

**THE ROYAL BOROUGH OF
KENSINGTON AND CHELSEA**

STATEMENT OF ACCOUNTS 2008/09

September 2010

STATEMENT OF ACCOUNTS

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FOREWORD

1. INTRODUCTION

The Statement of Accounts provides details of the actual income and expenditure for the financial year 2008/09. This covers the General Fund, Housing Revenue Account, Pension Fund, Collection Fund and all the other accounts for which the Council is responsible. The Council's Balance Sheet provides details of the assets and liabilities as at 31 March 2009. Other supporting statements are provided to help to explain the figures in the accounts.

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to levy council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government Pool is charged as spending in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. The reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2. THE BUDGET

Each year, the Cabinet sets out its plans for the future development of services in its Cabinet Business Plan and the financial impact is detailed in the relevant Revenue Budget and Capital Programme. In setting its budget for 2008/09 it took into account:

- The Council's strategic objectives which include the Council aims and the Community Strategy.
- The overall resource position and government guidelines on Council Tax increases.
- The outcome of consultation exercises with the public and other service stakeholders.
- The background of the previous year's financial position.
- The potential for improvements in cost effectiveness and the Government's current target for efficiency savings each year.
- The robustness of the estimates and budgetary risks.
- The position on contingencies and reserves.
- The Local Government Finance Settlement for 2008/09 (+2 per cent cash grant increase at the funding floor)
- Government Grants moved from service specific grants to general Area Based Grant.
- Implications for Council Taxpayers.
- Medium term budget prospects.

The 2008/09 budget included the following proposals:

- An increase of 2.5 per cent in the Borough's element of Council Tax for 2008/09 following a two-year tax freeze
- Budget growth for services of £5.1 million with income, efficiency and other savings of £4.9 million to offset cost increases and help maintain a low Council Tax
- A reduction in contributions to reserves to help relieve the pressure on Council Tax
- Support for an ambitious capital investment programme through an affordable level of revenue contributions
- To maintain a strong balance sheet.

This resulted in a total revenue budget requirement of £178 million for 2008/09 of which £171 million related to Business Group service budgets and £7 million to other (non-departmental) budgets.

3. REVENUE OUTTURN – GENERAL FUND

The net under spending on General Fund Business Group service budgets compared to the final net budget was £2.7 million (-1.5 per cent). This represents an overspending of gross expenditure of £1.8 million (0.3 per cent) and an overachievement of gross income of £4.5 million (1.1 per cent) on service budgets.

The net under spend includes an overspend of £1.4 million relating to On Street Parking, which is required to be appropriated to the Car Parking Reserve Account and £1.7 million overspending on Schools Delegated Budgets which is transferred to 2009/10. There was a net underspending on non-departmental budgets of £2.4 million. After appropriations of £2.8 million, there was an increase to the General Fund Working Balance which now stands at £16.6 million. This is summarised below followed by an explanation of the General Fund variances from the budget.

DESCRIPTION	Annual Budget 2008/09	Actual 2008/09	Variance 2008/09	Variance 2008/09
Service Budgets	£'000	£'000	£'000	%
Family and Children's Services	55,784	57,337	1,553	2.8%
Housing, Health and Adult Social Care	71,366	70,449	(917)	-1.3%
Planning and Borough Development	6,438	6,406	(32)	-0.5%
Transport, Environment and Leisure Services	21,285	21,253	(32)	-0.2%
Corporate Services	17,918	14,672	(3,246)	-18.1%
Business Group Total	172,791	170,117	(2,674)	-1.5%
Area Based Grant	(9,752)	(9,777)	(25)	0.3%
Contingency and Central Budgets	1,291	0	(1,291)	-100.0%
Net Cost of Services	164,330	160,340	(3,990)	-2.4%
External Interest	2,315	2,340	25	1.1%
Pension Fund Liabilities	8,996	9,024	28	0.3%
Interest and Investment Income	(10,750)	(11,848)	(1,098)	10.2%
Net Operating Expenditure	164,891	159,856	(5,035)	-3.1%
Transfers to(+)/ from(-) reserves:-				
Capital Adjustment Account (incl MRP)	1,174	466	(708)	-60.3%
Transfer to/from capital reserves	4,973	4,973	0	0.0%
Transfer to/from Revenue reserves	3,041	6,529	3,488	114.7%
Transfers to (+) / from (-) Working Balance	0	2,255	2,255	
TOTAL EXCLUDING LEVIES	174,079	174,079	0	0.0%
Levies	3,595	3,595	0	0.0%
TOTAL ROYAL BOROUGH EXPENDITURE	177,674	177,674	0	0.0%

VARIATIONS FROM THE REVENUE BUDGET 2008/09

The explanation of the main General Fund variations is as follows:

SERVICE BUDGETS

Corporate Services

Employee costs overspent	192
Increase in other income received	-156
Reduction in net cost of benefits	-950
Debtor raised for overpayments being collected from ongoing benefit payments	-2,255
Reduction in halls lettings income net of reduced costs incurred	184
Underspend on Pilot Area Initiatives	-104
Maintenance variations	-149
Other minor variations	-8
Total Corporate Services	-3,246

£'000	£'000
	192
	-156
	-950
	-2,255
	184
	-104
	-149
	-8
	-3,246

Family and Children's ServicesSchools delegated budgets and standards funds overspent (**transferred from schools reserves**)

Increase in income above budget

Grant adjustments

Youth Support Service including Youth Justice (offset by adjustments to grants)

Out of borough statement costs and other special needs demands

Overspend on Adult and Family Learning

Planning Costs for Holland Park School

Net overspend on Care Leavers

Variation in maintenance expenditure

Other minor variations

Total Family and Children's Services

£'000	£'000
	1,745
	-512
	-1,445
	377
	405
	149
	129
	208
	319
	178
	1,553

Transport, Environment and Leisure Services

Employee costs and Consultants net underspend

Additional Income

Deficit - Opera Holland Park

Highways Maintenance managed underspend

Off Street Parking net overspend mainly due to lower usage

Variation on Waste Disposal Costs mainly due to reduced tonnage

Other minor variations

Total Environmental Services - General Fund**On Street Parking**

On Street Parking expenditure net reductions

Reduced income from Penalty Charge Notices, Residents Parking, Pay and Display, and Parking Suspensions

Total Transport, Environment and Leisure Services - On Street Parking (appropriated to Car Parking Reserve)**Total Transport, Environment and Leisure Services**

-399	
-164	
90	
-701	
127	
-347	
-10	
	-1,404
-1,114	
2,486	
	1,372
	-32

Housing, Health and Adult Social Care

Employee costs underspent due to vacancies and turnover

Additional income compared to budget

Savings on residential placements, Homecare and Individual Budgets

Reserve transfers approved

Grant Funding variances

Carers budgets underspent

Homeless Preventative Initiatives underspending

Other minor variations

Total Housing Health and Adult Social Care

-150	
-194	
-749	
870	
-190	
-128	
-177	
-199	
	-917

Planning and Borough Development

Employee related cost Underspend

Overspend on consultants budgets

Income Shortfall on Planning and Land Charges partly offset by Building Regulations Fees

Net underspend on IT costs

Variances on Housing and Planning Delivery Grant

Other minor variations

Total Planning and Borough Development

-25	
66	
	27
-20	
-49	
-31	
	-32

TOTAL SERVICE BUDGETS			-2,674
NON-DEPARTMENTAL BUDGETS			
Variations from budget	£'000	£'000	
Final Area Based Grant different to budget		-25	
Contingency budget unused		-1,291	
General Fund additional external interest paid		25	
Increased interest on balances due to higher level of balances than anticipated		-1,098	
Pension Fund deficit contribution due to higher level of pensionable pay		28	
Total non-departmental budgets			-2,361
Total variation in net operating expenditure			-5,035
Appropriations			
Slippage carried forward to 2009/10 £1.625m less release of £0.004m of previous years carry forwards no longer required			1,246
Delegated schools balances transferred from schools reserves			-1,745
Transfer Service Risks Reserve to provide additional resources to meet budget pressures currently experienced as a result of the recession			2,341
Transfers to Strategic Communications Reserve, Risk Management Reserve and Building Maintenance Reserve to meet spending commitments			550
Variation in transfer from Capital Adjustment Account net of Minimum Revenue Provision			708
Other reserve variations			-320
Total Appropriations			2,780
NET INCREASE IN WORKING BALANCE			2,255

BALANCE SHEET

The balance sheet as at 31 March is summarised as follows:-

	2009 £m	2008 £m
Long term assets – Council Housing	445	444
- Other	788	488
Cash Investments	224	207
Other current assets less liabilities	(42)	(18)
Total Assets Less Current Liabilities	1,415	1,121
<i>Less</i>		
Long Term Loans	(196)	(205)
Pension Fund FRS17 liability	(154)	(86)
Other long term liabilities	(24)	(31)
Total Assets less Liabilities	1,041	799
<i>Represented by:</i>		
Statutory/Non Usable reserves	831	589
Usable Reserves	210	210
Total Equity	1,041	799

No new long-term loans were raised during the year and some loans that matured in 2008/09 have not been replaced.

The most significant usable earmarked reserve balances, as at 31 March 2009, are the Capital Expenditure Reserve (£62.1 million), Car Parking Reserve (£37.7 million), Strategic Regeneration Fund (£13.9 million), Housing Revenue Account Capital Reserve (£6.2 million), Insurance Reserve (£6.1 million), Demand Growth Reserve (£5.3 million) and the Local Initiatives Reserve (£4.9 million). The levels of all existing reserves have been reviewed during the year and are considered necessary and sufficient for the purpose for which they are held, in particular to fund the Council's ambitious capital expenditure programme.

The Balance Sheet shows that the Council's estimated liabilities for retirement benefits, as calculated by the Council's actuaries, exceeded the assets in the relevant funds by £152.9 million at 31 March

2009. This is £66.6 million higher than the net liabilities of £86.3 million at 31 March 2008, chiefly as a result of the falling value of investments. This is a volatile figure which can vary significantly from one year to the next. Employer contributions in respect of retirement benefits are calculated by the Council's actuaries on a triennial basis and contribution rates are set at a level estimated to balance the pension liabilities with investment assets for all the employers in the scheme.

Operational Assets (Land and Buildings) were last revalued in April 2004 and have been fully revalued in April 2008. The increase in value reflects an increase in land values in the intervening years.

HOUSING REVENUE ACCOUNT

The Statement of Accounts includes the Council's Income and Expenditure Account and Balance Sheet, which reflects both the General Fund services and the ring-fenced Housing Revenue Account (HRA). Details of the latter account are included within section 2 on page 59 of the Statement of Accounts.

CAPITAL EXPENDITURE AND FINANCING

The Council spends money of a capital nature in improving its housing stock and on other items of long-term benefit to services for residents and businesses. In 2007/08 the Council spent a total of £33.3 million compared to £49.6 million in the previous year. The total expenditure in 2008/09, compared to the budget, was as follows:

Business Group	Final Budget £'000	Actual £'000	Variance Amount £'000	Variance %
Family and Children's Services	12,525	7,871	-3,863	-30.8%
Housing, Health and Adult Social Care	16,706	15,131	-1,575	-9.4%
Planning and Borough Development	98	99	+1	-0.6%
Transport, Environmental and Leisure Services	10,763	7,535	-3,228	-30.0%
Corporate Services	2,357	1,887	-470	-19.9%
Service Total	42,449	32,523	-9,135	-21.5%

The main reasons for the £9.1 million underspending are due to the following schemes:

	£'000
<u>Family and Children's Services</u>	
New Schools flagship projects – including Holland Park School delays as a result of design work associated with detailed planning approval and delayed provision of temporary accommodation for the Academy at Hortensia Road.	-2,031
Oxford Gardens scheme delayed	-850
St Quintins Family Centre – slippage following changes to specification and the contractor going into administration	-852
Access Projects – delays associated with planning lift projects	-136
<u>Transport, Environment and Leisure Services</u>	
Exhibition Road schemes slippage to 2009/10	-1,140
St Lukes Gardens – delays following redesign of toilet block	-881
Other Transportation and Highways Projects - slippage	-177
Hans Crescent and Hans Road/Basil Street projects underspent	-180
Sports Centre planned maintenance budget underspent	-330
<u>Housing, Health and Adult Social Care</u>	
Elm Park Gardens Basements – including rescheduling of electrical works	-205
HRA Main Programme – variations on projects resulting in a net overspending	+250
Renovation Grants – underspending due to lower take up than expected	-256
Cambridge Gardens – work on site expected to complete in 2009/10	-614
Adult Social Care Schemes - slippage	-277
Ellesmere – delays on snagging and defect works	-136
<u>Corporate Services</u>	
Civic Offices Major works projects – delays arising from capacity issues within	-472

General Services
 Capital expenditure in 2008/09 was funded from the following sources:



Funding Source	£000
External Cash	
Capital Receipts	1,122
Capital Grants and Contributions	14,614
Total External Cash	15,736
Internal Reserves	
Earmarked Business Group Capital Reserves	3,368
Car Parking Reserve	1,515
Capital Expenditure Reserve	7,595
Total Internal Reserves	12,478
Capital Financing Requirement	
Housing Revenue Account	5,100
General Fund	0
Total Capital Financing Requirement	5,100
Total	33,314

FUTURE OUTLOOK

The forecast outturn for 2008/09 has been taken into account in setting the 2009/10 revenue budget, although there remain service risks in demand-led budgets. The Council's general Formula Grant is provisionally on the grant 'floor' until at least 2010/11 and from 2008/09 onwards contains many previous specific grants which have been transferred into Area Based Grant which is not ring-fenced. The current Local Government Finance Settlement included provisional 'floor' increases for 2009/10 of 1.75 per cent (now confirmed) and 1.5 per cent for 2010/11 as well as provisional specific grant figures for these later years. While this provides some guidance for the medium term, the recession and central Government's debt may result in reductions in grant. The Council therefore continues to position itself to meet these future challenges with a careful scrutiny and re-prioritising of its budgets to ensure good quality services can continue to be provided in future.

The Council achieved its ambition to maintain a two year Council Tax freeze for 2006/07 and 2007/08, and managed to limit the Council Tax increase to 2.5% for 2008/09; and to 3.2% for 2009/10 alongside a one-off £50 efficiency dividend paid to most resident taxpayers. This is as a result of prudent financial management and the careful maintenance of revenue reserves. Similarly, capital reserves are held in order to reduce the future borrowing requirement as well as to contribute funding for a £205 million investment programme for the period 2009/10 to 2011/12, together with other prospective projects in the pipeline.

FUTURE CAPITAL PROGRAMME

The Council has an ambitious capital programme for 2009/10 – 2011/12 totalling £205 million which includes rebuilding Holland Park School, the realisation of a new academy school in Chelsea, improvements to Exhibition Road, and significant projects to renew the Council's street scene and operational buildings. The programme is made up of £28 million for housing in the Housing Revenue Account and £177 million for investment by the General Fund. Funding for the capital programme will come from reserves, external funding and borrowing. Full details of individual schemes, and programme funding, including the impact on Council Tax and Rent levels, can be found in the Council's Capital Programme 2009/10 – 2011/12 at

http://www.rbkc.gov.uk/yourcouncil/councilfinances/capital_programme_budget0910.asp

LONDON RESIDUARY BODY

The accounts incorporate statements relating to those functions transferred to the Royal Borough from the former London Residuary Body. This covers residual matters arising from the abolition of the Inner London Education Authority in 1990 that were not transferred to individual inner London boroughs and are managed on their behalf by the Royal Borough.

ACCOUNTING POLICES

There have been no changes in accounting policies made by the Council in the year other than those arising from the changes introduced in the CIPFA Statement of Recommended Practice (SORP) 2008. The accounts are presented in accordance with SORP which has introduced some changes in the disclosure requirements this year. The main changes are:

- The Pension Fund accounts and disclosures have been amended to reflect the requirements of FRS 25 and 26 (Financial Instruments).
- The concept of 'Deferred Charges' has been removed and replaced with 'Revenue Expenditure Funded from Capital Under Statute' (REFCUS).
- The change from service specific grants to Area Based Grant
- The abolition of the ability to carry out 'deathbed' revaluations on disposal of assets

Comparable figures for 2007/08 are included within the new and amended statements and notes as required.

The accounts will be required to be fully compliant with International Financial Reporting Standards by 2010/11, including a restatement of 2009/10 balances. Some of the changes referred to above are part of a partial move towards full compliance with these standards (e.g. Pension Fund accounts and disclosures). The Royal Borough is preparing for the implications of other changes that will be required over the next twelve months.

There are no other bodies required to be consolidated with the Royal Borough's accounts, in accordance with accounting standards for 2008/09.

The accounting policies adopted by the Council comply with recommended accounting practices and are set out on pages 8 to 13.



Nicholas Holgate
Executive Director for Finance, Information Systems and Property
29 September 2009

STATEMENT OF MAIN ACCOUNTING POLICIES ADOPTED IN COMPILING THE ACCOUNTS

1. General Principles

The Statement of Accounts has been prepared according to the Accounts and Audit Regulations 2003, the Audit Commission Act 1998 and the 2008 Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA)/LASAAC Joint Committee. This prescribes the requirements of proper accounting practice for local authorities. The Statement of Accounts complies with the basic accounting concepts set out in CIPFA's Statement of Recommended Practice 2008 ("SORP") and the Best Value Accounting Code of Practice ("BVACOP").

2. Fixed Assets

- a) Where the authority will benefit for more than one year, expenditure on buying or improving fixed assets is capitalised in the accounts and accrued. By definition this excludes routine repairs and maintenance, which are charged directly to service revenue accounts.
- b) Basis for accounting

Asset Class	Valuation Basis
Infrastructure, Vehicle, Plant and Equipment.	Market value in existing use (Historic cost net of depreciation is used as a proxy for this).
Community assets such as parks and open spaces.	Nil unless additional capital expenditure, recorded at cost.
Short lived assets, including intangible assets.	Historic cost as a proxy for replacement cost net of depreciation.
Council Dwellings.	Valued at existing use for social housing.
Operational Properties.	Market value in existing use or depreciated replacement cost if no market for the asset exists.
Non-Operational Properties.	Market value.

- c) Valuations
Valuation of land and assets accords with the statements of asset valuation principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS), as recommended by CIPFA. They are revalued every five years as part of a rolling programme. Valuations have been carried out by members of the Royal Borough's Property Services Division who are either members or probationers of the RICS. All valuations have been certified by M Flanagan BA(hons) Dipsurv MRICS, the Director for the Royal Borough's Property Services Division.

Assets	Last Valued
Council Dwellings	Full Valuation 2005
Operational Properties	Full Valuation 2008
Non-Operational Properties	Full Valuation 2007

- d) The difference between the actual cost of assets as recorded in the capital accounts and the valuations shown in the Balance Sheet is reflected in the Revaluation Reserve which is shown on the face of the Balance Sheet. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only – the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. In the case of fixed assets where there is a clear consumption of economic benefit (impairment) this cost would be charged to the relevant service in the Income and Expenditure Account matched by a corresponding release from the Capital Adjustment Account to prevent any impact on the level of the Council Tax. The de minimis level for capitalisation of expenditure is £10,000 (see note 14).

3. Revenue Expenditure charged to Capital under statute (REFCUS)

Expenditure on REFCUS is amortised to revenue in the year in which it is incurred.

4. Intangible Assets

Expenditure on intangible assets represents purchased software licences. It is included on the balance sheet at historic cost, net of amortisation. Assets are amortised on a straight line basis and valued at historic cost. The estimated residual value for intangible assets is assumed to be nil or insignificant.

5. Capital Receipts

A capital receipt on the disposal of a fixed asset (as part of a gain or loss on disposal) is transferred to the capital receipts unapplied account from the Income and Expenditure Account until either used to buy new assets or repay debt. The General Fund or the Housing Revenue Account, as appropriate, receives interest on the balances. Legislation requires a percentage of housing capital receipts to be paid to the National Pool, administered by the Department for Communities and Local Government. This appears in the balance sheet within the Capital Adjustment Account.

6. Treatment of Sales of Council Houses

Sales of Council houses for which a Council mortgage is granted are not initially treated as capital receipts but are shown in the balance sheet as deferred credits. As loan repayments are made they are then treated as capital receipts.

7. Government Grants and Contributions

Where a government grant or other contribution pays for a fixed asset either wholly or in part, it is first credited to the government grants deferred account. Amounts are credited to the Statement of Movement on the General Fund Balance over the useful life of the asset, matching depreciation charged to services. The authority accrues government capital grants and other contributions. Where there is reasonable assurance that the grants will be received, the accounting statements include them.

Grants used to finance deferred charges are not included but used to write down the deferred charge in the year.

8. Depreciation

Depreciation on land and building assets, other than Council Dwellings, has been calculated in accordance with accounting standards. Fixed assets (excluding land and other non-depreciable assets) are depreciated, using the straight-line method, over their useful life starting the year after acquisition. All buildings are depreciated over their remaining useful life (to a maximum of 50 years). The variation between this policy and FRS15 (depreciation at point of bringing into use) is considered each year to ensure that any such difference would not be material. Council policy defines the maximum useful life of vehicles, plant and equipment as follows:

Type of Asset	Estimated Useful Life in Years
Lifts and Plant	20-30
Furniture	10
Infrastructure	15-50
Vehicles	7
Computer hardware	3-10
Computer software	3-10
Other items of equipment	5-50

Depreciation in respect of Council Dwellings is charged as an amount equal to the Major Repairs Allowance as calculated by the Department for Communities and Local Government.

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

9. Capital Charges

Charges to service revenue accounts in respect of capital are based on the provisions of the CIPFA Code of Practice. From 2006/07 onwards the requirement to charge notional interest to service revenue accounts was removed, and capital charges therefore now reflect only depreciation. Charges to the Housing Revenue Account are governed by statutory provisions and include both a depreciation charge and an allocation of interest.

10. Basis of Provision for Redemption of Debt

Charges to services are based on asset values as discussed in the paragraph above. The Local Authorities (Capital Financing and Accounting)(England)(Amendment) Regulations 2008 require revenue accounts to be charged with a minimum revenue provision for the general fund towards the redemption cost of external loans which the local authority considers to be prudent and provides guidance on what may be considered to be prudent provision. Actual external loan repayments to lenders are made at the time considered the most beneficial to the Council. Premiums paid on refinancing long-term loans are charged to the Income and Expenditure Account as outlined in paragraph 17 below.

11. Leases

Rental payments due for the year under operating leases have been charged to the relevant service revenue accounts. Assets acquired under operating leases are not included in the Council's Balance Sheet because the Council does not substantially bear the risks and rewards associated with the ownership of these assets.

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property are transferred to the Council. Fixed assets recognized under finance leases are accounted for using the accounting policies generally applicable to Tangible Fixed Assets. In these cases costs are charged to the relevant service revenue accounts.

12. Stock and Work in Progress

Stocks and stores are in the accounts at the latest invoice price. The variation between this method and the basis set out in SSAP9 (lower of cost and net realisable value) is considered each year to ensure that it would not be material. Work in progress on uncompleted jobs is valued at cost, including overhead allocations.

13. Extent to which Costs of Central Support Services are allocated

In accordance with BVACOP central management and administration costs are fully reallocated over services based on staff time allocation, office space or usage of assets and services as appropriate. Central support services are covered by service level statements between clients and providers. Expenditure on Corporate and Democratic Core and Non-Distributed Costs is not charged to services but is recognised separately within the accounts.

14. Basis of Capitalising Improvements

Works to enhance the values of assets are capitalised where they exceed £10,000 and have an anticipated life of at least 5 years.

15. Reserves

Money held as a general sum against future needs is classed as a reserve and payments to it do not count as service expenditure. Money held in reserve is transferred back to revenue to meet needs as they arise. The movements are shown on page 48.

16. Provisions

A provision may be raised where a loss or liability is recognised in accordance with FRS12 but where the exact amount and date are uncertain.

FRS12 states that a provision may be made where the following apply.

- There is a present obligation, derived from a past event, and

- It involves a probable transfer of funds, and
- It is able to be reliably estimated.

Payment to a provision is service revenue expenditure. The provisions for bad debts are shown in notes 16 and 17 on page 43 and a note on other provisions is shown in note 24(b) on page 45.

17. Financial Liabilities

Financial Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective interest rate for the instrument.

Gains and losses on the repurchase to early settlement of borrowing are credited/debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account 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 Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading gains and losses in accordance with prevailing regulations. The reconciliation of amounts charged to the Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

18. Financial Assets

Financial Assets are classified in two types:-

- **Loans and Receivables** – assets that have fixed or determinable payments but are not quoted in an active market; and
- **Available-for-Sale Assets** – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Where 'soft loans' (loans made to counterparties at less than market rate) are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the counterparty, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance. This procedure is only applied where the loss arising from the soft loan is considered material.

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

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

Available-for-Sale Assets

Available for sale assets are initially measured and carried at fair value through the Income and Expenditure Account. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the loan. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account.

Assets are recorded on the Balance Sheet at fair value. Values are based on the market price (bid price).

Where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

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

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

Where the Council entered into financial guarantees before 1 April 2006 they are not required to be accounted for as financial instruments and are reflected in these accounts to the extent that provisions might be required or a contingent liability note needed under their respective policies.

19. Pensions

Pensions for the Royal Borough's employees are administered through three schemes which provide defined benefits relating to pay and service:-

(i) Royal Borough of Kensington and Chelsea

Council employees, subject to certain qualifying criteria, are eligible to join and contribute to the Local Government Pension Scheme (LGPS).

The LGPS is a funded multi-employer scheme accounted for on a defined benefit basis. Unfunded discretionary benefits awarded by the Council under the scheme are also accounted for on the same basis. The cost of providing pensions for employees within the LGPS is funded in accordance with the statutory requirements governing the scheme. However, accounting for LGPS employees' pensions is in accordance with generally accepted practice, as defined by Financial Reporting Standard 17 (FRS17) and the interpretations set out within the Code of Practice.

In accordance with the requirements of FRS17, the Council now accounts for retirement benefits when it is committed to give them, regardless of when the benefits are received. Hence:

- The Balance Sheet reflects, at fair value, the assets and liabilities arising from the Council's retirement obligations.
- The operating costs of providing retirement benefits to employees are recognised in the accounting period(s) in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities are recognised in the accounting periods in which they arise.
- The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities. The attributable assets of the LGPS are measured, at their fair value, at the balance sheet date, and are shown net of attributable scheme liabilities.

Current service costs are included within the Income and Expenditure Account, within the Net Cost of Services. The net of the interest cost and expected return on assets is included within Net Operating Expenditure.

Actuarial gains and losses arising from any new valuation, and from updating the latest actuarial valuation to reflect conditions at the balance sheet date, is recognised in the Statement of Total Movements in Reserves for the period.

Past service costs are recognised in Net Cost of Services on a straight-line basis over the period to which the increases in benefits vest. To the extent that past service costs vest immediately, the past service cost is recognised immediately.

Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions will be measured at the date on which the Council becomes demonstrably committed to the transaction and recognised in the Net Cost of Services at that date. Gains arising on a settlement or curtailment not allowed for in the actuarial assumptions will be measured at the date on which all parties whose consent is required are irrevocably committed to the transaction and recognised in Net Cost of Services at that date.

(ii) Teachers

This is an unfunded scheme administered by the Teachers Pensions Agency. The pension cost charged to the accounts is the contribution set by the Department for Children Schools and Families (capped at 14.0%) on the basis of a notional fund, and any added years payments awarded by the Council. The Teachers' Pension Scheme is a defined benefit scheme in which the assets and liabilities underlying the scheme are not identifiable at individual employer level on a consistent and reasonable basis. The added years payments awarded by the Council are unfunded discretionary benefits and it has not been possible to quantify the employers' liability in respect of these benefits. Both have therefore been accounted for on a defined contribution basis.

(iii) London Pension Fund Authority

This is an LGPS funded scheme operated by the LPFA on behalf of employees who formerly worked for the Inner London Education Authority or the Greater London Council.

Early Retirement Policy

An employee will be allowed to retire and receive accrued pension benefits subject to the employer's agreement and the pension fund being reimbursed the cost of the early payment of benefits.

The Council no longer permits added years or augmentation of service to be awarded. Applications for early retirement are, in all cases, considered on affordability grounds and needs of the organisation.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Responsibilities of the Authority

The authority is required:-

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

The Responsibilities of the Executive Director for Finance, Information Systems and Property

The Executive Director for Finance, Information Systems and Property is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this statement of accounts, the Chief Finance Officer has:-

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

The Chief Finance Officer has also:-

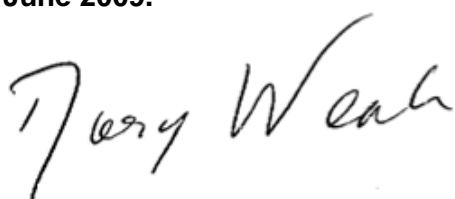
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts 2008/09 presents fairly the financial position of the Authority at 31 March 2009 and its income and expenditure for the year ended 31 March 2009.



Nicholas Holgate
Executive Director of Finance, Information Services and Property

I certify that the Statement of Accounts 2008/09 was approved by the Audit Committee on 23rd June 2009.



Chairman of the Audit Committee

ANNUAL GOVERNANCE STATEMENT 2008/09

Scope of responsibility

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

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

The Royal Borough has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". A copy of the code is on our website *At your Service>Your Council>How We Govern> Constitution>Part5 D* or can be obtained from Governance Services, Kensington Town Hall, Hornton Street, London W8 7NX. This statement explains how the Royal Borough complies with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Royal Borough's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Royal Borough for the year ended 31 March 2009 and up to the date of approval of the Statement of Accounts.

The governance framework

The governance framework is set out in the **Annex** to this statement. This sets out the key documents and processes that determine the way the Royal Borough is directed and

controlled to meet the Six Core Principles of the CIPFA/SOLACE Framework. The key elements of the processes and systems that comprise the authority's governance arrangements are set out in the following sections.

a) Identifying, communicating and reviewing the Royal Borough's vision of its purpose and outcomes for citizens and service users.

The Council's core values are expressed in three aims that define its contribution to 'A Better City Life':

Really Good Services - setting high standards for ourselves and for others.

Responding to Residents - listening to and leading a diverse population and using public money wisely.

Renewing the Legacy - investing in the public buildings and places that make the Royal Borough special.

Through its leadership of the Kensington and Chelsea Partnership, the Council comes together with voluntary and community groups, the Metropolitan Police Service, the Primary Care Trust, the Kensington and Chelsea Chamber of Commerce and others with a common goal: to improve the quality of life in the Borough. The Partnership published "*The Future of our Community 2005-2015*", which sets out the long-term priorities and the challenges for the whole of the Borough and identified eight shared goals that the Council and its partners will all work to achieve. This is in the process of being revised and updated. Delivery of the Council's objectives is through an integrated annual business and financial planning process, which results in a three year Cabinet Business Plan, Departmental Service Delivery Plans, and personal targets for individuals. It is expressed financially in the revenue budget and capital programme, which are subject to full consultation and review by Overview and Scrutiny Committees before recommendation by Cabinet and formal adoption by full Council.

b) Measuring the quality of services for users to ensure that they are delivered in accordance with the Royal Borough's objectives and represent best use of resources.

Measurement of the quality of services is through the Royal Borough's performance management system. This includes the setting of targets and reporting of achievement of key performance indicators and a programme of annual service reviews. There is a designated Cabinet Member for Service Improvement who has responsibility for ensuring that performance of the Council and its partners is maintained and improved. Five Overview and Scrutiny Committees and a number of specialist working groups, including an Economy Efficiency and Effectiveness Working Group, consider relevant issues of interest and importance.

Monitoring of delivery of the Royal Borough's objectives includes the following documents and processes:

Item / Content	Aimed at	Frequency
The Report To Taxpayers - a report on the past year's performance and a summary Statement of Accounts.	People who live and work in the Royal Borough	Annual
Collective Key Tasks - main actions required by Management Board members to achieve the Cabinet Business Plan key objectives.	Management Board and Cabinet	Annual with review
Budget Monitoring Reports - revenue and capital monitoring plus key non-financial indicators with Cabinet approval for any corrective action.	Management Board, Cabinet and Overview and Scrutiny Committee members	Quarterly
Improvement Action Plan - includes reporting on Royal Borough reviews - the local version of Best Value reviews - and Local Public Service Agreement stretch targets.	Management Board, and Cabinet	Bi-annual
Vital Programmes and Projects - reporting progress on key project action plans.	Management Board, and Cabinet	Bi-annual
Vital Signs report - key national and local performance indicators compared to targets.	Management Board and Cabinet	Bi-annual
Vital Messages - an information database containing details of all public or staff consultations carried out.	Officers, Members and the public	Continuous via intranet
Vital Finances - a digest of historical and current financial information covering key areas of activity.	Officers, Members and the public	Updated bi-annually
Performance Digest - statutory report on all national and key local performance indicators and targets	Management Board, Cabinet and published on web site	Annual
Cashable Efficiency Savings - submission to Government on efficiency savings achieved.	Management Board and Cabinet	Bi-Annual
Credit Rating - an independent assessment of the Council's financial management, financial standing and creditworthiness.	Officers, Members and people who live, work and invest in the Borough.	Annual
Use of Resources Assessment - external audit validation of the Royal Borough's financial reporting, financial management, financial standing, internal control and value for money.	Management Board and Cabinet	Annual

c) Defining and documenting the roles and responsibilities of the executive, non executive, scrutiny and officer functions with clear delegation arrangements.

The Royal Borough has a formal Constitution in place, which sets out the detailed roles and responsibilities of members and officers, including specific delegations. The Constitution is regularly reviewed and updated to take account of functional and organisational changes within the Council.

d) Developing, communicating and embedding codes of conduct for members and employees.

Member and Employee Codes of Conduct are communicated as part of the induction process and made available to all via the intranet. Significant revisions to the Code of Conduct are followed by a series of short seminars facilitated by the Director of Law and Administration. The Standards Committee reports annually to full Council on its activities. This Committee contains three Council members plus three independent voting members, one of whom is the chairman of the Committee.

e) Reviewing and updating standing orders, financial procedure rules, schemes of delegation and risk management controls.

The Council's Monitoring Officer reviews and updates the constitutional framework including the Standing Orders and Scheme of Delegation on a regular basis. The Section 151 officer similarly undertakes regular reviews of the Financial Procedure Rules, Procurement Procedure Rules and Contract Regulations, which are incorporated into the Constitution. All changes to the Constitution are approved by the Administration Committee, which reports directly to the Council. Directors and Heads of Service are ultimately responsible for the management of the risks within their areas of responsibility. The Council's Risk Management Strategy is overseen by the Risk Management Group which meets quarterly, is chaired by an Executive Director, and comprises senior officer representatives from each Business Group. A database of key Business Group and council-wide risks is maintained. Each Business Group has a senior officer nominated as a Risk Champion who is responsible for ensuring that risks are adequately reviewed, monitored and appropriate action is being taken by the risk owner.

f) Undertaking the core functions of an Audit Committee.

The Audit Committee comprises both council members plus two independent members who bring a wide range of commercial and governance experience, knowledge and challenge to the Council. It reviews internal and external audit reports, risk management arrangements and is responsible for the Council's overall governance arrangements.

g) Ensuring compliance with relevant laws, regulations, policies and procedures and that expenditure is lawful.

Internal Audit is responsible for conducting audits, using a risk-based approach, which highlights key areas of risk throughout the organisation for both financial and non-financial systems. This work provides assurance on compliance with the Council’s policies, procedures and regulations. Individual Internal Audit reports are provided to relevant senior managers and cabinet members as well as being reported to the Audit Committee. The Council has an Anti-fraud and Corruption Strategy to ensure the proper use and protection of public assets. Key Decision reports include comments on legality and compliance with relevant policies. Monitoring of compliance is also undertaken by key officers:

Statutory Officer	Responsible Person	Responsible For
Section 151 Officer	Executive Director for Finance, Information Systems and Property	Ensuring that there are arrangements in place for the proper administration of financial affairs throughout the authority.
Monitoring Officer	Director for Law and Administration	Monitoring and reporting contraventions of the law, maladministration, ethical standards and misconduct. Maintaining the Constitution and complaints system.
Head of the Paid Service	Town Clerk and Chief Executive	Determining the overall staffing structure of the Council and the deployment of officers.

h) Whistle-blowing and receiving and investigating complaints from the public.

The Council operates a whistleblowing scheme with various channels of communication including an anonymous phone hotline and via an independent organisation to whom any concerns can be expressed. The scheme is regularly publicised among employees, key contractors and publicised on the Council’s web site. Most complaints are dealt with at the point of service but in addition there is a formal system in operation which can escalate complaints to more senior management, and ultimately the Town Clerk and Chief Executive, if necessary, to resolve any issues arising. Complaints are reported annually to a meeting of the Cabinet along with action taken and lessons learned.

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

There is a programme of regular training for all new managers and a strong corporate induction process for members and officers joining the Council. New members receive a copy of The Councillor’s Handbook. The majority of officers and

members have a personal development plan and there is a training programme for all staff and managers to bring skills up to the required level for the job. The effectiveness of all training undertaken is monitored and reviewed. The Council has developed a comprehensive intranet site, providing ready access to a wide range of information and guidance for all staff including an intranet based Financial Management Guidance Manual.

j) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

The primary aim of the Council's consultation activities is to help the Council to ensure that its services and policies meet the needs of its users. The Council engages and communicates with the local community in a variety of ways including the Resident Review Panel which enables residents to participate in service design. Partnerships give communities a say in how local services are delivered and the Council provides a wide range of support to help communities to get involved. The Council communicates on a regular basis via the quarterly Borough Newsletter, delivered to all homes, as well as via the Council's web site and publications such as the annual Report to Taxpayers. Committee agendas and reports and the Forward Plan of Key Decisions are made available in public libraries and online on the Council's website.

Review of effectiveness

The Royal Borough has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the statements of assurance and annual governance reports of the Executive Directors within the Authority, who have responsibility for the development and maintenance of the governance environment, the Head of Audit and Risk Management's annual report, and also by comments made by the Royal Borough's external auditors and other review agencies and inspectorates.

The Royal Borough has established a **Corporate Governance Board** which has clear terms of reference which include oversight and review of the Council's governance arrangements. It is chaired by the Town Clerk and Chief Executive and its membership comprises key senior officers who are involved in aspects of the governance process. The Board is responsible for the initial review of:

- Management Statements of Assurance on Corporate Governance
- Internal Audit annual review of the Royal Borough's corporate governance arrangements
- Internal Audit annual review of the Royal Borough's risk management arrangements

- Annual report on Internal Audit and Internal Control
- The Corporate Governance Statement and supporting evidence

The **Audit Committee** approves the annual Audit Plan, receives quarterly reports on Internal Audit system audits, reviews the Risk Register and annual Risk Management Report, intervening to request further action where necessary, and a final review of the above reports to support the Annual Governance Statement. It carries out a self assessment review of the Committee's effectiveness. The Chairman of the Audit Committee reports annually to the Council on the activity of the Audit Committee during the year.

The effectiveness of **Internal Audit** is determined by feedback from managers on individual audit reports, the opinion of the external auditor and an annual peer review by an independent London Borough audit team.

The **Risk Management Group** reviews the effectiveness of the Royal Borough's risk management arrangements and monitors risk action plans twice yearly. It reports a summary of its activities to the Management Board and Audit Committee twice yearly

The Royal Borough's **external auditors** are not required to form an opinion on the effectiveness of the Council's risk and control systems however their work, in conjunction with that of Internal Audit, does give a degree of assurance. The external auditors meet on a quarterly basis with the Town Clerk and Chief Executive and the Section 151 officer, and attend the Audit Committee to present their Audit Plan, report on the Statement of Accounts and provide an annual Report to those Charged with Governance. They provide a scored judgement on the Use of Resources which includes internal control, probity and risk management issues

The role of the **Standards Committee** is to promote high standards of ethical conduct among elected Councillors and independent and co-opted members of the various Council committees. The Committee's role is to oversee the standard of Councillors' behaviour and advise on good practice in relation to matters of ethics and probity. For example the Chairman of the Standards Committee was involved in the development of the 'Guide to the Conduct of Members with regard to Planning Applications', available on the Council's website at www.rbkc.gov.uk/Planning/general/guide%20to%20the%20conduct.pdf Furthermore it is ultimately the responsibility of the Committee to investigate and determine any complaint that a Member of this Council has breached the Members Code of Conduct. The Committee comprises three independent members (one of whom is Chairman) and three Councillors; it meets three times each year and reports annually on its activities both to full Council and the Standards Board for England. The Committee now has its own webpage www.rbkc.gov.uk/HowWeGovern/general/standards_committee.asp

Conclusion

The Head of Internal Audit and Risk Management has issued an opinion, based on the work of Internal Audit and other sources of assurance that:

- The Royal Borough has a robust system of Internal Control.
- Strong Corporate Governance arrangements are in operation.
- Risk management arrangements are satisfactory and compliant with best practice.

The following significant control issues were identified by internal audit during the year.

- Parking operations; Inadequate contract monitoring arrangements for on street parking enforcement and poor controls over parking meter income reconciliation.
- Highways: A lack of effective contract monitoring and poor control procedures resulted in a shortfall in income on street works enforcement and a fraud being committed by an employee.
- TMO; poor governance arrangements and lack of procedures to enforce collection of outstanding debts related to leasehold income.

Action plans have been agreed to address all weaknesses identified.

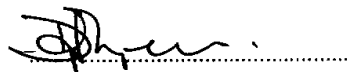
We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee. We plan to address minor weaknesses and to ensure that continuous improvements in the governance system are made and the Corporate Governance Board will monitor their implementation and operation as part of our next annual review.

Significant governance issues

There are no significant governance issues that need to be addressed urgently.

Signed: 

Leader of the Council



Town Clerk and Chief Executive

On behalf of the Royal Borough of Kensington and Chelsea

CORPORATE GOVERNANCE FRAMEWORK

Corporate Governance comprises the systems and processes, cultures and values, by which the Council is directed and controlled and through which we account to, engage with and where appropriate, lead the community

1. Focus on purpose of the authority, vision for local area and outcomes for the community	2. Members and officers working together to achieve a common purpose	3. Promoting values and upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions, scrutinised and risk managed	5. Developing capacity of Members and Officers to be effective	6. Engaging with local people to ensure public accountability



<p>[A] Key Documents: Regular/ Annual Review or Production</p> <ul style="list-style-type: none"> • Community Strategy • Medium Term Financial Strategy • Cabinet Business Plan • Management Board Collective Key Tasks • Service Delivery Plans • Statement of Accounts • Internal / External Audit Protocol • Local Area Agreements • Performance Digest of KPIs • Report to Taxpayers • Vital Signs (performance indicators) • Vital Improvements (projects) • Vital Finances (statistics) • Vital Messages (consultation) • Corporate Risk Register • Budget Leaflet • Borough Newsletter • External Audit Report to those charged with Governance • External Audit and Inspection Letter • Budget Monitoring Reports • Management Assurance Statements • Annual Reports on Scrutiny, Standards and Internal Audit 	<p>[B] Key Documents: Ad hoc Review or Production</p> <ul style="list-style-type: none"> • Constitution including Standing Orders • Communications Strategy • Consultation Strategy • Customer Service Strategy and Standards • Equal Opportunities Policy • Scheme of Delegation • Financial Procedure Rules • Procurement Policy and Strategy • Procurement Procedure Rules • Freedom of Information Publication Scheme • Workforce Strategy • Health, Safety, Welfare and employment policies • Environmental Strategy • Data Quality Framework • Data Security Policy • IS/IT Strategy • Protocol - Member/Officer Relations • Members Code of Conduct • Officers Code of Conduct • Whistleblowing Policy • Partnership Working Guidelines • Risk Management Policy Statement • Published Agendas, Reports & Minutes of Committees 	<p>[C] Contributory Processes / Regulatory Monitoring</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 5px;"> <ul style="list-style-type: none"> • Audit Committee • Standards Committee • Administration Committee • Overview and Scrutiny Committees & Scrutiny Managers • Independent Remuneration Panel for Members Allowances • Economy, Efficiency and Effectiveness Working Group • Corporate Governance Board • Corporate Risk Management Group • Management Board • Monitoring Officer appointed • S.151 officer appointed • Head of Paid Service appointed • Customer Complaints / Feedback Process • Procurement Programme Board • Community Safety Programme Board • Residents' Panel – consultation • Budget consultation • Kensington and Chelsea Partnership Steering Group </td> <td style="width: 50%; padding: 5px;"> <ul style="list-style-type: none"> • Job Descriptions and Person Specifications • Job Evaluation Process • Employee Induction • Employee Surveys • Learning and Development Programme -Employees/Members • Employee Personal Development Framework • Personal Development Plans • Criminal Conviction Checks • Inspectorate Reports (CPA) • Health and Safety Officers • Website Publication • Internal Audit and Fraud Unit • External Audit • Gift and Hospitality Registers fro Employees • Members Register of Interests • Annual Review of Internal Audit, Risk Management and Governance Arrangements • Royal Borough Reviews • Peer reviews • Credit Rating • Efficiency Plan </td> </tr> </table>	<ul style="list-style-type: none"> • Audit Committee • Standards Committee • Administration Committee • Overview and Scrutiny Committees & Scrutiny Managers • Independent Remuneration Panel for Members Allowances • Economy, Efficiency and Effectiveness Working Group • Corporate Governance Board • Corporate Risk Management Group • Management Board • Monitoring Officer appointed • S.151 officer appointed • Head of Paid Service appointed • Customer Complaints / Feedback Process • Procurement Programme Board • Community Safety Programme Board • Residents' Panel – consultation • Budget consultation • Kensington and Chelsea Partnership Steering Group 	<ul style="list-style-type: none"> • Job Descriptions and Person Specifications • Job Evaluation Process • Employee Induction • Employee Surveys • Learning and Development Programme -Employees/Members • Employee Personal Development Framework • Personal Development Plans • Criminal Conviction Checks • Inspectorate Reports (CPA) • Health and Safety Officers • Website Publication • Internal Audit and Fraud Unit • External Audit • Gift and Hospitality Registers fro Employees • Members Register of Interests • Annual Review of Internal Audit, Risk Management and Governance Arrangements • Royal Borough Reviews • Peer reviews • Credit Rating • Efficiency Plan
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GLOSSARY OF TERMS

ALMO	Arms Length Management Organisation
Balance Sheet	A statement showing the position of the Borough's assets and liabilities as at 31 March in each year.
Budget	A forecast of the Borough'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.
BVACOP	CIPFA's Best Value Accounting Code of Practice which provides guidance on financial reporting to stakeholders and establishes 'proper practice' with regard to consistent financial reporting below the Statement of Accounts level.
Cabinet	The Cabinet is the Executive responsible for undertaking all of the Council's functions, except those functions which are reserved to the full Council or delegated to committees or officers. When the Executive meet collectively they are 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 in financing capital expenditure.
Capital Charges	Charges made to service revenue accounts based on the service's use of fixed assets.
Capital Expenditure	Expenditure on the acquisition or enhancement of fixed assets, deferred charges or advances (loans) to other individuals or organisations.
Capital Receipts	Income received from the sale of fixed assets or repayment of capital advances.
CIPFA	The Chartered Institute of Public Finance and Accountancy
Collection Fund	A statutory account into which are paid Council Tax, Non Domestic Rates and from which amounts are paid to the Borough and precepting authorities.
Community Assets	A class of fixed assets that are expected to be held by the Borough in perpetuity. Examples include parks, historic buildings and works of art.
DCLG	Department for Communities and Local Government
Depreciation	A measure of the consumption or wearing out of the useful economic life of a fixed asset.
DRC	Depreciated Replacement Cost is a method of asset valuation.
DSG	Dedicated Schools Grant
DWP	Department for Work and Pensions
Fixed Assets	Assets which provide benefit to the Borough and its services for a period in excess of one year.

Formula Grant	Central Government subsidy to local authorities comprising two elements – Revenue Support Grant and Redistributed Non-Domestic Rate.
FRS17	This Financial Reporting Standard is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.
General Fund (GF)	The primary revenue account which records the cost of providing the majority of the Borough's services.
HEFCE	Higher Education Funding Council in England
Housing Revenue Account (HRA)	A statutory account recording the income and expenditure relating to the Borough's provision of council housing.
Infrastructure	A class of fixed assets whose life is of indefinite length and which are not usually capable of being sold. Examples include roads and highway works.
Intangible Assets	Non financial fixed assets that do not have any physical substance but are identifiable and are controlled by the authority, for example, purchased software licences.
ISB	Individual School Budgets
LAA	Local Area Agreement. A framework of targets agreed with government.
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 were subsequently transferred to the Royal Borough on behalf of London Local Authorities, including Education Awards.
LPFA	London Pension 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 MRA resources are held in the Major Repairs Reserve (MRR) until required.
Management Board	Officer Management Team of the Borough
Minimum Revenue Provision (MRP)	The amount defined by government regulation required to be charged to the revenue account as to provide for the redemption of debt.
Monitoring Officer	Function carried out by the Director of Law and Administration to report to the Council on any potential illegality, misadministration or injustice that may come to his/her attention.
National Non Domestic Rates (NNDR)	The form of local taxation charged on non residential premises at a level set by Central Government. Rates are collected and paid into a central pool administered by Central Government. The total collected is then redistributed to authorities on the basis of population.
Outturn	The final expenditure and income in any financial year.

Precept	The charge made by another authority on the Borough to finance its net expenditure. The Borough currently has one precepting authority - the Greater London Authority (GLA).
Public Works Loan Board (PWLB)	Agency of Central Government responsible for the funding of a large proportion of local authority borrowing.
Related Parties	Defined under Financial Reporting Standard 8, material transactions of the Council with Related Parties are disclosed. Related parties include Central Government, subsidiary and associated companies, the Pension Fund, Council Members and Chief and Senior Officers. FRS8 requires attention to be drawn to the possibility that the reported financial position may have been affected by the existence of related parties and by material transactions with them.
Revaluation Reserve	An account recording the effect of revaluing fixed assets. This account is not available for general use in the financing of capital expenditure.
Revenue Expenditure	Day to day expenditure incurred in the provision of services including salaries and wages and goods and services.
REFCUS	Revenue Expenditure Funded from Capital Under Statute
Revenue Support Grant	A grant paid by the Government in support of the Borough's revenue expenditure, as part of the Formula Grant.
RICS	Royal Institute of Chartered Surveyors
Royal Borough Review	Local version of Best Value Review to investigate services and look for alternative approaches to service provision.
Section 151 Officer	Another term to describe the Chief Financial Officer of the Borough with responsibilities as set out in the Statement of Responsibilities for the Statement of Accounts.
SORP	Statement of Recommended Practice issued by CIPFA
STRGL	Statement of Total Recognised Gains and Losses
Tenant Management Organisation (TMO)	Royal Borough of Kensington and Chelsea Tenant Management Organisation Ltd., which manages the Council's Housing Revenue Account stock.

GLOSSARY OF FINANCIAL REPORTING STANDARD 17(FRS17) TERMS

Actuarial Gains and Losses	The average rate of return, based on actuarial advice, including both income and changes in the fair value, but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme. This is a financing element within the net operating expenditure.
Costs Payable to the Pension Fund and any Payments to Pensioners	<p>The changes in actuarial deficits or surpluses that arise because:</p> <ul style="list-style-type: none">• events have not coincided with actuarial assumptions made for the last revaluation (experience gains or losses) or the actuarial assumptions have changed.• These are appropriated to the Income and Expenditure Account from the Pensions Reserve, to replace all FRS 17 debits and credits, so that they remain, as previously, the actual amount to be met from government grants and local taxation. These have no impact on the Income and Expenditure Account.
Current Service Cost	This represents the increase in present value of the scheme's liabilities expected to arise from employee service in the current period. It is charged directly to services and is based on the most recent actuarial valuation at the beginning of the period (31 March 2008) and is stated net of employees' contributions.
Expected Return on Assets	This is a financing element included within the net operating expenditure in the Income and Expenditure Account.
Gains and Losses on Settlements	An irrecoverable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. This also is charged to Non Distributed Costs.
Interest Cost (Pensions)	<p>The expected increase during the year in the present value of the scheme's liabilities because the benefits are one year closer to settlement. The interest cost is based on a discount rate and the present value of the scheme liabilities at the beginning of the year.</p> <p>The discount rate used was that recommended by CIPFA and for 2008/09 was measured by the yield on long-dated high-quality sterling corporate bonds. At 6.9% (unchanged from the previous year), this was 3.8% above the assumed level of inflation. In 2007/08 the discount rate used was 6.9% on the same basis.</p>
Past Service Costs	The amount in the present value of the scheme liabilities related to employee service in prior periods, as a result of the introduction of or improvement to retirement benefits. This is charged within the net cost of services under Non Distributed Costs in the Income and Expenditure Account.

SECTION 1

CORE FINANCIAL STATEMENTS

Independent auditor's report to the Members of the Royal Borough of Kensington and Chelsea

Opinion on the Authority accounting statements

I have audited the accounting statements and related notes of the Royal Borough of Kensington and Chelsea for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes.. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the Royal Borough of Kensington and Chelsea in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Executive Director for Finance Information Systems and Property and auditor

The Executive Director for Finance Information Systems and Property's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Opinion on the pension fund accounts

I have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the Royal Borough of Kensington and Chelsea in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Executive Director for Finance Information Systems and Property and auditor

The Executive Director for Finance Information Systems and Property's responsibilities for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

Opinion

In my opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Conclusion on 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, I am satisfied that, in all significant respects, the Royal Borough of Kensington and Chelsea made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

I certify that I have completed the audit of the accounts for the year ended 31 March 2009 in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mr Kash Pandya

District Auditor

Audit Commission, 1st floor, Millbank Tower, Millbank, London SW1P 4HQ

19 August 2010

INCOME AND EXPENDITURE ACCOUNT

	2008/09			2007/08	Notes
	Gross Exp £'000	Income £'000	Net Exp £'000	Net Exp £'000	
EXPENDITURE ON SERVICES					
Central Services	25,026	3,408	21,618	22,563	2
Cultural, Environmental, Regulatory and Planning Services:					
Cultural and Related Services	24,759	4,816	19,943	14,661	
Environmental and Regulatory Services	37,670	8,398	29,272	26,936	
Planning and Development Services	15,122	12,770	2,352	1,709	
Children's and Education Services	191,200	111,496	79,704	36,623	
Highways Roads and Transport Services	44,386	45,569	(1,183)	(3,042)	
Housing Services (excluding HRA)	165,896	158,559	7,337	2,619	
Housing Revenue Account	45,712	49,371	(3,659)	2,035	
Adult Social Care	72,450	14,803	57,647	33,577	
NET COST OF SERVICES	622,221	409,190	213,031	137,681	
Gain or Loss on disposal of fixed assets			(1,915)	(3,930)	
Levies			3,595	3,501	5
Surplus or deficit of trading undertakings not included in Net Cost of Services			(61)	(89)	
Interest Payable and similar charges			15,669	16,762	
Contribution to Housing Pooled Capital Receipts			324	2,418	
Interest and Investment Income			(12,603)	(13,526)	4
Pensions Interest Cost and Expected Return on Pensions Assets			5,815	1,230	
NET OPERATING EXPENDITURE			223,855	144,047	
FINANCED BY					
Income from the Collection Fund			75,042	71,722	6
Revenue Support Grant			12,541	13,870	
Distribution from Non Domestic Rate Pool			90,091	82,648	
Area Based Grant			9,777	0	
TOTAL INCOME FROM GRANT AND TAXPAYERS			187,451	168,240	
SURPLUS/(DEFICIT) FOR THE YEAR			(36,404)	24,193	

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2008/09 £'000	2007/08 £'000	Notes
Surplus/(Deficit) for the year on the Income and Expenditure Account	(36,404)	24,193	
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (per reconciling note)	38,659	(24,193)	
Increase/(decrease) in General Fund Balance for the Year	2,255	0	
General Fund Balance brought forward	14,255	14,255	
General Fund Balance carried forward	16,510	14,255	
Schools Balances			
School Balances brought forward	6,665	5,782	
Surplus/(Deficit) for the year	(1,744)	883	
Schools Balances carried forward*	4,921	6,665	24

*This represents the amount of the General Fund Balance held by schools and for the benefit of schools under local management schemes
 nb The format of this table has been revised to show Schools as a memorandum item.

RECONCILING NOTE TO THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2008/09 £'000	2007/08 £'000	Notes
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year			
Amortisation of intangible fixed assets	273	272	
Depreciation and impairment of fixed assets	57,906	12,036	
Government Grants Deferred amortisation	(9,739)	(1,101)	19
Revenue Expenditure Funded from Capital Under Statute	9,339	21,118	
Net (gain) or loss on sale of fixed assets	(1,915)	(12,467)	
Net charges made for retirement benefits in accordance with FRS17	945	(6,985)	
	56,809	12,873	
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year			
Minimum Revenue Provision for capital financing	(1,593)	(1,872)	3
Capital expenditure charged in-year to the General Fund Balance	(12,477)	(15,383)	
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	324	2,418	
	(13,746)	(14,837)	
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year			
Housing Revenue Account balance	836	(5,402)	
Voluntary revenue provision for capital financing	(6,194)	(5,965)	3
Net transfer (to)/from earmarked reserves	(790)	(10,029)	
School balances	1,744	(833)	24c
	(4,404)	(22,229)	
Net Additional Amount required to be (debited)/credited to the General Fund Balance for the year	38,659	(24,193)	

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2008/09 £'000	2007/08 £'000
Surplus/(Deficit) for the year on the Income and Expenditure Account	(36,404)	24,193
Surplus arising on revaluation of fixed assets	346,091	70,382
Actuarial gains/(losses) on pension fund assets and liabilities	(67,193)	42,694
Any other gains and losses requires to be included in the STRGL*	(1,308)	1,889
Total recognised gains for the year	241,186	139,158

*Items included in this line are the movements in balances on the Collection Fund, the London Residuary Body and the Financial Instruments Adjustment Account

BALANCE SHEET

	2009 £'000	2008 £'000	Notes
LONG TERM ASSETS			
Intangible Assets	1,968	1,456	15c
Tangible Fixed Assets			
<u>Operational Assets</u>			15a
- Council Dwellings	445,351	444,152	
- Other Land and Buildings	614,410	317,066	
- Vehicles, Plant, Furniture and Equipment	9,132	9,024	
- Infrastructure Assets	24,842	25,794	
- Community Assets	5,563	3,849	
<u>Non-Operational Assets</u>			15b
- Investment Properties	116,372	118,499	
- Assets under Construction	8,087	7,036	
- Surplus Assets, held for disposal	6,596	4,595	
	1,232,321	931,471	
Long Term Investments	173	23	39
Long Term Debtors	415	380	16
TOTAL LONG TERM ASSETS	1,232,909	931,874	
CURRENT ASSETS			
Stocks and Work in Progress	397	326	
Debtors (net of impairment)	53,808	74,610	17
Investments	223,522	208,271	39
Cash and Bank			
TOTAL CURRENT ASSETS	277,727	283,207	
TOTAL ASSETS	1,510,636	1,215,081	
CURRENT LIABILITIES			
Borrowing repayable on demand or within 12 months	10,207	10,897	42
Creditors	80,445	73,745	18
Bank Overdraft	5,553	8,603	
TOTAL CURRENT LIABILITIES	96,205	93,245	
TOTAL ASSETS LESS CURRENT LIABILITIES	1,414,431	1,121,836	
Borrowing repayable within a period in excess of 12 months	194,998	205,203	42
Deferred Liabilities	50	50	
Government Grants - Deferred	20,693	26,777	19
Deferred Credits - Sale of Council Houses	101	115	
Provisions for Liabilities and Charges	3,482	3,908	24b
Liability Related to Defined Benefit Pension Schemes	154,446	86,308	30
TOTAL ASSETS LESS LIABILITIES	1,040,661	799,475	
RESERVES			
Capital Adjustment Account	571,144	606,452	20
Financial Instruments Adjustment Account	(1,078)	(1,133)	
Revaluation Reserve	415,457	70,382	21
Pensions Reserve	(154,446)	(86,308)	30
Usable Capital Receipts Reserve	2,757	1,489	22
HRA Major Repairs Reserve	6,242	7,109	24a
Fund Balances and Reserves:			
Schools Reserves	4,921	6,665	24c
Reserves	165,227	164,437	24a
Housing Revenue Account Balance	9,372	10,208	
London Residuary Body Balance	4,519	4,259	
Collection Fund Balance	36	1,660	
General Fund Balance	16,510	14,255	
TOTAL EQUITY	1,040,661	799,475	

CASH FLOW STATEMENT

	2008/09 £'000	2007/08 £'000	Notes
REVENUE ACTIVITIES			
Net Revenue Activities cash flow	(46,049)	6,476	34
Net cash (inflow)/outflow from revenue activities	(46,049)	6,476	
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Cash Outflows			
Interest paid	15,669	16,705	
Cash Inflows			
Interest received	(12,603)	(13,758)	
Net Servicing of Finance	3,066	2,947	
CAPITAL ACTIVITIES			
Cash Outflows			
Purchase of fixed assets	19,998	40,271	
Purchase of Long Term Investments	150	0	
Other Capital Cash Payments	0	0	
Cash Inflows			
Sale of fixed assets	(2,707)	(12,526)	
Capital grants received	(3,656)	(13,670)	
Other capital cash receipts	0	(19,498)	
Net Capital Activities	13,785	(5,423)	
Total net cash (inflow)/outflow before financing	(29,198)	4,000	
MANAGEMENT OF LIQUID RESOURCES			
Net Increase/decrease in short term deposits	15,251	(1,315)	
Net Increase/decrease in other liquid resources	0	0	
	15,251	(1,315)	
FINANCING			
Cash Outflows			
Repayments of amounts borrowed	10,897	8,763	
Cash Inflows			
New loans raised	0	0	
New short term loans	0	0	
Total Net Financing	10,897	8,763	35
Net (Increase)/Decrease in cash	(3,050)	11,448	36

*The category 'liquid resources' represents investments made for periods of less than twelve months

Notes to the Core Financial Statements

1. Changes arising from SORP amendments.

In the 2008/09 Statement of Accounts, the changes arising from the SORP 2008 have been implemented. These primarily relate to accounting Pension Fund disclosures and changes to capital expenditure charged to revenue. Accounting policies have been updated in line with the SORP.

2. Central Services

This is total expenditure on Corporate and Democratic Core, Non Distributed Costs and Central Services to the Public as defined in the Best Value Accounting Code of Practice.

	2008/09 £'000	2007/08 £'000
Corporate and Democratic Core	9,727	8,738
Non Distributed Costs	9,596	12,047
Central Services to the Public	2,295	1,778
Total	21,618	22,563

3. Minimum Revenue Provision

To comply with minimum revenue provision requirements in respect of capital financing, charges are made which impact on the General Fund Balance. Details of the charges are as follows:-

	2008/09 £'000	2007/08 £'000
General Fund Min. Revenue Provision		
- Statutory	1,593	1,872
- Voluntary	6,194	5,965
Total	7,787	7,837

4. Interest on Balances

	2008/09 £'000	2007/08 £'000
<u>External Interest – General Fund</u>		
Investment Income	(13,664)	(14,549)
Interest paid to other accounts (inc.HRA)	2,136	2,474
Interest received from other accounts	(320)	(214)
Total Interest – General Fund	(11,848)	(12,289)
Interest – Housing Revenue Account	(755)	(1,237)
Total	(12,603)	(13,526)

5. Levies

	2008/09 £'000	2007/08 £'000
Environment Agency	199	179
London Boroughs Grants Committee	624	693
London Pensions Fund Authority	1,528	1,443
Garden Committees Levies	1,244	1,186
Total	3,595	3,501

6. Collection Fund

This figure represents the total of the Royal Borough's precept on the Collection Fund (£74,673k) (£71,969k in 2007/08) (see page 62) plus its share of the surplus of the Council Tax Collection Fund Balance £368k from 2007/08.

7. Expenditure on Publicity

In accordance with S.5 of the Local Government Act 1986, the expenditure on the relevant areas of publicity is analyzed below:

	2008/09 £'000	2007/08 £'000
Press and Public Relations		
Salaries	392	346
Other Costs	272	209
Misc. Advertising	159	194
Staff Recruitment Costs	703	538
Total	1,526	1,287

8. Pooled Budgets Disclosure

Under S.31 of the Health Act 1999, the Royal Borough and the Primary Care Trust have established lead commissioning arrangements for learning disability services. The following table shows the pooled budgets established under the Act.

Project	2008/09 £'000	2007/08 £'000
Community Equipment Service		
Balance Brought forward	64	107
Gross Funding		
Royal Borough	352	339
Kensington and Chelsea Primary Health Care Trust	352	339
Expenditure/refund	741	721
Surplus/(Deficit) in year	(36)	(43)
Total carried forward	28	64

9. Contributions to Local Government Pension Schemes

As part of the terms and conditions of its officers and other employees, the Council offers retirement benefits. Although these will not be payable until employees retire, the Council has a commitment to make these payments, that needs to be accounted for at the time that employees earn their future entitlement. The details of this can be found in Note 30.

a. The total normal employer's contributions to the Council's Pension Fund for the year totalled £16,988,827 representing 21.5% of pensionable pay. The contribution rate was set by the Fund's Actuary to meet 100% of the liabilities of the fund over the estimated average future service of the fund members which is approximately 13 years. This rate is based on triennial actuarial valuation as at 31 March 2007. Under the changes to the scheme, employees' contributions now vary according to their salaries. The employer's contribution rate made up of 13.3% for annual accrual of benefits and 8.2% relating to the past service deficit. Further details of the Council's Pension Fund Accounts may be found on page 61. Disclosures relating to FRS17 can be found in note 30 on pages 46 to 50.

b. The cost of early retirements is not funded by the Pension Scheme but is ultimately met by the General Fund and Housing Revenue Account over a maximum period of 5 years. The total capital cost of early retirements in the year is recognised in the Net Cost of Services but offset within the Pension Reserve.

c. Contributions to the Teachers Pensions Agency amounted to £3,819,810 in the year (£3,669,279 in 2007/08), which represents a contribution rate of 14.1% of pensionable pay.

d. Contributions to the London Pensions Fund Authority scheme amounted to £248,066 (£238,294 in 2007/08), which represents a contribution rate of 23.4% of pensionable pay.

Notes to the Core Financial Statements

10. Staff Remuneration

The number of employees in each salary band set out below is as follows. Calculations are based on all sums paid to or receivable by an employee and sums due by way of taxable expenses allowance and the monetary value of any other benefits received other than in cash. Pension contributions payable by either employee or employer are excluded.

Salary Bands	2008/09 Total Employees	2007/08 Total Employees
£50,000 - £59,999	136	126
£60,000 - £69,999	59	60
£70,000 - £79,999	35	29
£80,000 - £89,999	8	7
£90,000 - £99,999	6	10
£100,000 - £109,999	5	1
£110,000 - £119,999	2	3
£120,000 - £129,999	4	1
£130,000 - £139,999	2	1
£140,000 - £149,999	0	1
£150,000 - £159,999	1	0
£160,000 - £169,999	0	1
£170,000 - £179,999	0	0
£180,000 - £189,999	0	0
£190,000 - £199,999	0	0
£200,000 - £209,999	0	0
£210,000 - £219,999	0	0
£220,000 - £229,999	1	1
Total	259	241

2007/08 have been restated to exclude staff in Voluntary Aided Schools in accordance with SORP definitions.

11. Related Party Transactions

The Council is required to disclose material transactions with related parties. Related parties are defined within the Glossary of Terms on page 26.

Specific Government Grants were received by the Council as identified in note 33 to the Core Financial Statements. General Government Grants received were Revenue Support Grant, Area Based Grant and Distribution from the Non Domestic Rate Pool. These are shown in the Income and Expenditure Account on page 35.

The Council has had a number of transactions with related parties involving Council members or their close relatives. Members' interests are noted in the Register of Members Pecuniary Interests. Councillors are required to disclose both direct and indirect pecuniary interests, which they may have in any matter coming before the Council or a Committee. Standing Orders require them to withdraw from any meeting while the matter is discussed. Pecuniary interests are declared in the Statutory Register kept for this purpose.

Council Members also serve in various capacities with other related parties including:-

- On the Governing Bodies of a number of maintained and voluntary-aided schools which are funded by the Council.
- On Management Boards of a variety of voluntary organisations, some of which receive funding from the Council.
- Four Council Members serve on the Management Board of the Tenant Management Organisation, a company employed by the Council to administer the running of the Council's Housing Stock.
- Two Council Members serve on the Management Board of the Western Riverside Waste Authority (WRWA) which deals with waste disposal matters for four London Boroughs

- (Kensington and Chelsea, Wandsworth, Hammersmith and Fulham, Lambeth). WRWA levies on the Council for the cost of waste disposal.
- London Councils represents the interests of the London Borough Councils. Councillor Cockell is Chairman of London Councils. Other Council Members serve on special interest Committees of London Councils.
- The Greater London Authority (GLA) levies a Council Tax precept on residents with the Borough as shown within the Collection Fund (page 58). There are a number of organisations within the GLA Group – Transport for London, The Metropolitan Police Authority, The London Development Agency, The London Fire and Emergency Planning Authority. Several Council Members serve on the Boards of the GLA and the other bodies within the Group.

Transactions with the Pension Fund comprise interest on cash balances held with the Council, administrative and management costs and employer contributions to the Fund. Summary Pension Fund accounts can be found on pages 65 to 69.

12. Members Allowances

The total of Members Allowances paid in 2008/09 was £1,226,340 (£1,177,842 in 2007/08).

13. External Audit and Inspection Fees

Planned external audit and inspection fees in respect of 2008/09 are as follows:

	2008/09 £'000	2007/08 £'000
Fees payable to the Audit Commission in respect of:		
- External audit services and Statutory Inspection	305	294
- Grant claims and returns	80	75
- Other services provided	4	1
- Other services provided by PricewaterhouseCooper	38	0
Total	427	370

14. Building Regulations Charges Statement

Under the Building (Local Authority Charges) Regulations 1998, local authorities are required to disclose the costs and income derived from the building control functions prescribed in regulation 4 of the Charges Regulations. The objective is to fully recover costs over a 3-year rolling period.

	2008/09 £'000	2007/08 £'000
Expenditure		
Employee Costs	938	820
Transport	20	27
Supplies and Services	225	109
Support Services	245	261
Total Expenditure	1,428	1,217
Income		
Building Regulation Charges	1,352	1,497
Total Income	1,352	1,497
Surplus/(Deficit)	(75)	280
Surplus/(Deficit) on a rolling 3 year period	351	128

15. Movement on Fixed Assets

a) Operational Assets

Operational Assets	Council Dwellings £'000s	Land and Buildings £'000s	Vehicles, Plant and etc £'000s	Infrastructure £'000s	Community Assets £'000s	Total £'000s
Cost or Valuation						
At 1 April 2008	462,688	327,288	10,994	34,131	3,850	838,951
Additions	7,506	4,371	1,104	3,218	1,713	17,912
Donations	0	0	0	0	0	0
Disposals	(42)	(216)	(354)	0	0	(612)
Reclassifications	0	0	0	0	0	0
Revaluations	0	338,272	124	0	0	338,396
Impairments	0	(50,125)	(155)	(3,055)	0	(53,335)
At 31 March 2009	470,152	619,590	11,713	34,294	5,563	1,141,312
Depreciation and Impairments						
At 1 April 2008	18,537	10,223	1,969	8,338	0	39,067
Charge for 2008/09	6,266	4,553	943	1,515	0	13,277
Disposals	(2)	0	(322)	0	0	(324)
Reclassifications	0	0	0	0	0	0
Revaluations	0	(3,977)	0	0	0	(3,977)
Impairments	0	(5,619)	(9)	(401)	0	(6,029)
At 31 March 2009	24,801	5,180	2,581	9,452	-	42,014
Balance Sheet amount at 31 March 2009	445,351	614,410	9,132	24,842	5,563	1,099,298
Balance Sheet amount at 1 April 2008	444,151	317,066	9,024	25,794	3,849	799,884

Nature of Asset Holding

Owned	445,351	601,783	9,132	24,842	5,563	1,086,671
Finance Lease	0	12,627	0	0	0	12,627
PFI	0	0	0	0	0	0
	445,351	614,410	9,132	24,842	5,563	1,099,298

Note - The Council does not update the valuations of council dwellings in its accounts between five yearly full valuations. Had it done so, the opening valuation balance for council dwellings at 1 April 2008 would have been £573 million and the 2008/09 accounts would have recorded an impairment of £95 million after depreciation.

b) Non-operational Assets

Non-operational Assets	Investment Properties £'000s	Assets Under Construction £'000s	Surplus Assets Held for Disposal £'000s	Total £'000s
Cost or Valuation				
At 1 April 2008	118,862	7,036	4,595	130,493
Additions	250	1,051	0	1,301
Donations	0	0	0	0
Disposals	(12)	0	(491)	(503)
Reclassifications	0	0	0	0
Revaluations	1,369	0	2,492	3,861
Impairments	(3,863)	0	0	(3,863)
At 31 March 2009	116,606	8,087	6,596	131,289
Depreciation and Impairments				
At 1 April 2008	363	0	0	363
Charge for 2008/09	0	0	0	0
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Revaluations	0	0	0	0
Impairments	(129)	0	0	(129)
At 31 March 2009	234	0	0	234
Balance Sheet amount at 31 March 2009	116,372	8,087	6,596	131,055
Balance Sheet amount at 1 April 2008	118,499	7,036	4,595	130,130

Nature of Asset Holding

Owned	116,372	8,087	6,596	131,055
Finance Lease	0	0	0	0
PFI	0	0	0	0
	116,372	8,087	6,596	131,055

Notes to the Core Financial Statements

c. Movement in Intangible Assets

Intangible Assets	Purchased Software Licenses £'000s	Licences, Trademarks and Artistic Originals £'000s	Patents £'000s	Total £'000s
Original Cost	2,916	-	-	2,916
Amortisations to 1 April 2008	(1,460)	-	-	(1,460)
Balance at 1 April 2008	1,456	-	-	1,456
Expenditure in Year	785	-	-	785
Written off to revenue in year	(273)	-	-	(273)
Balance at 31 March 2009	1,968	-	-	1,968

d. An analysis of fixed assets at 31 March 2009 is:-

	Nos.		Nos.
Council Dwellings	6,924	Libraries	6
Commercial Assets	299	Museums and Galleries	4
Town Halls and Major Offices	4	Sports and Leisure Centres	2
Minor Offices	24	Cemeteries	2
Major Parks	8	Bridges	4
Minor Parks	24	Car Parks	2
Schools	13	Depots	2
Special Schools/ Pupil Referral Units	2	Public Conveniences	12
Family Centres, Children's Centres and Nurseries	9	Other Buildings	17
Children's Homes	4	Assets Under Construction	7
Adult Social Care Centres and Homes	6	Assets Held for Disposal	26

e. Capital expenditure was financed as follows:-

Resources Used	£'000	Capital Expenditure	£'000
Usable Capital Receipts	1,122	Fixed Assets	19,998
Use of borrowing	5,100	REFCUS	12,373
Grant and Other Contributions Applied	6,689	LT Investment	150
Major Repairs Allowance and other Reserves	7,133		
<u>Direct Revenue Financing</u>			
HRA	50		
General Fund	12,427		
Total Resources Used	32,521	Total Expenditure	32,521

f. Outstanding capital commitments at 31 March are:-

	General Fund*	Housing Revenue Account **
	£m	£m
Schemes contracted for	25.3	7.3
Schemes not contracted for	155.4	0
Total	180.7	7.3

The ability to carry out schemes planned for future years will depend on the availability of capital resources at the appropriate time.

* Figures for the General Fund are estimates based on the Capital Budget 2009/10 – 2011/12. An assumption is made that schemes having spent more than 10% 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 are as follows:-

Scheme	Total Cost £m	Total O/S £m
GENERAL FUND:-		
New Secondary School Development and Sponsorship Costs	14.300	5.700
Exhibition Rd – Design and Phase 1	9.800	4.600
Holland Park School Design	8.300	4.000
HOUSING REVENUE ACCOUNT:-		
Elm Park Gardens External Repairs	18.065	730
Trellick Tower Phase 3: Internal Works	3.096	2,743
Wiltshire Close: Lifts	4.499	461
Trellick Tower Phase 2 External Works	3.504	311
Chesterton Sq & Broadwood Terrace: Windows	1.939	1.148
Walnut Tree House and Finborough: Externals	1.321	1.274
Holland and Elsham, Roofs, Doors and Concrete Repairs	1,812	34
Balfour of Burleigh: Roofs, Doors and Concrete Repairs	1,430	68

Schemes larger than £1.5m listed in the table above.

Notes to the Core Financial Statements

g. Analysis of Net Assets Employed

A breakdown of total capital and revenue assets between the General Fund, the Housing Revenue Account and the London Residuary Body is set out below:-

Balance at 31 March	2009	2008
	£'000	£'000
General Fund	692,421	445,742
Housing Revenue Account	343,722	349,589
London Residuary Body	4,519	4,259
Total	1,040,662	799,590

16. Long Term Debtors

Balance at 31 March	2009	2008
	£'000	£'000
Housing Association Advances	123	127
House Purchase Advances	42	46
Sale of Council Houses	101	115
Other Loans	149	93
	415	381
Provision for Bad and Doubtful Debts	(1)	(1)
Net Long Term Debtors	414	380

17. Current Debtors

Balance at 31 March	2009	2008
	£'000	£'000
Government	7,808	6,049
Rent Payers and Lessees	10,111	10,992
Sundry Debtors	30,399	31,394
Payments in Advance	5,341	25,881
Council Tax	10,857	8,919
National Non Domestic Rates	7,058	7,239
London Residuary Body Debtors	0	9
	71,574	90,483
Provision for Bad and Doubtful Debts	(17,766)	(15,873)
Net Current Debtors	53,808	74,610

18. Creditors

This is made up of:

Balance at 31 March	2009	2008
	£'000	£'000
Government	3,369	4,028
Sundry Creditors	46,466	41,292
Deposits	2,096	7,025
Receipts In Advance	13,540	8,637
Interest Accrued on Loans*	0	0
Council Tax	9,117	4,257
National Non Domestic Rates	4,073	5,705
Residents and Miscellaneous Savings Accounts	1,784	2,801
Total	80,445	73,745

*Interest accrued on loans is now included as part of the amortised costs shown in note 39.

No accrual is made for unused annual leave carried forward at the year end, other than under the banked holiday leave scheme. Based on a sample of employees the cost (excluding schools staff) is estimated to be £1.9 million at 31 March 2008 and £2.0 million as at 31 March 2009 which is considered to be immaterial

19. Government Grants Deferred

Government Grants Deferred represents capital grants and contributions received. The balance on this account represents sums which will be credited to revenue in future years in line with the depreciation charge for related fixed assets.

	2008/09	2007/08
	£'000	£'000
Balance at 1 April	26,777	25,462
Capital Grants Received (net of REFCUS written out in year)	3,655	2,416
Less grants on assets being depreciated written back in year	(609)	(1,101)
Less adjustments for impaired and disposed assets	(1,729)	0
Less adjustment for historic non asset related grants	(7,401)	0
Balance at 31 March	20,693	26,777

Notes to the Core Financial Statements

20. Capital Adjustment Account

The Capital Adjustment Account reflects the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

	£'000	£'000
Balance at 1 April		606,452
Minimum Revenue Provision (Net of depreciation)	621	
Usable Capital Receipts utilised in year	1,115	
HRA Depreciation Charge on dwellings	(6,266)	
HRA Depreciation Charge on non-dwellings	(118)	
HRA Major Repairs Allowance	7,133	
Direct Revenue Financing in year	12,477	
Fixed Asset Disposals	(791)	
Fixed Asset Impairments	(50,895)	
Transfers from the Revaluation Reserve	1,016	
REFCUS written to revenue in year (net of government grants)	(9,339)	
Fixed Assets Grant written-off from Government Grants Deferred Account	9,739	
		(35,308)
Balance at 31 March		571,144

21. Revaluation Reserve

This reserve records any unrealised net gains from revaluations made after 1 April 2007.

	£'000	£'000
Balance at 1 April		70,382
Upward revaluations to assets in year	346,235	
Disposals written-out	(1,073)	
Depreciation of revalued gains	276	
Allowable Market Price Impairments	(144)	
Impairment Adjustment (consumption)	(219)	
		345,075
Balance at 31 March		415,457

22. Usable Capital Receipts Reserves

These are capital receipts, which have not yet been used to finance capital expenditure or to repay debt.

	£'000	£'000
Balance at 1 April		1,489
Capital Receipts received during year		
Sales of Assets	2,686	
Loans Repaid	21	
Total received in year		2,707
Payment to Pool		(324)
Capital Receipts applied during year		(1,115)
Balance at 31 March		2,757

23. Finance and Operating Leases

The Council has several operational leases for vehicles and equipment. The operating lease rentals paid in the year totalled £1,155,314 (£1,018,133 in 2007/08) and the total value of outstanding obligations under the leases at 31st March 2009 was as follows:-

a) Leases for vehicles

Future cash payments required under these leases are	Car Leases £'000	Fleet Leases £'000	Total Cost £'000
Less than 1 year to expiry	9	0	9
1 - 2 years to expiry	38	4	42
2 - 5 years to expiry	165	23	188
Total *	212	27	239

*This represents the net amount of commitments under vehicle leasing contracts, and excludes the estimated contributions due from employees

b) Leases for Multifunctional Devices/Photocopiers

Future cash payments required under these leases are	Total Cost £'000
Less than 1 year to expiry	204
1 - 2 years to expiry	204
2 - 5 years to expiry	214
Total *	622

c) Property Leases

Future cash payments required under these leases are	Total Cost £'000
Less than 1 year to expiry	306
2 - 5 years to expiry	691
5 years plus to expiry	1,039
Total *	2,036

d) Authority as Lessor

The Council, as landlord, holds Commercial Property valued at £116.3 million. In 2008/09 the Council received a rental income of £7.1 million.

Notes to the Core Financial Statements

24. Reserves and Provisions

a. Reserves

	Opening Balance 1 April £'000	Transfers to Reserves £'000	Transfers from Reserves £'000	Closing Balance 31 March £'000
GENERAL FUND:-				
Car Parking *	38,502	22,197	23,012	37,687
Repairs/Refurbishment	4,146	907	727	4,326
Insurance	6,667	239	790	6,116
Budget Carry Forward	2,191	1,250	1,518	1,923
Capital	64,040	8,195	8,519	63,716
Strategic Regeneration	13,332	1,636	1,046	13,922
Local Initiatives	4,942	0	0	4,942
Other	29,805	5,905	3,897	31,813
Total General Fund	163,625	40,329	39,509	164,445
HOUSING REVENUE ACCOUNT:-				
Controlled Repairs	264	0	6	258
Major Repairs	7,109	6,384	7,251	6,242
Other	547	140	163	524
Total HRA	7,920	6,524	7,420	7,024
Total Reserves	171,545	46,853	46,929	171,469

*The Car Parking Reserve is subject to statutory restrictions on its use. Other reserves are created and are being utilised in line with the purpose of the reserve. Additional details of all reserves can be found on pages 75 to 83 although this detail is not covered by the audit opinion.

b. Provisions

	Balance at 1 April £'000	Provision in Year £'000	Payments in Year * £'000	Balance at 31 Mar £'000
Insurance	2,031	1,383	1,030	2,384
Banked Leave	59	0	25	34
Mental Health Act	933	0	0	933
London Residuary Body	128	0	128	0
Repayments to Street Traders	728	0	626	102
Other	29	0	0	29
Total	3,908	1,383	1,809	3,482

* Including reversals unused.

The Insurance Provision relates to self-insurance in respect of motor, fire and other liabilities. The balance on the provision therefore represents the amount of self-insurance held to cover the cost of known claims arising. Further details are shown on page 84 although this detail is not covered by the audit opinion.

The Banked Leave provision sum has been set aside to compensate departments where employees have put leave aside for a mini-sabbatical and temporary staff may be needed to cover some of their work. This scheme has now been withdrawn but a number of staff

members have "banked leave" which they may choose to take some time in the future.

The Mental Health Act provision is to provide for the estimated costs of payments under S.117 of the Mental Health Act. Further details on the London Residuary Body can be found on pages 70 and 71.

The object of the Repayments to Street Traders provision is to provide for any repayments due to Street traders where there has been an overcharge for waste disposal costs in the licence fees.

The provisions made within the "Other" provisions category are to cover the estimated costs of winding down the Equity Share Scheme and to provide against possible losses on housing association schemes. More information regarding provisions can be found on pages 84 and 85

c. Schools unspent balances of delegated budgets, Dedicated Schools Grant (DSG), Standards Fund and Devolved Formula Capital amounted to £4,921m at 31 March 2009, compared with £6.665m a year earlier. The balances include £98k of Standards Fund capital and £582k devolved formula capital.

Individual School balances ranged from a deficit of £28,633 to a surplus of £504,913. These balances remain under the control of the governors concerned and are not available to the Council for general use.

	2009		2008	
	No. of Schools	£'000	No. of Schools	£'000
Schools in Surplus	34	4,959	34	6,705
Schools in Deficit	2	38	2	40
Total	36	4,921	36	6,665

25. Disclosure of deployment of Dedicated Schools Grant

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

a) Details of the deployment of DSG receivable for 2008/09 are as follows

	Central Expenditure £'000	ISB £'000	Total £'000
Final DSG for 2008/09	7,528	54,578	62,106
Brought forward from 2007/08	0	0	0
Carry forward to 2009/10 agreed in advance	0	0	0
Agreed budget distribution in 2008/09	7,528	54,578	62,106
Reallocations of DSG in 2008/09	(836)	836	0
Final budget distribution in 2008/09	6,692	55,414	62,106
Actual central expenditure	(6,692)	0	(6,692)
Actual ISB deployed to schools	0	(55,414)	(55,414)
Local Authority Contribution for 2008/09	0	0	0
Carry forward to 2009/10	0	0	0

26. Trust Funds

The Council is responsible for a number of small charitable trust funds which are not consolidated in the accounts. These are not covered by the audit opinion. The two largest trust funds included below are the Pocklington Apprenticeship Trust (£83k), Private Healthcare Trust (£42k) and the Thomas Hugget Aid Fund (£20k).

Balance at 31 March	2009 £'000	2008 £'000
Minor Trust Funds	147	105

27. Contingent Liabilities

The Council has the following contingent liabilities which are not included in the revenue accounts or balance sheet:-

a. Bank Overdraft Guarantees

Organisation	2009 £'000	2008 £'000
C. T. Crosdale	4	4
Rent Deposit Guarantees	21	0

These guarantees are secured against underlying assets.

b. During 1992/93 the Council's insurers, Municipal Mutual Insurance, ceased accepting new business. The Council is a member of a scheme of arrangement that has been put in place to try to ensure an orderly settlement of the run-off of MMI. Claim payments to date that are liable to 'clawback' if the scheme of arrangement is triggered, amount to a maximum of £1.944m as at 31/03/09 (of which £365,000 relates to the London Residuary Body (LRB) transferred functions). In addition estimated claims amounting to £90k (of which £80k relates to LRB) remain outstanding. It is not possible at this time to determine the likelihood of the scheme of arrangement being called upon.

c. The Council has contracted with a care provider to run Ellesmere House. Within the contract there is a profit sharing arrangement which is reviewed every 5 years. The home opened in March 2008 and the cumulative position to March 2009 indicates a potential cost of £30,000 falling to the Council, assuming that profits in the subsequent 4 years match those in the contract. However, the actual levels of profit will depend upon the trading activity over this period and cannot at this stage be forecast.

28. Contingent Assets

The Council has the following contingent assets which are not included in the revenue accounts or balance sheet:-

VAT and VAT 'Fleming' Claims

Nature of Claim *	2009 £'000
Off-Street Car Parking Charges (5 th claim)	288
Off-Street Car Parking Charges (Fleming)	1,750
Leisure Admissions (Fleming)	162
Sports Coaching (Fleming)	54
Building Control Fees (Fleming)	1,597

* Claims are the subject of litigation and may take several years to settle. Any sums received will be accounted for when cases are concluded.

29. London Residuary Body

From 1 April 1992, the Council took on responsibility as lead borough for specific Inner London functions from the London Residuary Body (LRB). The Balance Sheet, Notes to the Core Financial Statements, and Cash Flow Statement for 31 March 2009 incorporate the statements for both the Council and the LRB transferred functions. The detailed financial statements for the LRB transferred functions are included within this booklet on pages 70 and 71 in Section 2.

30. Disclosure of Net Pension Liability

The Council participates in the Local Government Pension Scheme (LGPS) through funds administered by the Royal Borough and also by the London Pensions Fund Authority (LPFA). The LGPS is a funded defined benefit final salary statutory scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

Under the projected unit method the current service cost will increase as the members of the scheme approach retirement (for schemes in which the age profile of the active membership is rising significantly).

Change in Accounting Policy

Under the 2008 SORP the Council has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the funds are now valued at bid price, rather than mid-market value. The effect of this change is that the value of scheme assets as at 31 March 2008 has been restated from £366.3m to £364.8m, a decrease of £1.5m, resulting in an increase in the pension deficit of £1.5m. Current and prior year surpluses and deficits have not been affected by this change.

Transactions relating to Retirement Benefits

We recognize the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when they are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund balances during the year:

	2008/09 £'000	2007/08 Restated £'000
Net Cost of Services		
Current service cost*	(9,290)	(14,434)
Past service costs	(4,228)	(8)
Losses on curtailments and settlements	(462)	(27)
Net Operating Expenditure		
Interest cost	(31,110)	(27,079)
Expected return on scheme assets	25,955	26,313
Net Charge to the Income and Expenditure Account	(19,135)	(15,235)
Statement of Movement on the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS17	19,135	15,235
Actual amount charged against the General Fund Balance for pensions in the year		
Employer's contributions payable to the scheme	(18,606)	(17,153)

Notes to the Core Financial Statements

LPFA Scheme

	2008/09	2007/08 Restated
	£'000	£'000
Net Cost of Services		
Current service cost*	(213)	(270)
Past service costs	(174)	
Losses on curtailments and settlements		
Net Operating Expenditure		
Interest cost	(1,629)	(1,391)
Expected return on scheme assets	969	927
Net Charge to the Income and Expenditure Account	(1,047)	(734)
Statement of Movement on the General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS17	1,047	734
Actual amount charged against the General Fund Balance for pensions in the year		
Employer's contributions payable to the scheme	(631)	(431)

*The Current Service Cost has fallen, placing a lower value on the Fund's liabilities. This is largely because the real discount rate has increased from 3.2% at 31 March 2008 to 3.7% at 31 March 2009, primarily due to the fall in inflation expectations during the year.

In addition to the recognised gains and losses included in the Income and Expenditure Account, the following actuarial gains and losses were included in the Statement of Total Recognised Gains and Losses.

Royal Borough of Kensington and Chelsea Scheme

	2008/09	2007/08 Restated
	£'000	£'000
Actuarial Gains/(Losses)	(64,338)	39,114
Cumulative Actuarial Gains/(Losses)	(37,340)	26,998

LPFA Scheme

	2008/09	2007/08 Restated
	£'000	£'000
Actuarial Gains/(Losses)	(1,281)	3,580
Cumulative Actuarial Gains/(Losses)	(4,379)	(3,098)

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the funded liabilities in the LGPS schemes:

Royal Borough of Kensington and Chelsea Scheme

	2008/09	2007/08
	£'000	£'000
1 April	(448,689)	(500,101)
Current service cost	(9,290)	(14,434)
Interest cost	(31,110)	(27,079)
Contributions from members	(5,519)	(4,681)
Actuarial gains (losses)	40,511	81,300
Past service (costs)/gains	(4,228)	(8)
(Losses)/gains on curtailments	(462)	(27)
Estimated unfunded benefits paid	1,382	1,312
Estimated benefits paid	13,693	15,029
31 March	(443,712)	(448,689)

LPFA Scheme

	2008/09	2007/08
	£'000	£'000
1 April	(24,046)	(26,326)
Current service cost	(213)	(270)
Interest cost	(1,629)	(1,391)
Contributions from members	(75)	(71)
Actuarial gains (losses)	1,609	2,518
Past service (costs)/gains	(174)	
(Losses)/gains on curtailments		
Estimated unfunded benefits paid	128	125
Estimated benefits paid	1,225	1,369
31 March	(23,175)	(24,046)

Notes to the Core Financial Statements

Reconciliation of present value of employer assets:

Royal Borough of Kensington and Chelsea Scheme

	2008/09 £'000	2007/08 £'000
1 April	364,767	369,756
Expected return on assets	25,955	26,313
Contributions from members	5,519	4,681
Contributions from employer	17,224	15,841
Contributions in respect of unfunded benefits	1,382	1,312
Actuarial gains (losses)	(104,848)	(36,795)
Estimated unfunded benefits paid	(1,382)	(1,312)
Estimated benefits paid	(13,693)	(15,029)
31 March	294,924	364,767

LPFA Scheme

	2008/09 £'000	2007/08 £'000
1 April	20,085	19,088
Expected return on assets	969	927
Contributions from members	75	71
Contributions from employer	503	306
Contributions in respect of unfunded benefits	128	125
Actuarial gains (losses)	(2,890)	1,062
Estimated unfunded benefits paid	(128)	(125)
Estimated benefits paid	(1,225)	(1,369)
31 March	17,517	20,085

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual returns on investments were:

	2008/09 £'000	2007/08 £'000
Royal Borough Scheme	(79,195)	(12,742)
LPFA Scheme	(1,839)	1,140

Balance Sheet

Royal Borough of Kensington and Chelsea Scheme

Year Ended	31 Mar 2009 £'000	31 Mar 2008 £'000
Fair value of employer assets	294,924	364,367
Present value of funded liabilities	(424,950)	(430,044)
Net underfunding in funded plans	(130,026)	(65,277)
Present value of unfunded liabilities	(18,763)	(18,685)
Net asset/(liability)	(148,788)	(83,922)
Amount in the balance sheet		
Liabilities	148,788	83,922
Net asset/(liability)	(148,788)	(83,922)

LPFA Scheme

Year Ended	31 Mar 2009 £'000	31 Mar 2008 £'000
Fair value of employer assets	17,517	20,085
Present value of funded liabilities	(21,435)	(22,242)
Net underfunding in funded plans	(3,918)	(2,157)
Present value of unfunded liabilities	(1,740)	(1,804)
Net asset/(liability)	(5,658)	(3,961)
Amount in the balance sheet		
Liabilities	5,658	3,961
Net asset/(liability)	(5,658)	(3,961)

Scheme History

	2004/5*	2005/6*	2006/7 Restated	2007/8 Restated	2008/9
Present Value of liabilities					
Royal Borough Scheme	(412,700)	(499,700)	(500,101)	(448,689)	(443,712)
LPFA Scheme	(24,000)	(26,780)	(26,326)	(24,046)	(23,175)
Fair Value of Assets					
Royal Borough Scheme	263,860	342,421	369,755	364,767	294,924
LPFA Scheme	18,160	19,010	19,088	20,085	17,517
Surplus/(Deficit)					
Royal Borough Scheme	(148,840)	(157,279)	(130,346)	(83,922)	(148,788)
LPFA Scheme	(5,840)	(7,770)	(7,238)	(3,961)	(5,658)
Total Surplus/(Deficit)	(154,680)	(165,049)	(137,584)	(87,883)	(154,446)

* The Council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06, as permitted by FRS17 (as revised). The restatement of the 2006/7 and 2007/8 is explained in detail in note 2 of the Pension Fund page 61.

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £154m has a substantial impact on the net worth of the authority as recorded in the balance sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy as the deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council for the year to 31 March 2010 amount to £17.9m.

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

Royal Borough of Kensington and Chelsea Scheme

	2004/05	2005/06	2006/07 restated	2007/08 restated	2008/09
	%	%	%	%	%
Differences between the expected and actual return on assets	4.6	17.8	(1.0)	(12.5)	(35.6)
Experience gains and losses on liabilities	1.4	0.0	0.1	1.2	0.3

LPFA Scheme

	2004/05	2005/06	2006/07 restated	2007/08 restated	2008/09
	%	%	%	%	%
Differences between the expected and actual return on assets	16.5	6.0	0.0	4.1	0.6
Experience gains and losses on liabilities	0.1	(3.4)	0.3	0.2	11.5

Notes to the Core Financial Statements

Basis for Estimating the 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 other factors. Both the Royal Borough Scheme and the LPFA Scheme liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. Both are estimated on the basis of the last full valuation of the schemes as at 1 April 2007.

Royal Borough of Kensington and Chelsea Scheme

	2008/09	2007/08
Long-term expected rate of return on assets in the scheme		
Equity investments	7.4%	7.7%
Bonds	5.4%	5.7%
Property	5.2%	5.7%
Cash	4.3%	4.8%
Mortality assumptions		
Longevity at 65 for current pensioners	Years	Years
Men	19.6	19.6
Women	22.5	22.5
Longevity at 65 for future pensioners		
Men	20.7	20.7
Women	23.6	23.6
Other factors		
Rate of inflation	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%
Rate of increase in pensions	3.1%	3.6%
Rate for discounting scheme liabilities	6.9%	6.9%
Take- up of option to convert annual pension to lump sum	50%	50%

LPFA Scheme

	2008/09	2007/08
Long-term expected rate of return on assets in the scheme		
Cashflow matching	4.2%	4.5%
Equity	7.0%	7.7%
Cash	4.0%	4.8%
Mortality assumptions		
Longevity at 65 for current pensioners	Years	Years
Men	21.0	21.0
Women	23.4	23.4
Longevity at 65 for future pensioners		
Men	22.0	22.0
Women	24.2	24.2
Other factors		
Rate of inflation	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%
Rate of increase in pensions	3.1%	3.6%
Rate for discounting scheme liabilities	6.9%	6.9%
Take- up of option to convert annual pension to lump sum	68%	68%

The local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Royal Borough of Kensington and Chelsea Scheme

	31 Mar 2009 %	31 Mar 2008 %
Equity investments	62	69
Bonds	26	22
Property	3	4
Cash	9	5
	100	100

LPFA Scheme

	31 Mar 2009 %	31 Mar 2008 %
Cashflow matching	91	86
Equity	8	12
Cash	1	2
	100	100

Notes to the Core Financial Statements

31. Group Accounts - Tenant Management Organisation

The Kensington and Chelsea Tenant Management Organisation (TMO), is a limited liability company (limited by guarantee). The Local Government SORP requires Local Authorities to prepare consolidated group accounts from 2005/06 in respect of any interests in companies which are sufficient to require consolidation. Unlike most other Arms Length Management Organisations (ALMO's) which are wholly Council owned subsidiaries, the TMO is an ALMO constituted under the Housing (Right to Manage) Regulations 1994, where it is owned by its members who are the tenants and leaseholders of the Borough's housing stock. Therefore the TMO has neither been consolidated as a subsidiary undertaking nor accounted for as an associate undertaking.

32. Events after the Balance Sheet date

There are no post balance sheet events to report.

33. Analysis of Government Grants

The table below shows cash grants received in year.

	2008/09 £'000	2007/08 £'000
Asylum Seekers Grants	1,764	1,207
Benefits Administration Grant	2,179	2,347
Dedicated Schools Grant*	61,315	59,340
Disabled Facilities Grant	307	216
Education Standards Fund	7,567	6,799
HIV/Aids	316	275
Housing Subsidy	4,333	8,015
Homelessness Directorate Grant	1,168	0
LA Business Growth Incentives	5,843	434
Learning and Skills Council	6,029	5,688
Leaving Care Grant	835	539
NNDR Cost Collection Allowance	606	608
School Standards Grant	2,251	2,330
Social Care Reform Grant	366	0
Supporting People	10,670	11,394
Sure Start	3,880	3,324
Other Miscellaneous Grants	1,345	16,681
Total	110,774	119,197

34. Reconciliation of Surplus to Net Cash Flow

	2008/09 £'000	2007/08 £'000
(Surplus)/Deficit for the year		
- General fund / HRA	36,404	(16,343)
- Collection Fund	1,624	(1,671)
- LRB	(260)	(218)
	37,768	(18,232)
<u>Items Classified elsewhere on cash flow statement</u>		
Interest Paid	(15,669)	(16,705)
External Investment Income	12,603	13,758
<u>Non cash items charged to Income and Expenditure Account</u>		
Depreciation and Impairments	(64,446)	(18,302)
FRS17 Adjustment	(945)	6,985
Government Grants Amortised	9,739	1,101
Premia Amortised	(56)	(50)
Deferred Credits	13	0
Gain on Disposal of Fixed Assets	1,915	12,467
<u>Movement in Provisions and Working Capital</u>		
Provisions	426	(961)
Stocks and Work in Progress	69	141
Net Debtors	(20,768)	30,891
Creditors	(6,700)	(4,617)
Net Cash Flow from Revenue Activities	(46,049)	6,476

35. Movement in Financing

	31 March 2009 £'000	31 March 2008 £'000	Movement £'000
Short Term Loans	(10,207)	(10,897)	690
Long Term Loans	(194,998)	(205,203)	10,205
Total	(205,205)	(216,100)	10,895

36. Movement in Cash and Cash Equivalents

	31 March 2009 £'000	31 March 2008 £'000	Movement £'000
Cash (Overdrawn) / In Hand	(5,553)	(8,603)	3,050

37. Statement of Total Movement in Reserves

	Balance as at 1 April 2008	Net surplus / (deficit) for the Year	Unrealised gains / (losses) on revaluation of fixed assets	Effects of disposals of fixed assets			Effects of amounts payable to housing capital receipts pool	Financing of fixed assets	Balance as at 31 March 2009
				Cost or value of assets disposed of	Proceeds of disposals / repayments	Net surplus / (deficit)			
	(1) £'000	(2) £'000	(3) £'000	(4) £'000	(5) £'000	(4)+(5) (6) £'000	(7)	(8) £'000	(9) £'000
CAPITAL RESERVES									
Revaluation Reserve	70,382	345,025	0	0	0	0	0	0	415,407
Capital Adjustment Account	606,452	(36,424)	0	0	0	0	0	1,115	571,143
Usable Capital Receipts Reserve	1,489	0	0	0	2,828	2,828	(324)	(1,236)	2,757
Financial Instruments Adjustment Account	(1,133)	56	0	0	0	0	0	0	(1,077)
Total Capital Reserves	677,190	308,657	0	0	2,828	2,828	(324)	(121)	988,230
REVENUE RESERVES									
Pension Reserve	(86,308)	(68,138)	0	0	0	0	0	0	(154,446)
General Fund	14,255	0	0	0	0	0	0	0	14,255
Specific Reserves *	171,951	(2,549)	0	0	0	0	0	0	169,402
Housing Revenue Account	18,128	(1,732)	0	0	0	0	0	0	16,396
London Residuary Body	4,259	260	0	0	0	0	0	0	4,519
Total Revenue Reserves	122,285	(72,159)	0	0	0	0	0	0	50,126
TOTAL	799,475	236,498	0	0	2,828	2,828	(324)	(121)	1,038,356

38. Analysis of Movements between General Fund, HRA and other Accounts

	2008/09			
	General Fund £'000	HRA £'000	LRB £'000	Total £'000
CAPITAL RESERVES				
Revaluation Reserve	343,414	1,611	0	345,025
Capital Adjustment Account	(28,974)	(6,335)	0	(35,309)
Usable Capital				
Receipts Reserve	564	704	0	1,268
Financial Instruments				
Adjustments Account	56	0	0	56
Total Capital Reserves	315,060	(4,020)	0	311,040
REVENUE RESERVES				
Pension Reserve	(68,138)			(68,138)
General Fund	0			0
Specific Reserves *	(2,549)			(2,549)
Housing Revenue Account		(1,732)		(1,732)
London Residuary Body			260	260
Total Revenue Reserves	(70,687)	(1,732)	260	(72,159)

* This represents the total of Reserves, Schools Reserves and the Collection Fund Balance.

39. Financial Instruments Balances

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

	Long-Term		Current	
	31 March 2009 £000s	31 March 2008 £000s	31 March 2009 £000s	31 March 2008 £000s
Financial Liabilities (principal amount)	192,529	202,720	10,192	10,717
Financial Liabilities at amortised cost	194,998	205,203	10,207	10,897
Financial Liabilities at fair value through the I&E	0	0	0	0
Total Borrowings	194,998	205,203	10,207	10,897
Loans and receivables (principal amount)	23	23	222,306	206,654
Loans and receivables at amortised cost	23	23	174,786	142,245
Available-for-sale financial assets	0	0	0	0
Financial Assets at fair value through the I&E	0	0	48,736	66,026
Unquoted equity investments at cost	150	0	0	0
Total Investments	173	23	223,522	208,271

40. Financial Instruments Gains/Losses

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

	2008/09				2007/08			
	Financial Liabilities	Financial Assets		Total	Financial Liabilities	Financial Assets		Total
	Liabilities measured at amortised cost	Loans and receivables	At fair value through I&E (1)		Liabilities measured at amortised cost	Loans and receivables	At fair value through I&E (1)	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Interest Expense	(15,613)	0	0		(16,705)	-	-	
Losses on derecognition	0	0	(13)		0	0	(151)	
Impairment losses	0	0	0		-	0	0	
Interest payable and similar charges	(15,613)	0	(13)	(15,626)	(16,705)	0	(151)	(16,856)
Interest income	0	9,596	2,022		-	11,022	2,257	
Gains on derecognition	0	0	2,162		0	0	1,430	
Interest and investment income	0	9,596	4,184	13,780	0	11,022	3,687	14,709
Gains on revaluation			0				0	
Losses on revaluation			0				(8)	
Amounts recycled to the I&E			0				0	
Account after impairment								
Surplus arising on revaluation of financial assets			0				(8)	
Net gain/(loss) for the year	(15,613)	9,596	4,171		(16,705)	11,022	3,528	

(1) Fair Value through the I&E – The Council holds liquid deposits with two cash fund managers. Investec 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. Scottish Widows Investment Partnership (SWIP) holds deposits through Money Market Funds. Deposits in these types of funds are very secure and are made by the purchase of shares in the Fund. Any income or capital gain increases the share value and is not realised until sale. The Fund share price is actively quoted and the gain in the share price (bid) represents the income. Both fund managers portfolios have been accounted for as Fair Value through the Income and Expenditure Account and changes in fair value have been credited to the I&E.

41. 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 term of the instruments, using the following assumptions:

- PWLB loans have been valued using the new borrowing rates published by the DMO on 31st March 2009
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value

The fair values calculated are as follows:

	31 March 2009		31 March 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000s	£'000s	£'000s	£'000s
PWLB Debt	194,998	252,045	205,203	252,126
Loans and Receivables				
Money market loans <1 year	174,786	174,786	142,246	142,246
Money market loans > 1 year	0	0	0	0
Total Loans and receivables	174,786	174,786	142,246	142,246

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 authority would have to pay if the lender requested or agreed to early repayment of the loans. The calculation above uses the PWLB new borrowing rate as the discount factor, if the premature redemption rate were to be used the fair value would be £260,209 (£259,404 as at 31 March 2008).

The fair values for financial liabilities have been determined by reference to the Public Works Loan Board (PWLB) redemption rules and prevailing PWLB loan rates as at each balance sheet date, and include accrued interest.

At 31st March 2009 all loans and receivables are repayable within one year and so the carrying amount is assumed to approximate fair value; the figures for both years include accrued interest. The comparator market rates prevailing 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 likely to be immaterial.

42. Disclosure of Nature and Extent of Risk 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 implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework laid down in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk on the following ways:

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

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to the Cabinet Member for Finance and Property.

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

Credit risk

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

Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined in the Strategy.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on past experience, current market conditions and the Council's experience of its customer collection levels over the last five financial years.

	Amount at 31 March 2009 £000s	Historical experience of default %	Adjustment for market conditions at 31 March 2009 %	Estimated maximum exposure to default £000s
Deposits with banks and financial institutions				
AAA rated counterparties	112,189	0.000	0.000	0
AA rated counterparties	52,394	0.000	0.000	0
A rated counterparties	47,243	0.000	3.640	1,720
Other counterparties	10,480	0.000	3.640	381
	222,306			2,101

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties and has actively placed funds with low risk institutions such as the Debt Management Office.

The Council also uses some non credit rated institutions (building societies and bank subsidiaries where the parent has a satisfactory rating). In these circumstances these investments have been classified as other counterparties.

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.

Liquidity risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow needs, and whilst the Public Works Loan Board (PWLB) provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions 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. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

Refinancing and Maturity Risk

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

The approved 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 approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and 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:

£000s	
Less than one year	10,207
Between one and two years	10,199
Between two and five years	24,641
Between five and ten years	40,113
Between ten and fifteen years	40,169
More than fifteen years	79,876
	205,205

The maturity analysis of financial assets is as follows:

£000s	
Less than one year	223,522
Between one and two years	0
Between two and three years	0
More than three years	0
	223,522

All trade and other payables are due to be paid in less than one year and trade debtors are not shown in the table above.

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 periods. 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 Income and Expenditure Account will rise;
- borrowing at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not

impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed interest rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From the Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures 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.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

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

£000s	
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	(2,561)
Impact on Income and Expenditure Account	(2,561)
Increase in Government grant receivable for financing costs	0
Share of overall impact debited to the HRA	0
Decrease in fair value of fixed rate investment assets	0
Impact on STRGL	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on I&E Account or STRGL)	20,041

The approximate impact of a 1% 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 generally invest in instruments with this type of risk.

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.

SECTION 2

SUPPLEMENTARY FINANCIAL STATEMENTS

HOUSING REVENUE INCOME AND EXPENDITURE ACCOUNT

	2008/09 £'000	2007/08 £'000	Notes
INCOME			
Dwellings Rents (Gross)	31,106	29,711	
Non-Dwellings Rents (Gross)	3,618	3,473	
Charges for Services and Facilities	9,408	11,889	
Contributions towards Expenditure	526	586	
Housing Revenue Account Subsidy Receivable (including the MRA element)	4,557	7,728	13
Government Grant Deferred	157	0	
TOTAL INCOME	49,371	53,387	
EXPENDITURE			
Repairs and Maintenance	12,141	11,080	
Supervision and Management	18,412	17,683	
Rents Rates and Taxes and Other Charges	141	63	
Depreciation and Impairments of Fixed Assets:			
-on dwellings	6,266	6,270	10
-on non-dwellings	118	77	10
-impairments	2,240	0	11
Debt Management Costs	109	105	
Bad Debt Provision made in Year	341	485	3
Capital Expenditure Amortised to Revenue	5,900	19,244	12
TOTAL EXPENDITURE	45,668	55,007	
NET COST OF HRA SERVICES AS INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE ACCOUNT	(3,704)	1,620	
HRA Services Share of Corporate and Democratic Core	44	100	
NET COST OF HRA SERVICES	(3,659)	1,720	
HRA SHARE OF THE OPERATING INCOME AND EXPENDITURE INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE ACCOUNT			
Interest Payable and Similar Charges	13,330	13,312	9
Amortisation of Premiums and Discounts	0	0	9
Interest and Investment Income	(755)	(1,237)	
(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES	8,915	13,795	

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2008/09 £'000	2007/08 £'000	Notes
(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	8,915	13,795	
Transfers to/(from) Major Repairs Reserve	(118)	(81)	
Contributions to/(from) Reserves	(29)	78	
Capital expenditure funded by the Housing Revenue Account	50	50	
Government Grants Deferred	157	0	
Impairment of Fixed Assets	(2,240)	0	11
Capital expenditure Amortised to Revenue	(5,900)	(19,244)	12
(Increase) or decrease in the Housing Revenue Account Balance	836	(5,402)	
Housing Revenue Account surplus brought forward	(10,208)	(4,806)	
Housing Revenue Account surplus carried forward	(9,372)	(10,208)	

Notes to the Housing Revenue Account

1. Gross Rent Income

This is the total rent income due for the year after allowance is made for empty properties. In 2008/2009 income lost on empty properties comprised 1.14% of gross rent debit (0.80% in 2007/2008). Average rents, excluding service charges, were £86.50 a week in 2008/2009 (£82.40 in 2007/2008).

2. HRA Rent Rebates (Housing Benefits)

Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. 65.6% of the Council's tenants receive some help with the costs of rent. Total Housing Benefits received by the Council's tenants in 2008/2009 were £21m.

3. Provision for Bad or Doubtful Debts

Tenant arrears include rent, service charges and heating & hot water arrears for the Council's tenants as well as garage/car park rent arrears.

	2009 £'000	2008 £'000
Tenant Arrears		
Gross Arrears	2,754	2,060
Net Arrears		
Former Tenants *	(72)	214
Current Tenants *	1,394	699
Net Arrears at 31 March	1,322	913

* also includes credit balances representing Receipts in Advance

Other Arrears include service charges, heating & hot water and major works arrears for the Council's leaseholders as well as rent arrears for HRA commercial property tenants.

	2009 £'000	2008 £'000
Other Arrears		
Gross Arrears	7,597	8,206
Net Arrears		
Leaseholder Charges*	6,695	7,408
Commercial Properties	289	289
Net Arrears at 31 March	6,984	7,697

* also includes credit balances representing Receipts in Advance

Provision for bad debts has been made as follows:-

	2009 £'000	2008 £'000
Provision		
Provision at 1 April	3,658	3,515
Provision Made in Year	341	485
Write-offs during year	(25)	(342)
Provision at 31 March	3,974	3,658

4. Housing Stock

a. The Council was responsible for managing on average 6,923 tenanted dwellings during 2008/2009. The closing stock comprised the following:

	Nos.
Houses & Bungalows	154
Flats	6,719
Hostel Spaces (equivalent units)	51
Total	6,924

b. The change in the stock during the year can be summarised as follows:

	2009 Nos.	2008 Nos.
Stock at 1 April	6,921	6,944
Less: Sales	1	15
Loss on Conversion of Units	4	0
Less: Transfer to Commercial Usage	0	5
Less: Properties for Demolition	0	3
Stock at 31 March	6,924	6,921

5. Capital Value of HRA Assets

The Net Book Value of the assets of the HRA are set out below:-

	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Operational Assets		
- Land & Buildings	10,627	6,905
- Dwellings	445,351	444,152
- Other Assets	60	16
Total Operational Assets	456,039	451,073
Non Operational Assets	50,090	47,193
Total All Assets	506,129	498,266

*At last valuation (1 April 2005) the open market valuation of dwellings amounted to £1,557,020,000 (vacant possession). It should be noted that the vacant possession value and balance sheet value of dwellings within the HRA show economic cost to Government of providing council housing at less than open market value.

6. Major Repairs Reserve

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		7,109		12,946
INCOME				
Contribution from Hsg Revenue Account	6,384		6,962	
EXPENDITURE				
- Dwellings	7,251		12,799	
Surplus/(Deficit) for year		(857)		(5,837)
Balance at 31st March		6,242		7,109

Notes to the Housing Revenue Account

7. Capital Expenditure in Year

Capital Expenditure	£'000	Funding Sources	£'000
Land	0	Borrowing	5,100
Dwellings		Capital Grants & Contributions	0
- Enhancements	6,990		
- REFCUS	5,486		
Other Property		Usable Capital Receipts	1,123
- Enhancements	516		
- REFCUS	414		
		Direct Revenue Financing	50
		Major Repairs Reserve	7,133
		Other Reserves	0
Total Expenditure	13,406	Total Funding	13,406

8. Capital Receipts in Year

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

	2008/09 £'000	2007/08 £'000
Land	0	0
Dwellings (net of sale expenses)	330	3,119
Other Property	1,800	197
Loan Repayments	13	42
Total Receipts	2,143	3,358

9. Capital Charges in the HRA

Charges for capital expenditure are made to the HRA as follows:-

	2008/09 £'000	2007/08 £'000
Item 8 charge based on actual interest paid by RBKC	13,330	13,312
Value of amortised premia	0	0
Total	13,330	13,312

To reflect the true cost to the HRA of its borrowing, a figure calculated by reference to the Council's overall borrowing costs is charged to the HRA, this is known as the Item 8 charge. The HRA is also liable to a share of the amortised value of any premium or discount incurred on the early repayment of loan debt.

10. Depreciation in the HRA

Charges for depreciation were made to the HRA as set out below.

	2008/09 £'000	2007/08 £'000
Intangible Assets	0	5
Operational Assets		
- Land and Buildings	114	0
- Dwellings	6,266	6,265
- Other Assets	4	77
Total Operational Assets	6,384	6,347
Non Operational Assets	0	0
Total all Assets	6,384	6,347

For HRA dwellings the CIPFA/LASAAC Joint Committee has accepted that the use of the Major Repairs Allowance (MRA) is likely to constitute a reasonable estimate of depreciation for HRA properties.

11. Impairments in the HRA

Charges for impairments were made to the HRA as set out below.

	2008/09 £'000	2007/08 £'000
Operational Assets		
- Land/Buildings(non dwellings)	2,196	0
- Other Assets	0	0
Total Operational Assets	2,196	0
Non Operational Assets	44	0
Total all Assets	2,240	0

12. Capital Expenditure Written to Revenue

Capital expenditure on non-asset related items, items of capitalised maintenance expenditure and items below the de minimis threshold are charged to revenue accounts. There is no effect on the bottom line of the HRA.

	2008/09 Net Expenditure £'000	2007/08 Net Expenditure £'000
Capital Expenditure written to revenue	5,900	19,244

13. HRA Subsidy

The subsidy paid by Central Government into the HRA can be broken down as follows:-

	2008/09 £'000	2007/08 £'000
Received in –year	4,333	8,012
Prior year adjustment (RCA)	163	0
Total Received	4,496	8,012
Due:-		
- Management and Maintenance	17,231	17,246
- Rents	(33,668)	(31,980)
- Interest on receipts	(11)	(14)
- Debt Charges	11,100	11,014
- ALMO Allowance	3,475	3,472
- Admissible Allowance	0	0
- Major Repairs Allowance	6,266	6,266
- Rental Constraint Allowance (RCA)	0	1,724
Total Due	4,393	7,728
Prior year adjustment (RCA)	163	0
Total Due	4,556	7,728
Amount due to/(from) Government	(60)	284

COLLECTION FUND REVENUE ACCOUNT

	2008/09 £'000	2007/08 £'000	Notes
INCOME			
Income from Council Tax	94,345	92,066	3
Transfers from General Fund			
- Council Tax Benefits	11,858	11,527	3
- Transitional Relief			
Income Collectable from Business Ratepayers	195,345	182,667	2
Contributions			
- Towards Previous Years Collection Fund Deficit		344	
TOTAL INCOME	301,548	286,604	
EXPENDITURE			
Precepts:-			
Royal Borough of Kensington & Chelsea	74,673	71,969	
Greater London Authority	30,518	29,576	
Total Precepts	105,191	101,545	
Business Rates:-			
Payment to National Pool	194,747	182,060	
Costs of Collection	598	608	
Bad and Doubtful Debts/Appeals			
- Write offs	1,461	2,321	
- Provisions	654	(1,601)	
Contributions			
- Towards Previous Years Estimated Collection Fund Surplus	521	0	
TOTAL EXPENDITURE	303,172	284,933	
MOVEMENT ON FUND BALANCE	(1,624)	1,671	

COLLECTION FUND RESERVE	£'000	£'000	
Balance at beginning of year	1,660	(11)	
Movement on Fund Balance	(1,624)	1,671	
Balance at end of year	36	1,660	4

Notes to the Collection Fund Revenue Account

1. General

This is a statutory fund separate from the main accounts of the Council in which income from Council Tax, Community Charge, National Non-Domestic Rate and Government Grants, and payments to precepting authorities and to the Council's General Fund are recorded.

2. National Non-Domestic Rates (NNDR)

Under the arrangements for National Non-Domestic Rates, the Council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate poundage. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR Pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. Under these arrangements the amounts included in these accounts are analysed as follows:-

	2008/09 £'000	2007/08 £'000
Non-domestic rates due	215,220	206,623
Less allowances and other adjustments		
- Transitional Relief	(856)	(1,416)
- Mandatory Reliefs	(11,930)	(11,097)
- Empty Property Reliefs	(4,842)	(8,860)
- Discretionary Reliefs	(147)	(113)
- Provision for Bad Debts	(1,527)	(1,581)
- Transfer to General Fund	(573)	(889)
Collectable from Bus. Rate payers/Net Contribution to Pool	195,345	182,667

The NND Rateable Value at 31st March 2009 was £487,988,722. The standard NNDR multiplier for 2008/09 was 46.2 pence (44.4 pence in 2007/08). The Small Business Rate Relief multiplier for 2008/09 was 45.8 pence (44.1 pence for 2007/08).

3. Council Tax

The tax base for the Financial Year 2008/09 was calculated as follows:-

Band	Capital Valuation £'000	Number Of Dwellings	Number of Discounted Dwellings	Multiplier	Add back 2 nd Home Discount	Discounted Band D Equivalents
A	0 - 40	1,017	759	6/9	10	516
B	40 - 52	3,400	2,596	7/9	1022	2,040
C	52 - 68	9,043	7,154	8/9	136	6,495
D	68 - 88	13,380	10,521	1	274	10,796
E	88 - 120	13,228	10,579	11/9	428	13,358
F	120 - 160	11,884	9,638	13/9	517	14,438
G	160 - 320	19,842	16,138	15/9	1,331	28,227
H	over 320	14,280	12,313	18/9	1,002	25,628
			69,698		3,720	101,498

Capital valuations are set by reference to 1991 values. The total number of dwellings in each band is reduced to a number of 'discounted' dwellings which takes account of reductions for:-

- Dwellings with only one (non student) adult
- Dwellings with one or more students only
- Dwellings in exempt categories (e.g. vacant properties)
- Dwellings containing people who are 'discounted' for payment of Council Tax under the Council Tax legislation (e.g. severely mentally impaired).
- Dwelling subject to discount as second homes.

The Council set a charge of £1,055.27 Band D (£1,031.15 in 2007/08). The amounts credited to the Collection Fund can be analysed as follows:-

	2008/09 £'000	2007/08 £'000
Charges for the year including Garden Charges	127,491	124,579
Less - Exemptions	(21,288)	(20,987)
- Transitional Relief	0	0
- Council Tax Benefit	(11,858)	(11,527)
Net Charges Payable	94,345	92,066

4. Council Tax Precept Adjustments

The estimated balance on the Collection Fund as at 15th January 2009 has to be distributed amongst or collected from the precepting authorities. Although the surplus on the Collection Fund was £36k at the 31st March, the sum of £516k will be additionally debited to the account in 2009/10 by way of payments to precepting authorities. The adjustment of £521k in 2008/09 represents the release of the estimated surplus as at 31 March 2008.

SUMMARY TRADING ACCOUNTS

The services shown below operate as Trading Accounts as defined in the CIPFA Best Value Accounting Code of Practice. 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 organizations which 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 Income and Expenditure Account.

Trading Operation	2008/09			2007/08		
	Exp £'000	Income £'000	Net £'000	Exp £'000	Income £'000	Net £'000
Family and Children's Services						
Professional Development Centre Catering	239	244	5	189	202	13
Professional Development Centre Course Conferences	332	353	21	273	326	53
Pupil Support Services	839	668	(171)	902	728	(174)
Transport, Environment and Leisure Services						
Street Trading	703	761	58	836	870	34
Holland Park Theatre	2,770	2,199	(571)	2,294	1,736	(558)
Corporate Services						
Cash Collection	454	515	61	419	508	89
Planning and Borough Development						
Building Control	1,428	1,352	(76)	1,217	1,497	280
TOTAL (DEFICIT)/SURPLUS	6,765	6,092	(673)	6,130	5,867	(263)

PENSION FUND

Introduction

1. The Council's Pension Fund is based on a funded defined benefit scheme operated under the provisions of the Local Government Superannuation Acts and provides for pensions, grants on age or ill health retirement, short service grants, death grants, injury allowances and widows' pensions.
2. The Fund is financed by contributions from employers and employees of the Royal Borough and admitted / scheduled bodies and by earnings from investment of fund monies. A full list of the admitted and scheduled bodies is shown in Note 15.
3. The total numbers of active members and beneficiaries at 31 March were as follows:

	2009	2008
Active Members	3,519	3,386
Pensioners and Dependents	2,158	2,095
Former Employees - Deferred Benefits	3,116	2,890
Total	8,793	8,371

Statement of Main Principles Adopted in Compiling the Accounts

1. The Pension Fund accounts have been prepared in accordance with the accounting recommendations of the Financial Reports of Pension Schemes - a Statement of Recommended Practice, (Revised May 2007) Chapter 2 Recommended Accounting Practice. Disclosures are as required by the Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice (SORP 2008).

2. Investments

In accordance with the requirements of the SORP, investments are stated at market value with any surplus or deficit on revaluation being credited direct to the fund balance. The market value of securities is determined by closing bid prices on 31 March. Until 2007/08 mid prices were used under the prevailing SORPs, so the Net Assets Statement includes both bid and mid prices for 2007/08. Fixed interest securities are valued on a 'clean' basis (i.e. excluding accrued interest). Purchase and sales transactions in foreign currencies are converted to sterling using a pooled average exchange rate. The property fund of funds is valued at the bid price quoted for 31 March. The private equity investment is the Fund's only unquoted investment and is valued from the 31 December 2008 valuation of the investment assets and the cash cost of new investments made between 1 January and 31 March 2009, with a market adjustment from the fund of funds manager to provide an estimate of the value at 31 March.

The only derivative contract not forming part of the managed funds at 31 March was a forward currency contract. The valuation of this has been made by determining the gain or loss that would arise from closing out the contract on 31 March by entering into an equal and opposite contract on that date.

External Managers administer the investments of the Fund and the cost of this is shown in the Fund Account. Internal administration expenses are charged directly to the Pension Fund on the basis of direct costs plus apportioned overheads.

3. Benefits

Pensions to staff are provided from the Pension Fund whose summarised accounts are shown below. All pension payments, except added years relating to early retirements prior to 1998/99, are paid from the Fund. Employers' contributions, at rates advised by the Fund's actuaries (Hymans Robertson) are credited to the Fund as received. Since 1998/99 additional employer's contributions have been made as a capital sum to the Pension Fund, following the early retirement of employees. The contributions are based on a formula, provided by the actuary, to cover the cost of early payment of pension benefits and discretionary enhancements.

4. Taxation

Investments of the Fund are exempt from Capital Gains Tax, but tax on UK Dividends is irrecoverable. All Value Added Tax paid is recoverable. There is a liability for Income Tax at 20% for pensions compounded into a lump sum. This liability is a minimal sum.

5. Other

The accounts summarise the transactions and net assets of the Fund. They do not take account of liabilities to pay pensions and other benefits after the period end. The ability of the Fund's contributions and investments to meet its overall obligations is reviewed in detail by a firm of independent actuaries.

6. The Fund excludes transactions for teachers, lecturers and youth workers which are administered by the Department for Children Schools and Families, to whom the Council makes a payment for this purpose.

7. The accounts are prepared on an accruals basis with the exception of inter-fund adjustments (i.e. transfers to and from other pension funds when employees leave and join), which are accounted for on a cash basis.

FUND ACCOUNT

	2008/09 £'000	2007/08 £'000	Notes
Dealings with members and employers			
INCOME – Contributions			
Employers' Contributions	20,662	19,299	2
Employers' One-off Deficit Funding Payments	0	5,370	
Employers' Contributions-Early Retirements	1,258	257	3
Contributions from Members	6,612	5,550	2
Transfer Values Received for Individual Members	3,104	2,551	
Group Transfer Values Received	154	0	
Other Income	0	1	
TOTAL INCOME	31,790	33,028	
EXPENDITURE – Pension Benefits			
Benefits Payable			
Pensions	12,806	11,908	4/5
Lump Sums	4,217	3,357	5
Payments to and on behalf of leavers			
Refund of Contributions	51	30	
Transfer Values Paid for Individual Members	2,486	3,477	
Pension Administration and other expenses	562	496	6
TOTAL EXPENDITURE	20,122	19,268	
Net Addition	11,668	13,760	
Returns on Investments			
Investment Income	13,201	12,807	7
Other Investment Income	8	0	
Change in Market Value (Realised and Unrealised)	(100,322)	(22,395)	
Taxation (Irrecoverable Withholding Tax)	(281)	(197)	
Investment Management Expenses	(1,558)	(1,552)	
Net Returns on Investments	(88,952)	(11,337)	
Net Increase / (Decrease) in the Fund during the Year	(77,284)	2,423	
Opening Net Assets of the Fund	409,603	407,180	
Closing Net Assets of the Fund	332,319	409,603	

NET ASSETS STATEMENT

	2009		2008 Bid Price		2008 Mid Price		Notes
	%	£'000	%	£'000	%	£'000	
INVESTMENT ASSETS							
Fixed Interest Securities							8-13
UK Public Sector	8.6%	28,534	5.5%	22,453	5.5%	22,471	
Overseas Other Sovereign	0.0%	0	0.2%	728	0.2%	728	
Index-Linked Securities							
UK Public Sector	9.4%	31,287	6.2%	25,367	6.2%	25,368	
UK Other	0.2%	670	1.0%	4,258	1.0%	4,263	
Equities							
United Kingdom	25.8%	85,768	31.3%	127,585	31.2%	127,708	
Overseas	28.2%	93,737	30.2%	123,278	30.1%	123,458	
Pooled Investment Vehicles							
Overseas Equities	5.5%	18,411	6.2%	25,143	6.1%	25,143	
UK Corporate Bond Fund	8.8%	29,364	7.9%	32,038	7.9%	32,183	
UK Property	3.0%	9,854	3.7%	15,142	4.0%	16,256	
Overseas Private Equity	3.1%	10,169	0.9%	3,782	0.9%	3,782	
Derivative Contracts	0.0%	6	0.0%	56	0.0%	56	
Cash	7.1%	23,664	6.4%	26,164	6.4%	26,164	
Accrued Investment Income	0.4%	1,461	0.6%	2,344	0.6%	2,344	14
Current Assets							
Contributions due	0.0%	111	0.1%	220	0.1%	220	14
Current Liabilities							
Accrued Fees Due	-0.1%	(297)	-0.1%	(320)	-0.1%	(320)	14
Accrued Lump Sums Payable	-0.1%	(420)	-0.1%	(221)	-0.1%	(221)	14
Net Assets and Liabilities	100.0%	332,319	100.0%	408,017	100.0%	409,603	

Note that the Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

INVESTMENT MOVEMENT SUMMARY

	Market Value at 31March 2008 £'000	Purchases at Cost £'000	Sale Proceeds* £'000	Change in Market Value £'000	Market Value at 31March 2009 £'000
Alliance Bernstein Global Equities	136,205	59,310	(52,034)	(52,539)	90,942
Baillie Gifford Global Equities	140,104	40,778	(34,696)	(39,212)	106,974
M&G Bonds	85,012	85,693	(81,231)	381	89,855
ING Property	16,256	0	0	(6,402)	9,854
Adams Street Private Equity	3,783	6,423	0	(37)	10,169
Total Investments	381,360	192,204	(167,961)	(97,809)	307,794
Debtors	2,564				1,572
Creditors	(541)				(717)
Cash	26,220				23,670
Total Assets	409,603				332,319

*Sale proceeds exclude gains and losses on currency movements other than those realised when equities and bonds are sold.

Total direct transaction costs incurred for purchases and sales of segregated assets amounted to £126,000.

Notes to the Pension Fund Account

1. The latest actuarial valuation report received is as at 31 March 2007 and was conducted on the following basis:

(a) The market value of the scheme's assets at 31 March 2007 was £407.2 million. The Investment Movement Summary shows how the valuation of assets has changed between 31 March 2008 and 31 March 2009.

(b) 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 etc., and pension increases.
- iii. Withdrawals from membership due to mortality, ill health and ordinary retirement.
- iv. Progression of pensionable pay due to promotion.

(c) The contribution rate is set on the basis of the cost of future benefit accrual, increased to bring the funding level back to 100% over a period of 13 years, as set out in the Funding Strategy Statement.

(d) On the basis of a funding level of 85%, the employers' common contribution rate for the whole Fund was set at 20.2% of pensionable pay from 1 April 2008 to 31 March 2011. A notable change since the 2004 valuation is that the Fund has been unpooled so that different employers now have different contribution rates and deficit recovery periods, depending on their membership profiles. Monetary amounts have been set for those employers with no employee members.

(e) The next actuarial revaluation of the Fund will be as at 31st March 2010.

2. Contributions were received from the following sources:

Body	Employer's 2008/09 £'000's	Employer's 2007/08 £'000's
Administering Authority *	17,248	21,043
Admitted Bodies	2,649	2,883
Scheduled Bodies	765	743
Total	20,662	24,669
Of which deficit funding through payroll	7,501	8,849

* Includes £5,370k one-off contribution from the General Fund in 2007/08.

Body	Employee's 2008/09 £'000's	Employee's 2007/08 £'000's
Administering Authority	5,529	4,667
Admitted Bodies	824	718
Scheduled Bodies	259	165
Total	6,612	5,550

3. The contributions receivable from employers relating to early retirements will vary from year to year, depending on the number of early retirements and the ability to compensate the Fund within each year's budget.

4. Benefits payable were as follows (includes all pension and lump sum payments):

Body	2008/09 £'000's	2007/08 £'000's
Administering Authority	15,569	14,461
Admitted Bodies	1,399	760
Scheduled Bodies	55	44
Total	17,023	15,265

Payments to pensioners exclude potential liabilities in respect of ten deferred members who have reached retirement age, but cannot be contacted or located. The potential value of lump sums payable to these individuals has been calculated at approximately £67k while the value of pension payments which could be claimed amounted to approximately £195k at 31 March 2009.

5. Lump sum payments included in note 4 are summarised as shown below:

Payment Type	2008/09 £'000's	2007/08 £'000's
Commutation of Pensions and Lump Sum Retirement Benefits	3,482	3,110
Lump Sum Death Benefits	735	247
Total	4,217	3,357

6. **Related Party Transactions**

Pension Administration and other expenses were £562k and included the costs of administering pension entitlements, contributions etc, the apportioned costs of Corporate Finance time spent on pension administration as well as direct costs.

There were no material transactions between the fund and Members of the Investment Committee or between the fund and senior officers of the Council during the financial years 2007/08 and 2008/09.

7. **Summary of Investment Income**

	2009 £'000's	2008 £'000's
Income from Fixed Interest Securities	1,087	1,262
Income from Index Linked Securities	583	623
Dividends from Equities	7,813	8,946
Income from Property	524	643
Income from Derivatives	1,544	58
Income from Private Equity	293	132
Interest on Cash Deposits	1,357	1,143
Subtotal	13,201	12,807
Income from Pooled Investment Vehicles*	2,329	2,196
Total Investment Income	15,530	15,003

* Income from these vehicles is re-invested by the Investment Managers, so is shown in the Fund Account as part of the change in market value.

8. None of the UK Equities is unlisted. The scheme has no material holdings of unlisted investments in other markets except for the Adams Street holdings in private equity which are shown separately in these accounts.

Notes to the Pension Fund Account

9. Pooled Investment Vehicles (previously known as Managed Funds) are Open Ended Investment Companies investing in equities and bonds.

10. As at 31 March 2009 the Fund held open currency hedge positions as follows:-

Alliance Bernstein £6k (net unrealised profit)

11. Statement of Investment Principles

The Investment Committee regularly reviews its Statement of Investment Principles (SIP), which is revised following any change in circumstances. A copy of the latest version is published on the Council's web site www.rbkc.gov.uk or obtained from the Executive Director for Finance, Information Systems and Property.

12. Investments

The market value of assets under management at 31 March was as follows:

Managed by	2009		2008	
	£ '000	% of Total	£ '000	% of Total
Baillie Gifford	111,844	33.7	143,504	35.2
Alliance Bernstein	92,400	27.9	137,940	33.8
M and G	90,096	27.1	87,000	21.4
ING	10,494	3.2	16,391	4.0
Adams Street*	10,169	3.1	3,783	0.9
Total Managers	315,003	95.0	388,618	95.3
RBKC Cash Inv**	16,461	5.0	18,962	4.7
Total	331,464	100.0	407,580	100.0

*The valuation is taken from the 31 December 2008 valuation of the investment assets and the cash cost of new investments made between 1 January and 31 March 2009, with a market adjustment from the fund of funds manager to provide an estimate of the market value at 31 March.

**Cash held by managers is included in the totals. Interest on cash held internally is calculated at market rates of interest and credited to the pension fund.

13. The level of activity in the Fund's investments at cost during 2008/09 was as follows:

	2008/09	
	£'000	£'000
Investments at 1 April		354,671
Purchases at cost	216,157	
Sales Proceeds*	(191,772)	
Realised Loss **	(24,906)	(521)
Investments at 31 March		354,150

*Including all currency gains and losses.

**Equals sales proceeds less the value of sales at book cost. This excludes an unrealised loss of (£75,416k) making a total change in market value of (£100,322k).

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

14. Net Current Assets

Amounts due to and from the fund at the balance sheet date have been included within the Fund Account as follows:-

Current Liabilities	£'000
Accrued Fees Due	297
Accrued lump sum payments	420
Total	717

Current Assets	£'000
Dividends and Interest	1,335
Tax on overseas dividends	126
Accrued Income	111
Total	1,572

15. Admitted and Scheduled Bodies:

Admitted Bodies

Medequip
Specialist Schools & Academies Trust
Tenant Management Organisation
Westway Development Trust

Scheduled Bodies

Kensington & Chelsea College
St Charles RC 6th Form College

The following former admitted bodies have no active members and are included within the Royal Borough of Kensington and Chelsea Pool:

Housing Action Centre
Maxilla Nursery
Portobello Business Centre
West London Family Service Units

16. Additional Voluntary Contributions (AVCs)

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 do not permit AVCs to be paid into the pension 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 £397k was invested by members of this fund in this way during 2008/09.

**LONDON RESIDUARY BODY TRANSFERRED FUNCTIONS
INCOME AND EXPENDITURE ACCOUNT**

	2008/09			2007/08	Notes
	Gross Exp £'000	Income £'000	Net Exp £'000	Net Exp £'000	
INCOME AND EXPENDITURE ON SERVICES					
General Costs	15	0	15	15	
Adjustment to Provisions	0	128	(128)	0	1
Adjustment to Assets and Liabilities	9	0	9	0	2
Interest	0	156	(156)	(233)	3
TOTAL EXPENDITURE ON SERVICES	24	284	(260)	(218)	
Surplus/(Deficit) for the year			260	218	

STATEMENT OF MOVEMENT ON THE LONDON RESIDUARY BODY BALANCE

	2008/09 £'000	2007/08 £'000	Notes
Balance brought forward at 1 April	4,259	4,041	
Surplus/(Deficit) for the year on Income and Expenditure Account	260	218	
Balance carried forward at 31 March	4,519	4,259	

**LONDON RESIDUARY BODY TRANSFERRED FUNCTIONS
BALANCE SHEET**

	2008/09 £'000	2007/08 £'000	Notes
CURRENT ASSETS			
Current Debtors	1	9	2
Temporary Investment with Royal Borough of Kensington and Chelsea	4,520	4,378	
TOTAL ASSETS	4,521	4,387	
CURRENT LIABILITIES			
Creditors	2	0	4
TOTAL ASSETS LESS CURRENT LIABILITIES	4,519	4,387	
LONG TERM LIABILITIES			
Provisions	0	128	1
TOTAL ASSETS LESS LIABILITIES	4,519	4,259	
REPRESENTED BY			
London Residuary Body Balance	4,519	4,259	
TOTAL NET WORTH	4,519	4,259	

Notes to the London Residuary Body

Introduction

The Royal Borough 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 HEFCE debt management.

The Royal Borough was given endowments for Education Awards, Late Rating Claims, and Other Functions, from which the net spending has been met. The Royal Borough 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 Inner London Boroughs or, if it is not sufficient, to request funds from these 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. The provisions figure is made up of:-

	Balance at 1 April	Provision in Year	Payments in Year	Balance at 31 March
	£'000	£'000	£'000	£'000
Education Claims	128	(128)	0	0
Total	128	(128)	0	0

The object of the provision was to provide for Education Claims, arising from a dispute over recoupment, from an outer London borough. As the matter has not been pursued by the claimant, the provision has been removed. A small counter claim (shown under debtors in Note 2 below) has also been written off as irrecoverable.

2. The debtors figure is made up:

Balance at 31 March	2009	2008
	£'000	£'000
Sundry Debts	1	9
Total	1	9

A debtor relating to an education claim (counter to the provision in Note 1) has been written off as it is now unlikely to be recoverable.

The provision for bad debts has been written back to revenue to reflect the low level of sundry debts and the receipts history over recent years.

3. Interest on the endowment has been calculated at money market rates. The reduction in interest reflects the fall in external money market rates since September 2008.

4. The creditors figure relates to a single creditor invoice paid in April 2009,
5. Contingent Liabilities: During 1992/93, the London Residuary Body's insurers, Municipal Mutual Insurance (MMI) ceased accepting new business. The London Residuary Body is a member, through the Council, of a scheme of arrangement that has been put in place to try to ensure an orderly settlement of the run-off of MMI. Claim payments to date that are liable to 'clawback' if the scheme of arrangement is triggered, amount to a maximum of £365,000 as at 31 March 2009. In addition estimated claims amounting to £80,000 remain outstanding. It is not possible at this time to determine the likelihood of the scheme of arrangement being called upon.

SECTION 3

RESERVES AND PROVISIONS

ASC EQUAL PAY RESERVE

The object of the reserve is to fund the anticipated costs in 2009/10 of implementing the Equal Pay agreement.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		0		0
INCOME				
Contributions from Revenue Accounts	470			
EXPENDITURE				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		470		0
Balance at 31st March		470		0

ASC SEVERANCE RESERVE

The object of the reserve is to fund anticipated severance costs arising from the Management Savings Review.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		0		0
INCOME				
Contributions from Revenue Accounts	400			
EXPENDITURE				
Releases to General Fund	158		0	
Surplus/(Deficit) for year		242		0
Balance at 31st March		242		0

BETTER CITY LIFE RESERVE

This is to provide resources for new local policy priorities, such as upgrading World's End Place.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		1,655		1,259
INCOME				
Unspent balance transferred from West Chelsea Initiative reserve.	98		0	
Contributions from Revenue Accounts	600		600	
EXPENDITURE				
Releases to General Fund	129		204	
Surplus/(Deficit) for year		569		396
Balance at 31st March		2,224		1,655

BRIDGE REPAIRS RESERVE

The object of the reserve is to provide funds to cover the periodic repairs required to the bridges.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		161		96
INCOME				
Contribution from Revenue Accounts	0		68	
EXPENDITURE				
Releases to General Fund	15		3	
Surplus/(Deficit) for year		(15)		65
Balance at 31st March		146		161

BRIGHTEN UP THE BOROUGH RESERVE

The object is to provide a reserve from which selected environmental projects can be funded. Contributions are based on the level of resources required for these works as assessed by the Council in conjunction with overall financial policy at the time.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		0		9
INCOME				
Contribution from General Fund	15		15	
EXPENDITURE				
Environmental Projects	12		24	
Surplus/(Deficit) for year		3		(9)
Balance at 31st March		3		0

BUDGET CARRY FORWARD RESERVE

The object of the reserve is to earmark funds for budgets carried forward from the previous year's revenue underspends to meet specific projects

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		2,059		1,121
INCOME				
Transfer from General Fund	1,250		1,625	
EXPENDITURE				
Releases to General Fund	1,386		687	
Transfer to Other Reserves				
Surplus/(Deficit) for year		(136)		938
Balance at 31st March		1,923		2,059

BUILDING ALTERATIONS RESERVE

The object of the reserve is to provide finance for special repairs and maintenance works. Contributions to the fund are based on the level of resources required for those works as assessed by the Council in conjunction with overall financial policy at the time.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		345		396
INCOME				
Contributions from Revenue Accounts	0		0	
EXPENDITURE				
Releases to General Fund	55		51	
Surplus/(Deficit) for year		(55)		(51)
Balance at 31st March		290		345

CANALSIDE HOUSE RESERVE

The object of the reserve is to provide funds from which major repairs and equipment replacement for Canalside House can be funded.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		53		53
INCOME				
Contributions from Revenue Accounts	0		0	
EXPENDITURE				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		0		0
Balance at 31st March		53		53

CAPITAL EXPENDITURE RESERVE

The object of the reserve is to provide a source of funding for capital expenditure not funded from use of borrowing or usable capital receipts.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		64,040		60,428
INCOME				
Contribution from General Fund	8,148		14,174	
EXPENDITURE				
	8,472		10,562	
Surplus/(Deficit) for year		(324)		3,612
Balance at 31st March		63,716		64,040

CAR PARKING RESERVE

The Car Parking Reserve is controlled by the provisions in the Highways Act 1980, Road Traffic Regulation Act 1984 and the Greater London Authority Act 1999 and the Traffic Management Act 2004. The object of the fund is to set aside surpluses from on-street car parking to provide finance for the future provision of off-street parking, meeting costs incurred on the provision of public transport services, for highway and environmental improvements.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		38,502		39,595
INCOME				
Surplus on Car Parking Account		22,197		23,738
EXPENDITURE				
Revenue				
Subsidised Transport	7,983		8,055	
Street Lighting	2,145		2,005	
Footways	5,419		5,743	
Carriageways	5,050		5,204	
Off Street Parking	823		875	
Street Cleaning	7,983		7,678	
Parks and Open Spaces	3,140		2,892	
Miscellaneous	1,599		2,069	
TOTAL ELIGIBLE REVENUE	34,142		34,521	
Contribution to Revenue		21,498		20,518
Capital				
Highways	1,453		3,517	
Miscellaneous	62		796	
Contribution to Capital		1,515		4,313
Surplus/(Deficit) for year		(816)		(1,093)
Balance at 31st March		37,686		38,502

CHELSEA ACADEMY CO-SPONSORSHIP RESERVE

This reserve has been created to provide funds to meet the Council's financial commitment to co-sponsorship of the Chelsea Academy School.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		2,000		2,000
INCOME				
Transfer from Revenue	0		0	
EXPENDITURE				
	500			
Surplus/(Deficit) for year		(500)		0
Balance at 31st March		1,500		2,000

COMMUNICATION RESERVE

To provide a campaigning, lobbying and communications capacity towards Council projects.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		122		16
INCOME				
Contributions from Revenue Accounts	100		200	
EXPENDITURE				
Releases to General Fund	115		94	
Surplus/(Deficit) for year		(15)		106
Balance at 31st March		107		122

COMMUNITY SAFETY RESERVE

To fund community safety initiatives within the Royal Borough.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		82		82
INCOME				
Contributions to fund	0		0	
EXPENDITURE				
Payments to projects	0		0	
Surplus/(Deficit) for year		0		0
Balance at 31st March		82		82

CORPORATE I.S. INITIATIVES RESERVE

The object of the reserve is to provide funds for the financing of corporate information systems initiatives.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		848		1,286
INCOME				
Contributions from General Fund	124		124	
EXPENDITURE				
Releases to General Fund	451		562	
Surplus/(Deficit) for year		(327)		(438)
Balance at 31st March		521		848

COST REDUCTION RESERVE

This reserve has been created to provide resources for 'invest to save' opportunities identified as part of the financial planning and budgeting process.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		3,000		712
INCOME				
Contributions from Revenue Accounts	0		2,318	
EXPENDITURE				
Capital Financing	58		30	
Surplus/(Deficit) for year		(58)		2,288
Balance at 31st March		2,942		3,000

DEMAND GROWTH RESERVE

A resource to meet the effects of volatile demands on budgets has been created to increase resilience against future increases.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		5,297		5,297
INCOME				
Contributions from Revenue Accounts	0		0	
EXPENDITURE				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		0		0
Balance at 31st March		5,297		5,297

ECONOMIC DEVELOPMENT RESERVE

Contributions made up of surplus rents over costs on Baseline Studios to fund schemes which will benefit the local community.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		154		154
INCOME				
Surplus on Business Units	146		170	
EXPENDITURE				
Transfer to Strategic Regeneration Reserve re LAGBI grant	9		0	
Cost of Economic Development Team	137		170	
Surplus/(Deficit) for year		0		0
Balance at 31st March		154		154

GENERAL SERVICES BUILDING MAINTENANCE RESERVE

A fixed annual contribution will be made into the reserve from General Services maintenance budgets which will allow for a constant charge to be made against the revenue accounts whilst the level of maintenance required may vary from year to year.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		202		259
INCOME				
Contributions from Revenue Accounts	300		43	
EXPENDITURE				
Capital Financing	64		100	
Surplus/(Deficit) for year		236		(57)
Balance at 31st March		437		202

INSURANCE RESERVE

The object of the reserve is to earmark surplus Insurance Fund sums where specific liabilities have not yet been identified.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		6,667		6,667
INCOME				
Transfer from General Fund	239		0	
EXPENDITURE				
Releases to General Fund	790		0	
Surplus/(Deficit) for year		(551)		0
Balance at 31st March		6,116		6,667

LEGAL ADVICE TO SCHOOLS

Schools contribute a fixed amount each year towards paying for any advice from Legal Services. At the end of each financial year the surplus or deficit of costs against this fund is transferred into this Reserve

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		21		27
INCOME				
Contributions from Revenue Accounts	0		0	
EXPENDITURE				
Releases to General Fund	4		6	
Surplus/(Deficit) for year		(4)		(6)
Balance at 31st March		17		21

LICENSING AND PLANNING COSTS RESERVE

The reserve will provide funds to meet costs arising from unexpected planning and licensing legal cases that the Council deems appropriate to contest.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		250		0
INCOME				
Contributions from Revenue Accounts	0		250	
EXPENDITURE				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		0		250
Balance at 31st March		250		250

LOCAL ELECTIONS RESERVE

Funds set aside each year to cushion the effect of the Local Government Elections due every 4 years which is funded by the Council. There was an election in 2006/07.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		125		50
INCOME				
Contributions from Revenue Accounts	75		75	
EXPENDITURE				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		75		75
Balance at 31st March		200		125

LOCAL INITIATIVES RESERVE

This reserve has been created to provide resources to support the introduction of locally determined projects.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		4,942		4,942
INCOME				
Contributions from Revenue Accounts	0		0	
EXPENDITURE				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		0		0
Balance at 31st March		4,942		4,942

MANRESA RD DILAPIDATIONS RESERVE

An amount of money collected from the previous tenants of the property, which will form part of the negotiations of any building works, required to modify this listed premises for new leaseholders.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		250		351
INCOME				
Contributions from Revenue Accounts	0		0	
EXPENDITURE				
Releases to General Fund	250		101	
Surplus/(Deficit) for year		(250)		(101)
Balance at 31st March		0		250

MARKET IMPROVEMENT RESERVE

This reserve has been created to fund investment in improving conditions for street trading across the Royal Borough.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		22		0
INCOME				
Contributions to fund	33		22	
EXPENDITURE				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		33		22
Balance at 31st March		55		22

MORTUARY RESERVE

The reserve will provide funds for the prospective capital works on Horseferry Road Mortuary, which the Council provides jointly with Westminster City Council.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		75		75
INCOME				
Contributions from Revenue Accounts	0		0	
EXPENDITURE				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		0		0
Balance at 31st March		75		75

PENSION FUND REVALUATION RESERVE

This reserve has been created to mitigate the effect of employers' contribution increases arising from actuarial revaluation.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		0		5,376
INCOME				
Contributions from Revenue Accounts	0		0	
EXPENDITURE				
Releases to General Fund	0		5,376	
Surplus/(Deficit) for year		0		(5,376)
Balance at 31st March		0		0

PRIVATE HEALTH CARE RESERVE

This reserve has been created to provide for variances on the Private Health Care contract.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		14		183
INCOME				
Contributions from Revenue Accounts	44		0	
EXPENDITURE				
Releases to General Fund	58		169	
Surplus/(Deficit) for year		(14)		(169)
Balance at 31st March		0		14

PROPERTY STRATEGY RESERVE

This reserve has been created to meet the cost of feasibility studies and condition surveys to assist in capital budget planning.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		2,030		303
INCOME				
Contributions from Revenue Accounts	0		1,820	
EXPENDITURE				
Releases to General Fund	219		93	
Capital Financing				
Surplus/(Deficit) for year		(219)		1,727
Balance at 31st March		1,811		2,030

PUBLIC ART RESERVE

This reserve has been created for the purchase and installation of public art in the Borough.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		102		102
INCOME				
Contributions from Revenue Accounts	0		0	
EXPENDITURE				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		0		0
Balance at 31st March		102		102

REPAIRS AND RENEWALS RESERVE

The object of the reserve is to equalise over a period of years the charge to revenue for the replacement of vehicles and plant, office machinery and special items. Contributions to the reserve are based on the replacement cost of the asset split into equal instalments over the expected life of the asset.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		3,599		3,647
INCOME				
Contributions from Revenue Accounts	607		490	
EXPENDITURE				
Releases to General Fund	607		538	
Surplus/(Deficit) for year		0		(48)
Balance at 31st March		3,599		3,599

RISK MANAGEMENT RESERVE

The object of the reserve is to provide pump-priming for risk management initiatives.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		189		219
INCOME				
Transfer from General Fund	150		0	
EXPENDITURE				
Releases to General Fund	0		30	
Surplus/(Deficit) for year		150		(30)
Balance at 31st March		339		189

SERVICE RISKS RESERVE

This is to meet unexpected additional service requirements and to fund the cost of reducing unplanned risks as identified during the year.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		3,300		1,875
INCOME				
Contributions from Revenue Accounts	2,666		1,425	
EXPENDITURE				
Releases to General Fund	1,687		0	
Surplus/(Deficit) for year		979		1,425
Balance at 31st March		4,279		3,300

SEVERANCE RESERVE

This reserve provides resources to meet the costs arising from potential job losses.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		1,919		1,233
INCOME				
Contributions from Revenue Accounts	600		726	
EXPENDITURE				
Releases to General Fund	131		40	
Surplus/(Deficit) for year		469		686
Balance at 31st March		2,388		1,919

SOUTHERN ROW RESERVE

Originally known as "Southern Row Sinking Fund" which is now designated a Reserve. It is made up of the contributions from tenants of Southern Row in order that the cost of major works to the property are fully funded, when they arise.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		16		14
INCOME				
Contributions from Revenue Accounts	1		2	
EXPENDITURE				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		1		2
Balance at 31st March		17		16

SPECIFIC GRANT LOSS RESERVE

This reserve has been created to provide resources to safeguard the Council against adverse changes in specific grant regimes where there are unavoidable commitments.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		2,910		2,910
INCOME				
Contributions from Revenue Accounts	0		0	
EXPENDITURE				
Releases to General Fund	172		0	
Surplus/(Deficit) for year		(172)		0
Balance at 31st March		2,738		2,910

STANDARDS FUND CARRY FORWARD RESERVE

The object of this reserve is to carry forward unspent Standards Funds matched funding into the new financial year in order to qualify for the DfES grants.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		132		246
INCOME				
Contributions from Revenue Accounts re various Standards Fund Grants	0		132	
EXPENDITURE				
Releases to General Fund	132		246	
Surplus/(Deficit) for year		(132)		(114)
Balance at 31st March		0		132

STRATEGIC REGENERATION RESERVE

To provide financing in support of regeneration activities funded from the Local Authority Business Growth Incentives scheme (LABGI).

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		13,333		8,828
INCOME				
Contributions from Revenue Accounts	1,636		0	
LAGBI grant	0		4,650	
EXPENDITURE				
Releases to General Fund	1,047		145	
Surplus/(Deficit) for year		589		4,505
Balance at 31st March		13,922		13,333

STREET TRADING ACCOUNT RESERVE

Income is derived from permanent and temporary street trading site lettings. Under present legislation, the Council is limited to recovering specific associated costs from the income. Surplus income is held in this reserve and is taken into account when the charges are reviewed each year.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		77		43
INCOME				
Contributions to Fund	58		34	
EXPENDITURE				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		58		34
Balance at 31st March		135		77

SUPPORTING PEOPLE RESERVE

This is to allow for the impact of reducing annual specific Government Grant allocations being phased in over more than one year.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		3,965		2,598
INCOME				
Contributions from Revenue Accounts	632		1,367	
Transfer from Budget Carry Forward Reserve				
EXPENDITURE				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		632		1,367
Balance at 31st March		4,597		3,965

VAT LIABILITY RESERVE

Following a change by Customs and Excise (now HMRC) to the way in which it calculates recoverable VAT on exempt activities, it became apparent that the Council could be in the position of being unable to reclaim the tax which it does at present. It was therefore considered prudent to establish a reserve to meet possible future liabilities in this area.

The Council can recover *input* VAT on exempt activities up to 5% of its total VAT bill. If this threshold is breached, the Council will be unable to recover most of its input VAT. Given the increased scale of the Council's exempt VAT activities this reserve has been established to meet potential future liabilities.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		1,070		1,070
INCOME				
Contributions from Revenue Accounts	0		0	
EXPENDITURE				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		0		0
Balance at 31st March		1,070		1,070

WEST CHELSEA INITIATIVE RESERVE

Rent received from a temporary letting of part of Cremorne Gardens from which the West Chelsea Initiative Advisory Group makes recommendations on proposals to improve the West Chelsea area.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		98		242
INCOME				
Rent received	0		41	
EXPENDITURE				
Payments to projects	98		185	
Surplus/(Deficit) for year		(98)		(144)
Balance at 31st March		0		98

HRA - ALLOCATIONS RESERVE

The reserve has been set up to fund the HRA Common Housing Register development and other closely related initiatives.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		0		13
INCOME	0		0	
EXPENDITURE	0		13	
Surplus/(Deficit) for year		0		(13)
Balance at 31st March		0		0

HRA - CONTROLLED REPAIRS RESERVE

The object of the reserve is to fund Housing Revenue Account repairs projects which are committed, but which are managed at a local level.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		264		160
INCOME				
Contribution from Hsg Revenue Account	0		104	
EXPENDITURE				
Expenditure on Repairs	6		0	
Surplus/(Deficit) for year		(6)		104
Balance at 31st March		258		264

HRA - IT RESERVE

The IT Reserve represents the sum that has been earmarked in the HRA to fund ongoing IT development to support the needs of the Tenant Management Organisation and the Council.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		0		27
INCOME				
Contribution from Hsg Revenue Account	0		0	
EXPENDITURE	0		27	
Surplus/(Deficit) for year		0		(27)
Balance at 31st March		0		0

HRA LANCASTER WEST ESTATE MANAGEMENT BOARD RESERVE

The Lancaster West reserve relates to underspent grant which is earmarked to the Estate Management Board under the terms of its management agreement with the Council.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		547		533
INCOME				
Contribution from Hsg Revenue Account	139		57	
EXPENDITURE	163		43	
Surplus/(Deficit) for year		(24)		14
Balance at 31st March		523		547

HRA - MAJOR REPAIRS RESERVE

The reserve has been created to fund increased investment in the housing stock over the next few years.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		7,109		12,946
INCOME				
Contribution from Hsg Revenue Account	6,384		6,962	
EXPENDITURE	7,251		12,799	
Surplus/(Deficit) for year		(867)		(5,837)
Balance at 31st March		6,242		7,109

BANKED LEAVE PROVISION

A sum has been set aside within Transport, Environment and Leisure Services Business Group, Planning and Borough Development Business Group and Environmental Health Service to compensate departments where employees have put leave by for a mini-sabbatical and temporary staff may be needed to cover some of their work. The scheme has now been withdrawn, but a number of staff members have 'banked leave' which they may choose to take at some point.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		59		81
INCOME				
Contributions to fund	0		2	
EXPENDITURE				
Release to Revenue re payments to third parties	25		24	
Surplus/(Deficit) for year		(25)		(22)
Balance at 31st March		34		59

EQUITY SHARE SCHEME PROVISION

The object of the provision is to provide for the estimated costs of winding up the Equity Share Scheme.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		21		21
INCOME				
Contribution from General Fund	0		0	
EXPENDITURE				
	0		0	
Surplus/(Deficit) for year		0		0
Balance at 31st March		21		21

HOUSING ASSOCIATIONS PROVISION

The purpose of this provision is to provide against possible losses on housing association schemes.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		9		11
EXPENDITURE				
Losses written off	0		0	
Contribution to General Fund	0		2	
Surplus/(Deficit) for year		0		(2)
Balance at 31 st March		9		9

INSURANCE PROVISION

The object of the provision is to provide self-insurance in respect of motor, fire, tree root and other liabilities. A premium is paid into the fund each year which provides a resource from which to meet any claims arising.

The balance on the Insurance Fund represents the amount of self-insurance held to cover the cost of claims arising. The risks covered by the Insurance Fund comprise Tree Root Damage, Fire, Liabilities, Motor, Fidelity and Miscellaneous Risks (including theft and cash).

The change from full insurance with an insurance company to carrying a level of self-insurance has not resulted in any amendment to the Council's policy on risks and insurance cover provided.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		2,031		1,773
INCOME				
Provision for Future Claims	1,013		983	
EXPENDITURE				
Release to Revenue	239		300	
Previous Years' Claims Settled	421		425	
Surplus/(Deficit) for year		353		258
Balance at 31 st March		2,384		2,031

MENTAL HEALTH ACT PROVISION

The object of the provision is to provide for the estimated costs of payments under S.117 of the Mental Health Act.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		933		933
INCOME				
Contribution from General Fund	0		0	
EXPENDITURE				
Payments made to clients	0		0	
Surplus/(Deficit) for year		0		0
Balance at 31st March		933		933

REPAYMENTS TO STREET TRADERS

The object is to provide to a provision to make repayments to Street Traders backdated to April 2002 to settle an outstanding matter where there has been an overcharge for waste disposal costs in the licence fees.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Balance at 1st April		728		0
INCOME				
Provision for Future Claims	0		728	
EXPENDITURE				
Release to Revenue	626		0	
Surplus/(Deficit) for year		(626)		728
Balance at 31 st March		102		728

SECTION 4

REVENUE ACCOUNT SERVICE DETAILS

CORPORATE SERVICES

CORPORATE SERVICES	2008/09			2007/08		
	Exp £'000	Inc £'000	Net £'000	Exp £'000	Inc £'000	Net £'000
CULTURAL, ENVIRONMENTAL, REGULATORY AND PLANNING SERVICES						
Licensing	0	0	0	0	0	0
Community Safety	3,763	1,394	2,369	3,889	1,787	2,102
Economic Development	6,082	7,484	(1,402)	6,686	9,751	(3,065)
GENERAL FUND HOUSING	133,195	132,416	780	125,798	124,047	1,751
CENTRAL SERVICES						
Corporate and Democratic Core	9,298	729	8,569	8,016	498	7,518
Non Distributed Costs	2,223	100	2,123	2,097	102	1,995
CENTRAL SERVICES TO THE PUBLIC						
Local Tax Collection	3,106	1,473	1,633	3,472	1,585	1,887
Registrars	986	589	397	947	608	339
Elections	574	16	558	496	13	483
Emergency Planning	239	0	239	201	0	201
Local Land Charges	308	841	(533)	342	1,474	(1,132)
TRADING SERVICES						
Cash Collection Contract	454	515	(61)	419	508	(89)
TOTAL CORPORATE SERVICES	160,228	145,557	14,672	152,363	140,373	11,990

PLANNING AND BOROUGH DEVELOPMENT

PLANNING AND BOROUGH DEVELOPMENT	2008/09			2007/08		
	Exp £'000	Inc £'000	Net £'000	Exp £'000	Inc £'000	Net £'000
PLANNING SERVICES						
Development Control, Planning Information and Land Charges	4,182	1,391	2,791	3,894	1,067	2,827
Policy Team	1,105	3	1,102	1,024	105	919
Design and Conservation	966	38	928	816	4	812
Arboriculture	768	6	762	822	0	822
BUILDING CONTROL	1,921	1,382	539	1,655	1,517	138
CENTRAL SERVICES						
Corporate and Democratic Core	284	0	284	340	0	340
TOTAL PLANNING AND BOROUGH DEVELOPMENT	9,226	2,820	6,406	8,551	2,693	5,858

FAMILY AND CHILDREN'S SERVICES

FAMILY AND CHILDREN'S SERVICES	2008/09			2007/08		
	Exp £'000	Inc £'000	Net £'000	Exp £'000	Inc £'000	Net £'000
EDUCATION SERVICES						
Corporate and Democratic Core	222	0	222	240	0	240
Individual School Funds	75,735	20,393	55,342	71,326	20,126	51,200
LA Centrally Held School Funds	0	0	0			
- Schools Strategic Management	3,983	693	3,289	3,018	684	2,334
- Non-delegated schools grants	4,683	730	3,952	3,336	1,665	1,671
- Facilitating School Improvement	2,100	1,013	1,088	2,040	958	1,082
- Supporting Special Educational Needs (SEN)	10,454	1,826	8,628	8,886	1,886	7,000
- Assuring Access to Schools	3,703	2,269	1,434	3,338	2,445	893
Inter Authority Recoupment	2,398	4,599	(2,202)	2,411	3,796	(1,385)
Dedicated School Grant	0	61,315	(61,315)		59,340	(59,340)
Non Schools Funding	0	0	0			
- Strategic Management of Non School Services	1,429	656	772	4,320	211	4,109
- Pre School Education	3,988	1,800	2,188	3,933	2,323	1,610
- Adult Education	1,363	1,306	57	1,310	1,293	17
- Community Education	1,507	752	756	1,210	774	436
- Support for Students	360	27	332	336	31	305
- Children and Young Peoples Services	6,580	1,380	5,200	4,675	2,129	2,546
- Central London Connexions	1,247	1,247	0	2,379	2,379	0
- Grants to Voluntary Organisations - Children and Young People	1,358	9	1,349	1,386	4	1,382
- Training and Employment	228	83	145	249	180	69
TOTAL EDUCATION SERVICES	121,338	100,098	21,240	114,393	100,224	14,169
CHILDREN'S SERVICES						
- Management and Support Services	355	341	13	868	776	92
- Corporate and Democratic Core	85	0	85	31	0	31
- Service Strategy	44	0	44	43	0	43
- Children and Families Commissioning	9,211	238	8,973	7,883	523	7,360
- Children Looked After	9,354	228	9,125	8,432	1,483	6,949
- Family Support Services	7,963	2,901	5,062	7,252	2,115	5,137
- Youth Justice	1,560	490	1,070	1,256	409	847
- Other Children's and Family Services	4,883	933	3,950	3,883	1,611	2,272
- Asylum	1,355	1,547	(192)	1,135	1,339	(204)
TOTAL CHILDREN'S SERVICES	34,809	6,678	28,131	30,783	8,256	22,527
CULTURAL AND RELATED SERVICES						
Corporate and Democratic Core	7	0	7	9	0	9
Libraries Management and Support Services	109	40	69	78	27	51
Libraries Services	7,257	347	6,910	6,043	364	5,679
Archives and Heritage	114	0	114	78	0	78
Sports Development and Community Recreation	1,222	357	866	1,078	296	782
TOTAL CULTURAL AND RELATED SERVICES	8,710	744	7,966	7,286	687	6,599
TOTAL FAMILY AND CHILDREN'S SERVICES	164,857	107,520	57,337	152,462	109,167	43,295

HOUSING HEALTH AND ADULT SOCIAL CARE

HOUSING, HEALTH AND ADULT SOCIAL CARE	2008/09			2007/08		
	Exp £'000	Inc £'000	Net £'000	Exp £'000	Inc £'000	Net £'000
HOUSING SERVICES						
Registered Social Landlords	1,466	135	1,331	1,205	341	864
Housing Advice	540	0	540	568	0	568
Housing Advances	1	6	(5)	1	6	(5)
Homelessness	16,575	14,685	1,890	14,735	16,238	(1,503)
Housing Strategy	394	0	394	355	0	355
Supporting People	11,192	10,925	267	10,633	11,622	(989)
Other Council Property	13	4	9	12	11	1
Corporate and Democratic Core	61	0	61	65	0	65
TOTAL HOUSING SERVICES	30,241	25,754	4,487	27,574	28,218	(644)
ENVIRONMENTAL HEALTH						
Food and Training	1,334	146	1,187	1,157	182	975
Trading Standards	475	14	460	449	29	420
Environmental Quality	744	51	693	647	165	482
Health and Safety	705	4	701	718	3	715
Mortuary, Coroners and Pest Control Services	977	233	744	970	190	780
Noise and Nuisance	1,694	4	1,691	1,589	8	1,581
Housing Private Sector	2,320	383	1,936	1,792	307	1,485
Corporate and Democratic Core	83	0	83	81	0	81
TOTAL ENVIRONMENTAL HEALTH	8,332	836	7,496	7,403	884	6,519
ADULT SOCIAL CARE						
Service Strategy	274	0	274	244	0	244
Older People	34,785	6,613	28,172	28,550	9,084	19,466
Adults with a Physical Disability	6,355	488	5,867	6,343	755	5,588
Adults with Learning Disabilities	12,666	4,123	8,543	13,074	5,225	7,849
Adults Under 65 with Mental Health Needs	9,876	1,596	8,280	9,434	2,437	6,997
Other Adult Services	2,709	1,090	1,619	2,319	1,144	1,175
Supported Employment	34	0	34	46	0	46
Public Transport	5,649	86	5,564	5,985	0	5,985
Corporate and Democratic Core	114	0	114	110	0	110
TOTAL ADULT SOCIAL CARE	72,461	13,995	58,466	66,105	18,645	47,460
TOTAL HOUSING, HEALTH AND ADULT SOCIAL CARE	111,034	40,585	70,449	101,082	47,747	53,335

TRANSPORT, ENVIRONMENT AND LEISURE SERVICES

TRANSPORT, ENVIRONMENT AND LEISURE SERVICES	2008/09			2007/08		
	Exp £'000	Inc £'000	Net £'000	Exp £'000	Inc £'000	Net £'000
<u>CULTURAL, ENVIRONMENTAL, REGULATORY AND PLANNING SERVICES</u>						
Licensing Team	1,006	622	385	987	634	353
Environmental Strategy	308	(2)	311	293	82	211
Economic Development	73	0	73			
<u>WASTE MANAGEMENT AND LEISURE</u>						
Operations - Cleansing	11,734	136	11,598	11,239	159	11,080
Commercial Waste and Revenue Services	2,497	4,774	(2,276)	2,379	4,360	(1,981)
Waste Disposal	7,575	0	7,575	7,324	20	7,304
Recycling	2,429	91	2,338	2,286	282	2,004
Regulation of Street Trading	704	761	(57)	836	870	(34)
Traders Stores	83	178	(95)	65	182	(117)
Carnival and Other Events	863	158	704	608	150	458
Sports Centres	1,131	176	954	895	150	745
Parks and Open Spaces	4,298	218	4,080	3,992	172	3,820
Cemeteries	676	815	(138)	632	694	(62)
Arts Development and Support	763	127	636	519	88	431
Holland Park Theatre	2,770	2,199	571	2,294	1,736	558
Museums and Galleries	862	226	637	751	384	367
<u>HIGHWAYS, ROADS AND TRANSPORT SERVICES</u>						
<u>TRANSPORTATION AND HIGHWAYS</u>						
Highway Maintenance	10,777	1,244	9,533	10,541	994	9,547
Public Lighting	2,366	36	2,329	2,208	37	2,171
Rechargeables and Other Street Works	646	338	308	741	647	94
Traffic Section	2,464	180	2,284	2,480	114	2,366
Transportation and Road Safety	1,100	368	732	728	107	621
Car Parking Off-Street	1,100	1,748	(648)	1,062	1,913	(851)
Car Parking On-Street	15,371	37,580	(22,209)	15,846	39,636	(23,790)
<u>WASTE MANAGEMENT AND LEISURE</u>						
Operations - Cleansing	1,318	0	1,318	1,268	0	1,268
Parks and Open Spaces	10	0	10	10	0	10
<u>CENTRAL SERVICES</u>						
Corporate and Democratic Core	301	0	301	344	0	344
Non Distributed Costs	0	0	0	0	0	0
TOTAL TRANSPORT, ENVIRONMENT AND LEISURE SERVICES	73,225	51,973	21,254	70,328	53,411	16,917

Additional Information

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