits debited or credited to the CIES	-	(25,997)	-	-	-	-	-	-	(25,997)	25,997	-
Amount by which council tax income and residual community charge adjustment included in the CIES is different from the amount taken to the General Fund in accordance with regulations	-	-	-	-	-	-	230	-	230	(230)	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-	(118)	(118)	118	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	-	-	-	-	56	-	-	-	56	(56)	-
Insertion of items not debited or credited to the CIES											
Statutory provision for the repayment of debt - Minimum Revenue Provision	-	-	984	-	-	-	-	-	984	(984)	-
Statutory repayment of debt (finance lease liabilities)	-	-	20	-	-	-	-	-	20	(20)	-
Voluntary provision above the Minimum Revenue Provision	-	-	310	-	-	-	-	-	310	(310)	-
Revenue contribution to finance capital	-	-	19,872	-	-	-	-	-	19,872	(19,872)	-
Employers' contributions to pension schemes	-	14,008	-	-	-	-	-	-	14,008	(14,008)	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	9,876	-	-	-	-	-	9,876	(9,876)	-
Adjustment between the CAA and Revaluation Reserve in respect of assets disposed of or scrapped	(4,936)	-	4,936	-	-	-	-	-	-	-	-
Total adjustment between accounting basis and funding basis under regulations	(4,936)	(11,989)	44,237	-	56	-	230	(118)	27,480	(27,480)	-
Net increase / decrease before transfers to earmarked reserves	66,648	(66,766)	44,237	-	56	(980)	230	(118)	43,307	(2,687)	40,620
Transfers to / from earmarked reserves (see Note 8)	-	-	-	(8)	-	-	-	-	(8)	8	-
Increase / decrease (movement) in-year	66,648	(66,766)	44,237	(8)	56	(980)	230	(118)	43,299	(2,679)	40,620
Balance at 31 March 2015 carried forward	677,685	(265,556)	669,049	21	(743)	(965)	540	(1,866)	1,078,166	264,632	1,342,797

Movement in Unusable Reserves 2013-14

	Revaluation Reserve £000	Pensions Reserve £000	CAA £000	Deferred Capital Receipts £000	FIAA £000	AFS FI Reserve £000	CFAA £000	STACA Reserve £000	Unusable Reserves £'000	Total Usable Reserves £'000	All Reserves £'000
Balance at 1 April 2013	521,121	(241,242)	551,338	84,821	(854)	-	31	(2,095)	913,121	241,341	1,154,462
Movement in reserves during 2013-14											
Surplus or (deficit) on provision of services	-	-	-	-	-	-	-	-	-	6,089	6,089
Revaluation gains and losses	94,577	-	-	-	-	-	-	-	94,577	-	94,577
Impairment losses (chargeable to the Revaluation Reserve)	(1,155)	-	-	-	-	-	-	-	(1,155)	-	(1,155)
Movement in Available for Sale Financial Instruments	-	-	-	-	-	15	-	-	15	-	15
Movement in the Pensions Reserve	-	48,301	-	-	-	-	-	-	48,301	-	48,301
Other comprehensive expenditure and income	-	-	-	-	-	-	-	-	-	(112)	(112)
Total Comprehensive Expenditure and Income	93,422	48,301	-	-	-	15	-	-	141,738	5,977	147,715
Adjustments between accounting basis and funding basis under regulations											
Reversal of items debited or credited to the CIES											
Depreciation of tangible non-current assets (excluding HRA depreciation)	-	-	(9,586)	-	-	-	-	-	(9,586)	9,586	-
Amortisation of intangible non-current assets (excluding HRA amortisation)	-	-	(754)	-	-	-	-	-	(754)	754	-
HRA depreciation / amortisation	-	-	(2,791)	-	-	-	-	-	(2,791)	2,791	-
Impairment / revaluation losses (charged to the CIES)	-	-	(29,813)	-	-	-	-	-	(29,813)	29,813	-
Capital grants and contributions applied	-	-	2,036	-	-	-	-	-	2,036	(2,036)	-
Revenue Expenditure Funded from Capital Under Statute	-	-	(13,723)	-	-	-	-	-	(13,723)	13,723	-
Movement in the market value of investment property	-	-	17,148	-	-	-	-	-	17,148	(17,148)	-
Amounts of non-current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	-	-	(4,417)	-	-	-	-	-	(4,417)	4,417	-
Use of capital grants to finance capital expenditure	-	-	278	-	-	-	-	-	278	(278)	-
Use of capital receipts reserve to finance capital expenditure	-	-	80,745	-	-	-	-	-	80,745	(80,745)	-
Reversal of items relating to retirement benefits debited or credited to the CIES	-	(28,448)	-	-	-	-	-	-	(28,448)	28,448	-
Amount by which council tax income and residual community charge adjustment included in the CIES is different from the amount taken to the General Fund in accordance with regulations	-	-	-	-	-	-	281	-	281	(281)	-
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-	-	347	347	(347)	-
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	-	-	-	-	55	-	-	-	55	(55)	-
Insertion of items not debited or credited to the CIES											
Statutory provision for the repayment of debt - Minimum Revenue Provision	-	-	1,038	-	-	-	-	-	1,038	(1,038)	-
Statutory repayment of debt (finance lease liabilities)	-	-	35	-	-	-	-	-	35	(35)	-
Voluntary provision above the Minimum Revenue Provision	-	-	304	-	-	-	-	-	304	(304)	-
Revenue contribution to finance capital	-	-	21,904	-	-	-	-	-	21,904	(21,904)	-
Employers' contributions to pension schemes	-	22,599	-	-	-	-	-	-	22,599	(22,599)	-
Reversal of Major Repairs Allowance credited to the HRA	-	-	-	-	-	-	-	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	7,562	-	-	-	-	-	7,562	(7,562)	-
Adjustment between the CAA and Revaluation Reserve for the difference between current cost depreciation and historic cost depreciation	-	-	-	-	-	-	-	-	-	-	-
Adjustment between the CAA and Revaluation Reserve in respect of assets disposed of or scrapped	(3,506)	-	3,506	-	-	-	-	-	-	-	-
Transfer of Deferred Capital Receipts to Capital Receipts Reserve (Holland Park School)	-	-	-	(84,890)	-	-	-	-	(84,890)	84,890	-
Total adjustment between accounting basis and funding basis under regulations	(3,506)	(5,849)	73,474	(84,890)	55	-	281	347	(20,090)	20,090	-
Net increase / decrease before transfers to earmarked reserves	89,916	42,452	73,474	(84,890)	55	15	281	347	121,648	26,067	147,715
Transfers to / from earmarked reserves (see Note 8)	-	-	-	97	-	-	-	-	97	(97)	-
Increase / decrease (movement) in-year	89,916	42,452	73,474	(84,793)	55	15	281	347	121,745	25,970	147,715
Balance at 31 March 2014 carried forward	611,037	(198,790)	624,812	28	(799)	15	312	(1,748)	1,034,867	267,311	1,302,178

8. Transfers to and from Earmarked Reserves and Usable Reserves

This note summarises the Council's usable reserves. It 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. A description of the purpose of the earmarked reserves has been provided in the glossary.

The Council has two capital reserves: the Usable Capital Receipts Reserve and the Capital Grants Unapplied Account. These two reserves totalled £35.5 million at 31 March 2015. All other reserves are revenue reserves. Capital grants may be applied to certain items of revenue where regulations and statute permit.

8a. Summary of Usable Reserves

	1 April 2013 £'000	Transfers Out 2013-14 £'000	Transfers In 2013-14 £'000	31 March 2014 £'000	Transfers Out 2014-15 £'000	Transfers In 2014-15 £'000	31 March 2015 £'000
General Fund	10,000	-	-	10,000	-	-	10,000
Earmarked Reserves (General Fund) [see 8c]	183,963	(80,166)	79,266	183,064	(67,587)	71,140	186,617
Schools' reserves	9,052	(3,564)	1,006	6,494	(1,426)	1,057	6,125
London Residuary Body balance	4,290	(112)	-	4,177	(234)	-	3,944
Housing Revenue Account	17,146	(7,608)	10,150	19,689	(9,984)	12,713	22,417
Usable Capital Receipts	10,427	(80,745)	107,061	36,743	(20,207)	11,175	27,711
Capital Grants Unapplied	6,462	(260)	941	7,143	(10,912)	11,586	7,817
Total Usable Reserves	241,341	(172,455)	198,425	267,311	(110,350)	107,671	264,631

8b. Transfer to and from Housing Revenue Account Reserves

	1 April 2013 £'000	Transfers Out 2013-14 £'000	Transfers In 2013-14 £'000	31 March 2014 £'000	Transfers Out 2014-15 £'000	Transfers In 2014-15 £'000	31 March 2015 £'000
Housing Revenue Account	16,061	-	2,881	18,942	-	2,557	21,499
Major Repairs Reserve	702	(7,580)	7,270	392	(9,892)	10,108	608
HRA Controlled Repairs (Earmarked Reserves)	271	(8)	-	263	-	48	311
HRA Lancaster West Estate Management Board (Earmarked Reserves)	113	(20)	-	92	(92)	-	-
Total Housing Revenue Account Reserves	17,146	(7,608)	10,150	19,689	(9,984)	12,713	22,417

8c. Transfer to and from General Fund Earmarked Reserves

	1 April 2013	Transfers Out 2013-14	Transfers In 2013-14	31 March 2014	Transfers Out 2014-15	Transfers In 2014-15	31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Better City Life	2,544	(20)	300	2,824	(53)	300	3,071
Budget Carry Forward	8,314	(3,684)	1,647	6,277	(4,320)	1,587	3,544
Capital Expenditure	69,704	(30,058)	22,235	61,881	(18,997)	25,340	68,224
Car Parking	23,646	(33,451)	32,752	22,948	(32,854)	32,582	22,676
Community Safety	917	(60)	-	857	(25)	-	832
Corporate Information Systems (IS) Initiatives	406	(81)	132	457	(32)	126	551
Cost Reduction (Transformation Fund)	6,231	(2,214)	7,500	11,517	(2,206)	6,506	15,817
Demand Growth	5,297	-	-	5,297	-	-	5,297
Economic Development	205	-	177	383	-	251	633
Excellence All Round	2,926	(156)	-	2,770	-	-	2,770
General Services Building Maintenance	155	(316)	246	85	(331)	976	730
Insurance	4,883	(250)	374	5,006	(250)	608	5,364
Lead Flood Authority	132	-	130	262	-	-	262
Licensing and Planning Costs	250	-	-	250	-	-	250
Local Elections	223	-	75	298	-	75	373
Local Initiatives (Transformation Fund)	4,771	-	-	4,771	-	-	4,771
Planning and Borough Development Resources	-	-	573	573	-	-	573
Property Strategy	2,122	(400)	500	2,223	(355)	1,000	2,868
Repairs and Renewals	3,623	(361)	386	3,647	(237)	511	3,922
Service Risks	6,753	(2,750)	-	4,003	-	-	4,003
Service Risks Housing	-	-	3,543	3,543	-	-	3,543
Severance (Transformation Fund)	8,594	-	325	8,919	(145)	325	9,099
Specific Grant Loss	4,172	-	-	4,172	-	-	4,172
Strategic Regeneration	14,227	(69)	-	14,158	(42)	-	14,116
Supporting People	4,706	-	-	4,706	-	-	4,706
Value Added Tax (VAT) Liability	1,800	-	400	2,200	-	911	3,111
Other Earmarked Reserves (<£250k balance)	7,362	(6,295)	7,971	9,038	(7,740)	42	1,339
Total General Fund Earmarked Reserves	183,963	(80,166)	79,266	183,064	(67,587)	71,140	186,617

9. Other Operating Expenditure

	2014-15 £'000	2013-14 £'000
Levies	3,345	3,313
Payments to the Government Housing Capital Receipts Pool	1,033	1,473
(Gains) / losses on the disposal of non-current assets	(6,159)	(9,611)
Total	(1,781)	(4,825)

10. Financing and Investment Income and Expenditure

	2014-15 £'000	2013-14 £'000
Interest payable and similar charges	10,519	11,031
Interest payable on finance leases	5	7
Net interest on the net defined benefit liability	8,569	10,418
Interest receivable and similar income	(1,081)	(1,773)
Income and expenditure in relation to investment properties	(5,827)	(5,689)
Changes to fair value of investment properties	(42,839)	(17,148)
Other investment income – (surplus) / deficit on trading operations that are not allocated back to services	35	(112)
Total	(30,619)	(3,267)

11. Taxation and Non-Specific Grant Income

	2014-15 £'000	2013-14 £'000
National Non Domestic Rates	(81,662)	(78,546)
Business rates tariff	35,065	34,395
Non-ring fenced Government grants	(59,690)	(71,140)
Total Government funding	(106,287)	(115,291)
Council tax income	(72,349)	(71,496)
Capital grants and contributions	(2,353)	(2,996)
Total	(180,989)	(189,783)

12. Property, Plant and Equipment

12a. Movement on Balances

Movements in 2014-15	Council Dwellings	Other Land and Buildings	Vehicles, Equipment Plant and Furniture	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2014	640,186	550,704	15,081	70,751	8,981	-	11,442	1,297,145
Additions	13,236	29,654	374	423	391	-	1,238	45,317
Revaluation increases / (decreases) and impairments recognised in the Revaluation Reserve	48,162	3,792	-	-	-	-	-	51,954
Revaluation increases / (decreases) and impairments recognised in the CIES	-	(15,208)	-	-	-	-	-	(15,208)
Transfers to Assets Held for Sale	-	-	-	-	-	-	-	-
Transfers in	-	10,717	-	-	-	-	798	11,515
Transfers out	(20)	(798)	-	-	-	-	(10,697)	(11,515)
Derecognition - disposals	(1,003)	(3,057)	(1,917)	-	-	-	(209)	(6,186)
At 31 March 2015	700,562	575,804	13,538	71,175	9,372	-	2,572	1,373,022
Accumulated Depreciation and Impairment								
At 1 April 2014	-	2	6,728	23,905	-	-	-	30,635
Depreciation charge	2,666	4,791	1,140	3,922	-	-	-	12,519
Revaluations	(15,818)	(4,337)	-	-	-	-	-	(20,155)
Impairments	13,236	(61)	-	-	-	-	-	13,175
Assets reclassified to Assets Held for Sale	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Derecognition - disposals	(84)	(394)	(1,001)	-	-	-	-	(1,479)
At 31 March 2015	-	-	6,867	27,827	-	-	-	34,694
Net Book Value								
At 31 March 2015	700,562	575,804	6,671	43,348	9,372	-	2,572	1,338,328
At 31 March 2014	640,186	550,702	8,353	46,846	8,981	-	11,442	1,266,510

Comparative Movements in 2013-14

	Council Dwellings	Other Land and Buildings	Vehicles, Equipment Plant and Furniture	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Cost or Valuation</u>								
At 1 April 2013	597,454	576,743	15,337	70,718	7,599	-	5,978	1,273,829
Additions	8,146	15,646	646	33	1,382	-	8,733	34,586
Revaluation increases / (decreases) and impairments recognised in the Revaluation Reserve	35,455	42,070	(62)	-	-	-	-	77,463
Revaluation increases / (decreases) and impairments recognised in the CIES	(534)	(20,574)	(454)	-	-	-	(486)	(22,047)
Transfers to Assets Held for Sale	-	-	-	-	-	-	-	-
Transfers in	529	1,522	-	-	-	-	-	2,051
Transfers out	-	(4,997)	-	-	-	-	(975)	(5,972)
Derecognition - disposals	(864)	(59,706)	(386)	-	-	-	(1,808)	(62,764)
At 31 March 2014	640,186	550,704	15,081	70,751	8,981	-	11,442	1,297,145
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2013	-	59,204	6,056	19,986	-	-	-	85,246
Depreciation charge	2,781	4,062	1,438	3,919	-	-	-	12,201
Revaluations	(10,709)	(3,905)	(251)	-	-	-	-	(14,865)
Impairments	7,974	(164)	(322)	-	-	-	-	7,488
Assets reclassified to Assets Held for Sale	-	-	-	-	-	-	-	-
Transfers in	-	8	-	-	-	-	-	8
Transfers out	-	-	-	-	-	-	-	-
Derecognition - disposals	(47)	(59,202)	(194)	-	-	-	-	(59,442)
At 31 March 2014	-	2	6,728	23,905	-	-	-	30,635
Net Book Value								
At 31 March 2014	640,186	550,702	8,353	46,846	8,981	-	11,442	1,266,510
At 31 March 2013	597,454	517,539	9,280	50,732	7,599	-	5,978	1,188,583

12b. Depreciation rates

Council Dwellings:

The Major Repairs Allowance, calculated by the Government, has been used as a proxy for depreciation in line with Government guidance. The most recent valuation of the housing stock estimated the remaining useful lives of individual dwellings at between 50 and 100 years. Use of the Major Repairs Allowance in lieu of a calculation based on the estimated useful lives of the dwellings has no material impact on the accounts. Land is not depreciated because it has an indefinite useful life.

Other Land and Buildings:

With the exception of assets that are not yet available for use and thus are not being depreciated; buildings are depreciated on a straight line basis over their estimated useful lives, generally between 25 and 50 years. Land is not depreciated because it has an indefinite useful life.

Vehicles, Plant, Furniture and Equipment:

Depreciation is calculated on a straight line basis over the anticipated useful life of the asset. Vehicles are normally depreciated over 7 years; furniture over 7 years; plant between 9 and 30 years; and equipment: 2 to 10 years.

Infrastructure:

Infrastructure is normally on a straight line basis over the anticipated useful life of the asset which is between 15 and 50 years, but normally 21 years.

12c. Capital Commitments

Outstanding capital commitments:

	31 March 2015		31 March 2014	
	General* Fund	Housing Revenue Account**	General Fund	Housing Revenue Account
	£m	£m	£m	£m
Schemes contracted for	7.5	7.6	34.8	3.7
Schemes not contracted for	185.6	0.0	75.8	0.2
Total	193.1	7.6	110.6	3.9

The ability to carry out schemes planned, but not contracted for, will depend on the availability of capital resources at the appropriate time.

* Figures for the General Fund are estimates based in the Capital Budget 2015-16 to 2017-18 excluding schools that have converted to Academies. An assumption is made that specific named schemes having spent more than 10 per cent of the budget are contracted.

** For the Housing Revenue Account, schemes are not treated as capital commitments until firm funding has been allocated.

Significant outstanding capital commitments at **31 March 2015** and **31 March 2014** are / were as follows:

	2015		2014	
	Total Cost £m	Total Outstanding £m	Total Cost £m	Total Outstanding £m
GENERAL FUND:				
Kensington Leisure Centre	29.4	1.8	29.8	18.5
Central Library Condition Works	4.5	1.7	5.8	5.0
Pembroke Road Depot Relocation Leaseholder Buyout***	-	-	3.0	2.5
Office Accommodation (SPACE)	24.3	0.4	24.1	2.2
HOUSING REVENUE ACCOUNT:				
Grenfell Tower	10.3	6.4	-	-
Decent Homes - kitchens, bathrooms and electrical rewiring	-	-	5.2	2.0
Roof renewal and associated external works	-	-	1.6	1.6

*** Expenditure to 31 March 2015 is less than 10 per cent of the revised budget

12d. Effects of Changes in Estimates

In 2011-12, the Council undertook a full revaluation of its operational, museums within Heritage Assets and "other" properties. The work was undertaken by Drivas Jonas Deloitte, whose staff are qualified surveyors with the Royal Institution of Chartered Surveyors (RICS). The revaluation included a reassessment of the estimated useful lives of the assets, revisited the valuation basis of each asset and considered the assumptions used in calculating the value of specialised buildings valued under the Depreciated Replacement Cost (DRC) methodology.

The revaluations and attendant revisions to the estimated useful lives of the properties had no material impact on the overall depreciation charges; reductions in asset values were largely offset by reductions in the estimated useful lives. Overall, depreciation charges, excluding dwellings, increased from £10.4 million to £10.7 million on a like-for-like basis.

12e. Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years and reviewed as appropriate. All valuations of dwellings and other land and buildings have been undertaken by external surveyors who are fully qualified with the RICS and agreed by the Council's Property Services department.

Valuations of land, buildings and associated plant are carried out in accordance with the methodologies and bases for estimation set out by the RICS, except for Council Dwellings, which are valued in accordance with Government Guidance *Stock Valuation for Resource Accounting: Guidance for Valuers - 2010*. Associated plant is held under the current cost model as a component of its parent building and therefore has no associated historic cost.

The Council has not yet undertaken valuations of its vehicles, furniture and equipment, but when required to do so, these will be based on current prices where there is an active second-hand market or the latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- Except where specific information is available, assets are maintained in a reasonable condition.
- No allowance has been made for any national or local tax whether existing or which may arise in the future.
- In relation to Council dwellings, the valuation takes account of plant and machinery normally associated with valuation of land and buildings, including mains services, heating and permanent structures and other relevant installations.

Vehicles, furniture and equipment that are not traded in an active market, have a short useful life, value that is not material or all three, are carried at depreciated historical cost as a proxy for fair value.

	Council Dwellings £'000	Other Land and Buildings £'000	Plant £'000	Vehicles, Furniture and Equipment £'000	Heritage Assets held under Current Cost Model £'000	Surplus Assets £'000	Total £'000
Carrying amount if assets had been carried under the cost model	390,411	232,137	-	2,856	4,310	-	629,713
Valued at fair value as at:							
1 April 2014	-	-	-	-	-	-	-
1 April 2013	-	-	-	-	-	-	-
1 April 2012	-	-	-	-	-	-	-
1 April 2011	-	526,504	5,742	-	18,683	-	-
1 April 2010	585,712	-	-	-	-	-	-
Current carrying value	700,562	575,804	3,847	2,824	19,700	-	1,302,736

13. Heritage Assets

13a. Reconciliation of the Carrying Value of Heritage Assets Held by the Council

Cost or Valuation	Heritage Properties £'000	Museum Collections £'000	Art in Parks £'000	Total Assets £'000
1 April 2013	19,883	22,703	1,903	44,489
Additions	-	50	60	110
Disposals	-	-	-	-
Revaluation increases / (decreases) and impairments recognised in the Revaluation Reserve	1,094	-	-	1,094
Revaluation increases / (decreases) and impairments recognised in the surplus / deficit on the provision of services	-	-	-	-
Depreciation	(177)	-	-	(177)
31 March 2014	20,800	22,753	1,963	45,516
Cost or Valuation				
1 April 2014	20,800	22,753	1,963	45,516
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluation increases / (decreases) and impairments recognised in the Revaluation Reserve	(526)	-	-	(526)
Revaluation increases / (decreases) and impairments recognised in the surplus / deficit on the provision of services	(386)	-	-	(386)
Depreciation	(188)	-	-	(188)
31 March 2015	19,700	22,753	1,963	44,416

The heritage properties (the museums: Leighton House and 18 Stafford Terrace) are valued and accounted for at fair value in accordance with the Council's accounting policies on property, plant and equipment.

The museum collections and the art in parks are reported in the balance sheet at their insurance valuation (based on market values provided by valuers Christie, Manson and Woods Ltd and Stancliff and Glover Ltd). These valuations are reviewed periodically as deemed appropriate for insurance purposes. Acquisitions are recognised at cost. These are deemed to have indeterminate lives and high residual value, hence the Council does not deem it appropriate to charge depreciation for these assets.

The local regalia, and the local studies and archive collection require no balance sheet disclosure because the collections are of low balance sheet value due to individual items either: having nil or low market value; being worth less than the Council's de minimis threshold of £10,000; or having no up-to-date valuation that is reliable. (FRS 30 does not require the Council to obtain valuations of heritage assets where none exists.)

The Council's heritage asset holdings are largely static with no disposals or additions above the Council's de minimis threshold in 2014-15.

Further Information

The Council operates two museums: Leighton House Museum and 18 Stafford Terrace (also known as Linley Samborne House).

Leighton House was the former home and studio of the leading Victorian artist, Frederic, Lord Leighton (1830-1896). Built to designs by George Aitchison, it was extended and embellished over a period of thirty years to create a private palace of art.

From 1875, 18 Stafford Terrace was the home of Punch cartoonist Edward Linley Sambourne, his wife Marion, their two children and their live-in servants. Today, the house is recognised as the best surviving example of a late Victorian middle-class home in the UK. It is remarkably well preserved and complete with its original interior decoration and contents.

Within the two museums are the related collections of art works and other relevant artefacts. Details of the museums themselves and their collections can be found on the Council's website at **Leighton House** and **18 Stafford Terrace**.

Art in Parks

The Council displays artworks in a range of settings around the Royal Borough, mainly in Holland Park. More details can be found on the Council's website - **Sculpture and Art Around The Borough**. Please note that the artworks detailed in this publication are not all owned by the Council.

13b. Five Year Movements

Museums held at current cost	2010-11 £'000	2011-12 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000
Opening carrying value	13,418	13,336	18,518	19,883	20,800
Additions and enhancements	100	2	-	-	-
Revaluations	-	5,347	1,533	1,094	(912)
Depreciation	(182)	(167)	(167)	(177)	(188)
Closing carrying value	13,336	18,518	19,883	20,800	19,700

The table above shows the annual changes to the net book values of the museums within Heritage Assets that are held at current cost.

Prior to 2011-12, there was only one transaction that affected either the museum collections or art in parks. In 2008-09, with the support of a £310,000 Heritage Lottery Fund grant, £82,500 Arts Fund grant, £5,000 from the Friends of Leighton House and £5,000 public donations, topped up by £17,500 from the Council's revenue resources, the Council purchased the second Clytie painting by Frederic Lord Leighton for its museum collection.

In 2011-12, the Council, with the aid of a £22,308 grant from the Arts Fund and £10,000 from the Friends of Leighton House, purchased for the museum collection the Colour Sketch: Cimabue's Celebrated Madonna by Frederic Lord Leighton for £50,490.

In 2013-14, the Council acquired the painting, Nymphs in a Landscape, for the Leighton House Museum at a cost of £50,000 and the Working Man statute for Holland Park at a cost of £60,000.

14. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2014-15 £'000	2013-14 £'000
Rental income from investment property	11,658	7,438
Direct operating expenses arising from investment property	(5,831)	(2,224)
Net gain / (loss)	5,827	5,214

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on its right to the remittance of income and the proceeds of disposal.

The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2014-15 £'000	2013-14 £'000
Balance at start of the year	159,451	139,114
Additions:		
Purchases	-	-
Construction	-	-
Subsequent expenditure	631	91
Disposals	(1,300)	(146)
Net gains / (losses) from fair value adjustments	42,839	17,148
Transfers:		
(To) / from Inventories	-	-
(To) / from Property, Plant and Equipment	-	3,244
Other changes	-	-
Balance at end of the year	201,621	159,451

In 2011-12, the Council undertook a full revaluation of its investment properties, including an inspection of each property. The work was undertaken by Deloitte Real Estate (formerly Drivers Jonas Deloitte), whose staff are qualified surveyors with the Royal Institution of Chartered Surveyors (RICS). In accordance with IAS 40, the valuation of the investment properties is updated each year to reflect movements in their market value. Deloitte Real Estate undertook this work for 2014-15.

15. Intangible Assets

The Council's intangible assets consist of purchased licenses and internally generated software. The Council accounts for software as an intangible asset where it provides economic benefit to the Council for a period greater than one year and if sourced from an external supplier, is licensed for a period greater than one year. Therefore, where a license is not purchased from a supplier, but a right to use software is granted in return for an annual fee, that software is not capitalised.

All capitalised software is given a finite useful life of seven years, unless the software is expected to be of use to the Council for a shorter period. The intangible asset is amortised on a straight line basis over its anticipated useful life. The Council has not capitalised any major software suites for a period other than seven years.

In 2014-15, amortisation was charged to services under the Service Reporting Code of Practice as follows:

£151,077 to Support Service and Management Costs within Children's and Education Services;
 £148,520 to Support Service and Managements Costs within Adult Social Care;
 £54,781 to Regulatory Services within Environmental and Regulatory Services;
 £27,923 to the Libraries Service within Cultural and Related Services;
 £10,507 to Service Management and Support Services within Planning Services; and
 £1,200 to General Fund Housing Services.

The remainder, totalling £258,790 is absorbed as an overhead across all service headings in the Net Expenditure of Services.

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

	2014-15			2013-14		
	Internally Generated Assets £'000	Other Assets £'000	Total £'000	Internally Generated Assets £'000	Other Assets £'000	Total £'000
Balance at start of year:						
Gross carrying amounts	372	6,638	7,010	318	6,285	6,603
Accumulated amortisation	(115)	(4,362)	(4,477)	(66)	(3,399)	(3,465)
Net carrying amount at start of year	257	2,276	2,533	252	2,886	3,138
Additions:						
Internal development	28	-	28	53	-	53
Purchases	-	279	279	-	374	374
Other disposals	-	(34)	(34)	-	-	-
Impairment losses*	-	-	-	-	(278)	(278)
Amortisation for the period	(59)	(594)	(653)	(48)	(705)	(753)
Net carrying amount at end of year	226	1,927	2,153	257	2,276	2,533
Comprising:						
Gross carrying amounts	400	6,826	7,225	372	6,638	7,010
Accumulated amortisation	(174)	(4,898)	(5,072)	(115)	(4,362)	(4,477)

*recognised in the Surplus / Deficit on the Provision of Services

16. Financial Instruments

16a. Financial Instruments - Balances

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

	31 March 2015		31 March 2014	
	Long Term £'000	Current £'000	Long Term £'000	Current £'000
Borrowings				
Financial liabilities (principal amount)	(141,373)	(8,573)	(149,944)	(7,798)
Accrued interest (all short term)	-	(2,221)	-	(2,417)
Total borrowings	(141,373)	(10,793)	(149,944)	(10,216)
Debtors				
Long term debtors	95	-	102	-
Current debtors	-	41,255	-	36,861
Total debtors	95	41,255	102	36,861
Cash				
Cash and cash equivalents	-	34,869	-	18,980
Bank accounts in overdraft	-	-	-	(8,780)
Total cash and cash equivalents	-	34,869	-	10,199
Creditors				
Short term creditors	-	(90,548)	-	(99,727)
Investments				
Loans and receivables (principal amount)	-	45,257	-	97,300
Accrued interest	-	10	-	29
Loans and receivables at amortised cost (1)	-	45,267	-	97,329
Available-for-Sale financial assets	-	171,578	-	129,250
Accrued interest	-	133	-	44
Financial assets held at fair value through the CIES (2)	-	-	-	29,483
Other investments	23	-	23	-
Total investments (3)	23	216,978	23	256,105

Note 1 – Under accounting requirements the carrying value of the financial instruments is shown in the Balance Sheet including the principal amount borrowed or lent together accrued interest.

Note 2 – Fair value has been measured by direct reference to published price quotations in an active market.

Note 3 – The long term investment figure in the Balance Sheet relates to monies invested to maintain graves in perpetuity. These are not included within the table above.

During the year more use has been made of Available-for-Sale financial assets, which is reflected in the above table.

16b. Financial Instruments – Gains / Losses

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

	2014-15				2013-14					
	Financial Liabilities	Financial Assets			Total	Financial Liabilities	Financial Assets			Total
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for-Sale assets(1) £'000	At fair value through CIES (2) £'000	£'000	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for-Sale assets £'000	At fair value through CIES £'000	Total £'000
Interest expenses	(10,518)	-	-	-	(10,518)	(11,031)	-	-	-	(11,031)
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-	-	-
Interest payable and similar charges	(10,518)				(10,518)	(11,031)	-	-	-	(11,031)
Interest income	-	250	770	3	1,023	-	372	195	113	680
Gains on derecognition	-	-	-	-	-	-	-	-	5	5
Losses on derecognition	-	-	-	(17)	(17)	-	-	-	(89)	(89)
Interest and investment income	-	250	770	(14)	1,007	-	372	195	29	596
Gains on revaluation	-	-	-	-	-	-	-	15	-	15
Losses on revaluation	-	-	(965)	-	(965)	-	-	-	-	-
Amounts recycled to the CIES after impairment	-	-	-	-	-	-	-	-	-	-
Surplus arising on revaluation of financial assets	-	-	(965)	-	(965)	-	-	15	-	15
Net gain / (loss) for the year	(10,518)	250	(195)	(14)	(10,477)	(11,031)	372	210	29	(10,420)

(1) Available-for-Sale financial instruments consist of the Council's holdings in UK Treasury Bills, Gilts, Transport for London commercial paper and Network Rail bonds. These are valued at the year-end by the Council's custodian with reference to the price quoted on the relevant markets at the close of business on 31 March. Any gains or losses on revaluation have been recognised in the Comprehensive Income and Expenditure Statement.

(2) Fair Value through the Comprehensive Income and Expenditure Statement represents the funds placed with the Council's external fund manager, Investec, which holds funds as part of a portfolio of identified financial instruments that can be managed together and are acquired principally for the purpose of selling or repurchasing in the near term. The prices quoted for the holdings are the bid prices. The fund manager's portfolio has been accounted for at fair value through the Comprehensive Income and Expenditure Statement.

16c. Financial Instruments – Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on 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 life of the instruments, using the following assumptions:

- Public Works Loan Board (PWLB) loans have been valued using the new borrowing certainty rates published by the DMO on 31 March 2015.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.

The fair values are calculated as follows:

	31 March 2015		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Debt	141,373	191,615	149,944	185,590
Loans and receivables				
Money market loans <1 year	45,267	45,267	97,329	97,329
Money market loans > 1 year	-	-	-	-
Available-for-Sale < 1 year	171,712	171,712	129,294	129,294
Available-for-Sale > 1 year	-	-	-	-
Total loans and receivables	216,979	216,979	226,623	226,623

The fair value for financial liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet Date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans. The calculation above uses the PWLB new borrowing certainty rate as the discount factor. If the premature redemption rate were to be used, the fair value would be £209,931 (£201,658 as at 31 March 2014).

The fair values for financial liabilities have been determined by reference to the PWLB redemption rules and prevailing PWLB loan rates at each Balance Sheet Date. They include accrued interest.

At 31 March 2015, all money market loans and receivables are repayable within one year. Therefore, the carrying amount is assumed to approximate fair value; the figures for both years include accrued interest. The prevailing comparator market rates have been taken from

indicative investment rates at the Balance Sheet Date. In practice, rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference is not likely to be material.

During the year the Council increased its use of Available-for-Sale financial assets; these are assets which are tradable and have a quoted market price. The Council's portfolio at 31 March 2015 consisted of UK Treasury Bills, Network Rail corporate bonds, Transport for London commercial paper and European Investment Bank bonds. The above table reflects the movement into this asset class from money market loans.

17. Debtors

17a. Current Debtors

	2015 £'000	2014 £'000
Government bodies	13,783	4,915
Other local authorities	9,406	9,543
NHS bodies	1,503	5,018
Public corporations and trading funds	-	2
Other entities and individuals	26,723	25,189
Total	51,415	44,667

17b. Long Term Debtors

	2015 £'000	2014 £'000
Advances - housing	44	51
Advances - other	51	51
Total	95	102

18. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	2015 £'000	2014 £'000
Cash held by the Council	8,258	9,535
Bank current accounts	3,198	70
Short-term deposits	23,413	9,376
Bank accounts in funds	34,869	18,980
Bank accounts in overdraft*	-	(8,780)
Cash and cash equivalents	34,869	10,199

*Please note the 2013-14 Council's bank accounts were not overdrawn. This was the year-end Balance Sheet position which, for example, included payments committed to but not yet cleared.

19. Assets Held for Sale

	2014-15 £'000	2013-14 £'000
Balance at Start of the Year	4,538	4,803
<i>Assets newly classified as Held for Sale:</i>		
Property, Plant and Equipment	-	685
Intangible assets	-	-
Other assets	-	-
Revaluation losses	-	-
Revaluation gains	-	-
Impairment losses	-	-
<i>Assets declassified as Held for Sale:</i>		
Property, Plant and Equipment newly classified as Held for Sale	-	-
Intangible assets	-	-
Other assets	-	-
Assets sold	-	(950)
Other movements	-	-
Balance at year-end	4,538	4,538

All the asset sales above completed early in the 2015-16 financial year. As the sales had not completed at the balance sheet date, the disclosure remains unchanged from 2014-15.

20. Creditors

	2015 £'000	2014 £'000
Government bodies	30,243	25,218
Other local authorities	10,374	12,719
NHS bodies	1,460	3,259
Public corporations and trading funds	-	6
Other entities and individuals	56,770	65,444
Total	98,847	106,645

21. Provisions

	Insurance	Mental Health Act	Termination Benefits	Single Status	Non Domestic Rates Appeal	Kensington Town Hall Business Rates	Other Provisions	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2014	3,124	309	902	151	3,708	-	174	8,366
Additional provisions made in 2014-15	969	-	637	-	4,756	721	239	7,321
Amounts used in 2014-15	(654)	-	(33)	-	(2,986)	-	-	(3,673)
Unused amounts reversed in 2014-15	(578)	-	-	-	-	-	-	(578)
Balance at 31 March 2015	2,860	309	1,506	151	5,477	721	413	11,435
<i>Of which:</i>								
Next twelve months	596	309	1,506	151	1,095	144	-	3,801
Over twelve months	2,264	-	-	-	4,382	576	413	7,635
Balance at 31 March 2015	2,860	309	1,506	151	5,477	721	413	11,435

The insurance provision provides for self insurance in respect of motor, fire and other liabilities. The balance represents the amount of self-insurance held to cover known claims arising.

The Mental Health Act Provision is to provide for the estimated costs of payments under Section 117 of the Mental Health Act.

Termination benefits and the costs of single status provide for known and quantifiable liabilities which will fall due during the next twelve months.

Following the introduction of the new Business Rates Retention Scheme on 1 April 2013, the Council must account for its share of National Non-Domestic Rates assets and liabilities. Under the scheme, the Council is exposed to the outcome of outstanding ratings appeals. An estimate of the Council's liability has been provisioned for and is disclosed here.

The Council has reviewed the Valuation Office Agency appeals data and, as a result of the increased numbers of appeals yet to be settled compared to last year, it has increased the provision for Non Domestic Rates appeals.

Kensington Town Hall Business Rates is a provision based on an estimated higher valuation of the Council's offices following the completion of the major SPACE refurbishment programme.

Other provisions include a provision for the London Residuary Body's public liability insurance claims and various small immaterial provisions such as banked leave and repayments due to street traders that have been overcharged for waste disposal costs in their licence fees.

22. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 7 and 8.

23. Unusable Reserves

23a. Total Unusable Reserves

	2014-15 £'000	2013-14 £'000
Revaluation Reserve	677,685	611,037
Pensions Reserve	(265,556)	(198,790)
Capital Adjustment Account	669,049	624,812
Deferred Capital Receipts	21	28
Financial Instruments Adjustment Account	(743)	(799)
Available-for-Sale Financial Instruments Reserve	(965)	15
Collection Fund Adjustment Account	540	312
Short-term Accumulating Compensated Absences Account	(1,866)	(1,747)
Total Unusable Reserves	1,078,166	1,034,867

23b. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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, when the gains are consumed through depreciation; and
- 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.

	2014-15 £'000	2013-14 £'000
Balance at 1 April	611,037	521,121
Upward revaluations to assets*	101,529	148,709
Downward revaluation of assets*	(29,852)	(54,133)
Impairments written off to the revaluation reserve*	(94)	(1,155)
<i>Sub total surplus / (deficit) on revaluation of non-current assets</i>	<i>71,584</i>	<i>93,422</i>
Difference between current cost depreciation and historic cost depreciation	(2,833)	(2,447)
Accumulated gains on assets sold or scrapped	(2,102)	(1,058)
Movement in year	66,648	89,915
Closing balance at 31 March	677,685	611,037

*As reported in the CIES: surplus or deficit on revaluation of non-current assets

23c. 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 Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as: the benefits are earned by employees; the liabilities are updated to recognise inflation; the assumptions changed; and in light of investment returns. However, statutory requirements are that benefits earned should be financed as the Council makes employer's contributions to the pension funds, or pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council 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.

	2014-15	2013-14
	£'000	£'000
Balance at 1 April	(198,790)	(241,242)
Remeasurements of the net defined benefit liability / asset	(54,777)	48,301
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	(25,997)	(28,448)
Employers' contributions payable to scheme	14,008	22,599
Movement in year	(66,766)	42,452
Closing balance at 31 March	(265,556)	(198,790)

23d. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement, with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis. The Account is credited with the amounts set aside by the Council 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 Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

	2014-15 £'000	2013-14 £'000
Balance at 1 April	624,812	551,338
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
Charges for depreciation and impairment of non-current assets	(35,977)	(36,962)
Reversal of depreciation charged in respect of dwellings	(2,666)	(2,781)
Amortisation of intangible assets	(653)	(754)
Revenue expenditure funded from capital under statute	(8,315)	(13,723)
Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the CIES	(6,042)	(4,417)
<i>Adjusting amounts written out of the Revaluation Reserve:</i>		
Accumulated revaluation gains on assets sold or scrapped	2,102	1,058
<i>Capital financing applied in the year:</i>		
Use of the Capital Receipts Reserve to finance new capital expenditure	20,207	80,745
Use of the Major Repairs Reserve to finance new capital expenditure	9,876	7,580
Capital grants and contributions credited to the CIES that have been applied to capital financing	1,679	2,018
Application of grants to capital financing from the Capital Grants Unapplied Account	-	278
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	1,315	1,377
Capital expenditure charged against the General Fund and HRA balances	19,872	21,906
<i>Other Movements:</i>		
Movements in the market value of investment properties	42,839	17,148
Movement in the Donated Assets Account	-	-
Movement in year	44,237	73,473
Closing balance at 31 March	669,049	624,812

23e. Deferred Capital Receipts and credits

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 Council 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.

The sale of the Holland Park School southern site was received in 2013-14.

Deferred Capital Receipts	2014-15 £'000	2013-14 £'000
Balance at 1 April	-	84,787
Transfer of deferred sale proceeds credited as part of the gain / loss on disposal to the CIES	-	-
Unwind notional credit in respect of leaseback arrangement	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	-	(84,787)
Closing balance at 31 March	-	-

Deferred Credits	2014-15 £'000	2013-14 £'000
Balance at 1 April	28	34
Transfer to the Capital Receipts Reserve upon receipt of cash	(7)	(6)
Closing balance at 31 March	21	28

23f. 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 Council 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 to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council'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 2015 will be charged to the General Fund over the next 13 years.

	2014-15 £'000	2013-14 £'000
Balance at 1 April	(798)	(854)
Premiums incurred in the year and charged to the CIES	-	-
Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	56	56
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-	-
Closing balance at 31 March	(743)	(798)

23g. Available-for-Sale Financial Instruments Reserve

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

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

	2014-15 £'000	2013-14 £'000
Balance at 1 April	15	-
Upward / (downward) movement in book cost	(980)	15
Closing balance at 31 March	(965)	15

23h. Collection Fund Adjustment Account

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

	2014-15 £'000	2013-14 £'000
Balance at 1 April	312	31
Amount by which Council Tax income credited to the CIES is different from Council Tax income calculated for the year in accordance with statutory and expenditure requirements	229	281
Closing balance at 31 March	540	312

23i. Short-term Accumulating Compensated Absences Account

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

	2014-15 £'000	2013-14 £'000
Balance at 1 April	(1,748)	(2,095)
Settlement or cancellation of accrual made at the end of the preceding year	1,748	2,095
Amounts accrued at the end of the current year	(1,866)	(1,748)
Closing balance at 31 March	(1,866)	(1,748)

24. Net Cash Flow from Operating Activities

	2014-15 £'000	2013-14 £'000
Total revenue surplus / (deficit) on the provision of services	25,027	6,089
Total revenue surplus / (deficit) (LRB)	(234)	(112)
Total	24,793	5,977
<i>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities:</i>		
Capital Grants	(2,353)	(3,007)
<i>Adjust net surplus or deficit on the provision of services for noncash movements:</i>		
<u>Non-cash Items in the Income and Expenditure Account</u>		
Depreciation and impairment charged to revenue	42,128	42,944
Other non-cash movements*	-	-
Change in value of investment property recognised in the CIES	(42,839)	(17,148)
Surplus or deficit on revaluation of Available-for-Sale financial assets	(980)	15
Net adjustments made in respect of IAS19 (pensions adjustment)	11,989	5,849
(Gain) / loss on disposal of fixed assets	(6,159)	(9,611)
<i>*Other movements comprise movement in deferred credits and the amortisation of premia and discounts</i>		
<u>Movement in non-cash Assets and Liabilities</u>		
Assets		
(Increase) / decrease in stock and work in progress	(93)	93
(Increase) / decrease in debtors	(6,748)	(5,181)
(Increase) / decrease change in long term debtors	7	93,460
Liabilities		
Increase / (decrease) in creditors	(7,799)	1,389
Increase / (decrease) in provisions	3,069	3,215
Increase / (decrease) deferred liabilities	-	(102)
Increase / (decrease) in capital grants received in advance	10,076	(3,487)
Cash flow from revenue activities	25,091	114,407

25. Investing Activities

Investing Activities comprise cash outflows relating to the Council's: purchases and sales of non-current assets, including enhancements to existing assets; sales and purchases of both short and long term investments; and, as per CIPFA guidance, capital grants received in year.

	2014-15 £'000	2013-14 £'000
Purchase of non-current assets	(46,088)	(35,214)
Purchase and disposal of short-term and long-term investments*	39,127	(100,601)
Other payments for investing activities	2,353	3,007
Proceeds from the sale of non-current assets	12,200	14,028
Net cash flows from investing activities	7,592	(118,780)

*The value has reduced between year ends as the Council is holding more cash as cash equivalents and last year's figure included the receipt from the sale of Holland Park southern site.

26. Financing Activities

	2014-15 £'000	2013-14 £'000
Cash payments for the reduction of outstanding finance lease liabilities	(20)	(35)
Repayments of short-term and long-term borrowing	(7,993)	(6,239)
Net cash flows from financing activities	(8,013)	(6,274)

27. Segmental Reporting - Amounts Reported for Resource Allocation Decisions

This note explains the difference between the Services' management accounts and amounts included in the year-end financial accounts.

27a Analysis of Service Income and Expenditure

Service Income and Expenditure	Adult and Family Learning Services	Adult Social Care	Children's Services	Environment Leisure and Resident's Services	Housing General Fund	Library and Heritage Services	Planning and Borough Development	Public Health	Transport, and Technical Services	Corporate Services	Total
2014-15	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	-	(5,112)	(12,138)	(11,338)	(843)	(188)	(5,783)	(31)	(50,036)	(19,060)	(104,529)
Government grants	(1,262)	(450)	(86,243)	-	-	-	(83)	(17,249)	(1,633)	(148,916)	(255,837)
Other grants and contributions	(6)	(17,207)	(14,759)	(1,508)	(26,214)	(520)	(2)	(109)	(1,111)	(8,484)	(69,919)
Total Income	(1,268)	(22,769)	(113,140)	(12,846)	(27,057)	(708)	(5,868)	(17,389)	(52,780)	(176,460)	(430,285)
Employee expenses	298	16,281	88,117	5,849	5,767	2,498	5,528	179	9,102	32,312	165,932
Other service expenses	990	59,509	61,012	37,032	33,399	2,918	1,801	17,444	22,032	189,945	426,082
Support service recharges	64	3,469	6,837	2,515	1,679	1,259	1,881	876	6,045	(24,143)	481
Total Expenditure	1,352	79,258	155,966	45,396	40,844	6,675	9,210	18,499	37,179	198,114	592,494
Net Expenditure	84	56,489	42,826	32,550	13,787	5,967	3,342	1,110	(15,601)	21,654	162,209

Service Income and Expenditure	Adult and Family Learning Services	Adult Social Care	Children's Services	Environment Leisure and Resident's Services	Housing General Fund	Library and Heritage Services	Planning and Borough Development	Public Health	Transport, and Technical Services	Corporate Services	Total
2013-14	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	-	(4,424)	(12,003)	(10,744)	(295)	(199)	(6,413)	(59)	(51,124)	(15,136)	(100,397)
Government grants	(1,314)	-	(84,014)	-	-	-	(148)	(16,055)	(1,727)	(153,341)	(256,599)
Other grants and contributions	-	(14,860)	(12,699)	(1,260)	(22,922)	(520)	-	(119)	(683)	(5,677)	(58,740)
Total Income	(1,314)	(19,284)	(108,716)	(12,004)	(23,217)	(719)	(6,561)	(16,233)	(53,534)	(174,154)	(415,735)
Employee expenses	297	16,026	86,919	5,311	5,003	2,362	5,006	178	8,917	31,673	161,693
Other service expenses	975	56,682	58,973	36,148	30,375	2,754	2,063	16,487	22,716	178,290	405,464
Support service recharges	141	3,075	6,474	3,087	880	1,413	1,772	715	5,465	(24,006)	(983)
Total Expenditure	1,413	75,783	152,365	44,546	36,258	6,529	8,841	17,380	37,098	185,957	566,173
Net Expenditure	99	56,499	43,649	32,542	13,041	5,810	2,280	1,147	(16,436)	11,803	150,438

27b Reconciliation of directorate income and expenditure to the Comprehensive Income and Expenditure Statement

	2014-15 £'000	2013-14 £'000
Net expenditure in the Service Analysis	162,209	150,438
<i>Net expenditure of services and support services not included in the Analysis:</i>		
Amounts in the Comprehensive Income and Expenditure Statement Cost of Services not reported in the Service Analysis:		
General Fund Revenue Expenditure Funded from Capital Under Statute	8,036	13,712
General Fund impairments	15,513	20,726
Employee benefits – leave accrual	118	(347)
Pension Fund deficit recovery	2,379	5,093
Non-distributed pension costs	(40)	(1,873)
Revenue in support of capital expenditure	363	301
IAS19	-	(2)
Academy transfer	1,291	1,836
Voluntary Pension Fund contribution	-	6,000
Amounts included in the Service Analysis not included in the Cost of Services in the Comprehensive Income and Expenditure Statement:		
General Fund investment property income and expenditure	3,303	3,208
Finance lease principal	(20)	(35)
Interest payable on finance leases	(5)	(6)
Depreciation adjustment	-	(21)
Trading Accounts	(35)	112
	193,113	199,143
(Surplus) / deficit on the Housing Revenue Account	(4,751)	(7,357)
Total Cost of Services per Comprehensive Income and Expenditure Statement	188,362	191,786

Continued overleaf

**Amounts in the Comprehensive Income and Expenditure Statement
Surplus / Deficit on Provision of Services not reported in the Cost of
Services per Comprehensive Income and Expenditure Account:**

	2014-15 £'000	2013-14 £'000
Levies	3,346	3,313
Payments to the Government Housing Capital Receipts Pool	1,033	1,473
(Gains) / losses on the disposal of non-current assets	(6,159)	(9,611)
Interest payable and similar charges	10,519	11,031
Net pension interest cost	8,569	10,418
Interest receivable and similar income	(1,081)	(1,773)
Changes in fair value of investment properties	(42,839)	(17,148)
Council Tax income	(72,349)	(71,496)
National non-domestic rates	(81,662)	(78,547)
Business rates tariff	35,065	34,395
Non-ring fenced Government grants	(59,691)	(71,140)
Capital grants and contributions	(2,353)	(2,996)
Income and expenditure in relation to investment properties	(5,827)	(5,689)
Interest payable on finance leases	5	7
Other investment income – (surplus) / deficit on trading accounts	35	(112)
	(213,389)	(197,875)
Total (Surplus) / Deficit on Provision of Services per Comprehensive Income and Expenditure Statement	(25,027)	(6,089)

28. Trading Operations

The services shown below operate as Trading Accounts as defined in the SeRCOP. There are six main types of trading operation that may be run by local authorities:

- Trading services or undertakings with the public or with other third parties.
- External trading organisations that have won contracts from other public bodies.
- Continuing Compulsory Competitive Tendering arrangements.
- Work carried out by internal trading organisations arising from voluntary competitive tendering exercises.
- Support services provided in a free internal market.
- Support services provided in a limited internal market.

The figures shown below are included within the relevant service summary lines in the Comprehensive Income and Expenditure Statement, with the exception of the cash collection service which is included in the corporate section.

	2014-15			2013-14		
	Income £'000	Exp £'000	Net £'000	Income £'000	Exp £'000	Net £'000
Trading Operation						
Children's Services						
Pupil support services	245	(286)	(41)	294	(327)	(33)
Environment, Leisure and Resident's Services						
Street trading	814	(815)	(1)	752	(862)	(110)
Holland Park Opera	2,303	(3,393)	(1,090)	2,592	(3,425)	(833)
Corporate Services						
Professional Development Centre catering	-	-	-	55	(112)	(57)
Cash collection	485	(510)	(25)	478	(478)	-
Legal Services	4,277	(4,287)	(10)	3,612	(3,444)	168
Planning and Borough Development						
Building Control	603	(632)	(29)	694	(766)	(72)
Total surplus / (deficit)	8,727	(9,923)	(1,196)	8,477	(9,414)	(937)

Pupil Support Services

The provision of pupil support services to schools and for looked after children.

Street Trading

Income is derived mainly from permanent and temporary street trading lettings. Under present legislation, the Council is limited to recovering specific associated costs from the income. Any surplus / deficit on the Street Trading Account is transferred to/from the Street Trading Account Reserve.

Holland Park Opera

This covers the staffing and other costs of operating Opera Holland Park, which runs from June to August each year. The income is derived mainly from ticket sales and sponsorship.

Professional Development Centre Catering

This centre has now been transferred to commercial property to be let out. The provision of catering at conferences and meetings held at the Isaac Newton Professional Development Centre.

Cash Collection

Contract with the London Borough of Hammersmith & Fulham for the daily collection, counting and banking of cash from pay and display machines within its area.

Legal Services

This is an internal trading account for the provision of legal services to the rest of the Council. The trading account was set up from 1 April 2012.

Building Control

The Building Control Team ensures that construction undertaken within the Royal Borough is in accordance with Building Regulations and other relevant local requirements. It achieves this by checking proposals submitted and carrying out site inspections of building work. When necessary it also undertakes enforcement action to ensure compliance with Building Regulations.

29. Members' Allowances

	2014-15	2013-14
	£'000	£'000
Basic Allowance	533	580
Special Responsibility Allowance	556	552
Expenses	21	75
Total	1,110	1,207

30. Officer Remuneration

30a. Disclosure of remuneration for senior employees 2014-15

The remuneration - as paid through the Council's payroll to the Council's Chief Executive, Executive Directors and employees earning over £150,000 in 2014-15 - is as follows:

Job Title	Name	Notes	Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for Loss of Employment £	Total Remuneration (excluding pension contribution) £	Employer's Pension Contribution £	Total Remuneration (including pension contribution) £
Town Clerk	Nicholas Holgate	1	181,375	-	1,229	-	182,604	32,285	214,889
Bi-borough Executive Director of Transport and Technical Services	Nigel Pallace	2	-	-	-	-	-	-	-
Bi-borough Executive Director of Environment, Leisure and Residents' Services	Lyn Carpenter	3	-	-	-	-	-	-	-
Tri-borough Executive Director of Adult Social Care	Elizabeth Bruce	4	-	-	-	-	-	-	-
Tri borough Executive Director of Children's Services	Andrew Christie	5	161,613	15,650	-	-	177,263	31,553	208,816
Executive Director of Planning and Borough Development	Jonathan Bore		109,850	8,169	1,151	-	119,170	20,958	140,128
Director of Strategy and Local Services	Tony Redpath		115,257	5,020	1,223	-	121,500	21,409	142,909
Bi-borough Director of Human Resources	Deborah Morris	6	-	-	-	-	-	-	-
Acting Tri-borough Director of Public Health	Andrew Burnett	7	-	-	-	-	-	-	-
Tri-borough Director of Public Health	Meradin Peachey	7	-	-	-	-	-	-	-
Bi-borough Director of Law	Tasnim Shawkat	8	-	-	-	-	-	-	-
Bi-borough Executive Director of Corporate Services	Jane West	10	-	-	-	-	-	-	-

Disclosure of remuneration for senior employees 2013-14

Job Title	Name	Notes	Salary, Fees and Allowances £	Bonuses £	Expenses Allowances £	Compensation for Loss of Employment £	Total Remuneration (excluding pension contribution) £	Employer's Pension Contribution £	Total Remuneration (including pension contribution) £
Joint Chief Executive	Derek Myers	1	145,755	20,980	-	-	166,735	-	166,735
Town Clerk and Executive Director of Finance	Nicholas Holgate	1	163,816	7,575	1,184	-	172,575	36,335	208,910
Bi-borough Executive Director of Transport and Technical Services	Nigel Pallace	2	-	-	-	-	-	-	-
Bi-borough Executive Director of Environment, Leisure and Residents' Services	Lyn Carpenter	3	-	-	-	-	-	-	-
Tri-borough Executive Director of Adult Social Care	Elizabeth Bruce	4	-	-	-	-	-	-	-
Tri borough Executive Director of Children's Services	Andrew Christie	5	156,242	12,148	-	-	168,390	35,699	204,089
Executive Director of Planning and Borough Development	Jonathan Bore		116,747	7,973	1,216	-	125,936	26,381	152,317
Director of Strategy and Local Services	Tony Redpath		100,275	4,895	1,180	-	106,350	22,296	128,646
Bi-borough Director of Human Resources	Deborah Morris	6	-	-	-	-	-	-	-
Tri-borough Director of Public Health	Meradin Peachey	7	-	-	-	-	-	-	-
Bi-borough Director of Law	Tasnim Shawkat	8	-	-	-	-	-	-	-
Head of Holland Park School	Colin Hall	9	66,680	-	-	-	66,680	9,401	76,081
Head of Media and Communications	Martin Fitzpatrick	11	57,500	2,845	-	-	60,345	12,793	73,138

30a. Disclosure of remuneration for senior employees 2014-15 (continued)

Notes:

1. The cost of the Joint Chief Executive and Executive Director of Finance was shared 58 (RBKC): 42 (LBHF) up to the 25th October 2014.
2. The cost of the Bi-borough Executive Director of Transport and Technical Services who was employed by the London Borough of Hammersmith & Fulham was shared 25 (RBKC): 75 (LBHF). Nigel Pallace held this position up to the 26th October 2014 after which he was appointed to the role of Interim Chief Executive at the London Borough of Hammersmith & Fulham. The role of Bi-borough Executive Director of Transport and Technical Services was delegated between the Royal Borough of Kensington and Chelsea Transport and Technical Services directorate. Details of the salary paid by London Borough of Hammersmith & Fulham can be found in its 2014-15 Statement of Accounts:
http://www.lbhf.gov.uk/Directory/Council_and_Democracy/Plans_performance_and_statistics/Statement_of_accounts/68526_Statement_of_accounts.asp
(please see Note 30).
3. The cost of the Bi-borough Director of Environment, Leisure and Residents' Services, who is employed by the London Borough of Hammersmith & Fulham was shared 50 (RBKC): 50 (LBHF). Details of the salary paid by London Borough of Hammersmith & Fulham can be found in its 2014-15 Statement of Accounts:
http://www.lbhf.gov.uk/Directory/Council_and_Democracy/Plans_performance_and_statistics/Statement_of_accounts/68526_Statement_of_accounts.asp
(please see Note 30).
4. The cost of the Tri-borough Executive Director of Adult Social Care, who is employed by the London Borough of Hammersmith & Fulham, was shared with the London Borough of Hammersmith & Fulham (LBHF) and the City of Westminster (COW). The share was 21 (RBKC): 46 (LBHF): 33 (COW). Details of the salary paid by London Borough of Hammersmith & Fulham can be found in its 2014-15 Statement of Accounts:
http://www.lbhf.gov.uk/Directory/Council_and_Democracy/Plans_performance_and_statistics/Statement_of_accounts/68526_Statement_of_accounts.asp
(please see Note 30).
5. The cost of the Tri-borough Executive Director of Children's Services was shared with the London Borough of Hammersmith & Fulham (LBHF) and the City of Westminster (COW). The share was 33.3 (RBKC): 33.3 (LBHF): 33.3 (COW).
6. The cost of the Bi-borough Director of Human Resources, Deborah Morris, who is employed by the London Borough of Hammersmith & Fulham and costs were shared 50:50 in 2014-15 and 2013-14. Details of the salary paid by the London Borough of Hammersmith & Fulham can be found in the senior officers' salaries disclosure at:
http://www.lbhf.gov.uk/Directory/Council_and_Democracy/Data_Protection_and_Freedom_of_Information/Freedom_of_Information_Act/155555_Transparency.asp
7. Meradin Peachey left her role as Director of Public Health on 4 January 2015. Andrew Burnett is the acting Director of Public Health from 4 January 2015 and is employed by the City of Westminster (COW). This role is shared on the following basis 30.9 (RBKC): 40.0 (COW): 29.1 (LBHF). Details of the salaries paid by the City of Westminster can be found in its 2014-15 Statement of Accounts:
<https://www.westminster.gov.uk/2014-15-annual-accounts-0> (please see Note 36).
8. The cost of the Bi-borough Director of Law, who is employed by the London Borough of Hammersmith & Fulham, was shared with the London Borough of Hammersmith & Fulham (LBHF). The share was 50 (RBKC): 50 (LBHF). Details of the salary paid by London Borough of Hammersmith & Fulham can be found in its 2014-15 Statement of Accounts:
http://www.lbhf.gov.uk/Directory/Council_and_Democracy/Plans_performance_and_statistics/Statement_of_accounts/68526_Statement_of_accounts.asp
(please see Note 30).
9. This post transferred to Academy status from 31 August 2013.
10. The Bi-borough Executive Director of Corporate Services was seconded on an interim basis to the City of Westminster (COW) from the London Borough of Hammersmith & Fulham (LBHF) on 1 March 2015. The post was shared between the Royal Borough of Kensington and Chelsea and the City of Westminster.
11. The Head of Media and Communications had a change in reporting line to the Director of Strategy and Local Services.

Please note that salaries of all staff employed directly by the Royal Borough of Kensington and Chelsea paid over £58,200 can be found at:

<http://www.rbkc.gov.uk/councilanddemocracy/transparencyinthecouncil/seniorstaffinformation.aspx>

30b. Officer Remuneration in Bands

The number of employees in each salary band is set out below. Calculations are based on all sums paid to or receivable by an employee and sums due by way of taxable expenses, allowances and the monetary value of any other benefits received other than in cash. Pension contributions payable by either employee or employer are excluded. Voluntary Aided schools are not included in this analysis.

	2014-15	2013-14
	Officers	Officers
£50,000 - £54,999	116	117
£55,000 - £59,999	77	67
£60,000 - £64,999	32	37
£65,000 - £69,999	19	21
£70,000 - £74,999	19	19
£75,000 - £79,999	19	13
£80,000 - £84,999	4	4
£85,000 - £89,999	9	8
£90,000 - £94,999	7	5
£95,000 - £99,999	4	4
£100,000 - £104,999	2	1
£105,000 - £109,999	1	2
£110,000 - £114,999	1	1
£115,000 - £119,999	3	1
£120,000 - £124,999	-	-
£125,000 - £129,999	-	1
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£140,000 - £144,999	-	-
£145,000 - £149,999	-	-
£150,000 - £154,999	-	-
£155,000 - £159,999	-	-
£160,000 - £164,999	-	-
£165,000 - £169,999	-	2
£170,000 - £174,999	-	1
£175,000 - £179,999	1	-
£180,000 - £184,999	1	-
£185,000 - £189,999	-	-
£190,000 - £194,999	-	-
£195,000 - £199,999	-	-
£200,000 - £204,999	-	-
£205,000 - £209,999	-	-
£210,000 - £214,999	-	-
£215,000 - £219,999	-	-
£220,000 - £224,999	-	-
Total	315	304

This note discloses officers on the Council's payroll who may be shared via Tri-borough and Bi-borough arrangements.

30c. Costs of Staff Departures - All Administrations Disclosure Note for 2014-15

Accounts

The costs include: termination benefits; all relevant redundancy costs including compulsory and voluntary redundancy costs; pension contributions in respect of added years; ex gratia payments; and other departure costs.

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

Cost Band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of departures by cost band		Total cost of departures in each band	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
£0-£20,000	21	11	5	9	26	20	185,539	171,188
£20,001-£40,000	6	2	3	6	9	8	248,014	213,811
£40,001-£60,000	2	1	-	2	2	3	98,948	139,544
£60,001-£80,000	1	-	2	3	3	3	209,319	204,858
£80,001-£100,000	-	-	-	1	-	1	-	91,871
£100,001-£200,000	-	-	1	1	1	1	121,251	114,092
Total	30	14	11	22	41	36	863,071	935,364

31. External Audit Costs

	2014-15 £'000	2013-14 £'000
Fees payable to external auditors in respect of:		
- External audit services carried out by the appointed auditor for the year	183	180
- The certification of grant claims and returns for the year	27	28
- Other services	-	-
Total	210	208

32. Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. 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 Dedicated Schools Grant receivable for 2014-15 are as follows:

2014-15	Central Expenditure £'000	Individual School Budgets £'000	Total £'000
Final DSG for 2014-15 before academy recoupment			81,639
Academy figure recouped for 2014-15			(9,481)
Total DSG after academy recoupment for 2014-15			72,158
Brought forward from 2013-14			5,351
Carry-forward to 2015-16 agreed in advance			(5,351)
Agreed initial budgeted distribution in 2014-15	12,366	59,792	72,158
In-year adjustments	-	1,395	1,395
Final budgeted distribution for 2014-15	12,366	61,187	73,553
Less actual central expenditure	(12,718)	-	(12,718)
Less actual ISB* deployed to schools	-	(61,187)	(61,187)
Plus local authority contribution for 2014-15	-	-	-
Carry-forward to 2015-16	(352)	-	(352)
TOTAL DSG Carried Forward	-	-	3,604

2013-14	Central Expenditure £'000	Individual School Budgets £'000	Total £'000
Final DSG for 2013-14 before academy recoupment			87,231
Academy figure recouped for 2013-14			(9,481)
Total DSG after academy recoupment for 2013-14			77,750
Brought forward from 2012-13			1,661
Carry-forward to 2014-15 agreed in advance			(761)
Agreed initial budgeted distribution in 2013-14	21,699	56,951	78,650
In-year adjustments	(988)	1,069	81
Final budgeted distribution for 2013-14	20,711	58,020	78,731
Less actual central expenditure	(16,121)	-	(16,121)
Less actual ISB* deployed to schools	-	(58,020)	(58,020)
Plus local authority contribution for 2013-14	-	-	-
Carry-forward to 2014-15	4,590	-	4,590
TOTAL DSG Carried Forward	-	-	5,351

*ISB stands for Individual Schools Budget.

33. Grant Income

The Council credited the following revenue grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014-15:

33a. Credited to Taxation and Non Specific Grant Income

	2014-15	2013-14
	£'000	£'000
Council Tax	72,349	71,496
National Non-Domestic Rates	81,662	78,547
Revenue Support Grant	56,297	69,240
New Homes Bonus Scheme	1,303	1,095
Education Services Grant	1,287	-
Council Tax Freeze Grant	805	804
Total	213,702	221,182

33b. Credited to Services

	2014-15	2013-14
	£'000	£'000
Housing Benefit Subsidy	143,945	145,799
Dedicated Schools Grant	73,905	74,141
Public Health Grant	17,249	16,055
Pupil Premium Grant	4,378	3,692
Education Funding Agency School Grant	2,239	3,053
Demographic Growth Fund	2,066	-
Discretionary Housing Payments	1,792	2,192
Housing Benefit Administration Subsidy	1,395	1,693
Transport for London Revenue Grant	1,633	1,478
Education Service Grant	-	1,432
Skills Funding Agency Grants	1,262	1,211
Tackling Troubled Families Grant	248	795
Unaccompanied Asylum Seekers Grant	472	417
Universal Infant School Meals	466	-
Youth Justice Board Grants	453	500
Local Support Fund	498	417
National College of Teaching and Learning	397	182
New Homes Bonus	-	390
Capitalisation Provision Redistribution Grant	-	365
Reducing Delays to Transfer Grant	325	-
Localising Support for Council Tax	298	235
Individual Electoral Registration Funding	258	-
Adoption Reform Grant	252	116
Focus in Practice Innovation Fund	251	-
Other Grants (under £250k)	2,056	2,435
Total	255,837	256,599

33c. Capital Grants Receipts in Advance

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

	2014-15	2013-14
	£'000	£'000
Standards Fund Capital (Primary Programme)	21	21
Section 106 and private contributions	20,206	10,479
Community Capacity Grant	1,729	1,508
Section 278 contributions	1,144	1,357
TriBorough Winterbourne Fund	300	-
Social Services - Single Capital Pot	198	198
Department for Transport – Pothole Fund	23	-
Autism Capital Fund	17	-
Total	23,638	13,564

34. Related Parties

The Council is required to disclose material transactions with related parties: those bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

The Government has effective control of all local authorities. It is responsible for the statutory framework in which the Council operates, provides the majority of the Council's funding and limits the ability of the Council to determine the level of its Council Tax. Grants received from the Government and are set out in **Note 33**.

Councillors

Councillors have direct control of the Council's policies and strategies. Day-to-day responsibility lies with the Council's executive, or "Cabinet", which in 2014-15 comprised ten Members with authority within their respective portfolios to approve decisions of a value less than £250,000. Decisions with a value greater than £250,000 are taken by Cabinet collectively or by full Council as appropriate.

No councillor has a relationship or holds a position with a company that has a material commercial relationship with the Council.

Many councillors have relationships or hold positions with other public bodies and voluntary organisations with which the Council does not have a financially material relationship, but with which the Council has a financial or influential relationship. These include Western Riverside Waste Authority, schools, charities, National Health Service trusts and commissioning groups, consultative groups, development trusts and management committees.

Some councillors have roles within Government and other public sector bodies with which the Council either has a financially material relationship or there is a possibility that such a relationship could exist in terms of monetary value and influence.

During 2014-15, the Leader of the Council, Councillor Nicholas Paget-Brown, was a member of the [London Waste and Recycling Board](#) and Managing Director of Pelham Research.

Councillor Sir Merrick Cockell was Chairman of the [Local Government Association](#) for part of 2014-15, Deputy Chairman of the [London Pensions Fund Authority](#), a member of the advisory board for [de Poel](#) (a limited UK company providing consultancy services) and a Senior Advisor for PA Consulting.

The Council can nominate up to four persons to the fifteen-strong [Board of Directors Kensington and Chelsea Tenant Management Organisation](#). Councillor Condon-Simmonds (Majority Party) and Councillor Judith Blakeman (Minority Party) are Council nominees to the Board. The other two nominees are independent.

During 2014-15 Councillor Spalding and Councillor Pat Mason were trustees of and on the board of the Westway Trust (registered charity 1123127 – details of which can be found on the [Charity Commission website](#)).

Councillor Moylan, a member of the Cabinet and Corporate Services Scrutiny Committee, is a member of Transport for London, Chairman of Kensington and Chelsea Environmental Limited (a charity which undertakes environmental improvement projects in the Royal Borough) and co-chairman of Urban Design London.

During 2014-15, Councillor Jonathon Read was Chairman of the [Board of the Kensington and Chelsea Credit Union](#) (trading as Your Credit Union).

A number of other councillors are committee members at London Councils.

Officers

No officer of the Council has a relationship or holds a position with a company that has a material commercial relationship with the Council. No officer of the Council holds a position with another public body that has a material financial relationship with the Council.

Other Public Bodies

The Council delivers services in close co-operation with other public bodies such as the Greater London Authority, Transport for London, the Kensington and Chelsea Partnership, Metropolitan Police Service, National Health Service trusts and commissioning groups, the London Fire and Civil Defence Authority and other local authorities. At times, the Council will influence and be influenced by these bodies. Where the Council receives significant grant funding from another public body, this is disclosed in **Note 33 Grant Income**. The Council has made no material financial payments to another public body.

The Council has in place joint working arrangements with neighbouring local authorities, the City of Westminster and the London Borough of Hammersmith & Fulham. These arrangements are currently referred to as Tri-borough or shared working and the bulk of these arrangements were in place from 1 April 2012. The net payments between the three authorities are not material, but the gross payments are material and will continue to be so. Whilst members retain control over how services are delivered in each borough, the Tri-borough and shared working partners will influence the service arrangements of each other.

35. Capital Expenditure and Capital Financing

	2014-15 £'000	2013-14 £'000
Opening Capital Financing Requirement	243,096	308,151
<u>Capital investment</u>		
Property, Plant and Equipment	45,318	34,586
Long Term Investments	-	-
Heritage Assets	-	110
Investment Properties	631	91
Intangible Assets	307	427
Assets Held for Sale	-	-
Revenue Expenditure Funded from Capital Under Statute	14,892	31,502
<u>Sources of finance</u>		
Capital receipts	(20,207)	(80,833)
Government grants and other contributions	(8,256)	(20,075)
<i>Sums set aside from revenue:</i>		
Direct revenue contributions	(19,872)	(21,906)
Direct Revenue Funding (Major Repairs Reserve)	(9,876)	(7,580)
MRP / loans fund principal	(1,315)	(1,377)
Closing Capital Financing Requirement	244,718	243,096
Provision to reduce the underlying need to borrow (MRP)	(1,315)	(1,377)
Decrease in underlying need to borrow (supported by capital receipts)	-	(63,678)
Increase in underlying need to borrow (unsupported by government financial assistance)	2,770	-
Assets acquired under finance leases	167	-
Assets acquired under PFI / PPP contracts	-	-
Increase / (decrease) in Capital Financing Requirement	1,622	(65,055)

36. Leases

Council as Lessee

Finance Leases

Assets acquired under finance leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2015	31 March 2014
	£'000	£'000
Other Land and Buildings	2,180	2,180
Vehicles, Plant, Furniture and Equipment	167	20
Total	2,347	2,200

When signing the leases, the Council committed to making "minimum lease payments", comprising of two elements: payment of the lease liabilities, the "present value of the minimum lease payments", which represents the cost of the assets; and the interest costs payable on the outstanding liabilities. The minimum lease payments are made up as follows

	31 March 2015	31 March 2014
	£'000	£'000
Present value of the minimum lease payments:		
Current	32	-
Non-current	106	1
Future interests costs	18	-
Unguaranteed residual value of assets	-	-
Total minimum lease payments	155	1

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

	Present Value of Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	£'000	£'000	£'000	£'000
Not later than one year	32	-	7	-
Later than one year and not later than five years	106	1	11	-
Later than five years	-	-	-	-
Total	138	1	18	-

Minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as rent reviews that could increase the property rentals. The Council is not paying contingent rents on any asset subject to a finance lease.

Operating Leases

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

	31 March 2015	31 March 2014
	£'000	£'000
Not later than one year	160	128
Later than one year and not later than five years	556	325
Later than five years	316	393
Total	1,032	846

Minimum lease payments were charged to the Comprehensive Income and Expenditure Statement as follows:

	31 March 2015	31 March 2014
	£'000	£'000
Adult Social Care	84	5
Cultural and Related Services	-	2
Children's and Education	60	79
Cultural, Environmental, Regulatory and Planning Services	6	6
Housing GF Services	11	11
Allocated across service lines	-	26
Total	160	128

Council as Lessor

Finance Leases

The Council has let a number of properties, mostly land, on very long leases that are judged to be finance leases. Ten assets have been let on leases of 990 to 1001 years and three other properties have been let on terms of 126, 150 and 200 years. In each case, the Council receives a peppercorn rent (if demanded) and there is no guaranteed residual value of the property. This means that the gross investment in each lease is zero and thus no financial disclosures to be made.

Properties let by the Council include: five storage units leased to private individuals and companies; the land occupied by the Muslim Cultural Heritage Centre; the land occupied by the Tesco store in Fenelon Place; the land occupied by the Great Western Studios; the land occupied by the Manor House Estate; a parcel of land at Henry Dickens Court; a property on Notting Hill Gate; and a small parcel of land at Redcliffe Square.

The land parcels set out above have been judged to be finance leases on the basis of substance over form. In some cases a premium has been paid to secure a long tenancy at a peppercorn rate and in others, the Council has granted favourable terms to deliver social benefit. In all cases other than the land at Fenelon Place, the length of the lease is such that control of the land will not revert to the Council until 2988AD or later if the leaseholder retains the lease for its full term.

Operating Leases

The Council leases out property and equipment under operating leases to generate additional income and to provide smaller premises for small businesses and charitable organisations in the Royal Borough that may otherwise not be available. The Council charges economic rents for its properties.

Some assets are leased to companies delivering services on behalf of the Council. Such assets are recorded as operational properties and the relevant service contracts normally take account of the lease rentals. Therefore, the cost of operating the properties are recorded under the relevant service line of the Comprehensive Income and Expenditure Statement with any lease income recorded in line with proper practices. To report such rents as income under operating leases could potentially present a misleading view of the Council's operating lease income and therefore such arrangements are not included in the table below.

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

	31 March 2015	31 March 2014
	£'000	£'000
Not later than one year	11,635	6,478
Later than one year and not later than five years	46,538	22,755
Later than five years	96,402	39,131
Total	154,575	68,363

Please note that the information in the table above reflects current leases (a number of which expire in the coming years), tenancies at will, leases that have been held over and leases without a finite expiry date. The Council anticipates that expiring leases will be relet to new or existing tenants, but income from these and vacant properties is not included in the table. It is assumed in the table that the existing arrangements governing tenancies at will, leases that have been held over and leases without a finite expiry date will continue for 15 years.

37. Impairment Losses

Parkwood Hall School converted to academy status in 2014-15. In line with statutory requirements the sites have been let to the respective academy trusts at a peppercorn rent. Therefore, the Council's external valuers, Deloitte Real Estate, have revalued the land occupied by each academy and determined that the value of each site is a notional £1 because the Council is unable to realise the full economic value of the freehold. As a result, the Council has debited impairments of £696,392 in relation to Parkwood Hall School to the Surplus or Deficit on the Provision of Services under the schools element of Children's and Education Services.

The Code and associated *Guidance Notes for Practitioners* require the Council to impair an asset accordingly where the value of an asset increases by less than the capital expenditure incurred on it. In the opinion of Mazars (who transferred to Jones Lang Lasalle in 2014/15), the external valuers who complete an annual valuation of the Council's dwelling stock, under the requirements of the 'Existing Use Valuation - Social Housing' method of valuation mandated by the Government, the Council's capital expenditure on its dwelling stock does not increase the value of those assets. Therefore, the Council has matched the capital expenditure on its existing dwellings with an impairment of £13,236,303 taken to the Housing Revenue Account.

Similarly, Deloitte Real Estate reviewed the valuations of the Council's property assets, other than dwellings, as at the 31 March 2015, which has resulted in a number of impairments to assets where capital expenditure has not resulted in an equivalent increase in value. These include:

- £8,365,283 in relation to Kensington Leisure Centre;
- £1,527,334 in relation to Westway Centre/ EPICS;
- £1,210,904 in relation to 75 Chesterton Square;
- £1,129,490 in relation to Chelsea Creek Depot;
- £666,659 in relation to Kensington Town Hall;
- £362,774 in relation to Chelsea Sports Centre;
- £135,242 in relation to Fox Primary school;
- £43,760 in relation to Bevington Primary School;
- £39,815 in relation to Holland Park Ecology Centre; and
- £22,935 in relation to Oxford Gardens Primary School;

Other revaluation and impairment losses charged to the Surplus or Deficit on the Provision of Services include:

- £926,688 relating to the revaluation of Thamesbrook Old People's Home. Thamesbrook House closed in July 2014 as the building was no longer compliant as a care home. It has an uncertain future and the decrease in values is a result closure and overall diminution in value.
- £386,194 in relation to Leighton House Museum. Prime residential values for the building have been static and an adjustment has been made to reflect the new stamp duty regime.
- £19,071 relating to impairments on non-dwelling Housing Revenue Account assets.

38. Termination Benefits

There are no additional estimable termination benefit costs as at the Balance Sheet Date. The Council has an earmarked Severance Reserve held specifically to cover future termination benefit costs. The balance of the reserve at 31 March 2015 was £9.1 million.

39. Pension Schemes Accounted for as Defined Contribution Schemes

In 2014-15, the Council paid £3,716,616 to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1 per cent of pensionable pay. The figures for 2013-14 were £3,945,003 and 14.1 per cent. There were no contributions remaining payable at the year-end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme.

40. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two funds, both of which form part of the Local Government Pension Scheme, which is a funded defined benefit final salary scheme meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The Council participates in the Kensington and Chelsea Pension Fund, which it administers and also that of the London Pension Fund Authority (LPFA).

The Council does not award discretionary post retirement benefits upon early retirement and has not done so for many years. All such discretionary awards that were made in the past are now funded as part of the employers' contributions. When early retirements occur, an amount is paid directly to the Fund to cover the capital costs arising.

Transactions Relating to Post-employment Benefits

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

	RBKC Pension Scheme		LPFA Pension Scheme	
	31 March	31 March	31 March	31 March
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
<u>Comprehensive Income and Expenditure Statement (CIES)</u>				
Cost of Services:				
Current service cost	17,277	19,675	191	228
Past service costs	608	636	33	124
(Gain)/loss on settlements	(1,138)	(3,038)	-	-
Financing and Investment Income and Expenditure:				
Net interest expense	8,396	10,099	173	319
Administration expenses	417	369	40	36
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	25,560	27,741	437	707
Other Post Employment Benefit Charged to the CIES:				
Remeasurement of the net defined benefit liability / asset*	51,989	(43,006)	2,788	(5,295)
Total Post Employment Benefit Charged to the CIES	77,549	(15,265)	3,225	(4,588)
<u>Movement in Reserves Statement</u>				
Reversal of net charges made to the deficit for the Provision of Services for post employment benefits in accordance with the Code	(25,560)	(27,741)	(437)	(707)
<u>Actual amount charged against the General Fund Balance for pensions in the year</u>				
Employers' contributions payable to scheme**	13,570	22,167	438	432

* As reported in the CIES: Remeasurements of the net defined benefit liability / asset

** The Council made an additional voluntary contribution of £6 million in 2013-14.

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	RBKC Pension Scheme		LPFA Pension Scheme	
	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
Present value of the defined benefit obligation	961,723	807,167	32,725	29,414
Fair value of plan assets	703,259	612,682	27,483	26,893
Sub-total	258,464	194,485	5,242	2,521
Present value of unfunded obligation	-	-	1,850	1,784
Net liability arising from defined benefit obligation	258,464	194,485	7,092	4,305

Reconciliation of the movements in the fair value of scheme assets

	RBKC Pension Scheme		LPFA Pension Scheme	
	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
Opening balance at 1 April	612,682	557,428	26,893	23,780
Interest on assets	27,478	25,553	1,106	811
Return on assets less interest	68,352	13,023	665	18
Other actuarial gains/(losses)	-	21,557	-	3,557
Administration expenses	(417)	(369)	(40)	(36)
Contributions by employer including unfunded	15,729	22,805	417	430
Contributions by scheme participants	5,369	5,113	39	42
Estimated benefits paid plus unfunded net of transfers in	(23,769)	(25,429)	(1,597)	(1,709)
Settlement prices received/(paid)	(2,165)	(6,999)	-	-
Closing balance at 31 March	703,259	612,682	27,483	26,893

Reconciliation of present value of the scheme liabilities

	RBKC Pension Scheme		LPFA Pension Scheme	
	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000
Opening balance at 1 April	807,167	789,345	31,198	33,105
Current service cost	17,277	19,675	191	228
Interest cost	35,874	35,652	1,279	1,130
Change in financial assumptions	122,500	26,247	3,424	(2,173)
Change in demographic assumptions	-	33,123	-	139
Experience less/(gain) on defined benefit obligation	-	(67,158)	8	312
Liabilities assumed/(extinguished) on settlements	(3,303)	(10,037)	-	-
Estimated benefits paid net of transfers in	(23,769)	(25,429)	(1,461)	(1,573)
Past service costs, including curtailments	608	636	33	124
Contributions by scheme participants	5,369	5,113	39	42
Unfunded pension payments	-	-	(136)	(136)
Closing balance at 31 March	961,723	807,167	34,575	31,198

Local Government Pension Scheme assets comprised:

Royal Borough of Kensington and Chelsea Pension Fund

	Fair value of scheme assets					
	31 March 2015			31 March 2014		
	Quoted £'000	Unquoted £'000	Total £'000	Quoted £'000	Unquoted £'000	Total £'000
UK equities	29,956	-	29,956	30,634	-	30,634
Overseas equities	141,315	-	141,315	122,536	-	122,536
Global equities	331,589	-	331,589	238,947	-	238,947
Private equity	-	37,017	37,017	-	30,634	30,634
Property	-	26,246	26,246	-	24,507	24,507
Absolute return portfolio	82,212	-	82,212	159,297	-	159,297
Cash	-	54,924	54,924	-	6,127	6,127
Gilts	-	-	-	-	-	-
Total	585,072	118,187	703,259	551,414	61,268	612,682

London Pension Fund Authority Pension Fund

	Fair value of scheme assets					
	31 March 2015			31 March 2014		
	Quoted £'000	Unquoted £'000	Total £'000	Quoted £'000	Unquoted £'000	Total £'000
Equities - segregated	5,569	-	5,569	7,124	-	7,124
Equities - investment funds	1,115	3,161	4,276	319	5,380	5,699
Equities - private equity	-	2,079	2,079	-	1,827	1,827
Liability driven investments	-	2,063	2,063	-	1,657	1,657
Target return	965	-	965	878	-	878
Investment funds and unit trusts	4,915	2,065	6,980	3,613	3,447	7,060
Infrastructure	89	1,272	1,361	80	864	944
Property	-	779	779	-	713	713
Commodity	93	162	255	215	79	294
Cash	3,222	-	3,222	616	-	616
Derivatives	-	(66)	(66)	-	81	81
Total	15,968	11,515	27,483	12,845	14,048	26,893

Basis for Estimating Assets and Liabilities

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

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries. Estimates for the Pension Fund are based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary are:

	RBKC		LPFA	
	Pension Scheme 2014-15	Pension Scheme 2013-14	Pension Scheme 2014-15	Pension Scheme 2013-14
Mortality assumptions:				
Longevity at 65 for current pensioners (in years):				
Men	22.4	22.3	21.4	21.3
Women	25.7	25.5	24.2	24.2
Longevity at 65 for future pensioners:				
Men retiring in 20 years	24.6	24.5	23.8	23.7
Women retiring in 20 years	28.0	27.9	26.5	26.4
Rate of RPI inflation	3.2%	3.6%	3.0%	3.4%
Rate of CPI Inflation	2.4%	2.8%	2.2%	2.6%
Rate of increase in salaries	4.2%	4.6%	4.0%	4.4%
Rate of increase in pensions	2.4%	2.8%	2.2%	2.6%
Rate for discounting scheme liabilities	3.3%	4.5%	3.0%	4.2%

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 based on realistic changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption varied while all the other assumptions remain constant.

	Impact on the defined benefit obligation in the scheme	
	Increase in assumption £'000	Decrease in assumption £'000
Longevity (increase or decrease in 1 year)	20,732	22,213
Rate of inflation (increase or decrease in 0.1%)	20,979	21,971
Rate of increase in salaries (increase or decrease in 0.1%)	21,469	21,469
Rate of increase in pensions (increase or decrease in 0.1%)	21,975	20,975
Rate of discounting scheme liabilities (increase or decrease in 0.1%)	20,979	21,971

Impact on the Council's cash flows

At the last triennial actuarial valuation – 31 March 2013 – the Pension Fund was 95 per cent funded. The objectives of the scheme are to keep employers' contributions at a constant rate possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100 per cent over the next six years. Funding levels are monitored on an annual basis and the next triennial valuation is due on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. The Act provides for scheme regulations to be made within a

common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The Council anticipated to pay £13.4 million expected contributions to the scheme in 2015-16.

The weighted average distribution of the defined benefit obligation for members of the Council's Pension Fund was 45 years at the end of 2014-15 (45 years for 2013-14).

The weighted average distribution of the defined benefit obligation for the members of the London Pension Fund Authority was 58 years at the end of 2014-15 (58 years for 2013-14).

41. Contingent Liabilities

At 31 March 2015, the Council had the following contingent liabilities:

- As part of the Business Rates Retention Scheme, introduced on 1 April 2013, the Council has a share of the financial liability for any refunds relating to back-dated appeals. A crude estimate of the exposure (based on an analysis of outstanding appeals provided by the Valuation Office Agency at 30 April 2015 and assuming that the historic appeal driven reductions in rateable value are repeated) is £18.3 million for this exposure, of which the Council's share is £5.5 million. The final loss on outstanding appeals could be either more or less than this. The Council is disclosing any potential additional exposure as a contingent liability. However, the Business Rates Retention Scheme includes a safety net and the Council's maximum funding loss, if the financial impact of the settled appeals is higher than provided for, is £1.9 million.
- During 1992-93, the then Council's insurers, Municipal Mutual Insurance (MMI), ceased accepting new business. The Council is a member of a scheme of arrangement that has been put into place to try to ensure an orderly settlement of the run-off of MMI. The scheme of arrangement was triggered in 2013-14 and the Council paid a levy of £247,000 in 2014-15. The Council's maximum estimated additional exposure to future claims payments of £1.4 million (based on the current outstanding claims). The Council has sufficient funds in its Insurance Reserve to cover this exposure.
- As part of the wind-up of the Greater London Council (GLC), the London Pension Fund Authority took over responsibility for the managing the pension fund of former GLC employees. This is potentially underfunded and there may potentially be a financial call on the London boroughs, under the existing levy arrangements, for any shortfall in the fund. There is no reliable estimate of this financial exposure.
- The Council has made a public commitment to funding a Crossrail station in the north of the Royal Borough. This does not constitute a legally binding contract and the Council is awaiting a final decision by the Government.

42. Contingent Assets

The Council has made claims where either the policy of Her Majesty's Revenue and Customs (HMRC) has changed, or where legal judgements have changed the Valued Added Tax (VAT) treatment of a service. 'Fleming claims' are claims for overpaid VAT, potentially going back as far as the inception of VAT in 1973. They followed the House of Lords judgements in January 2008 in the cases of Fleming and Conde Nast, which both concerned the way that the three-year time limit on making claims had been introduced by HMRC. At 31 March 2015, the Council had contingent assets relating to the following two VAT claims neither of which are individually material to the Council. The claims are subject to litigation and therefore the timing and amounts that may be paid to the Council

Nature of Claim	Amount of Claim £'000
Off Street Car Parking	4,088
Off Street Car Parking (Fleming Claim)	1,750
Total	5,838

43. Nature and Extent of Risks Arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- *Credit risk*: the possibility that other parties might fail to pay amounts due to the Council.
- *Liquidity risk*: the possibility that the Council might not have funds available to meet its commitments to make payments.
- *Re-financing risk*: the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- *Market risk*: the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the *Code of Practice on Treasury Management in the Public Services*;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its constitution;

- by approving annually in advance prudential and treasury indicators for the following three years limiting the Council's:
 - overall borrowing;
 - maximum and minimum exposures to fixed and variable rates;
 - maximum and minimum exposures for the maturity structure of its debt;
 - maximum annual exposures to investments maturing beyond a year; and
- by approving an investment strategy for the forthcoming year that sets criteria for both investing and selecting investment counterparties in compliance with Government guidance.

These are required to be reported and approved when or before the Council's Council Tax is set and Revenue Budget approved. These items are reported with the *Annual Treasury Strategy*, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

These policies are implemented by the treasury team. The Council maintains written principles for overall risk management and written policies (Treasury Management Practices – TMPs) covering specific areas such as interest rate risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk

Credit risk arises from deposits with banks and financial institutions as well as credit exposure to the Council'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. The *Annual Investment Strategy* also considers maximum amounts in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria. Additional selection criteria are also applied following the application of the initial credit criteria.

The Council's maximum exposure to credit risk in relation to its investments in banks cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities not to be able to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2015 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparty in relation to outstanding deposits or non investment activity related financial instrument.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures set out above and through cash flow management procedures required by the *Code of Practice on Treasury Management in the Public Services*. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow needs, while the Public Works Loans Board provides access to longer term funds. It

also acts as a lender of last resort to local authorities (although it will not provide funding to an authority whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Thus there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

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

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

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs and spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

	2014-15 £'000
Less than one year	10,793
Between one and two years	7,509
Between two and five years	20,028
Between five and ten years	47,327
Between ten and fifteen years	20,536
More than fifteen years	45,974
Total	152,167

The maturity analysis of financial assets is as follows:

	2014-15 £'000
Less than one year	216,978
Between one and two years	-
Between two and three years	-
More than three years	-
Total	216,978

The above tables exclude trade payables and receivables all of which are due to be paid/received within one year.

Market risk

Interest Rate Risk: The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument durations. For instance, a rise in variable and fixed interest rates would have the following effects:

- *Borrowing at variable rates:* the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- *Borrowing at fixed rates:* the fair value of the borrowing liability will fall (no impact on revenue balances).
- *Investments at variable rates:* the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- *Investments at fixed rates:* the fair value of the assets will fall (no impact on revenue balances).

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

The Council has a number of strategies for managing interest rate risk. The *Annual Treasury Strategy* draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. The Strategy sets a treasury indicator that provides maximum and minimum limits for fixed and variable interest rate exposure. The treasury team monitors market and forecast interest rates within the year and adjusts exposure appropriately. For instance, during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

The Council has no variable rate borrowing and no fixed rate investments. If all interest rates had been 1 per cent higher with all other variables held constant the financial effect would be:

	2014-15 £'000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(2,781)
Impact on the Comprehensive Income and Expenditure Statement	(2,781)
Increase in Government grant receivable for financing costs	-
Decrease in fair value of fixed rate investment assets	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on the CIES)	15,661

The approximate impact of a 1 per cent fall in interest rates would be as above, but with the movements being reversed. These assumptions are based on the same methodology as used in the note: Fair Value of Assets and Liabilities Carried at amortised cost.

Price risk: the Council, excluding the Pension Fund, does not normally make significant investments in marketable bonds other than Gilts and does not invest in equities.

Foreign exchange risk: the Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

44. Long Term Liabilities

	2014-15 £'000	2013-14 £'000
Net pensions liability*	265,556	198,790
Long term lease liability	153	6
Deferred liabilities	50	50
Total	265,758	198,846

*This is a balance sheet date actuarial valuation (a snap shot at a point in time). Although the actuarial assessment of the fund value has increased this has been far exceeded by the obligations due (driven by the latest estimates of life expectancy and pay and price inflation).

Supplementary Financial Statements 2014-15



THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA

The Housing Revenue Account Income and Expenditure Statement

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

	31 March '15	31 March '14	Notes
	£'000	£'000	
<u>Expenditure</u>			
Repairs and maintenance	12,700	13,216	
Supervision and management	14,326	13,525	
Special	6,101	6,075	
Rents, rates, taxes and other charges	196	136	
Depreciation and impairment of fixed assets			
On dwellings	2,666	2,780	1a
On non-dwellings	326	11	
Impairments	13,255	9,087	
Debt management costs	80	81	
Revenue Expenditure Funded from Capital Under Statute	280	11	
Bad debt provision made in year	228	122	7
Total expenditure	50,158	45,044	
<u>Income</u>			
Dwelling rents	(42,210)	(40,009)	
Non-dwelling rents	(3,749)	(3,683)	
Charges for services and facilities	(11,182)	(10,971)	
Contributions towards expenditure	(306)	(235)	
Total income	(57,447)	(54,898)	
Net cost of HRA services as included in the Council's Income and Expenditure Statement	(7,289)	(9,854)	
HRA's share of Corporate and Democratic Core	14	16	
Net cost of HRA services	(7,275)	(9,838)	
<i>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</i>			
Interest payable and similar charges*	11,280	11,697	5
Amortisation of premiums and discounts	-	-	
Interest and investment income	(83)	(74)	
Government grants applied	-	-	
(Surplus) / deficit for the year on HRA services	3,922	1,785	

* Interest payable and similar charges include £761,000 of additional interest charged from the General Fund.

Movement on the HRA Statement

	31 March '15	31 March '14	Notes
	£'000	£'000	
(Surplus) / deficit for the year on the HRA Income and Expenditure Account	3,922	1,785	
Transfers to / (from) Major Repairs Reserve	7,100	4,460	
Contributions to / (from) reserves	(44)	(28)	
Capital expenditure funded by the Housing Revenue Account	-	-	
Government grants applied	-	-	
Impairment of non-current assets	(13,255)	(9,087)	
Neutralisation of REFCUS	(280)	(11)	3
(Increase) / decrease in the Housing Revenue Account balance	(2,557)	(2,881)	
Housing Revenue Account surplus brought forward	(18,942)	(16,061)	
Housing Revenue Account surplus carried forward	(21,499)	(18,942)	

Notes to the HRA Statement

1a. Movement of HRA Dwellings and Other Assets 2014-15	Council Dwellings	Other Land and Buildings	Vehicles, Equipment Plant and Furniture	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Investment Properties	Total
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2014	640,186	13,287	48	-	-	-	-	53,564	707,085
Additions	13,236	4	-	-	-	-	138	-	13,378
Revaluation increases / (decreases) and impairments recognised in the Revaluation Reserve	48,162	2,649	-	-	-	-	-	-	50,811
Revaluation increases / (decreases) and impairments recognised in the surplus / deficit on the provision of services	-	(19)	-	-	-	-	-	2,477	2,458
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	-	-	-	-
Transfers in	-	20	-	-	-	-	798	-	818
Transfers out	(20)	(798)	-	-	-	-	-	-	(818)
Derecognition - disposals	(1,003)	(317)	(48)	-	-	-	-	(138)	(1,507)
At 31 March 2015	700,562	14,825	-	-	-	-	936	55,903	772,226
Accumulated Depreciation and Impairment									
At 1 April 2014	-	2	34	-	-	-	-	-	36
Depreciation charge	2,666	502	7	-	-	-	-	-	3,175
Revaluations	(15,818)	(187)	-	-	-	-	-	-	(16,005)
Impairments	13,236	-	-	-	-	-	-	-	13,236
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Derecognition - disposals	(84)	(317)	(41)	-	-	-	-	-	(442)
At 31 March 2015	-	-	-	-	-	-	-	-	-
Net Book value									
At 31 March 2015	700,562	14,825	-	-	-	-	936	55,903	772,226
At 31 March 2014	640,186	13,285	14	-	-	-	-	53,564	707,050

1a. Movement of HRA Dwellings and Other Assets 2013-14	Council Dwellings	Other Land and Buildings	Vehicles, Equipment Plant and Furniture	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Investment Properties	Total
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2013	597,454	11,866	48	-	-	-	129	46,416	655,913
Additions	8,146	86	-	-	-	-	401	51	8,684
Revaluation increases / (decreases) and impairments recognised in the Revaluation Reserve	35,455	1,251	-	-	-	-	-	-	36,706
Revaluation increases / (decreases) and impairments recognised in the surplus / deficit on the provision of services	(534)	(576)	-	-	-	-	-	7,823	6,713
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	-	-	-	-
Transfers in	529	726	-	-	-	-	-	-	1,255
Transfers out	-	-	-	-	-	-	(529)	(726)	(1,255)
Derecognition - disposals	(864)	(66)	-	-	-	-	-	-	(930)
At 31 March 2014	640,186	13,287	48	-	-	-	-	53,564	707,085
Accumulated Depreciation and Impairment									
At 1 April 2013	-	2	27	-	-	-	-	-	29
Depreciation charge	2,781	317	7	-	-	-	-	-	3,105
Revaluations	(10,709)	(314)	-	-	-	-	-	-	(11,023)
Impairments	7,974	(3)	-	-	-	-	-	-	7,972
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Derecognition - disposals	(47)	-	-	-	-	-	-	-	(47)
At 31 March 2014	-	2	34	-	-	-	-	-	36
Net Book value									
At 31 March 2014	640,186	13,285	14	-	-	-	-	53,564	707,050
At 31 March 2013	597,454	11,864	21	-	-	-	129	46,416	655,884

1b. Value of Land and Dwellings

Within the dwellings Balance Sheet category, the 31 March 2015 Net Book Value comprises £498,930,530 land and £201,630,970 dwellings. The total value of the property in other Balance Sheet categories is £73,017,617.

On the 1 April 2010, the last full valuation, the Net Book Value comprised £377,457,750 land and £208,254,600 dwellings. The total value of the property in other Balance Sheet categories was £60,483,771.

1c. Number and Types of Dwelling

MRA Archetype	01/04/2015	01/04/2014	Difference
Houses Small Terraced <1945	-	-	-
Houses Semi Detached <1945	1	1	-
Houses Other <1945	56	56	-
Houses Small Terraced 1945-1964	-	-	-
Houses SD/Large Terraced 1945-1964	7	7	-
Houses 1965-1974	10	10	-
Houses 1974+	67	67	-
Houses (Non Traditional)	-	-	-
Bungalows	12	12	-
Low-Rise Flats <1945	210	210	-
Low-Rise Flats >1945	186	198	(12)
Medium	3633	3648	(15)
High Rise	2633	2642	(9)
Multi-Occupancy	44	44	-
Total	6859	6895	(36)

1d. Depreciation

Council Dwellings:

Dwellings are depreciated on a straight line basis over their estimated useful lives. The most recent valuation of the housing stock estimated the remaining useful lives of individual dwellings at between 50 and 100 years. Land is not depreciated because it has an indefinite useful life.

Other Land and Buildings:

With the exception of assets that are being redeveloped and are not yet available for use and thus are not being depreciated, buildings are depreciated on a straight line basis over their estimated useful lives, generally between 25 and 50 years. Land is not depreciated because it has an indefinite useful life.

Vehicles, Equipment, Plant and Furniture:

Depreciation is calculated on a straight line basis over the anticipated useful life of the asset: vehicles are normally depreciated over 7 years; furniture over 7 years; plant between 9 and 30 years; and equipment between 2 and 10 years.

Assets Under Construction:

In line with proper practice, Assets Under Construction are not depreciated.

Investment Properties:

In line with proper practice, Investment Properties are not depreciated.

1e. Vacant Possession Value and Valuation Basis

Council dwellings are valued in accordance with Government guidance *Stock Valuation for Resource Accounting: Guidance for Valuers - 2010* using the “beacon principle” to reach a valuation known as the “Existing Use Value-Social Housing” (EUV-SH).

The “beacon principle” divides dwellings into: archetypes, which share similar characteristics such as design, age, type or construction; and asset groups, which broadly reflect the location of the dwellings. A sample of properties from each archetype within each asset group is visited and valued to provide a representative market price that is used as the open market valuation for every dwelling within that archetype for each asset group. The valuation assumes the dwelling is vacant and is based on a price that would be agreed between a willing buyer and a willing seller in an arms length transaction that is freely entered into.

EUV-SH discounts the open market valuation to take into account that a Council dwelling is worth less than its open market value because:

- a) The sitting tenants enjoy occupation at less than open market rentals.
- b) Rentals increase at a rate that is less than the Retail Price Index over time.
- c) The sitting tenants have greater rights than the norm, such as Right to Buy.
- d) The Landlord (the Council) has greater liabilities than the norm, such as insurance, repairs, maintenance and statutory obligations.

The difference between the open market price and the EUV-SH valuation is known as the “Adjustment Factor” and is the economic cost of providing social housing. The Council uses an adjustment factor of 75 per cent. The gross Balance Sheet value of the Council's dwellings and the land they occupy is therefore 25 per cent of the open market price. The table below sets out the value of the Council's dwellings and the land they occupy based on the historic cost model, their market value, EUV-SH valuation and current carrying value. The current carrying value is the EUV-SH valuation after depreciation, disposals, capital investment, revaluations and impairments that took place from 2011-12 to 2014-15.

	Council Dwellings £'000
Carrying amount if assets had been carried under the cost model	390,411
Market value as at 1 April 2010	2,560,744
Gross EUV-SH valuation as at 1 April 2010	585,712
Current carrying value	700,562

**Please note that prior to 1 April 2007, local authorities did not use the current cost model when accounting for non-current assets. Therefore, the carrying amount of the dwellings category if the assets were carried under the historic cost model, as required by IFRS, is based upon the carrying value of the assets as at 1 April 2007.*

1f. Impairments

The Council values its dwellings in accordance with the proper practice set out in the Government guidance *Stock Valuation for Resource Accounting: Guidance for Valuers - 2010*. In the opinion of Mazars, the external valuers who complete an annual valuation of the Council's dwelling stock, under the requirements of the 'Existing Use Valuation - Social Housing' method of valuation, the Council's capital expenditure on its dwelling stock does not increase the value of those assets. The Code and associated *Guidance Notes for Practitioners* require the Council to impair an asset accordingly where the value of an asset increases by less than the capital expenditure incurred on it. Therefore, the Council has impaired the value of its capital expenditure on its existing dwellings by £13,236,303 with the charge taken to the Housing Revenue Account.

Other revaluation and impairment losses charged to the Housing Revenue Account included:

- £19,071 relating to impairments on non-dwelling Housing Revenue Account assets.

2. Capital Expenditure

Capital Expenditure	£'000	Funding Sources	£'000
Dwellings	13,236	Capital grants and contributions	97
Other land and buildings	4	Usable capital receipts	3,405
Assets Under Construction	138	Major Repairs Reserve	9,876
Total	13,378		13,378

3. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

REFCUS comprises: capital expenditure on non-asset related items; maintenance that is capital expenditure under statute, but revenue expenditure under accounting rules; and expenditure below the de minimis threshold. REFCUS is charged to the Comprehensive Income and Expenditure Statement, although there is no effect on the bottom line of the Housing Revenue Account.

	2014-15 Net Expenditure £'000	2013-14 Net Expenditure £'000
Capital expenditure written to revenue	280	11

4. Capital Receipts in Year

A summary of the total capital receipts within the HRA is shown below:

	2014-15 £'000	2013-14 £'000
Land	-	-
Dwellings (net of sale expenses)	7,718	7,456
Other property	2,908	1,912
Loan repayments	7	6
Total	10,633	9,374

5. Interest on Borrowing in the HRA

Interest on borrowing paid by the HRA as follows:

	2014-15 £'000	2013-14 £'000
Interest on borrowing	11,280	11,697
Value of amortised premia	-	-
Total	11,280	11,697

6. Major Repairs Reserve

	2014-15 £'000		2013-14 £'000	
Balance at 1 April		392		702
<i>Income:</i>				
Contribution from the HRA	10,092		7,270	
<i>Expenditure:</i>				
Dwellings	(9,876)		(7,580)	
Surplus / (deficit) for year		216		(310)
Balance at 31 March		608		392

7. Rent Arrears and Provision for Bad or Doubtful Debts

Tenant arrears include: rent; service charges; heating and hot water charges; and arrears from garage and car park rentals.

Tenant Arrears	2014-15 £'000	2013-14 £'000
Gross arrears	2,271	2,674
Net arrears		
Former tenants *	694	360
Current tenants *	(1,436)	(810)
Net arrears at 31 March	(742)	(450)

*Also includes credit balances representing receipts in advance

Other arrears include: service charges, heating and hot water charges; and major works bills payable by leaseholders and rent arrears payable by HRA commercial property tenants.

Other Arrears	2014-15 £'000	2013-14 £'000
Gross arrears	3,066	3,471
Net arrears		
Leaseholder charges*	2,358	2,758
Commercial properties	404	368
Net arrears at 31 March	2,762	3,126

*Also includes credit balances representing receipts in advance

Provision for bad debts has been made as follows:

Provision	2014-15 £'000	2013-14 £'000
Provision at 1 April	2,293	2,516
Provision made in year	192	122
Write-offs during year	(204)	(345)
Provision at 31 March	2,281	2,293

Collection Fund Accounts

The Collection Fund Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council as billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and National Non-Domestic Rates.

	2014-15			2013-14			Notes
	Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000	
Income							
Council Tax Collectable	-	(102,518)	(102,518)	-	(101,279)	(101,279)	1
Add: Council Tax Benefits	-	-	-	-	-	-	
Business Rates Collectable	(276,305)	-	(276,305)	(277,840)	-	(277,840)	2
Business Rate Supplement Collectable	(9,370)	-	(9,370)	(10,020)	-	(10,020)	
Total Income	(285,675)	(102,518)	(388,193)	(287,860)	(101,279)	(389,139)	
Expenditure							
<i>Precepts and Demands:</i>							
Central Government (CLG)	133,896	-	133,896	130,912	-	130,912	
Royal Borough of Kensington and Chelsea	80,338	71,702	152,040	78,547	71,083	149,630	
Greater London Authority	53,558	27,395	80,953	52,364	27,522	79,886	
<i>Business Rate Supplement</i>							
Payment to the Greater London Authority	9,336	-	9,336	9,981	-	9,981	3
Cost of collection	34	-	34	39	-	39	
<i>Charges to Collection Fund</i>							
Write-offs of uncollectable amounts	1,748	124	1,872	1,045	446	1,491	
Increase / (Decrease) in Bad Debt Provision	(324)	2,402	2,078	949	1,655	2,604	
Increase / (Decrease) in Provision for Appeals	5,898	-	5,898	12,360	-	12,360	
Distribution / (Recovery) of previous year's estimated surplus / (deficit)	-	580	580	-	185	185	
Cost of collection	616	-	616	619	-	619	
Transitional Protection Payment	1,052	-	1,052	1,044	-	1,044	
Payments of interest	7	-	7	-	-	-	
Deferrals	(484)	-	(484)	-	-	-	
Total Expenditure	285,675	102,203	387,878	287,860	100,891	388,751	
Movement on Fund balance	-	(315)	(315)	-	(388)	(388)	
(Surplus) / Deficit as at 1 April	-	(431)	(431)	-	(43)	(43)	
(Surplus) / Deficit as at 31 March	-	(746)	(746)	-	(431)	(431)	6

1. General

The Collection Fund Account is an agent's statement that reflects the statutory obligation of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council - the billing authority - in relation to both the collection and redistribution of Council Tax and National Non-Domestic Rates (including the Business Rates Supplement).

2. National Non-Domestic Rates (NNDR)

The Council collects National Non-Domestic rates for the local authority area that are based on commercial property rateable values set by the Valuation Office Agency multiplied by rate poundages set nationally by government. The total amount collected, less reliefs and deductions, is divided between the Council (30 per cent), the Greater London Authority (20 per cent) and the government (50 per cent).

The National Non Domestic Rateable Value at 31 March 2015 was £649 million. The standard NNDR multiplier for 2014-15 was 48.2 pence (47.1 pence in 2013-14). The Small Business Rate Relief multiplier for 2014-15 was 47.1 pence (46.2 pence for 2013-14).

3. Business Rate Supplement (BRS)

Under the arrangements for the Business Rate Supplement, the Council collects a supplement for its area based on local rateable values in excess of £55,000 multiplied by the designated rate poundage. The total amount, less reliefs and deductions, is paid to the Greater London Authority on whose behalf it is collected.

The Business Rate Supplement Rateable Value at 31 March 2015 was £547 million. The standard BRS multiplier for 2014-15 was 2 pence, unchanged from previous years.

4. Council Tax

The tax base for the Financial Year 2014-15 was calculated as follows:

Band	Dwellings	Less Exemptions Disregards Discounts	No. of dwellings after disregards exemptions discounts	Band ratio	Total Band D	Add Second and Empty Homes	Less Council Tax Support	Band D Equivalent 2014-15 Forecast	Band D Equivalent 2013-14 Forecast
A	1,860	(793)	1,067	6/9	711	67	(223)	555	559
B	3,561	(850)	2,711	7/9	2,109	60	(1,014)	1,154	1,191
C	9,373	(1,982)	7,391	8/9	6,570	265	(2,660)	4,175	4,043
D	13,603	(2,862)	10,742	1	10,742	450	(3,135)	8,057	7,946
E	13,179	(2,642)	10,537	11/9	12,878	785	(2,268)	11,395	11,270
F	11,825	(2,374)	9,451	13/9	13,651	1,078	(1,307)	13,422	13,344
G	19,398	(3,802)	15,596	15/9	25,994	2,680	(809)	27,865	27,812
H	14,650	(2,232)	12,418	18/9	24,836	2,561	(98)	27,299	26,946
Class O					50			50	50
Subtotal	87,449	(17,537)	69,912		97,541	7,946	(11,514)	93,972	93,160
							Collection Loss	(2,349)	(2,329)
							Net Tax Base	91,622	90,831

The 2014-15 Council Tax Base was 91,622. The Council set a 2014-15 Band D charge of £767.79 and the Greater London Authority's Band D precept for 2014-15 was £299.00, making a total Band D Council Tax charge for 2014-15 of £1,066.79.

5. Council Tax Precept Adjustments

In January 2014 as part of 2014-15 budget setting, the surplus was estimated for 31 March 2015 at £579,796 of which £161,821 was paid to the precepting body during the financial year. The actual surplus on the Collection Fund was £746,574 at the 31 March 2015 of which £206,353 is due to the precepting body. The difference is adjusted for in the Collection Fund.

6. Collection Fund Balance

A proportion of the Collection Fund balance is attributable to the Greater London Authority and the Government and thus should not be wholly taken to the net worth component of the Council's Balance Sheet. Therefore, an element calculated pro rata appears as an asset in the Balance Sheet in the net worth section of the Balance with the remainder treated as a liability.

	2014-15			2013-14		
	Business Rates	Council Tax	Total	Business Rates	Council Tax	Total
	£000	£000	£000	£000	£000	£000
Royal Borough of Kensington and Chelsea	-	(540)	(540)	-	(312)	(312)
Greater London Authority	-	(206)	(206)	-	(119)	(119)
Central Government (CLG)	-	-	-	-	-	-
	-	(746)	(746)	-	(431)	(431)

The Pension Fund

The Pension Fund Account

	2014-15	2013-14	Notes
Dealings with members, employers and others directly involved in the fund	£'000	£'000	
Contributions			
From employers (normal)	(18,290)	(18,409)	6
From employers (special)	-	(6,000)	6
From members	(6,374)	(5,682)	6
Transfers in from other pension funds	(1,240)	(4,039)	
Other income	-	-	
	(25,904)	(34,130)	
Benefits			
Pension	21,391	20,209	7
Commutation and lump sum retirement benefits	4,637	5,860	7
Payments to and on account of leavers	54	20	
Individual transfers out to other pension funds	2,279	2,582	
Other expenditure	-	-	
	28,361	28,671	
Net (additions) / withdrawals with members	2,457	(5,459)	
Management expenses	3,733	3,751	8
Returns on investments			
Investment income	(8,410)	(8,167)	9
Other income	(30)	-	
Taxes on income	102	141	
Profit and loss on disposal of investments and changes in the market value of investments			
Realised	(27,660)	(13,339)	
Unrealised	(100,426)	(39,100)	
	(128,086)	(52,439)	
Net return on investments	(136,424)	(60,465)	
Net (increase) / decrease in the net assets available for benefits during the year	(130,234)	(62,173)	
Opening Net Assets of the Scheme	(695,662)	(633,489)	
Closing Net Assets of the Scheme	(825,896)	(695,662)	

The Pension Fund Net Assets Statement*

	31 March 2015	31 March 2014	Notes
	£'000	£'000	
Investment Assets			
Fixed interest securities			
Equities:			
United Kingdom	35,873	28,732	12
Overseas	168,642	134,235	12
Pooled sterling liquidity fund	30,118	-	12
Pooled global equities	394,628	285,258	12
Pooled global absolute return funds	92,702	176,264	12
Pooled property investments	40,251	22,781	12
Pooled private equity funds	45,809	33,500	12
Cash (with managers)	9,469	3,656	12
Investment income due	88	103	12
Investment liabilities		-	
Net value of investment assets	817,580	684,529	12
Current assets	142	1,540	12/19
Current liabilities	(1,214)	(451)	12/20
Cash (held directly by fund)	9,388	10,044	12
Net assets of the fund available to fund benefits at the period end	825,896	695,662	

* The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in Note 18.

1. Description of The Royal Borough Of Kensington And Chelsea Pension Fund

(a) General

The Pension Fund (the 'Fund') is part of the Local Government Pension Scheme (LGPS) and is administered by the Council. It is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the Council and the admitted and scheduled bodies to the Fund.

These benefits include retirement pensions, early payment of benefits on medical grounds and payment of death benefits where death occurs either in service or in retirement. The benefits payable are based on an employee's final salary and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The benefits payable in respect of service from 1st April 2014 are based on career average re-valued earnings and the number of years of eligible service. The benefits payable in respect of service prior to 1st April 2014 are based on an employee's final salary and the number of years of eligible service. Pensions are increased each year in line with the Consumer Price Index.

The Fund is financed by contributions from employees, the Council, the admitted and scheduled bodies and from interest and dividends on the Fund's investments. Contributions from employees are made in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5 per cent to 12.5 per cent of pensionable pay. Employer contributions are set based on triennial actuarial funding valuations, as detailed in **Note 18**.

The Fund is governed by the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended).

(b) Investment Committee

The Council has delegated the investment arrangements of the scheme to the Investment Committee (the Committee), which decides on the investment policy most suitable to meet the liabilities of the Fund and has ultimate responsibility for the investment policy.

The Committee is made up of six elected representatives of the Council, including one opposition party representative, each of whom has voting rights. In addition, there are up to four co-opted members who may attend committee meetings, but have no voting rights.

The Committee reports to the full Council and has full delegated authority to make investment decisions. The Committee obtains and considers advice from the Town Clerk and, as necessary, from the Fund's appointed investment advisers, managers and actuary.

(c) Investment Principles

The *Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2009* require administering authorities to prepare and review from time to time a written statement recording the investment policy of their Pension Fund. The purpose of this document is to satisfy the requirements of the regulations, to explain how the Fund is managed and to set out the factors taken into account in doing so.

The latest *Statement of Investment Principles* (SIP) was approved in February 2015 by the Investment Committee. The SIP is available from the Council's website at: <https://www.rbkc.gov.uk/committees/Meetings/tabid/73/ctl/ViewMeetingPublic/mid/669/Meeting/6773/Committee/1547/Default.aspx>

The Fund's investment objective is to ensure that its assets are invested in a way that maximises the likelihood that benefits will be paid to members as they fall due and to ensure the continued long-term financial support from the sponsoring employers.

The Committee has delegated the management of the Fund's investments to professional investment managers appointed in accordance with the regulations, and whose activities are specified in detailed investment management agreements and monitored on a quarterly basis. Please see **Note 10**.

(d) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Organisations participating in the Fund include scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund and admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The following table summarises the membership numbers of the scheme:

	31 March '15 No	31 March '14 No
Active members	3,271	3,097
Pensioners receiving benefits	2,693	2,656
Deferred Pensioners	4,421	4,305
Total	10,385	10,058

Details of the scheduled and admitted bodies in the scheme are shown in the Fund's Annual Report.

(e) Tri-borough Working

The Council, the London Borough of Hammersmith & Fulham and the City of Westminster councils have combined certain operational areas to provide a more efficient service and greater resilience. Two of the first areas to be jointly operated across the Tri-borough were the treasury and pension teams of the three councils.

The combined team was formed in February 2012 and is responsible for the management of the pension fund investments and the treasury operations across the three boroughs. The team is based at the City of Westminster's offices.

The pension fund and treasury operations are managed separately in accordance with Government regulations and the strategies agreed by each council, which retains sovereignty over decision making in relation to its pension fund.

2. Basis of the Preparation of the Financial Statements

The Statement of Accounts summarises the Fund's transactions for 2014-15 and its position at year end as at 31 March 2015. The Statement of Accounts has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* (The Code) issued by the Chartered Institute of Public Finance and Accountancy ("CIPFA") which is based on International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts have been prepared on an accruals basis, apart from transfer values which have been accounted for on a cash basis in accordance with the Code.

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset Statement, in the notes to the accounts or by appending an actuarial report, prepared for this purpose. The Council has opted to disclose this information in an accompanying report to the accounts which is disclosed in **Note 18**.

3. Summary of Significant Accounting Policies

Fund Account – Revenue Recognition

(a) Contribution Income

All contributions, both from the members and from the employer, are accounted for on an accruals basis.

(b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS regulations. Individual transfers in and out are accounted for when received or paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

(c) Investment Income

Dividends from quoted securities are accounted for when the security is declared ex-dividend. Interest income is accrued on a daily basis. Investment income is reported gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within these and reflected in the unit price.

Fund Account – Expense Items

(d) Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Lump sums are accounted for in the period in which the member becomes a pensioner. Any amounts due, but unpaid, are disclosed in the net assets statement as current liabilities.

(e) Taxation

The Fund is an exempt approved fund under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities, including expenditure on investment expenses. Where tax can be reclaimed, investment income in the accounts is shown gross of UK tax. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

(f) Management Expenses

The Code does not require a breakdown of management expenses, however disclosure of expenses in accordance with the CIPFA guidance “Accounting for Local Government Pension Scheme Management costs” is provided in the interests of greater transparency.

All expenses are accounted for on an accruals basis to ensure costs for the full accounting period are accounted for in the Fund account. Staff costs associated with the running of the Fund are charged to the Fund along with an element of overhead charges.

The fees of the Fund’s external investment managers reflect their differing mandates. Management fees are usually linked to the market value of the Fund’s investments and therefore may increase or reduce as the value of the investment changes. Fees are also payable to the Fund’s custodian and other advisers.

Net Assets Statement

(g) Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. Quoted securities and Pooled Investment Vehicles have been valued at the bid price and fixed interest securities are recorded at net market value based on their current yields at the balance sheet date. Quoted securities are valued by Northern Trust, the Fund’s custodian.

The values of the private equity investments are based on valuations provided by the general partners to the private equity funds. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

There are no significant restrictions affecting the ability of the Fund to realise its investments at the accounting date or at the value at which they are included in the accounts, apart from the investments in private equity which, by their nature, will be realised over a long period of time.

(h) Foreign Currency Transactions

Where appropriate, market values, cash deposits and purchases and sales outstanding listed in overseas currencies are converted into sterling at the rates of exchange ruling at the reporting date.

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and deposits with financial institutions that are repayable on demand without penalty.

(j) Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

(k) Actuarial present value of promised retirement benefits

The CIPFA Code of Practice on Local Authority Accounting sets out that the actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS19 Post Employment Benefits and relevant actuarial standards.

As permitted under the Code, the financial statements include a report from the actuary disclosing the actuarial present value of retirement benefits. See **Note 18**.

(l) Additional Voluntary Contributions

Members of the Fund may choose to make Additional Voluntary Contributions (AVCs) into a separate scheme run by Prudential Assurance in order to obtain additional pensions benefits. The company is responsible for providing the investors with an annual statement showing their holding and movements in the year. AVCs are not included within the accounts in accordance with Regulation 4 (2)(b) of the LGPS (Management and Investment of Funds) Regulations 2009 . They are disclosed in **Note 21**.

(m) Recharges from the General Fund

The *Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009* permit the Council to charge administration costs to the Fund. A proportion of the relevant Council costs have been charged to the Fund on the basis of actual time spent on Pension Fund business. Costs incurred in the administration, oversight and governance of the Fund are set out separately in **Note 8**.

4. Critical Judgements in Applying Accounting Practices

The accounts contain certain estimated figures that are based on assumptions made by the Fund and other bodies about the future or that are otherwise uncertain. Estimates are made because they are required to satisfy relevant standards or regulations and are on the basis of best judgement at the time, derived from historical experience, current trends and other relevant factors. As a result, actual results may differ materially from those assumptions.

The items for which there is significant risk of material adjustment are:

(a) Pension Fund Liability

The Pension Fund liability is calculated triennially by the appointed actuary, with annual updates in the intervening years. The methodology used follows generally agreed guidelines and is in accordance with IAS19. These assumptions are summarised in **Note 17**. The estimate of the net liability to pay pensions depends on a number of judgments and assumptions. In particular are those relating to the discount rate, the rate at which salaries are projected to increase, change in retirement ages, mortality rates and expected returns on the Fund's assets.

The effect of changes in individual assumptions can be measured. A 0.5 per cent increase in the discount rate would result in a decrease in the pension liability of £94.6m. A 0.25 per cent increase in the pay inflation assumption would increase the value of liabilities by £6.3m, and a one-year increase in assumed life expectancy would increase liabilities by £37.9m.

(b) Unquoted Private Equity Investments

The fair value of private equity investments is unavoidably subjective. The valuations are based on forward-looking estimates and judgements involving many factors. Unquoted private equity assets are valued by the investment managers in accordance with industry standards. The value of private equity investments at the balance sheet date was £45.8m.

5. Events after the Balance Sheet Date

As at end May 2015 the Fund's investments and cash had changed in value to £822 million compared to the value placed on the net assets statement as at the reporting date of 31 March 2015. This mainly reflects a combination of general equity and fixed-income market movements.

6. Contributions Receivable

Employees' contributions are calculated on a sliding scale based on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make contributions determined by the Fund's actuary to maintain the solvency of the Fund. The table below shows a breakdown of the total amount of employers' and employees' contributions.

By authority	2014-15 £'000		2013-14 £'000	
	Employees Normal	Employers Normal	Employees Normal	Employers Normal
Administering Body				
Kensington and Chelsea	5,453	13,909	5,070	* 22,672
Scheduled bodies	388	901	265	665
Admitted bodies	533	# 3,480	347	1,072
Total	6,374	18,290	5,682	24,409

Of which, Employers' Deficit Recovery Contributions

Total	2,543	5,418
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* The total employer contributions for 2013-14 include £6 million special contribution shown separately in the Pension Fund Accounts. # Includes £2.025m recovered from Specialist Schools and Academies Trust in 2014.

7. Benefits Payable

By category:	2014-15 £'000	2013-14 £'000
Pensions	21,391	20,209
Commutation and lump sum retirement benefits	4,104	4,710
Lump sum death benefits	533	1,150
Total	26,028	26,069

By authority:

The Fund paid benefits to members of the scheme who were previously employed by the bodies set out below (this summary excludes lump sum retirement benefits and death benefits as this information is not held at employer level).

	2014-15 £'000	2013-14 £'000
Royal Borough of Kensington and Chelsea	19,740	18,612
Scheduled bodies	175	160
Admitted Bodies	1,476	1,437
Total	21,391	20,209

8. Management Expenses

	2014-15 £'000	2013-14 £'000
Administrative costs	233	297
Investment management expenses	3,277	3,238
Oversight and governance costs	223	216
Total	3,733	3,751

Of the investment management fees for 2014-15, £23,000 was in respect of identifiable transaction costs. The majority of the Fund is held in pooled assets for which transaction costs are not available.

9. Investment Income

	2014-15 £'000	2013-14 £'000
Equity dividends	7,259	6,781
Income from pooled property investments	1,095	739
Income from private equity	3	607
Interest on cash deposits	53	40
Total	8,410	8,167

10. Investment Strategy

The strategy of the Fund is to have around 60 per cent of the investments in global equities, diversified through three managers, Baillie Gifford and Longview managing active portfolios, with Legal and General managing a passive global equity allocation. For further diversification the remainder of the Fund is allocated to a global absolute return strategy managed by Pymfords, a global private equity allocation, managed by Adams Street, UK commercial property funds of funds managed by CBRE and Kames and a liquidity fund managed by Legal and General.

The market value and proportion of assets managed by each manager at 31 March was:

Fund Manager	31 March 2015		31 March 2014	
	Market Value £'000	%	Market Value £'000	%
L and G Liquidity	30,118	3.7	-	
Baillie Gifford	176,326	21.6	145,279	21.2
Longview	213,867	26.2	166,624	24.3
L and G Equities	218,302	26.7	139,979	20.5
Barings	-		89,656	13.1
Pymfords	92,702	11.3	86,607	12.7
CBRE	25,660	3.1	22,781	3.3
KAMES	14,616	1.8	-	
Adams Street	45,901	5.6	33,500	4.9
Total Fund Managers	817,492	100	684,426	100.0
Investment income due	88		103	
Total Investments	817,580		684,529	

Although several allocations exceed 5 per cent of the Fund's value, all of the allocations to pooled funds are made up of underlying investments, each of which represents substantially less than 5 per cent.

The Fund has appointed Northern Trust as its global custodian. They are responsible for safe custody and settlement of all investment transactions, collection of income and the administration of corporate actions. The bank account for the Pension Fund is held by Nat West.

11. Reconciliation in Movements in Investments

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees.

Market Value	1 April 2014 £'000	Purchases during the year and derivative payments £'000	Sales during the year and derivative receipts £'000	Net assets / liabilities movement £'000	Changes in market value during the year £'000	31 March 2015 £'000
Stirling liquidity pooled fund (Legal & General)	-	45,000	(15,000)	-	118	30,118
Pooled active global equities (Baillie Gifford)	145,279	-	-	-	31,047	176,326
Active global equities (Longview)	166,624	19,954	(16,222)	-	43,511	213,867
Pooled passive global equities (Legal and General)	139,979	45,000	-	-	33,323	218,302
Pooled active global absolute return fund (Barings)	89,656	35	(92,273)	-	2,582	-
Pooled active global absolute return fund (Pyrford)	86,607	3,385	(417)	-	3,127	92,702
Pooled UK property fund (CBRE)	22,781	-	-	-	2,879	25,660
Pooled UK property fund (Kames)	-	15,025	-	-	(409)	14,616
Global private equity fund (Adams Street)	33,500	8,563	(8,070)	-	11,908	45,901
Investment income due	103	-	-	(15)	-	88
Sub-Total	684,529	136,962	(131,982)	(15)	128,086	817,580
Current assets	1,540	-	-	(1,398)	-	142
Current liabilities	(451)	-	-	(763)	-	(1,214)
Cash deposits	10,044	-	-	(656)	-	9,388
Net Investment Assets	695,662	136,962	(131,982)	(2,832)	128,086	825,896

Market Value		Purchases during the year and derivative payments	Sales during the year and derivative receipts	Net assets / liabilities movement	Changes in market value during the year	Market values 31 March 2014
2013-14	1 April 2013	£'000	£'000	£'000	£'000	£'000
Index-linked Gilt pooled fund (Legal & General)	4,745	-	(4,647)	-	(98)	-
Pooled active global equities (Baillie Gifford)	128,840	-	-	-	16,439	145,279
Active global equities (Longview)	142,176	47,003	(43,817)	-	21,262	166,624
Pooled passive global equities (Legal and General)	128,371	-	-	-	11,609	139,979
Pooled active global absolute return fund (Barings)	88,153	64	-	-	1,440	89,656
Pooled active global absolute return fund (Pyrford)	86,514	2,606	-	-	(2,513)	86,607
Pooled UK property fund (CBRE)	21,070	-	(236)	-	1,947	22,781
Global private equity fund (Adams Street)	30,269	5,690	(4,799)	-	2,340	33,500
Fixed-term cash deposits	-	-	-	-	-	-
Investment income due	264	-	-	(161)	-	103
Sub-Total	630,401	55,363	(53,499)	(161)	52,426	684,529
Current assets	762	-	-	778	-	1,540
Current liabilities	(403)	-	-	(48)	-	(451)
Cash deposits	2,729	-	-	7,302	13	10,044
Net Investment Assets	633,489	55,363	(53,499)	7,871	52,439	695,662

12. Classification of Financial Instruments

The following table shows the classification of the Fund's financial instruments and also shows the split between UK and overseas. All investments are quoted unless otherwise stated.

	31 March '15 £'000			31 March '14 £'000		
	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
Financial Assets						
Equities						
United Kingdom	35,873			28,732		
Overseas	168,642			134,235		
Pooled funds - investment vehicles						
UK pooled liquidity fund	30,118			-		
Pooled global equities	394,628			285,258		
Pooled global absolute return funds	92,702			176,264		
Pooled property investments	40,251			22,781		
Pooled private equity funds (unquoted)	45,809			33,500		
Investment income due	88			103		
Cash		18,857			13,700	
Debtors		142			1,540	
Financial Liabilities						
Creditors			(1,214)			(451)
Subtotal	808,111	18,999	(1,214)	680,873	15,240	(451)
Total		825,896			695,662	

The carrying value is the same as the fair value for all financial instruments held by the Fund.

13. 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. The definitions of the levels are detailed below and the table showing the analysis is overleaf.

Level 1 – Quoted market price

Fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities. Examples are quoted equities, quoted index linked securities and unit trusts. All level 1 investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2 – Using observable inputs

Quoted prices are not available for financial instruments at this level. The valuation techniques used to determine fair value use inputs that are based significantly on observable market data.

Level 3 – With significant unobservable inputs

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data e.g. private equity investments.

The values of the private equity investments are based on valuations provided by the General Partners to the private equity funds. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are undertaken annually at the end of December and cashflow adjustments are used to roll forward the valuations to 31 March as appropriate.

	31 March '15 £'000			31 March '14 £'000		
	Quoted market price Level 1	Using observable inputs Level 2	With significant unobserva ble inputs Level 3	Quoted market price Level 1	Using observable inputs Level 2	With significant unobserva ble inputs Level 3
Financial Assets						
Financial assets at fair value through profit and loss	722,051	40,251	45,809	624,592	22,781	33,500
Loans and receivables	18,999			15,240		
Total Financial Assets	741,050	40,251	45,809	639,832	22,781	33,500
Financial Liabilities						
Financial liabilities at fair value through profit and loss						
Financial liabilities at amortised cost	(1,214)			(451)		
Total Financial Liabilities	(1,214)			(451)		
Net Financial Assets	739,836	40,251	45,809	639,381	22,781	33,500
Total		825,896			695,662	

14. Nature of Risk Arising from Financial Instruments

Risk and Risk Management

(a) Market Risk

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. The Fund's liabilities are sensitive to inflation via pension and pay increases, to interest rates and to mortality rates. The assets that would most closely match the liabilities are a basket of index-linked Gilts, as the liabilities move in accordance with changes in the relevant Gilt yields.

In order to meet the Fund's objective of being fully funded within 10 years of the 2010 actuarial valuation, the fund managers have been set differing targets appropriate to the types of assets they manage. The overall target for the scheme is to outperform a weighted average of these benchmarks by 2.3 per cent on a rolling three year basis.

The Fund's assets are invested in a broad range of asset classes in terms of geographical and industry sectors and individual securities. This diversification reduces exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable

level. The aim of the investment strategy is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the portfolio.

Responsibility for the Fund's investment strategy rests with the Investment Committee and is reviewed on a regular basis, along with the Pension Fund Risk Register.

Price Risk

Price risk arises from the potential for the value of financial instruments to 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 price risk. This arises from investments held by the fund for which the future price is uncertain. All securities represent a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund's investment managers aim to mitigate this price risk through diversification and the selection of securities and other financial instruments.

All assets with the exception of cash, forward foreign exchange contracts, other investment balances, debtors and creditors are exposed to price risk. The table overleaf shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if prices had been 10 per cent higher or 10 per cent lower.

Assets exposed to price risk

	Value £000	+ 10% £000	-10% £000
At 31 st March 2015	808,023	888,825	727,221
At 31 st March 2014	680,770	748,847	612,693

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. Fixed interest securities and cash 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 Investment Committee 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.

Index linked gilts, cash and some elements of the pooled investment vehicles are exposed to interest rate risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if interest rates had been 1 per cent higher or 1 per cent lower.

Assets exposed to interest rate risk

	Value £000	+ 1% £000	-1% £000
At 31 st March 2015	114,357	115,501	113,213
At 31 st March 2014	103,705	104,742	102,668

Currency Risk

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

Overseas equities, overseas index linked securities, cash in foreign currencies, the value of the forward foreign exchange contracts and some elements of the pooled investment vehicles are exposed to currency risk. The table below shows the value of these assets at the balance sheet date (and the prior year) and what the value would have been if currencies had been 10 per cent higher or 10 per cent lower.

<u>Assets exposed to currency risk</u>	Value £000	+ 10% £000	-10% £000
At 31 st March 2015	611,786	672,965	550,607
At 31 st March 2014	513,994	565,393	462,595

(b) Credit Risk

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

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

(c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that the Fund has adequate cash resources to meet its commitments. This will particularly be the case for cash to meet the pensioner payroll costs and also cash to meet investment commitments. The Council has immediate access to its pension fund cash holdings.

The only assets in the Fund which cannot be liquidated within a month are the private equity assets which amounted to £45.8m at 31st March 2015 (£33.5m at 31st March 2014). The majority of the investments can in fact be liquidated within a matter of days.

15. Contingent Liabilities and Contractual Commitments

As at 31 March, the Fund had a commitment to invest a further £18.8 million into the Adams Street private equity funds of funds. It is anticipated that these commitments will be spread over the next 10 years and will be largely offset by cash distributions from the investments made since 2007.

16. Stock Lending

The Fund does not participate in stock lending.

17. Funding Arrangements

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Fund is able to meet its liabilities to past and present contributors and to review employer contribution rates.

The most recent full triennial valuation of the Fund was carried out by Barnett Waddingham, the Fund's actuary, as at 31 March 2013, in accordance with the *Funding Strategy Statement* of the Fund and Regulation 36 of *the Local Government Pension Scheme (Administration) Regulations 2008*. The results were published in the triennial valuation report dated 31 March 2014.

The 2013 valuation certified a common contribution rate of 17.8 per cent of pensionable pay to be paid by each employing body participating in the Fund, based on a funding level of 95 per cent. In addition, each employing body has to pay an individual adjustment to reflect its own particular circumstances and funding position within the Fund. Details of each employer's contribution rate are contained in the *Statement to the Rates and Adjustment Certificate* in the triennial valuation report. It should, however, be noted that the employers' contributions for the period to 31 March were based on the results of the 2010 valuation.

The actuary's smoothed market value of the scheme's assets at 31 March 2013 was £630 million and the actuary assessed the present value of the funded obligation at £663 million indicating a net liability of £33 million.

The actuarial valuation, done using the projected unit method, is based on economic and statistical assumptions, the main ones being:

- i. The rate of accumulation of income and capital on new investments over the long-term and the increase from time to time of income from existing investments.
- ii. Future rises in pensionable pay due to inflation and etc, and pension increases.
- iii. Withdrawals from membership due to mortality, ill health and ordinary retirement.
- iv. Progression of pensionable pay due to promotion.

The contribution rate is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100 per cent over a period of 7 years, as set out in the *Funding Strategy Statement*. It is set to be sufficient to meet the additional annual accrual of benefits allowing for future pay increases and increases to pension payments when these fall due, plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100 per cent of their liabilities in the Fund in respect of service to the valuation date.

The next actuarial revaluation of the Fund will be as at 31 March 2016 and will be published in 2017.

18. Actuarial Present Value of Promised Retirement Benefits

The table below shows the total net liability of the Fund as at 31 March 2015. The figures have been prepared by the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

In calculating the required numbers the actuary adopted methods and assumptions that are consistent with IAS19.

	31 March '15 £'000	31 March '14 £'000
Present value of promised retirement benefits*	1,066,149	887,960
Fair value of scheme assets (bid value)	(825,896)	(695,662)
Net Liability	240,253	192,298

*Present value of promised retirement benefits comprises £952,402,000 in respect of vested obligation and £113,747,000 in respect of non-vested obligations.

19. Current Assets

	31 March '15 £'000	31 March '14 £'000
Debtors		
Contributions due - employers	100	208
Contributions due - employees	42	80
Sundry debtors	-	1,252
Total	142	1,540

	31 March '15 £'000	31 March '14 £'000
Analysis of debtors		
Local authorities	-	1,252
Other entities and individuals	142	288
Total	142	1,540

20. Current Liabilities

	31 March '15 £'000	31 March '14 £'000
Creditors		
Sundry creditors	793	451
Benefits payable	421	-
	1,214	451

	31 March '15 £'000	31 March '14 £'000
Analysis of creditors		
Government bodies	280	-
Other entities and individuals	934	451
Total	1,214	451

21. Additional Voluntary Contributions

The *Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998* do not permit Additional Voluntary Contributions (AVCs) to be paid into the Fund, so they are not included in these accounts. The Council has made arrangements for current members to make additional payments through its payroll into a variety of funds operated by Prudential Assurance according to individuals' preferences. These funds are invested in equities, bonds, property and cash. A total of £516,000 was invested by members of this fund in this way during 2014-15. The value of AVCs invested in 2013-14 was £478,000.

	Market Value 31 March'15 £'000	Market Value 31 March'14 £'000
Prudential	2,647	2,431
Total	2,647	2,431

22. Related Party Transactions

The Fund is administered by the Royal Borough of Kensington and Chelsea. The Council incurred costs of £0.5 million in the financial year 2014-15 (2013-14 £0.4 million) in relation to the administration of the Fund and was reimbursed by the Fund for the expenses. The Fund uses the same banking providers as the Council and no additional charges are made in respect of this.

In year, and in total, the Council contributed £14 million to the Fund compared to £22 million in 2013-14.

The Council has a significant relationship with one admitted body, the Kensington and Chelsea Tenant Management Organisation (TMO). The Fund received £1.1 million in employer contributions, deficit and early retirement costs from the TMO.

The London Residuary Body Transferred Functions Income and Expenditure Statement

	Gross Expenditure £'000	2014-15 Gross Income £'000	Net Expenditure £'000	2013-14 Net Expenditure £'000	Notes
Income and expenditure on services					
General costs	10	-	10	69	1
Adjustment to provisions	239	-	239	58	2
Adjustment to assets and liabilities	-	-	-	-	
Interest	-	(15)	(15)	(15)	4
Total expenditure on services	249	(15)	234	112	
Surplus / (deficit) for the year			(234)	(112)	

Statement of Movement on the London Residuary Body Balance

	2014-15 £'000	2013-14 £'000
Balance brought forward at 1 April	4,177	4,289
Surplus / (deficit) for the year on Income and Expenditure Account	(234)	(112)
Total assets	3,943	4,177

London Residuary Body Transferred Functions Balance Sheet

	2014-15 £'000	2013-14 £'000	Notes
Current assets			
Current debtors	-	-	
Temporary investment with the Council	4,346	4,341	
Total assets	4,346	4,341	
Current liabilities			
Creditors	-	-	
Total assets less current liabilities	4,346	4,341	
Long term liabilities			
Provisions	(403)	(164)	2
Net Assets	3,943	4,177	
Represented by			
London Residuary Body balance	3,943	4,177	
Total net worth	3,943	4,177	

Introduction

The Council inherited inner-London functions from the London Residuary Body as follows:

Education Awards	from 1 August 1992
Property (Capital Receipts)	from 1 April 1992
Late Rating Claims	from 31 March 1994
Other Functions	from 1 October 1992.

Other functions included administration of leases, collection of outstanding debts and Higher Education Funding Council for England debt management.

The Council was given endowments for education awards, late rating claims, and other functions, from which the net spending has been met. The Council is required to determine whether the sum left is sufficient to meet future expenditure and whether it is possible to distribute any projected excess of this to the other inner-London boroughs or, if it is not sufficient, to request funds from those boroughs. These accounts show the position on these endowments. At the present time and in order to meet potential future third party liability claims, it is considered prudent to retain the current level of balances. The position will continue to be kept under review.

Notes

1. There has been another reduction in the claims payments, with payments totalling £2,451 for 2014-15

2. Provisions

There has been one new **public liability claim** during 2014-15 and the amount set aside for this is included in the table below.

	2014-15	2013-14
	£'000	£'000
Balance at 31 March		
Public liability claims	403	164
MMI legacy Scheme levy	-	-
Total Provision	403	164

3. Contingent Liabilities

During 1992-93, the London Residuary Body's insurers, MMI ceased accepting new business. The LRB is a member, through the Council, of a scheme of arrangement that has been put in place to try and ensure an orderly settlement of the run-off of MMI. Following the triggering of the (MMI) scheme of arrangement, LRB will be required to fund 15 per cent of all future MMI payments and it is assumed that this exposure will be covered by the cash the Council holds on behalf of the LRB transferred functions.

4. **Interest on the endowment** has been calculated at money market rates.

Other Useful Information

Website address www.rbkc.gov.uk

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This publication can be provided in other languages and formats (such as large print, Braille and speaking version) on request:-

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