

**THE ROYAL BOROUGH OF  
KENSINGTON AND CHELSEA**

**STATEMENT OF ACCOUNTS 2009/10**

September 2010



# STATEMENT OF ACCOUNTS

## CONTENTS

<b>Section</b>	<b>Item</b>	<b>Page No.</b>
	Foreword	1
	Statement of Main Accounting Policies adopted in compiling the Accounts	9
	Statement of Responsibilities for the Statement of Accounts	18
	Annual Governance Statement	19
	Glossary of Terms	30
<b>Section 1</b>	<b>CORE FINANCIAL STATEMENTS</b>	
	Auditors' Report	37
	Income and Expenditure Account	41
	Statement of Movement on the General Fund Balance	41
	Statement of Total Recognised Gains and Losses	42
	Balance Sheet	43
	Cash Flow Statement	44
	Notes to the Core Financial Statements	45
<b>Section 2</b>	<b>SUPPLEMENTARY FINANCIAL STATEMENTS AND NOTES</b>	
	Housing Revenue Income and Expenditure Account	69
	Statement of Movement on the Housing Revenue Account Balance	69
	Collection Fund Revenue Account	71
	Summary Trading Accounts	74
	Pension Fund Accounts	75
	London Residuary Body Accounts	80
<b>Section 3</b>	<b>RESERVES AND PROVISIONS</b>	
	General Fund Reserves	85
	Housing Revenue Account Reserves	93
	Provisions	94
<b>Section 4</b>	<b>REVENUE ACCOUNT SERVICE DETAILS</b>	
	Family and Children's Services	99
	Housing, Health and Adult Social Care	100
	Planning and Borough Development	100
	Transport, Environment and Leisure Services	101
	Corporate Services	102
	<b>ADDITIONAL INFORMATION</b>	103



## **FOREWORD**

### **INTRODUCTION**

The Statement of Accounts provides details of the actual income and expenditure for the financial year 2009/10. 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 2010. 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 - 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.
- Payment of a share of housing capital receipts paid to the Government Pool is charged as spending in the Income and Expenditure Account, but is met from the usable capital receipts balance not the Council Tax.
- Retirement benefits are charged as these are 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 both the use of reserves built up in the past and contributions to reserves for the future. The reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

### **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 Revenue Budget and Capital Programme. In setting its budget for 2009/10 Cabinet took into account the:

- Council's strategic objectives which include the Council Aims and the Community Strategy.
- Medium term budget prospects.
- Overall resource position and the Government's guidelines on Council Tax increases.
- Outcome of consultation exercises with the public and other service stakeholders.
- Background of the previous year's financial position.
- Potential for improvements in cost effectiveness and the Government's current target for efficiency savings.

- Robustness of the estimates and budgetary risks.
- Position on contingencies and reserves.
- Local Government Finance Settlement.
- Implications for Council Tax payers.

The 2009/10 budget included the following proposals:

- A one-off efficiency dividend of £50 for resident Council Tax payers in April, including those on Council Tax Benefit; and further measures aimed at helping local businesses at a cost of £4.2 million funded by a drawdown from the working balance.
- 3.2 per cent increase in the Council Tax.
- Identified savings of £5.4 million.
- Formula Grant – the main source of funds from central Government – rose by 1.75 per cent, worth £1.8 million.
- Council Tax, savings and grants together enabled the Council to:
  - plan £8.6 million of additional spending on services;
  - absorb the impact of lower receipts, notably from Penalty Charge Notices for illegally parked vehicles; and
  - deal with price increases, in particular the rising costs of gas and electricity.

This resulted in a total revenue budget requirement of £182 million for 2009/10. Business Group service budgets were £184 million and the balance non-departmental budgets, accounting adjustments and net drawdowns on reserves.

## REVENUE OUTTURN – GENERAL FUND

The net under spend on the General Fund was £6.7 million, the result of the net operating expenditure underspend of £7.7 million, shown overleaf, after accounting adjustments to accrue for staff costs paid in 2010/11 and contributions and drawdowns from reserves. After agreed budget carry forwards of £1.7 million, the balance of the underspend has been transferred to the Capital Expenditure Reserve as agreed by Cabinet. The final position on the General Fund working balance is as follows:

	<b>£m</b>
<b>Working balance 1 April 2009</b>	<b>16.5</b>
Less planned drawdown for efficiency dividend	-4.2
Less staff costs technical accounting change	-2.2
Add 2009/10 General Fund underspend	6.7
Less 2009/10 slippage carried forward to 2010/11	-1.7
Balance transferred to Capital Expenditure Reserve	-5.1
<b>Working balance 31 March 2010</b>	<b>10.0</b>

The outturn position is set out below:

DESCRIPTION	Budget	Actual	Variance	Variance
	2009/10	2009/10	2009/10	2009/10
<b>Service Budgets</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
Family and Children's Services	56,559	56,641	82	0%
Housing, Health and Adult Social Care	70,167	68,415	(1,752)	-2%
Planning and Borough Development	5,299	5,204	(95)	-2%
Transport, Environment and Leisure Services	25,441	23,001	(2,440)	-10%
Corporate Services	22,272	19,996	(2,276)	-10%
<b>Business Group Total</b>	<b>179,739</b>	<b>173,259</b>	<b>(6,480)</b>	<b>-4%</b>
Area Based Grant	(10,416)	(10,449)	(33)	0%
Contingency and Central Budgets	2,758	0	(2,758)	-100%
<b>Net Cost of Services</b>	<b>172,080</b>	<b>162,810</b>	<b>(9,270)</b>	<b>-5%</b>
External Interest	2,087	2,059	(28)	-1%
Pension Fund Liabilities	16,297	15,829	(468)	-3%
Interest and Investment Income	(3,267)	(1,163)	2,104	-64%
<b>Net Operating Expenditure</b>	<b>187,197</b>	<b>179,535</b>	<b>(7,662)</b>	<b>-4%</b>
<b>Transfers to(+) / from(-) reserves:-</b>				
Capital Adjustment Account (incl MRP)	(6,073)	(6,013)	60	-1%
Transfer to/from reserves	3,571	11,244	7,673	215%
Direct Revenue Financing of Capital	369	373	4	1%
<b>Transfers to (+) / from (-) Working Balance</b>	<b>(6,435)</b>	<b>(6,510)</b>	<b>(76)</b>	<b>1%</b>
<b>TOTAL EXCLUDING LEVIES</b>	<b>178,630</b>	<b>178,630</b>	<b>(0)</b>	<b>0%</b>
<b>Levies</b>	<b>3,638</b>	<b>3,638</b>	<b>0</b>	<b>0%</b>
<b>TOTAL ROYAL BOROUGH EXPENDITURE</b>	<b>182,268</b>	<b>182,268</b>	<b>(0)</b>	<b>0%</b>

The explanation of the General Fund variations is as follows:

	£'000
<b>Family and Children's Services</b>	
Increase in schools reserves	66
Dedicated Schools Grant brought forward	-380
Directorate and Resources planned underspend	-374
Net increase in Special Educational Needs costs	1,065
Net underspends across the rest of the services	-295
<b>Total Family and Children's Services</b>	<b>82</b>
<b>Housing, Health and Adult Social Care</b>	
Environmental Health and Housing net underspend	-587
Underspend on home care and direct payments	-538
Underspend on residential and nursing payments	-268
Net underspends across the rest of the services	-359
<b>Total Housing Health and Adult Social Care</b>	<b>-1,752</b>

<b>Planning and Borough Development</b>	
Employee related	-261
Reduced income from planning application fees	207
Reduced income from building regulation fees	208
Increased income from pre-planning application fees	-135
Net underspends across the rest of the services	-114
<b>Total Planning and Borough Development</b>	<b>-95</b>
<b>Transport, Environment and Leisure Services</b>	
Employee costs and consultants net underspend	-473
Reduced contract and waste disposal costs	-1,903
Reduced National Non-Domestic Waste Rates	-313
Commercial waste income loss	243
Additional grant from Transport for London	-226
Brompton Cemetery budget not used	-248
Net off-street parking overspend (excluding employees)	338
Net on-street parking overspend (excluding employees)	964
Net underspends across the rest of the services	-822
<b>Total Transport, Environment and Leisure Services</b>	<b>-2,440</b>
<b>Corporate Services</b>	
Net increase in benefits subsidy	-293
Increased benefits overpayment debtor	-1,276
Increased investment property income	-232
Severance and redundancy costs	875
Buildings related underspends and reduced costs	-491
Net underspends across the rest of the services	-859
<b>Total Corporate Services</b>	<b>-2,276</b>
<b>Total Service Budgets</b>	<b>-6,480</b>
<b>Non-Departmental Budgets</b>	
Change in Area Based Grant allocation	-33
Contingency budget not used	-2,758
Reduced external interest paid	-28
Reduced pension costs	-468
Reduced interest earned on balances	2,104
<b>Total Non-Departmental Budgets</b>	<b>-1,182</b>
<b>Total Variation in Net Operating Expenditure</b>	<b>-7,662</b>
<b>Appropriations</b>	
Delegated schools balances transferred to schools reserves	66
Final Budget Carry Forward Reserve transferred	1,214
Additional transfer to Capital Expenditure Reserve	5,100
Balance of reserve movements finalised at year end	1,357
<b>Total Appropriations</b>	<b>7,737</b>
<b>Net Change in Working Balance Compared To Budget</b>	<b>-76</b>

## BALANCE SHEET

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

	<b>2010</b>	<b>2009</b>
	<b>£m</b>	<b>£m</b>
Long term assets	1,357	1,233
Cash investments	165	224
Other current assets less liabilities	179	-42
<b>Total assets less current liabilities</b>	<b>1,701</b>	<b>1,415</b>
Less		
Long term loans	-182	-196
Pension Fund FRS17 liability	-322	-154
Other long term liabilities	-117	-24
<b>Total assets less liabilities</b>	<b>1,080</b>	<b>1,041</b>
Represented by		
Statutory and non usable reserves	878	831
Usable reserves	202	210
<b>Total equity</b>	<b>1,080</b>	<b>1,041</b>

Long term assets have increased in value by over £100 million as the result of the net impact of the annual desk top revaluation of the Council's dwelling stock, in-year asset transactions and the year end revaluation review of property assets.

The pension fund liabilities, estimated by the Council's actuary as required under FRS17<sup>1</sup>, have increased by over £160 million as at 31 March. This is driven by the changing and volatile value of pension fund investments.

The reduction in usable reserves is largely the result of the in-year release from the working balance as detailed in the Revenue Outturn Section.

## 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 for the provision of social housing.

The Housing Revenue Account made a deficit of £0.6 million in the year but increased its working balance by over £1 million. Details are set out on page 69 of these accounts.

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<sup>1</sup> FRS (Financial Reporting Standard) 17 Retirement Benefits (Accounts entries) is a complex accounting standard, but it is based on a simple principle – that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

## CAPITAL EXPENDITURE AND FINANCING

The Council invests in its property assets and makes capital investments in services. The Council spent £47 million on capital projects as follows:

<b>Business Group</b>	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>	<b>Variance %</b>
Family and Children's Services	18,459	12,542	-5,917	-32%
Housing, Health and Adult Social Care	21,117	18,576	-2,541	-12%
Planning and Borough Development	141	122	-19	-13%
Transport, Environmental and Leisure Services	18,621	13,953	-4,668	-25%
Corporate Services	2,164	1,892	-272	-13%
<b>Service Total</b>	<b>60,502</b>	<b>47,085</b>	<b>-13,417</b>	<b>-22%</b>

A summary explanation of the £13 million underspend on capital schemes is set out below.

	<b>£'000</b>
<b>Family and Children's Services</b>	
Delay in Holland Park School redevelopment	-2,815
Chelsea Academy delayed temporary accommodation and reduced sponsorship costs	-2,258
Family services projects (mainly Oxford Gardens delay caused by site flooding)	-192
Other (a combination of library and access project delays)	-652
<b>Housing, Health and Adult Social Care</b>	
Adult social care (slippage on projects)	-673
Housing Revenue Account main programme (5 per cent of annual programme budget)	-538
Social Housing Energy (delay in tendering due to competition for suppliers)	-1,337
Other (variety of small schemes)	7
<b>Planning and Borough Development</b>	
Public Art (final decision not yet taken)	-19
<b>Transport, Environment and Leisure Services</b>	
Exhibition Road (spending below profile but on track to be completed on schedule)	-1,939
Little Wormwood Scrubs (delay in completion)	-642
Street scene improvements not completed in year	-401
Parks Strategy and Kensington Memorial Park works delayed to 2010/11	-434
The rest (range of small underspends on rolling programmes and individual projects)	-1,252
<b>Corporate Services</b>	
Civic Offices major works projects	-248
Corporate Services other projects	-24
<b>Total Underspend</b>	<b>-13,417</b>

Capital expenditure in 2009/10 was funded as follows:

<b>Funding Source</b>	<b>£'000</b>
<b>External Cash</b>	
Capital Receipts	3,757
Capital Grants and Contributions	25,906
<b>Total External Cash</b>	<b>29,664</b>
<b>Internal Reserves</b>	
Earmarked Business Group Capital Reserves	2,457
Car Parking Reserve	5,382
Capital Expenditure Reserve	9,582
<b>Total Internal Cash</b>	<b>17,421</b>
<b>Total Funding</b>	<b>47,085</b>

## **FUTURE OUTLOOK**

The Council has delivered a Council Tax freeze in 2010/11 as the result of £9.5 million of savings and efficiency gains. It is also planning to fund an ambitious capital programme without additional external borrowing by using its internal resources. The largest single project is the rebuilding of Holland Park School at an estimated project cost of £80 million which will be funded from the sale of part of the school's surplus land.

The national economic outlook is universally agreed to be negative. The Government has already announced in-year cuts to local government funding. There are expected to be substantial future reductions in local government external funding as the Government tries to reduce the public sector borrowing requirement.

The Council is well positioned to weather the economic storm, with forward planning for budget reductions and with a significant level of reserves it can draw on to phase in and soften the impact on services.

## **LONDON RESIDUARY BODY**

The accounts incorporate statements relating to those functions transferred to the Council 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 Council.

## **ACCOUNTING POLICIES**

The accounts are presented in accordance with the CIPFA Statement of Recommended Practice (SORP) 2009, which has introduced some changes in the disclosure requirements this year. The key changes impacting on the accounts are the change to agency accounting for the Collection Fund and the removal of some notes requirements. The accounts will be required to be fully compliant with International Financial Reporting Standards (IFRS) by the financial year 2010/11. The Council continues to prepare for this and will be aiming to finalise any restated accounts by the end of autumn 2010 and be fully compliant with the new requirements in time for preparation of the 2010/11 accounts.

There are no other bodies required to be consolidated with the Council's accounts.

The accounting policies adopted by the Council comply with recommended accounting practices and are set out on pages 9 to 17.



**Nicholas Holgate**  
**Executive Director for Finance, Information Systems and Property**

# STATEMENT OF MAIN ACCOUNTING POLICIES ADOPTED IN COMPILING THE ACCOUNTS

## 1. General Principles

The Statement of Accounts summarises the Council's financial transactions for the 2009/10 financial year and its position at year-end of 31 March 2010. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice* (the "SORP"). The SORP prescribes the requirements of proper accounting practice for local authorities. In addition, the Statement of Accounts complies with the requirements set out in the Best Value Accounting Code of Practice (the "BVACOP"). The accounting convention is historic cost, modified for the revaluation of certain categories of fixed assets.

## 2. Fixed Assets

### a) Recognition

Where the authority will benefit for more than one year, expenditure on the acquisition, creation or enhancement of fixed assets is capitalised in the accounts on an accruals basis. By definition this excludes routine repairs and maintenance, which are charged directly to service revenue accounts. The de minimis level for capitalisation of expenditure is £10,000.

### b) Measurement

Asset Class	Valuation Basis
Vehicles, Plant and Equipment.	Net current replacement cost (historic cost net of depreciation is used as a proxy for this).
Infrastructure.	Nil unless additional capital expenditure has been recognised, which is recorded at depreciated historical cost.
Community assets such as parks and open spaces.	Nil unless additional capital expenditure has been recognised, which is recorded at depreciated historical cost.
Intangible assets.	Depreciated historical cost.
Council Dwellings.	Net realisable value, which is the market price discounted by 70 per cent (known as existing use valuation for social housing).
Operational Properties.	Lower of net current replacement cost or market value in existing use, except where no market for the asset exists when depreciated replacement cost is used.
Non-Operational Investment Properties and assets surplus to requirements.	Lower of net current replacement cost or net realisable value (normally market value).

### c) Revaluation and Impairment

Assets included in the Balance Sheet at current value are formally revalued, at a minimum, every five years as part of a rolling programme of revaluations. Revaluations undertaken as part of the rolling programme, a "full valuation", involve an inspection of the asset to assess its condition and valuation at the beginning of the financial year. When there appear to have been material changes in the value of assets, "interim valuations" are undertaken to update the current values recorded in the Balance Sheet. Interim valuations are normally undertaken at year end and do not involve an inspection of the assets. In addition, Government guidance requires an interim valuation of the Council's dwellings at the beginning of each financial year.

<b>Assets</b>	<b>Last Full Valuation</b>	<b>Last Interim Valuation</b>
Council Dwellings	2005	March 2010
Operational Properties	2008	March 2010
Non-Operational Properties	2007	March 2010

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. Valuations have either been carried out by the Council's Property Services Division or by external firms of chartered surveyors whose staff are either members or probationers of the RICS. All valuations have been certified by R Carroll BA (Hons) MRICS, the Council's Interim Head of Property Services.

Increases in the current value of assets over their historic cost are recorded as credits to the Revaluation Reserve to reflect the unrealised gains. 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.

Decreases in the current value of assets are categorised as impairments that are due to the clear consumption of economic benefits and those that are not. The latter is normally due to changes in the general prices of assets. Where impairment is not due to a clear consumption of economic benefit, the value is written off against any revaluation gains attributable to the asset, with any excess charged to the relevant service revenue account. Where impairment is due to a clear consumption of economic benefit, the impairment is charged to the relevant service in the Income and Expenditure Account. Where impairments are charged to the Income and Expenditure Account, the charge is matched by a corresponding release from the Capital Adjustment Account to prevent any impact on Council Tax.

#### **d) Depreciation**

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. The variation between this policy and FRS15 (depreciation at point of bringing into use) is considered each year to ensure that any such difference is not material. All buildings are depreciated over their remaining useful life (to a maximum of 50 years). The estimated useful life of infrastructure, vehicles, plant and equipment is as follows:

Type of Asset	Estimated Useful Life in Years
Lifts and Plant	9-30
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 at 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.

#### **e) Disposal**

Where an asset is disposed of or decommissioned, any difference between the carrying value of the asset and any receipt, after disposal costs, is written to the Income and Expenditure Account as a gain or loss on disposal. Any revaluation gains held in the Revaluation Reserve are transferred to the Capital Adjustment Account. The de minimis level for a capital receipt is £10,000. A loss or gain on disposal does not affect the Council Tax because a matching release or contribution from/to the Capital Adjustment Account is made to prevent any impact. The balance of any capital receipt is transferred to the capital receipts unapplied account from the Income and Expenditure Account until it is either used to buy new assets or repay debt. The General Fund or the Housing Revenue Account, as appropriate, receives interest on the balances held in the account.

Where capital receipts are contractually receivable, but not yet paid, the Council will record any gain or loss on disposal in the Income and Expenditure account and accrue for the capital receipt due and debtor in the Balance Sheet.

Where statute requires, a portion of the capital receipt relating to disposals of Housing Revenue Account assets is paid to the Government under the "pooling" arrangement for the Housing Revenue Account. This is recorded in the Capital Adjustment Account.

## **f) Government Grants and Contributions**

Where a government grant or other contribution pays for a fixed asset either wholly or in part, it is accrued via a credit to the Government Grants Deferred Account. The grant or contribution is amortised to the Income and Expenditure Account over the useful life of the asset. Grants used to finance Revenue Expenditure Funded from Capital Under Statute are credited to the Income and Expenditure Account as the expenditure is incurred.

Unspent grants and contributions that are subject to terms and conditions that may mean the grant or contribution will have to be repaid, are held as a liability on the balance sheet.

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

Expenditure incurred during the year that may be capitalised under statutory provisions, but not capitalised under the SORP, known as Revenue Expenditure Funded from Capital Under Statute ("REFCUS"), is charged to the relevant service revenue account as expenditure in the year in which it is incurred.

## **4. Intangible Assets**

Expenditure on intangible assets represents purchased software licenses. It is included on the balance sheet at historic cost, net of amortisation. Assets are amortised on a straight line basis. The estimated residual value for intangible assets is assumed to be nil. Where an asset is disposed of or decommissioned, any difference between the carrying value of the asset and any receipt, after disposal costs, is written to the Income and Expenditure Account as a gain or loss on disposal. A loss or gain on disposal does not affect the Council Tax because a matching release or contribution from/to the Capital Adjustment Account is made to mitigate any impact.

## **5. Treatment of Capital Receipts from the Sale of Council Dwellings where a Council Mortgage is Granted**

Sales of Council dwellings 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.

## **6. Capital Charges**

Charges to service revenue accounts in respect of capital are based on the provisions of the Best Value Accounting Code of Practice. Service revenue accounts and support services are therefore debited with the following:

- depreciation charges;
- amortisation of intangible fixed assets;
- impairments due to the consumption of economic benefit; and
- impairments due to any other cause that are in excess of any revaluation gains for that asset.

Capital charges do not affect the Council Tax, but are adjusted for in the Statement of Movement on the General Fund Balance by way of adjustment via the Capital Adjustment Account.

Charges to the Housing Revenue Account are governed by statutory provisions and include both a depreciation charge and an allocation of apportioned interest costs.

## **7. Basis of Provision for Redemption of Debt**

Charges to services are based on asset values. 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 that the local authority considers to be prudent and provide guidance on what may be considered a prudent provision. Actual external loan repayments to lenders are made at a time considered most beneficial to the Council. Premiums paid on refinancing long-term loans are charged to the Income and Expenditure Account.

## **8. Leases**

Leases are accounted for on the basis set out in the Statement of Standard Accounting Practice (SSAP) 21 "*Accounting for Leases and Hire Purchase Contracts*". The distinction between a finance lease and an operating lease depends on the terms of the contract between the lessor and the lessee. Under SSAP 21 the lessee is required to capitalise material **finance leases** because the transaction is considered to be the economic equivalent of borrowing to acquire an asset and should therefore be reflected in the balance sheet. An **operating lease** is similar to the hire of an asset and so the lessee is not required to capitalise the lease. SSAP 21 also prescribes the accounting treatment in respect of leases to be adopted by *lessors*.

### **a) Finance Leases**

The Council accounts for leases as finance leases when the risks and rewards of asset ownership are transferred to the Council. Fixed assets recognised as finance leases are accounted for using the accounting policies applicable to Tangible Fixed Assets. Assets acquired under a finance lease are depreciated over the term of the lease where this is less than the asset's estimated useful life.

### **b) Operating Leases**

Leases that do not meet the definition of finance lease are accounted for as operating leases and these form the majority of the Council's lease arrangements. Rental payments due for the year under operating leases are charged to the relevant service revenue account on a straight line basis over the term of the lease. Assets acquired under operating leases are not required to be 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.

### **c) Lessor**

Where the Council acts as lessor, the arrangement is considered an operating lease and the asset is capitalised and depreciated in accordance with existing policy covering Tangible Fixed Assets. Any revenue arising from these are credited to the relevant service revenue account on a straight-line basis.

## **9. 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 incomplete jobs is valued at cost, including overhead allocations.

## **10. Allocation of Overheads and Cost of Central Support Services**

In accordance with the BVACOP, the cost of central support services and overheads are charged to services. The charge is based on staff time allocation, office space or usage of assets and services as appropriate. Expenditure on the following are not charged to services in line with the BVACOP:

- Corporate and Democratic Core – costs relating to the Council’s status as a democratically accountable organisation.
- Non-Distributed Costs – such as the impairment of investment properties and the cost of discretionary pension benefits paid to employees retiring early.

## **11. Government Grants and Contributions (Revenue)**

Government Grants and contributions are recognised as revenue at the date the Council satisfies any conditions attached to their use and relevant expenditure incurred. The Council does not recognise as revenue any grant or contribution whose payment is uncertain. Grants for specific purposes are credited as income to the service revenue account to which they relate. Grants to cover general expenditure are credited to the Income and Expenditure Account after Net Operating Expenditure.

Unspent grants and contributions that are subject to terms and conditions that may mean the grant or contribution will have to be repaid, are held as a liability on the balance sheet.

## **12. 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 as the need arises. Details are shown in note 24 to the Core Financial Statements.

Certain reserves are kept to facilitate the accounting processes for tangible fixed assets (Revaluation Reserve and Capital Adjustment Account) and the three pension schemes covering the Council’s current and former employees (Pensions Reserve). These do not represent usable resources for the Council.

## **13. 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 to the Core Financial Statements and a note on other provisions is shown in note 24(b) to the Core Financial Statements.

#### **14. 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 or 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.

#### **15. 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.

##### **a) 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 with 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 an asset are credited/debited to the Income and Expenditure Account.

### ***b) 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 e.g. dividends, income 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 as impaired because of a likelihood arising from a past event that payment 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 an 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.

## **16. Interest in Companies and Other Entities**

The Council has interests in companies and other entities that are recorded as financial assets at cost. Any interests that are material will be consolidated.

## **17. Pensions**

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

### ***a) 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. 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, are 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.

### ***b) 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 Education 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.

**c) London Pensions Fund Authority (LPFA)**

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

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

**18. Value Added Tax (VAT)**

Income and Expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

**19. Collection Fund**

The SORP 2009 now recognises an agent/principle relationship with regard to the Collection Fund. The Council is now recognised as an agent, collecting NNDR on behalf of the Government. In addition, relevant shares of the assets and liabilities of the Collection Fund have been devolved to precepting bodies (in the Council's case, the Greater London Authority). A prior year adjustment has been made to reflect this change.

## **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; and
- 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").

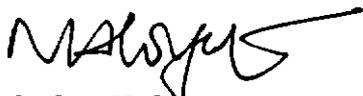
In preparing this statement of accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

**I certify that the Statement of Accounts 2009/10 gives a true and fair view of the financial position of the Authority at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.**



**Nicholas Holgate**  
**Executive Director for Finance, Information Services and Property**

**I certify that the Statement of Accounts 2009/10 was approved by the Audit Committee on 22 June 2010.**



**Councillor Paul Warrick**  
**Chairman of the Audit Committee**

## ANNUAL GOVERNANCE STATEMENT 2009/10

### (i) Scope of responsibility

The Royal Borough of Kensington and Chelsea (the "Council") is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for; and that it is used economically, efficiently and effectively. The Council 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 Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council 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 the Council's website *Council and Democracy>The Constitution>Constitution Table of Contents >Part5 D* or can be obtained from Governance Services, Kensington Town Hall, Hornton Street, London W8 7NX. This statement explains how the Council 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.

### (ii) 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 Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework 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 Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts.

### (iii) 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 Council 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 Council'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 the Council 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 Royal Borough. The Partnership has published the Community Strategy ("*The Future of our Community 2008-2018*"), which sets out the long-term priorities and the challenges for the whole of the Royal 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. The Cabinet Business Plan drives the way in which the Council delivers the Community Strategy. It is expressed financially in the revenue budget and capital programme, which are subject to full consultation and review by the 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 Council's objectives and represent best use of resources.**

The quality of services is assessed through the Council's performance management system. This includes the setting of targets and reporting of achievement of key performance indicators and a programme of service reviews. There is a designated Cabinet Member for Service Improvement (the Cabinet Member for Civil Society from May 2010) who has responsibility for ensuring that performance of the Council and its partners is maintained and improved. Five Scrutiny Committees and a number of specialist working groups, including the Executive Royal Borough Improvement Group, consider relevant issues of interest and importance.

Monitoring of delivery of the Council's objectives included the following documents and processes:

<b>Item / Content</b>	<b>Aimed at</b>	<b>Frequency</b>
The <b>Report To Taxpayers</b> - a report on the past year's performance and a summary Statement of Accounts.	People who live and work in the Royal Borough	Annual
<b>Budget Monitoring Reports</b> - revenue and capital monitoring plus key non-financial indicators with Cabinet approval for any corrective action.	Management Board, Cabinet and Scrutiny Committee members	Quarterly
<b>Vital Improvements</b> - reporting progress on key programmes and projects.	Management Board and Cabinet	Bi-annual
<b>Vital Signs</b> report - key national and local performance indicators compared to targets.	Management Board and Cabinet	Bi-annual
<b>Vital Messages</b> - an information database containing details of all public or staff consultations carried out.	Officers, Members and the public	Continuous via intranet
<b>Vital Finances</b> - a digest of historical and current financial information covering key areas of activity.	Officers, Members and the public	Updated bi-annually
<b>Performance Report</b> - statutory report on all national and key local performance indicators and targets	Management Board, Cabinet and published on web site	Annual
<b>Credit Rating</b> - an independent assessment of the Council's financial management, financial standing and creditworthiness.	Officers, Members and people who live, work and invest in the Royal Borough.	Annual
<b>Use of Resources Assessment 2009</b> - external audit validation of the Council's financial reporting, financial management, financial standing, internal control and value for money arrangements in 2008/09.	Management Board and Cabinet	Annual
<b>Gateway Reviews</b> Peer reviews of major programmes	Management Board	Ad Hoc

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

The Council 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, defining the standards of behaviour 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. There have been no revisions to the Code of Conduct during the past year. The Standards Committee has, however, issued guidance to all members on aspects of the Code. The Standards Committee reports annually to full Council on its activities. The membership of this Committee comprises three Council members and three independent voting members. One of the independent members is appointed Chairman of the Committee and another the Vice-Chairman.

**e) Ensuring the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010).**

The Executive Director for Finance, Information Systems and Property (FISP) is a member of the Management Board and reports directly to the Town Clerk and Chief Executive. The role of the Executive Director for FISP and financial responsibilities of Members and officers is set out in the Constitution. Key Decision reports always include detailed financial implications. The Council's financial statements are completed within statutory timescales and are published on the Council's website. The Cabinet Business Plan sets out the Cabinet's policy priorities and budget proposals for the next three years. The Plan is up-dated annually.

**f) Reviewing and updating standing orders, financial procedure rules, schemes of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.**

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. Apart from the changes which may be made by the Monitoring Officer in accordance with Article 14.03 of the Constitution, all changes to the Constitution are made by full Council following consideration by the Administration Committee. Directors and Heads of Service are ultimately responsible for the management of the risks within their areas of responsibility. The Council has

a robust risk management process to identify, assess and manage the significant business risks to the Council’s objectives including those of its key strategic partnerships. The risk management process includes a Risk Management Strategy, corporate and departmental risk registers, a Risk Management Group and appropriate staff training. 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 that appropriate action is being taken by the risk owner.

**g) Undertaking the core functions of an Audit Committee.**

The Audit Committee comprises both council members and three 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.

**h) 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:

<b>Statutory Officer</b>	<b>Responsible Person</b>	<b>Responsible For</b>
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 Council. Maintains the complaints system.
Monitoring Officer	Chief Solicitor	Reporting any contraventions of the law or maladministration to full Council or the Executive, and supporting the Standards Committee in promoting ethical standards and dealing with complaints about breaches of the Members’ Code of Conduct. Maintaining the Constitution.
Head of the Paid Service	Town Clerk and Chief Executive	Determining the staffing structure of the Council and the deployment of officers.

Many of the Council's services are delivered in partnership with commercial and other organisations. The Council ensures that proper governance is maintained by closely following procurement processes when letting contracts and then robustly monitoring them.

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

The Council operates a whistle blowing scheme with various channels of communication including an anonymous phone hotline, a reporting form on the Council internet site 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.

**j) 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.

**k) 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 various ways including the Residents' 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 every two months through the Council's newspaper, delivered to all homes, as well as via the Council's website 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.

**l) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.**

The Council leads the Kensington and Chelsea Partnership (KCP), in which 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 Royal Borough. All significant partnerships have partnership frameworks, which have aims and objectives and seek measurable outcomes. Procurement Procedure Rules and Contract Regulations detail partnership aspects of procurement and require an appropriate partnership structure and a clear definition of roles and responsibilities. Corporate guidance on the establishment, management and review of partnerships is available on the Council's intranet. This is flagged-up for staff who manage the Council's partnerships.

**(iv) Review of effectiveness**

The Council 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, who have responsibility for the development and maintenance of the governance environment; the Head of Audit and Risk Management's annual report; and by comments made by the Council's external auditors and other review agencies and inspectorates.

The Council has an established **Corporate Governance Board**. The Board has clear terms of reference that 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 and an independent expert from the private sector to provide further challenge. The Board is responsible for the initial review of:

- Management Statements of Assurance on Corporate Governance.
- Internal Audit's annual review of the Council's corporate governance arrangements.
- Internal Audit's annual review of the Council'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 system audits; reviews the Risk Register and annual Risk Management Report; intervenes to request further action where necessary; and reviews the above reports to support the Annual Governance Statement. The Committee undertakes an annual assessment of its effectiveness. The Chairman reports annually to Council on the activity of the Audit Committee during the year.

The functions and areas of responsibility of Executive Directors, Directors and Heads of Service are summarised in the Constitution. The Chief Solicitor discharges the Monitoring Officer role.

The role of the Executive Director for Finance, Information Systems and Property (**the Section 151 Officer**) is compliant with the principles of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

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 Council's risk management arrangements and monitors risk action plans.

The Council's **external auditors** are not required to form an opinion on the effectiveness of the Council's risk and control systems. However, the Council does have regard to external audit's work in informing its assessment of its controls in conjunction with the work undertaken by Internal Audit. 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 its Audit Plan, report on the Statement of Accounts and provide an Annual Report to those Charged with Governance.

The **Standards Committee** is responsible for promoting and maintaining high standards of conduct by members, monitoring the operation of the Code of Conduct and assisting Members to observe the Code of Conduct. The Standards Committee reports annually to Council on the discharge of its functions during the year and this report is presented to the Council by the independent Chairman of the Committee. In 2009/10 five cases were reported to the Committee and one led to a hearing at which one member of the Council was found to have breached the Code.

## **(v) Summary and conclusion**

- a) 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 Council has a robust system of internal control.
  - Strong corporate governance arrangements are in place.
  - Risk management arrangements are satisfactory and compliant with best practice.
  
- b) In the 2008/09 Annual Governance Statement three significant control issues were reported:
  - Parking operations: inadequate contract monitoring arrangements for on street parking enforcement and poor controls over parking meter income

reconciliation. *Follow up audits in 2009/10 established that good progress has been made with the implementation of the recommendations and improving system controls and procedures. The assurance rating in these areas has been revised to satisfactory.*

- Highways: a lack of effective contract monitoring and poor control procedures resulted in a shortfall in income from on-street works enforcement and a fraud being committed by an employee. *The employee concerned was dismissed on the grounds of gross misconduct and processes have been reviewed and changed.*
- Tenant Management Organisation (TMO): poor governance arrangements and lack of procedures to enforce collection of outstanding debts related to leasehold income. *An improvement plan developed under the terms of a variation to the TMO Modular Management Agreement (MMA) was approved in July 2008. This required the TMO to obtain the agreement of the Council to decisions taken. The follow-up audits in 2009/10 established that good progress has been made by the TMO in both its governance arrangements and leasehold debt recovery. In both areas the audit assurance rating was revised to satisfactory.*

c) The following significant control issues were identified by Internal Audit during 2009/10:

- The checking and control of payments made in respect of the corporate agency staff contract with Comensura. An action plan has been agreed to address all weaknesses identified.
- The contract award and project management arrangements in respect of the construction contract at St Quintin Children Centre. An action plan has been agreed to address all weaknesses identified.
- The TMO were served with a Breach Notice in May 2009, under the terms of the MMA, for failure to implement the terms of the improvement plan. The TMO has responded to the Breach Notice, fully addressing all the points raised to the Council's satisfaction.

d) The Audit Commission investigated two matters relating to the 2008/09 accounts as a result of matters raised by residents. These relate to:

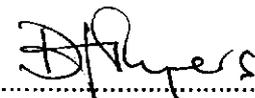
- Members expenses' (report and action plan issued 26 May 2010).
- Commercial waste collections and street trading charges (report with recommendations issued 29 July 2010).

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. The Corporate Governance Board will monitor their implementation and operation as part of our next annual review.

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

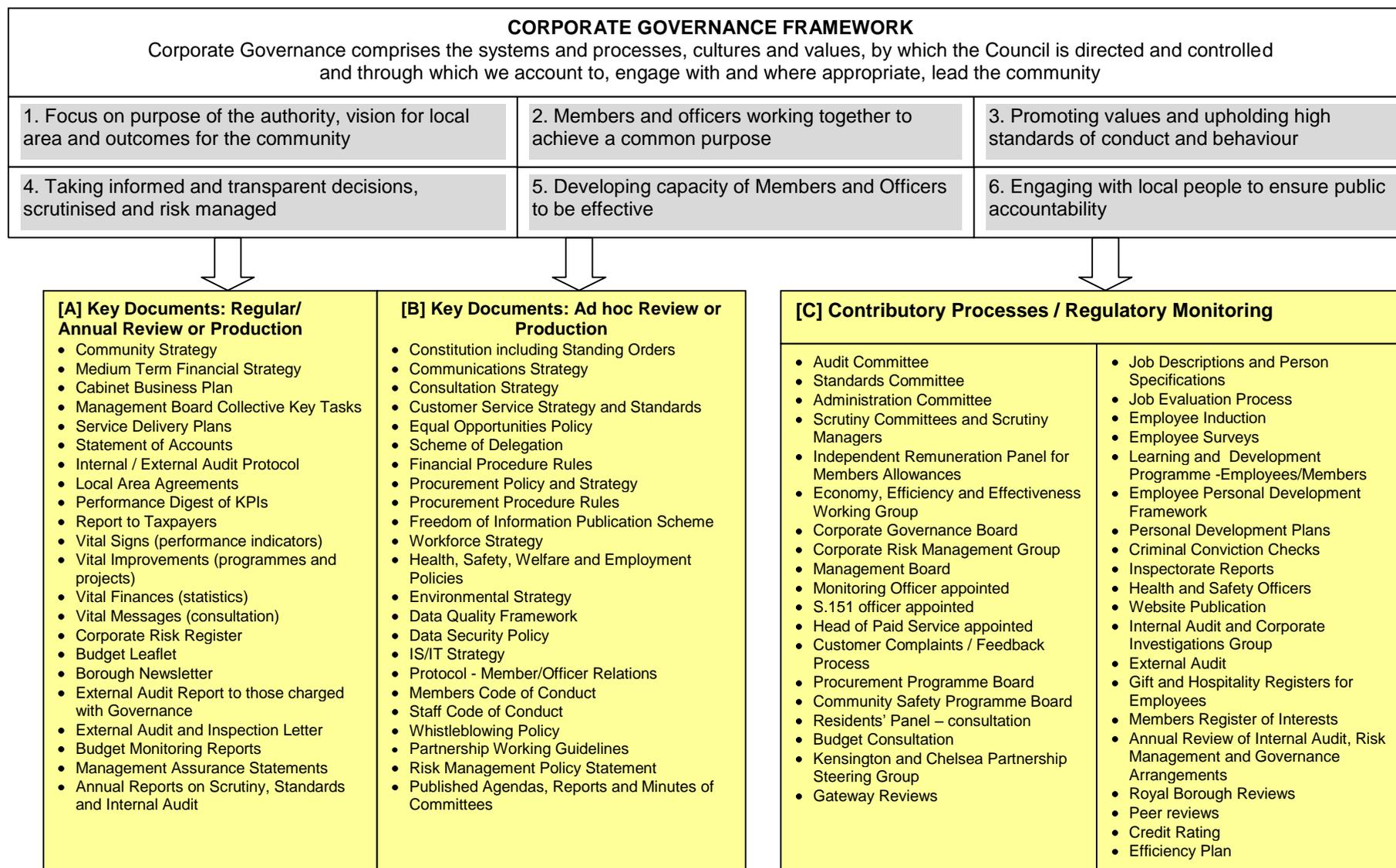
Signed: .....

**Leader of the Council**

.....

**Town Clerk and Chief Executive**

On behalf of the Royal Borough of Kensington and Chelsea



## GLOSSARY OF TERMS

<b>ALMO</b>	Arms Length Management Organisation
<b>Balance Sheet</b>	A statement showing the position of the Council's assets and liabilities as at 31 March in each year.
<b>Budget</b>	A forecast of the Council's planned expenditure. The level of the Council Tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year to take account of pay and price changes and other factors affecting the level or cost of services.
<b>BVACOP</b>	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.
<b>Cabinet</b>	The Cabinet is the executive body 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 meets collectively, it is known as the "Cabinet". Individual councillors that are members of the Executive are known as "Cabinet Members" or "Members".
<b>Capital Adjustment Account</b>	An account recording financing transactions relating to capital expenditure. This account is not available for general use in financing capital expenditure.
<b>Capital Charges</b>	Charges made to service revenue accounts based on services' use of fixed assets.
<b>Capital Expenditure</b>	Expenditure on the acquisition or enhancement of fixed assets, deferred charges or advances (loans) to other individuals or organisations.
<b>Capital Receipts</b>	Income received from the sale of fixed assets or repayment of capital advances.
<b>CIPFA</b>	The Chartered Institute of Public Finance and Accountancy
<b>Collection Fund</b>	A statutory account into which Council Tax and National Non-Domestic Rates are paid and from which amounts are paid to the Council and precepting authorities.
<b>Community Assets</b>	A class of fixed assets that are expected to be held by the Council in perpetuity. Examples include parks, historic buildings and works of art.
<b>Depreciation</b>	A measure of the consumption or wearing out of the useful economic life of a fixed asset.
<b>DRC</b>	Depreciated Replacement Cost is a method of asset valuation.
<b>DSG</b>	Dedicated Schools Grant
<b>DWP</b>	Department for Work and Pensions

<b>Fixed Assets</b>	Assets which provide benefit to the Council and its services for a period in excess of one year.
<b>Formula Grant</b>	Government subsidy to local authorities comprising two elements – Revenue Support Grant and Redistributed Non-Domestic Rates.
<b>FRS17</b>	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.
<b>General Fund (GF)</b>	The primary revenue account which records the cost of providing the majority of the Council’s services.
<b>GLA</b>	Greater London Authority
<b>HEFCE</b>	Higher Education Funding Council in England
<b>Housing Revenue Account (HRA)</b>	A statutory account recording the income and expenditure relating to the Council’s provision of council housing.
<b>Infrastructure</b>	Examples include roads and highway works. Infrastructure assets are not normally saleable.
<b>Intangible Assets</b>	Non-financial fixed assets that do not have any physical substance, but are identifiable and are controlled by the Council, for example purchased software licences.
<b>ISB</b>	Individual School Budgets
<b>LAA</b>	Local Area Agreement. A framework of targets agreed with the Government.
<b>LASAAC</b>	Local Authority (Scotland) Accounts Advisory Committee.
<b>London Residuary Body (LRB)</b>	The authority to which functions were transferred from the Greater London Council and the Inner London Education Authority. Residual functions for inner-London, including education awards, were subsequently transferred to the Council on behalf of London’s local authorities.
<b>LPFA</b>	London Pensions Fund Authority
<b>Major Repairs Allowance (MRA)</b>	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.
<b>Management Board</b>	The Council’s senior officer management team.
<b>Minimum Revenue Provision (MRP)</b>	The amount defined by government regulation that must be charged to the revenue account to provide for the redemption of debt.
<b>Monitoring Officer</b>	A role, carried out by the Chief Solicitor, to report to the Council on any potential illegality, misadministration or injustice that may come to his/her attention.

<b>National Non Domestic Rates (NNDR)</b>	The form of local taxation charged on non-residential premises at a level set by the Government. Rates are collected and paid into a central pool administered by the Government. The total collected is then redistributed to authorities on the basis of population.
<b>Outturn</b>	The final expenditure and income in any financial year.
<b>Precept</b>	The charge made by another authority on the Council to finance its net expenditure. The Council currently has one precepting authority - the Greater London Authority (GLA).
<b>Public Works Loan Board (PWLB)</b>	Agency of the Government responsible for the funding of a large proportion of local authority borrowing.
<b>Related Parties</b>	Defined under Financial Reporting Standard 8, material transactions of the Council with related parties are disclosed. Related parties include the Government, subsidiary and associated companies, the Pension Fund, councillors 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.
<b>Revaluation Reserve</b>	An account recording the effect of revaluing fixed assets. This account is not available for general use in the financing of capital expenditure.
<b>Revenue Expenditure</b>	Day to day expenditure incurred in the provision of services including salaries and wages and goods and services.
<b>REFCUS</b>	Revenue Expenditure Funded from Capital Under Statute
<b>Revenue Support Grant</b>	A grant paid by the Government in support of the Council's revenue expenditure; is part of the Formula Grant.
<b>RICS</b>	Royal Institute of Chartered Surveyors
<b>Section 151 Officer</b>	A term used to describe the Chief Financial Officer of the Council, whose responsibilities are set out in the Statement of Responsibilities for the Statement of Accounts.
<b>SOLACE</b>	Society of Local Authority Chief Executives
<b>SORP</b>	Statement of Recommended Practice issued by CIPFA
<b>STRGL</b>	Statement of Total Recognised Gains and Losses
<b>Tenant Management Organisation (TMO)</b>	Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited, which manages the Council's Housing Revenue Account dwelling 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 pension scheme. This is a financing element within the net operating expenditure.

### **Costs Payable to the Pension Fund and any Payments to Pensioners**

The changes in actuarial deficits or surpluses that arise because:

- 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 pension 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 2007) 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)**

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.

The discount rate used was that recommended by CIPFA and for 2009/10 was measured by the yield on long-dated high-quality sterling corporate bonds. At 5.5 per cent, reduced from 6.9 per cent the previous year, this was 3 per cent above the assumed level of inflation.

### **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 2010 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 published by the Audit Commission in April 2008.

## **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 accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of 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 accounting 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 Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword to the accounting statements and the financial information included in the Report to Taxpayers 2010. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. My responsibilities do not extend to any other information.

## **Basis of the 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 accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

## **Opinion on the pension fund accounting statements**

I have audited the pension fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund 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 published by the Audit Commission in April 2008.

## **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 accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund 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 pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of

Recommended Practice, of 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 accounting statements and related notes and consider whether it is consistent with the audited pension fund accounting statements. This other information comprises the Explanatory Foreword to the accounting statements and the financial information included in the Report to Taxpayers 2010. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund 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 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 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 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 accounting statements and related notes.

### **Opinion**

In my opinion, the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the pension fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, 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 the criteria

for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. 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 October 2009, and the supporting guidance, I am satisfied that, in all significant respects, the Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

## **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Michael Haworth-Maden

District Auditor

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

29 September 2010

## INCOME AND EXPENDITURE ACCOUNT

	2009/10			2008/09 Restated	Notes
	Gross Exp £'000	Income £'000	Net Exp £'000	Net Exp £'000	
<b>EXPENDITURE ON SERVICES</b>					
<b>Central Services</b>	26,856	5,778	21,078	21,618	2
<b>Cultural, Environmental, Regulatory and Planning Services:</b>					
Cultural and Related Services	20,242	5,104	15,138	19,975	
Environmental and Regulatory Services	38,926	8,414	30,512	29,272	
Planning and Development Services	18,413	9,025	9,388	2,352	
<b>Children's and Education Services</b>	163,119	111,549	51,570	79,672	
<b>Highways Roads and Transport Services</b>	40,248	41,335	(1,087)	(1,183)	
<b>Housing Services (excluding HRA)</b>	193,904	185,883	8,021	7,337	
<b>Housing Revenue Account</b>	52,713	52,145	568	(3,659)	
<b>Adult Social Care</b>	70,137	17,422	52,715	57,647	
<b>NET COST OF SERVICES</b>	<b>624,558</b>	<b>436,655</b>	<b>187,903</b>	<b>213,031</b>	
(Gain) or Loss on disposal of fixed assets			(85,937)	(1,915)	22b
Levies			3,638	3,595	5
Surplus or deficit of trading undertakings not included in Net Cost of Services			(19)	(61)	
Interest Payable and similar charges			15,028	15,669	
Contribution to Housing Pooled Capital Receipts			830	324	
Interest and Investment Income			(1,246)	(12,603)	4
Pensions Interest Cost and Expected Return on Pensions Assets			11,829	5,815	
<b>NET OPERATING EXPENDITURE</b>			<b>132,026</b>	<b>223,855</b>	
<b>FINANCED BY</b>					
Income from the Collection Fund			77,776	73,874	6
Government Grants (not attributable to specific services)			30,027	22,319	33a
Distribution from Non Domestic Rate Pool			84,824	90,090	
<b>TOTAL INCOME FROM GRANT AND TAXPAYERS</b>			<b>192,627</b>	<b>186,283</b>	
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>			<b>60,601</b>	<b>(37,572)</b>	

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2009/10 £'000	2008/09 Restated £'000	Notes
Surplus/(Deficit) for the year on the Income and Expenditure Account	60,601	(37,572)	
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)	(67,111)	39,827	
<b>Increase/(decrease) in General Fund Balance for the Year</b>	<b>(6,510)</b>	<b>2,255</b>	
General Fund Balance brought forward	16,510	14,255	
<b>General Fund Balance carried forward</b>	<b>10,000</b>	<b>16,510</b>	
<b>Schools Balances</b>			
School Balances brought forward	4,921	6,665	
Surplus/(Deficit) for the year	66	(1,744)	
<b>Schools Balances carried forward*</b>	<b>4,987</b>	<b>4,921</b>	24c

\*This represents the amount of the General Fund Balance held by schools and for the benefit of schools under local management schemes

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

	2009/10 £'000	2008/09 Restated £'000	Notes
<b>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</b>			
Amortisation of intangible fixed assets	252	273	
Depreciation and impairment of fixed assets	29,856	57,906	
Government Grants Deferred amortisation	(1,763)	(9,739)	
Revenue Expenditure Funded from Capital Under Statute	4,619	9,340	
Net (gain) or loss on sale of fixed assets	(86,198)	(1,915)	
Net charges made for retirement benefits in accordance with FRS17	(354)	945	
Collection Fund Adjustment	90	1,168	
	<b>(53,498)</b>	<b>57,978</b>	
<b>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</b>			
Minimum Revenue Provision for capital financing (Statutory)	(1,278)	(1,593)	3
Capital expenditure charged in-year to the General Fund Balance	(17,421)	(12,478)	
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	830	324	
	<b>(17,869)</b>	<b>(13,747)</b>	
<b>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</b>			
Housing Revenue Account balance	(1,223)	836	
Voluntary revenue provision for capital financing	(720)	(6,194)	3
Net transfer (to)/from earmarked reserves	6,265	(790)	
School balances	(66)	1,744	24c
	<b>4,256</b>	<b>(4,404)</b>	
<b>Net Additional Amount required to be (debited)/credited to the General Fund Balance for the year</b>	<b>(67,111)</b>	<b>39,827</b>	

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2009/10 £'000	2008/09 Restated £'000
Surplus/(Deficit) for the year on the Income and Expenditure Account	60,601	(37,572)
Surplus arising on revaluation of fixed assets	155,175	346,091
Correction of Impairments to the Capital Adjustment Account	(7,967)	0
Financial Instruments Adjustment Account	56	56
Available-for-Sale Financial Instrument Adjustment Account	(516)	0
Actuarial gains/(losses) on pension fund assets and liabilities	(167,631)	(67,193)
Any other gains and losses requires to be included in the STRGL*	(246)	(220)
<b>Total recognised gains for the year</b>	<b>39,472</b>	<b>241,162</b>

\*Items included in this line are movement on Deferred Credits transferred to the reserves section of the balance sheet, movements in the balances on the Collection Fund and the London Residuary Body and the Collection Fund adjustment arising due to changes to the SORP in 2009.

### Cumulative Effect on Reserves of Prior Period Adjustments

	2008/09 As Reported £'000	2008/09 Restated £'000	Difference
Collection Fund Adjustment Account	0	(25)	(25)
Collection Fund Balance	(36)	0	(36)
<b>Cumulative Decrease in Reserves</b>			<b>11</b>

## BALANCE SHEET

	2010	2009	Notes
	£'000	Restated £'000	
<b>LONG TERM ASSETS</b>			
<b>Intangible Assets</b>	2,070	1,968	15c
<b>Tangible Fixed Assets</b>			
<u>Operational Assets</u>			15a
- Council Dwellings	572,236	445,351	
- Other Land and Buildings	563,610	614,410	
- Vehicles, Plant, Furniture and Equipment	10,450	9,132	
- Infrastructure Assets	32,525	24,842	
- Community Assets	6,383	5,563	
<u>Non-Operational Assets</u>			15b
- Investment Properties	147,124	116,372	
- Assets under Construction	11,181	8,087	
- Surplus Assets, held for disposal	11,470	6,596	
	<b>1,357,049</b>	1,232,321	
<b>Long Term Investments</b>	173	173	40
<b>Long Term Debtors</b>	94,872	415	16
<b>TOTAL LONG TERM ASSETS</b>	<b>1,452,094</b>	<b>1,232,909</b>	
<b>CURRENT ASSETS</b>			
Stocks and Work in Progress	308	397	
Debtors (net of impairment)	52,756	48,246	17
Investments	165,510	223,522	40
Cash and Bank	29,192	0	
<b>TOTAL CURRENT ASSETS</b>	<b>247,766</b>	<b>272,165</b>	
<b>TOTAL ASSETS</b>	<b>1,699,860</b>	<b>1,505,074</b>	
<b>CURRENT LIABILITIES</b>			
Borrowing repayable on demand or within 12 months	12,654	10,207	40
Creditors	71,745	74,893	18
Bank Overdraft		5,553	
<b>TOTAL CURRENT LIABILITIES</b>	<b>84,399</b>	<b>90,653</b>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>1,615,461</b>	<b>1,414,421</b>	
Borrowing repayable within a period in excess of 12 months	182,345	194,998	40
Deferred Liabilities	50	50	
Long-Term Lease Liability	212	0	23b
Government Grants - Deferred	26,375	20,693	19
Provisions for Liabilities and Charges	4,531	3,482	24b
Liability Related to Defined Benefit Pension Schemes	321,723	154,446	30
<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>1,080,225</b>	<b>1,040,752</b>	
<b>RESERVES</b>			
Capital Adjustment Account	554,057	571,144	20
Financial Instruments Adjustment Account	(1,022)	(1,077)	
Collection Fund Adjustment Account	(65)	25	
Revaluation Reserve	553,097	415,457	21
Pensions Reserve	(321,723)	(154,446)	30
Usable Capital Receipts Reserve	10,812	2,757	22a
Deferred Credits (Including Deferred Capital Receipts)	94,569	101	22b
Available-for-Sale Financial Instruments Reserve	(516)	0	
HRA Major Repairs Reserve	2,166	6,242	24a
<b>Fund Balances and Reserves:</b>			
Schools Reserves	4,987	4,921	24c
Reserves	158,962	165,227	24a
Housing Revenue Account Balance	10,595	9,372	
London Residuary Body Balance	4,306	4,519	
Collection Fund Balance	0	0	
General Fund Balance	10,000	16,510	
<b>TOTAL EQUITY</b>	<b>1,080,225</b>	<b>1,040,752</b>	

## CASH FLOW STATEMENT

	2009/10 £'000	2008/09 Restated £'000	Notes
<b>REVENUE ACTIVITIES</b>			
Net Revenue Activities cash flow	77,147	(46,023)	34
<b>Net cash (inflow)/outflow from revenue activities</b>	<b>77,147</b>	<b>(46,023)</b>	
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>			
<b>Cash Outflows</b>			
Interest paid	15,028	15,669	
<b>Cash Inflows</b>			
Interest received	(1,246)	(12,603)	4
<b>Net Servicing of Finance</b>	<b>13,782</b>	<b>3,066</b>	
<b>CAPITAL ACTIVITIES</b>			
<b>Cash Outflows</b>			
Purchase of fixed assets	35,169	19,998	
Purchase of Long Term Investments	0	150	
Other Capital Cash Payments	0	0	
<b>Cash Inflows</b>			
Sale of fixed assets	(107,117)	(2,707)	
Capital grants received	(6,347)	(3,655)	
Other capital cash receipts	0	0	
<b>Net Capital Activities</b>	<b>(78,295)</b>	<b>13,786</b>	
<b>Total net cash (inflow)/outflow before financing</b>	<b>12,634</b>	<b>(29,171)</b>	
<b>MANAGEMENT OF LIQUID RESOURCES*</b>			
Net Increase/decrease in short term deposits	(57,495)	15,251	37
Net Increase/decrease in other liquid resources**	(90)	(25)	
	<b>(57,585)</b>	<b>15,226</b>	
<b>FINANCING</b>			
<b>Cash Outflows</b>			
Repayments of amounts borrowed	10,206	10,895	38
<b>Cash Inflows</b>			
New loans raised	0	0	
New short term loans	0	0	
<b>Total Net Financing</b>	<b>10,206</b>	<b>10,895</b>	35
<b>Net (Increase)/Decrease in cash</b>	<b>(34,745)</b>	<b>(3,050)</b>	36

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

\*\*In accordance with changes to the SORP in 2009 in respect of the Collection Fund the net increase/decrease in other liquid resources now includes the difference between the GLA's share of net Council Tax receipts and the amount paid to them.

Notes to the Core Financial Statements

**1. Changes arising from SORP amendments**

In the 2009/10 Statement of Accounts, the changes arising from the SORP 2009 have been implemented. These relate wholly to accounting for the Collection Fund. A summary of restatements to the 2008/09 figures in the key financial statements are as follows:

	2008/09 Restated £'000	2008/09 As Reported £'000
<b>Income and Expenditure Account</b>		
Income from the Collection Fund	(73,874)	(75,042)
Surplus/(Deficit) for the year	37,572	36,404
<b>Statement of Movement of the General Fund Balance</b>		
Surplus/(Deficit) for the year on the Income and Expenditure Account	37,572	36,404
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance	(39,827)	(38,659)
<b>Statement of Movement of the General Fund Balance – Reconciling Note</b>		
Collection Fund Adjustment	(1,168)	0
<b>Statement of Total Recognised Gains and Losses</b>		
Surplus/(Deficit) for the year on the Income and Expenditure Account	(37,572)	(36,404)
Any other gains and losses required to be included in the STRGL	(207)	(1,365)
<b>Balance Sheet</b>		
Debtors	50,021	53,808
Creditors	(76,668)	(80,445)
Collection Fund Adjustment Account	(25)	0
Collection Fund Balance	0	(36)
<b>Cash Flow Statement</b>		
Net Revenue Activities cash flow	(46,023)	(46,048)
Net Increase/decrease in other liquid resources	(25)	0

Where notes to the accounts have been restated, narrative has been included at the foot of each note summarising the changes.

**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.

	2009/10 £'000	2008/09 £'000
Corporate and Democratic Core	7,330	9,727
Non Distributed Costs	5,716	9,596
Central Services to the Public	8,032	2,295
Total	21,078	21,618

**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:

	2009/10 £'000	2008/09 £'000
General Fund Min. Revenue Provision		
- Statutory	1,278	1,593
- Voluntary	720	6,194
Total	1,998	7,787

**4. Interest on Balances**

	2009/10 £'000	2008/09 £'000
<b>External Interest – General Fund</b>		
Investment Income	(1,352)	(13,664)
Interest paid to other accounts (inc.HRA)	189	2,136
Interest received from other accounts	0	(320)
Total Interest – General Fund	(1,163)	(11,848)
Interest – Housing Revenue Account	(83)	(755)
Total	(1,246)	(12,603)

**5. Levies**

	2009/10 £'000	2008/09 £'000
Environment Agency	199	199
London Boroughs Grants Committee	622	624
London Pensions Fund Authority	1,515	1,528
Garden Committees Levies	1,302	1,244
Total	3,638	3,595

**6. Collection Fund**

This figure represents the total of the Council's precept on the Collection Fund (£77,776k in 2009/10 and £73,874k in 2008/09) (see page 72) adjusted by the Council's share of the surplus of the Council Tax Collection Fund Balance for 2008/09 (actual) and 2009/10 (budgeted and actual).

	2009/10			2008/09
	Precept/ Demand £'000	Share of 31/3/10 Surplus/ (deficit) £'000	Total £'000	Total £'000
Royal Borough of Kensington and Chelsea	77,866	(90)	77,776	73,874
Greater London Authority	30,837	(35)	30,802	30,339

**7. Expenditure on Publicity**

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

	2009/10 £'000	2008/09 £'000
<b>Press and Public Relations</b>		
Salaries	368	392
Other Costs	194	272
Misc. Advertising	336	159
Staff Recruitment Costs	440	703
Total	1,338	1,526

Notes to the Core Financial Statements

**8. Pooled Budgets Disclosure**

Under S.31 of the Health Act 1999, the Council 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	2009/10 £'000	2008/09 £'000
<b>Community Equipment Service</b>		
Balance Brought forward	28	64
<b>Gross Funding</b>		
▪ Royal Borough	367	352
▪ Kensington and Chelsea Primary Health Care Trust	461	352
<b>Expenditure/refund</b>	740	741
<b>Surplus/(Deficit) in year</b>	88	(36)
<b>Total carried forward</b>	116	28

**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 £17,805,000 representing 21.5 per cent of pensionable pay. The contribution rate was set by the Fund's Actuary to meet 100 per cent 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 per cent for annual accrual of benefits and 8.2 per cent relating to the past service deficit. Further details of the Council's Pension Fund Accounts may be found on pages 75-79. Disclosures relating to FRS17 can be found in note 30 on pages 56 to 60.

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 £3,804k in the year (£3,148k in 2008/09), which represents a contribution rate of 14.1 per cent of pensionable pay.

d. Contributions to the London Pensions Fund Authority scheme amounted to £242k (£248k in 2008/09), which represents a contribution rate of 23.4 per cent of pensionable pay.

**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	2009/10 Total Employees	2008/09 Total Employees
£50,000 - £54,999	126	92
£55,000 - £59,999	59	44
£60,000 - £64,999	40	32
£65,000 - £69,999	25	27
£70,000 - £74,999	23	18
£75,000 - £79,999	10	17
£80,000 - £84,999	17	6
£85,000 - £89,999	2	2
£90,000 - £94,999	5	3
£95,000 - £99,999	3	3
£100,000 - £104,999	4	2
£105,000 - £109,999		3
£110,000 - £114,999	1	2
£115,000 - £119,999	1	
£120,000 - £124,999	1	3
£125,000 - £129,999		1
£130,000 - £134,999		2
£135,000 - £139,999	3	
£140,000 - £144,999		
£145,000 - £149,999	1	
£150,000 - £154,999		1
£155,000 - £159,999	1	
£160,000 - £164,999		
£165,000 - £169,999		
£170,000 - £174,999		
£175,000 - £179,999		
£180,000 - £184,999		
£185,000 - £189,999		
£190,000 - £194,999		
£195,000 - £199,999		
£200,000 - £204,999		
£205,000 - £209,999		
£210,000 - £214,999		
£215,000 - £219,999		
£220,000 - £224,999	1	
£225,000 - £229,999		1
<b>Total</b>	<b>323</b>	<b>259</b>

Notes to the Core Financial Statements

Disclosure of remuneration for senior employees 2009/10

Job Title	Name	Notes	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Other Emoluments	Total Remuneration (excluding pension contributions) 2009/10	Employer's Pension Contribution	Total Remuneration (including pension contributions) 2009/10
Town Clerk and Chief Executive	Derek Myers		209,821	10,485	-	625	220,931	29,380	250,311
Exec Director for Finance, Information Systems and Property	Nicholas Holgate		144,083	3,570	344	-	147,997	19,638	167,635
Exec Director for Family and Children's Services	Anne-Marie Carrie		151,525	7,115	-	-	158,640	21,099	179,739
Exec Director for Transport, Environment and Leisure Services	Tot Brill		119,107	3,564	-	625	123,296	16,357	139,653
Exec Director of Housing, Health and Adult Social Care	Jean Daintith		129,983	6,380	-	625	136,988	18,219	155,207
Exec Director for Planning and Borough Development	David Prout	1	55,983	11,740	56	295	68,074	9,046	77,120
Exec Director for Planning and Borough Development	Jonathan Bore	2	2,957	-	-	-	2,957	393	3,350
Director of Strategy and Service Improvement	Tony Redpath		96,342	4,730	984	625	102,681	13,526	116,207
Director of Personnel and General Services	George Bishop		124,278	12,270	-	625	137,173	18,228	155,401
Head of Media and Communications	Martin Fitzpatrick		56,533	2,790	-	625	59,948	7,973	67,921
Assistant Chief Executive	David Tidey	3	52,809	4,505	-	1,959	59,273	7,883	67,156

1 Left 20 September 2009 - annualised salary fees and allowances £118,000  
2 Started 22 March 2010 - annualised salary, fees and allowances £110,000  
3 Left 30 October 2009 - annualised salary fees and allowances £90,000

Disclosure of remuneration for senior employees 2008/09

Job Title	Name	Notes	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Other Emoluments	Total Remuneration (excluding pension contributions) 2009/10	Employer's Pension Contribution	Total Remuneration (including pension contributions) 2009/10
Town Clerk and Chief Executive	Derek Myers		205,600	20,560	48	613	226,821	30,161	256,982
Exec Director for Finance, Information Systems and Property	Nicholas Holgate	1	58,333	-	-	-	58,333	7,758	66,091
Exec Director for Family and Children's Services	Anne-Marie Carrie		143,614	6,840	429	-	150,883	19,965	170,848
Exec Director for Transport, Environment and Leisure Services	Tot Brill		116,720	3,468	968	613	121,769	16,027	137,796
Exec Director of Housing, Health and Adult Social Care	Jean Daintith		124,892	6,130	-	613	131,635	17,507	149,142
Exec Director for Planning and Borough Development	David Prout		114,733	11,070	-	613	126,416	16,813	143,229
Director of Strategy and Service Improvement	Tony Redpath		91,300	4,495	938	613	97,346	12,805	110,151
Director of Personnel and General Services	George Bishop		115,713	5,425	32	3,875	125,045	16,176	141,221
Head of Media and Communications	Martin Fitzpatrick		54,633	2,695	-	613	57,941	7,706	65,647
Assistant Chief Executive	David Tidey	2	51,493	2,306	-	1,934	55,733	7,110	62,843

1 Started 1 November 2008 - annualised salary, fees and allowances £140,000  
2 Started 1 September 2008 - annualised salary, fees and allowances £88,000

## Notes to the Core Financial Statements

### 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 30.

The Council has had a number of transactions with related parties involving councillors 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.

Councillors also serve in various capacities with other related parties including:

Four councillors serve on the Board of Directors of Kensington and Chelsea Tenant Management Organisation (the TMO), a company employed by the Council to manage the Council's housing stock. The total Management Fee payable to the TMO in 2009/10 was £11,454k.

Two councillors are members 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 the Council to cover the cost of waste disposal and for 2009/10 this amounted to £1,273k.

London Councils represents the interests of London's borough councils. Councillor Sir Merrick Cockell was Chairman of London Councils during 2009/10. Other councillors serve on the committees of London Councils. The amount paid to London Councils in 2009/10 was £5.7 million, of which £5.5 million is for pan-London schemes administered on behalf of the London borough councils by London Councils as determined by statute or regulation.

The Greater London Authority (GLA) levies a Council Tax precept on residents of the Royal Borough as shown within the Collection Fund (page 72). There are a number of organisations within the GLA Group – Transport for London, The Metropolitan Police Authority, The London Development Agency and The London Fire and Emergency Planning Authority. Several councillors serve on the boards of the GLA and parts of the GLA Group. For 2009/10, the total GLA precept was £30,687k.

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 75 to 79.

The Council shares two senior officers, the Director of Transportation and Highways and the Director of Legal Services, with the London Borough of Hammersmith and Fulham.

The Leader of the Council, Councillor Sir Merrick Cockell, is a Non-Executive Director of the Audit Commission, the Council's external auditors. Fees payable to the Audit Commission in 2009/10 were £472k (see note 13).

### 12. Members Allowances

The total of Members' Allowances paid in 2009/10 was £1,255,742 (£1,226,340 in 2008/09).

### 13. External Audit and Inspection Fees

Planned external audit and inspection fees in respect of 2009/10 are as follows:

	2009/10 £'000	2008/09 £'000
Fees payable to the Audit Commission in respect of:		
- External audit services and Statutory Inspection	387	305
- Grant claims and returns	85	80
- Other services provided	0	4
- Other services provided by PricewaterhouseCoopers	0	38
<b>Total</b>	<b>472</b>	<b>427</b>

### 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	2008/09 £'000
<b>Expenditure</b>		
Employee Costs	1,003	938
Transport	20	20
Supplies and Services	116	225
Support Services	243	245
<b>Total Expenditure</b>	<b>1,382</b>	<b>1,428</b>
<b>Income</b>		
Building Regulation Charges	1,131	1,352
<b>Total Income</b>	<b>1,131</b>	<b>1,352</b>
<b>Surplus/(Deficit)</b>	<b>(251)</b>	<b>(76)</b>
<b>Surplus/(Deficit) on a rolling 3 year period</b>	<b>(47)</b>	<b>351</b>

**15. Movement on Fixed Assets**

## a) Operational Assets

	<b>Council Dwellings £'000s</b>	<b>Other Land and Buildings £'000s</b>	<b>Vehicles, Plant and etc £'000s</b>	<b>Infrastructure £'000s</b>	<b>Community Assets £'000s</b>	<b>Total £'000s</b>
<b>Cost or Valuation</b>						
At 1 April 2009	470,153	619,590	11,712	34,295	5,563	1,141,313
Additions	11,350	7,044	2,113	9,355	820	30,682
Donations	0	0	0	0	0	0
Disposals	0	(20,550)	(49)	0	0	(20,599)
Reclassifications	0	(8,465)	304	0	0	(8,161)
Revaluations	105,065	1,520	0	0	0	106,585
Impairments	(14,332)	(35,529)	0	(50)	0	(49,911)
<b>At 31 March 2010</b>	<b>572,236</b>	<b>563,610</b>	<b>14,080</b>	<b>43,600</b>	<b>6,383</b>	<b>1,199,909</b>
<b>Depreciation and Impairments</b>						
At 1 April 2009	24,801	5,180	2,580	9,452	0	42,013
Charge for 2009/10	6,623	4,649	1,061	1,648	0	13,981
Disposals	0	0	(11)	0	0	(11)
Reclassifications	0	(137)	0	0	0	(137)
Revaluations	(30,856)	(60)	0	0	0	(30,916)
Impairments	(568)	(9,632)	0	(25)	0	(10,225)
At 31 March 2010	0	0	3,630	11,075	0	14,705
<b>Balance Sheet amount at 31 March 2010</b>	<b>572,236</b>	<b>563,610</b>	<b>10,450</b>	<b>32,525</b>	<b>6,383</b>	<b>1,185,204</b>
<b>Balance Sheet amount at 1 April 2009</b>	<b>445,351</b>	<b>614,410</b>	<b>9,132</b>	<b>24,842</b>	<b>5,563</b>	<b>1,099,298</b>

## Nature of Asset holding

Owned	572,236	558,122	10,116	32,525	6,383	1,179,382
Finance Lease	0	5,488	334	0	0	5,822
PFI	0	0	0	0	0	0
	<b>572,236</b>	<b>563,610</b>	<b>10,450</b>	<b>32,525</b>	<b>6,383</b>	<b>1,185,204</b>

## Notes to the Core Financial Statements

## b) Non-operational Assets

	Investment Properties £'000s	Assets Under Construction £'000s	Surplus Assets Held for Disposal £'000s	Total £'000s
<b>Cost or Valuation</b>				
At 1 April 2009	116,606	8,087	6,596	131,289
Additions	0	3,266	577	3,843
Donations	0	0	0	0
Disposals	(350)	0	0	(350)
Reclassifications	8,465	0	0	8,465
Revaluations	54,233	0	6,504	60,737
Impairments	(31,830)	(172)	(2,208)	(34,210)
At 31 March 2010	147,124	11,181	11,469	169,774
<b>Depreciation and Impairments</b>				
At 1 April 2009	233	0	0	233
Charge for 2009/10	0	0	0	0
Disposals	(19)	0	0	(19)
Reclassifications	137	0	0	137
Revaluations	0	0	0	0
Impairments	(351)	0	0	(351)
At 31 March 2010	0	0	0	0
<b>Balance Sheet amount at 31 March 2010</b>	<b>147,124</b>	<b>11,181</b>	<b>11,469</b>	<b>169,774</b>
<b>Balance Sheet amount at 1 April 2009</b>	<b>116,372</b>	<b>8,087</b>	<b>6,596</b>	<b>131,055</b>

## Nature of Asset holding

Owned	147,124	11,181	11,469	169,774
Finance Lease	0	0	0	0
PFI	0	0	0	0
	147,124	11,181	11,469	169,774

## c. Movement in Intangible Assets

	Purchased Software Licenses £'000s	Licences, Trademarks and Artistic Originals £'000s	Patents £'000s	Total £'000s
Original Cost	3,701	-	-	3,701
Amortisations to 1 April 2009	(1,733)	-	-	(1,733)
<b>Balance at 1 April 2009</b>	<b>1,968</b>	<b>-</b>	<b>-</b>	<b>1,968</b>
Expenditure in Year	668	-	-	668
Transfers	(304)	-	-	(304)
Amortised in year	(252)	-	-	(252)
Impairments in year	(10)	-	-	(10)
<b>Balance at 31 March 2010</b>	<b>2,070</b>	<b>-</b>	<b>-</b>	<b>2,070</b>

## Notes to the Core Financial Statements

d. An analysis of fixed assets at 31 March 2010 is:

	Nos.		Nos.
Council Dwellings	6,924	Libraries	6
Commercial Assets	297	Museums and Galleries	4
Town Halls and Major Offices	4	Sports and Leisure Centres	2
Minor Offices	17	Cemeteries	2
Major Parks	9	Bridges	4
Minor Parks	19	Car Parks	2
Schools	13	Depots	2
Special Schools/ Pupil Referral Units	2	Public Conveniences	13
Family Centres, Children's Centres and Nurseries	10	Other Buildings	22
Children's Homes	4	Assets Under Construction	6
Adult Social Care Centres and Homes	6	Assets Held for Disposal	22

e. Capital expenditure was financed as follows:

Resources Used	£'000	Capital Expenditure	£'000
Usable Capital Receipts	3,757	Enhancements Subsequently Impaired	11,211
Use of borrowing	0	REFCUS	12,350
Grant and Other Contributions Applied	15,207	LT Investment	0
Major Repairs Allowance and other Reserves	10,699	Enhancing Spend	23,524
<u>Direct Revenue Financing</u>			
HRA	50		
General Fund	17,372		
<b>Total Resources Used</b>	<b>47,085</b>	<b>Total Expenditure</b>	<b>47,085</b>

f. Outstanding capital commitments at 31 March are:

	General Fund*	Housing Revenue Account**
	£m	£m
Schemes contracted for	28.6	2.278
Schemes not contracted for	137.4	6.023
<b>Total</b>	<b>166.0</b>	<b>8.301</b>

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 specific named schemes having spent more than 10 per cent of the budget are contracted.

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

Significant outstanding capital commitments are as follows:

Scheme	Total Cost £m	Total O/S £m
<b>GENERAL FUND:-</b>		
Office Accommodation (SPACE)	20.8	20.2
Chelsea Academy Sponsorship Costs	4.9	3.9
Holland Park School Redevelopment	80.1	75.7
Albert Bridge Major Structural Repairs	7.0	6.4
Exhibition Rd – Design and Phase 1	32.3	24.3
<b>HOUSING REVENUE ACCOUNT:-</b>		
Elm Park Gardens External Repairs	17.8	0.2
Trellick Tower Phase 3: Internal Works	3.8	0.4
Wiltshire Close: Lifts	5.1	0.5

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

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	2010 £'000	2009 Restated £'000
General Fund	<b>573,310</b>	692,409
Housing Revenue Account	<b>502,609</b>	343,723
London Residuary Body	<b>4,306</b>	4,519
<b>Total</b>	<b>1,080,225</b>	1,040,651

### 16. Long Term Debtors

Balance at 31 March	2010 £'000	2009 £'000
Housing Association Advances	<b>102</b>	123
House Purchase Advances	<b>38</b>	42
Deferred Capital Receipts (see 22b)	<b>94,500</b>	0
Sale of Council Houses	<b>69</b>	101
Other Loans	<b>164</b>	150
	<b>94,873</b>	416
Provision for Bad and Doubtful Debts	<b>(1)</b>	(1)
<b>Net Long Term Debtors</b>	<b>94,872</b>	415

Notes to the Core Financial Statements

**17. Current Debtors**

Balance at 31 March	2010	2009
	£'000	Restated £'000
Government	9,828	7,808
Rent Payers and Lessees	9,416	10,111
Sundry Debtors	37,614	30,398
Payments in Advance	1,439	5,341
Council Tax Debtors	7,272	7,709
London Residuary Body Debtors	0	0
	<b>65,569</b>	61,367
Provision for Bad and Doubtful Debts	<b>(12,813)</b>	(13,121)
Net Current Debtors	<b>52,756</b>	48,246

Following changes to the SORP, Collection Fund debtors have been apportioned between the Council and the Greater London Authority and the 2008/09 figures restated. In addition, NNDR debtors (£4,443k net debtor in 2009) have been transferred to Government Debtors. When combined with the transfer of NNDR Creditors to Government Creditors, this has resulted in a net restated Government Creditor of £360k. See also note 18.

**18. Creditors**

This is made up of:

Balance at 31 March	2010	2009
	£'000	Restated £'000
Government	3,852	2,908
Sundry Creditors	48,241	48,093
Deposits	1,966	2,096
Receipts In Advance	11,755	13,540
Council Tax	4,081	6,473
Residents and Miscellaneous Savings Accounts	1,850	1,783
Total	<b>71,745</b>	74,893

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

Following changes to the SORP, Collection Fund creditors have been apportioned between the Council and the Greater London Authority and the 2008/09 figures restated. In addition, NNDR creditors (£4,073k, as reported 2009) have been transferred to Government Creditors, again in accordance with regulation.

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 £1.6 million at 31 March 2009 and £1.9 million as at 31 March 2010 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.

	2009/10	2008/09
	£'000	£'000
Balance at 1 April	20,693	26,777
Capital Grants Received (net of REFCUS written out in year)	6,347	3,655
Less grants on assets being depreciated written back in year	(575)	(609)
Less adjustments for impaired and disposed assets	(90)	(1,729)
Less adjustment for historic non asset related grants	0	(7,401)
Balance at 31 March	<b>26,375</b>	20,693

**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		571,144
Minimum Revenue Provision (Net of depreciation)	1,998	
General Fund Depreciation	(7,472)	
HRA Depreciation Charge on dwellings	(6,623)	
HRA Depreciation Charge on non-dwellings	(140)	
HRA Major Repairs Allowance	10,699	
Usable Capital Receipts utilised in year	3,732	
Direct Revenue Financing in year	17,421	
Fixed Asset Disposals	(20,919)	
Fixed Asset Impairments	(22,496)	
Impairments Charged Direct to CAA	(7,967)	
Transfers from the Revaluation Reserve	17,536	
REFCUS written to revenue in year (net of government grants)	(4,619)	
Fixed Assets Grant written-off from Government Grants Deferred Account	1,763	
		(17,087)
Balance at 31 March		<b>554,057</b>

**21. Revaluation Reserve**

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

	£'000	£'000
Balance at 1 April		415,457
Upward revaluations to assets in year	198,239	
Disposals written-out	(16,919)	
Depreciation of revalued gains	(543)	
Allowable Market Price Impairments	(43,064)	
Impairment Adjustment (consumption)	(73)	
		137,640
Balance at 31 March		<b>553,097</b>

**22. Capital Receipts****a. 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		2,757
Capital Receipts received during year		
Sales of Assets	12,616	
Loans Repaid	26	
Total received in year	12,642	
Payment to Pool	(830)	
Capital Receipts applied during year	(3,757)	
Balance at 31 March		<b>10,812</b>

**b. Deferred Capital Receipts and Deferred Credits**

Included in deferred credits are capital receipts due in the future from the sale of assets.

	£'000	£'000
Balance at 1 April		101
Deferred Capital Receipts recognised in year	94,500	
Movement in Deferred Credits	(32)	
Movement in Year		94,468
Balance at 31 March		<b>94,569</b>

The large deferred capital receipt recognised in 2009/10 relates to the remaining balance due on transfer of the site to the purchaser following the sale of surplus land at Holland Park School. This is also reflected in the gain on disposal of fixed assets in the Income and Expenditure Account.

**23. Finance and Operating Leases****a. Operating Leases**

The Council has several operational leases for vehicles and equipment. The operating lease rentals paid in the year totalled £630k (£475k in 2008/09).

i) The value of outstanding obligations under the leases at 31 March 2010 was as follows:

	Vehicles £'000	Printer/ Photocopiers £'000	Total £'000
within one year	239	109	348
within two to five years	331	114	445
in more than five years	0	0	0
Total	570	223	793

ii) Operating Leases where the Council is the Lessee – Properties:

	2009/10 £'000	2008/09 £'000
Lease Rentals		
Operational Land and Buildings	188	150
Balance at 31 March	188	150

iii) The value of outstanding obligations under the leases at 31 March 2010 was as follows:

	£'000
within one year	188
within two to five years	110
in more than five years	0
Total	298

iv) Operating Leases where the Council is the Lessor – Properties:

	2009/10 £'million	2008/09 £'million
Lease Rental Income		
Non-operational Land and Building	7.8	7.1

v) Value of non-operational land and buildings held for use in operating leases at 31 March 2010:

	£'million
Gross book value	147.1
Less accumulated depreciation	0
Net book value	147.1

Notes to the Core Financial Statements

**b. Finance Leases**

i) Finance leasing where the Council is the lessee(non property):

	2009/10	2008/09
	£'000	£'000
Lease Rentals		
Vehicles	17	0
Printer/ Photocopiers	101	101
<b>Total</b>	<b>118</b>	<b>101</b>
Comprising:		
Repayments	101	87
Financing Charges	17	14
<b>Total</b>	<b>118</b>	<b>101</b>

The printers and photocopiers listed above had previously been classified as operating leases. Further to an ongoing review of leases in preparation for the transition to International Financial Reporting Standards (IFRS), it has been determined that these should be treated as finance leases. This change is not deemed to materially affect prior year balances and as such has been handled as an in year adjustment.

ii) The value of outstanding obligations under the leases at 31 March 2010 was as follows:

	£'000
within one year	122
within two to five years	212
in more than five years	0
<b>Total</b>	<b>334</b>

iii) Finance Leases where the Council is the Lessee (property):

	2009/10	2008/09
	£'000	£'000
Lease Rentals		
Operational Land and Buildings	157	143
<b>Balance at 31 March</b>	<b>157</b>	<b>143</b>

iv) The value of outstanding obligations under the leases at 31 March 2010 was as follows:

	£'000
within one year	157
within two to five years	474
in more than five years	972
<b>Total</b>	<b>1,603</b>

**24. Reserves and Provisions**

a. Reserves

	Opening Balance 1 April	Transfers to Reserves	Transfers from Reserves	Closing Balance 31 March
	£'000	£'000	£'000	£'000
<b>GENERAL FUND:-</b>				
Car Parking *	37,687	21,223	27,086	31,824
Repairs/Refurbishment	4,326	398	570	4,154
Insurance	6,116	0	1,280	4,836
Budget Carry Forward	1,923	1,656	722	2,857
Capital	63,716	10,693	11,281	63,128
Strategic Regeneration	13,922	254	473	13,703
Local Initiatives	4,942	0	0	4,942
Other	31,813	7,248	5,813	33,248
<b>Total General Fund</b>	<b>164,445</b>	<b>41,472</b>	<b>47,225</b>	<b>158,692</b>
<b>HOUSING REVENUE ACCOUNT:-</b>				
Controlled Repairs	258	0	126	132
Major Repairs	6,242	0	4,076	2,166
Other	523	0	385	138
<b>Total HRA</b>	<b>7,023</b>	<b>0</b>	<b>4,587</b>	<b>2,436</b>
<b>Total Reserves</b>	<b>171,468</b>	<b>41,472</b>	<b>51,812</b>	<b>161,128</b>

\*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 85 to 93 although this detail is not covered by the audit opinion.

b. Provisions

	Balance at 1 April	Provision in Year	Payments in Year *	Balance at 31 Mar
	£'000	£'000	£'000	£'000
Insurance	2,384	1,869	771	3,482
Banked Leave	34	0	10	24
Mental Health Act	933	0	205	728
London Residuary Body	0	218	0	218
Repayments to Street Traders	102	0	43	59
Other	29	0	9	20
<b>Total</b>	<b>3,482</b>	<b>2,087</b>	<b>1,038</b>	<b>4,531</b>

\* 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 94 although this detail is not covered by the audit opinion.

The Banked Leave provision 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" that they may choose to take some time in the future.

## Notes to the Core Financial Statements

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 80 and 81.

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 94 and 95.

c. Schools unspent balances of delegated budgets, Dedicated Schools Grant (DSG), Standards Fund and Devolved Formula Capital amounted to £4,794m at 31 March 2010, compared with £4.921m a year earlier. The balances include £55k of Standards Fund capital and £507k devolved formula capital.

Individual School balances ranged from a deficit of £1,109 to a surplus of £1,140,135. The largest school surplus includes a commitment towards equipment and furniture costs for a new school currently under construction. Schools balances remain under the control of the governors concerned and are not available to the Council for general use.

	2010		2009	
	No. of Schools	£'000	No. of Schools	£'000
Schools in Surplus	35	4,988	34	4,959
Schools in Deficit	1	(1)	2	(38)
Total	36	4,987	36	4,921

School Balances have increased by £66k.

### 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 Education (formerly the Department for Children, Schools and Families) via the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

a) Details of the deployment of DSG receivable for 2009/10 are as follows:

	Central Expenditure £'000	ISB £'000	Total £'000
Final DSG for 2009/10	7,448	56,761	64,209
Brought forward from 2008/09	0	0	0
Carry forward to 2010/11 agreed in advance	0	0	0
Agreed budget distribution in 2009/10	7,448	56,761	64,209
Reallocations of DSG in 2009/10	(1,502)	1,502	0
Final budget distribution in 2009/10	5,946	58,263	64,209
Actual central expenditure	(6,296)	0	(6,296)
Actual ISB deployed to schools	0	(58,263)	(58,263)
Local Authority Contribution for 2009/10	0	0	0
<b>Carry forward to 2010/11</b>	<b>(350)</b>	<b>0</b>	<b>(350)</b>

### 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 (£79k), Private Healthcare Trust (£3k) and the Thomas Hugget Aid Fund (£20k).

	2010 £'000	2009 £'000
Balance at 31 March		
Minor Trust Funds	102	147

### 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	2010 £'000	2009 £'000
Rent Deposit Guarantees	21	21

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 £285k (of which £130k 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. Some further backdating of payments arising from Equal Pay negotiations is expected. However, at this stage the amount payable is uncertain and cannot be quantified.

**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 *	2010 £'000
Off-Street Car Parking Charges	2,747
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.

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 five years. The home opened in March 2008 and the cumulative position to March 2010 indicates a potential profit of £67,000 to the Council, assuming that profits in the subsequent three years match those in the contract. However, the actual levels of profit will depend on the trading activity over this period and cannot be forecast at this stage.

**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 2010 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 80 and 81 in Section 2.

**30. Disclosure of Net Pension Liability**

The Council participates in the Local Government Pension Scheme (LGPS) through funds administered by the Council 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 pension 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).

**Transactions relating to Retirement Benefits**

The Council recognises 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 the Council is 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 Balance during the year:

**Royal Borough of Kensington and Chelsea Scheme**

	2009/10 £'000	2008/09 £'000
<b>Net Cost of Services</b>		
Current service cost	(8,845)	(9,290)
Past service costs	0	(4,228)
Losses on curtailments and settlements	(1,782)	(462)
<b>Net Operating Expenditure</b>		
Interest cost	(30,443)	(31,110)
Expected return on scheme assets	19,447	25,955
<b>Net Charge to the Income and Expenditure Account</b>	<b>(21,623)</b>	<b>(19,135)</b>
<b>Statement of Movement on the General Fund Balance</b>		
Reversal of net charges made for retirement benefits in accordance with FRS17	21,623	19,135
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>		
Employer's contributions payable to the scheme	(22,631)	(18,606)

**LPFA Scheme**

	2009/10 £'000	2008/09 £'000
<b>Net Cost of Services</b>		
Current service cost	(196)	(213)
Past service costs	0	(174)
Losses on curtailments and settlements	0	0
<b>Net Operating Expenditure</b>		
Interest cost	(1,567)	(1,629)
Expected return on scheme assets	734	969
<b>Net Charge to the Income and Expenditure Account</b>	<b>(1,029)</b>	<b>(1,047)</b>
<b>Statement of Movement on the General Fund Balance</b>		
Reversal of net charges made for retirement benefits in accordance with FRS17	1,029	1,047
<b>Actual amount charged against the General Fund Balance for pensions in the year</b>		
Employer's contributions payable to the scheme	(375)	(631)

## Notes to the Core Financial Statements

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

	2009/10 £'000	2008/09 £'000
Actuarial Gains/(Losses)	(159,386)	(64,338)
Cumulative Actuarial Gains/(Losses)	(196,726)	(37,340)

### LPFA Scheme

	2009/10 £'000	2008/09 £'000
Actuarial Gains/(Losses)	(8,245)	(1,281)
Cumulative Actuarial Gains/(Losses)	(12,624)	(4,379)

### 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

	2009/10 £'000	2008/09 £'000
Net Liabilities at 1 April	(443,712)	(448,689)
Current service cost	(8,845)	(9,290)
Interest cost	(30,443)	(31,110)
Contributions from members	(6,379)	(5,519)
Actuarial gains (losses)	(243,347)	40,511
Past service (costs)/gains	0	(4,228)
(Losses)/gains on curtailments	(1,782)	(462)
Estimated unfunded benefits paid	1,410	1,382
Estimated benefits paid	18,931	13,693
Net Liabilities at 31 March	(714,167)	(443,712)

### LPFA Scheme

	2009/10 £'000	2008/09 £'000
Net Liabilities at 1 April	(23,175)	(24,046)
Current service cost	(196)	(213)
Interest cost	(1,567)	(1,629)
Contributions from members	(74)	(75)
Actuarial gains (losses)	(9,524)	1,609
Past service (costs)/gains	0	(174)
(Losses)/gains on curtailments		
Estimated unfunded benefits paid	132	128
Estimated benefits paid	1,092	1,225
Net Liabilities at 31 March	(33,312)	(23,175)

Reconciliation of present value of employer assets:

#### Royal Borough of Kensington and Chelsea Scheme

	2009/10 £'000	2008/09 £'000
Present value of assets at 1 April	294,924	364,767
Expected return on assets	19,447	25,955
Contributions from members	6,379	5,519
Contributions from employer	21,221	17,224
Contributions in respect of unfunded benefits	1,410	1,382
Actuarial gains (losses)	83,961	(104,848)
Estimated unfunded benefits paid	(1,410)	(1,382)
Estimated benefits paid	(18,931)	(13,693)
Present value of assets at 31 March	407,001	294,924

Notes to the Core Financial Statements

**LPFA Scheme**

	2009/10 £'000	2008/09 £'000
Present value of assets at 1 April	17,517	20,085
Expected return on assets	734	969
Contributions from members	74	75
Contributions from employer	243	503
Contributions in respect of unfunded benefits	132	128
Actuarial gains (losses)	1,279	(2,890)
Estimated unfunded benefits paid	(132)	(128)
Estimated benefits paid	(1,092)	(1,225)
Present value of assets at 31 March	18,755	17,517

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:

	2009/10 £'000	2008/09 £'000
Royal Borough Scheme	103,408	(79,195)
LPFA Scheme	2,013	(1,839)

**Balance Sheet**

**Royal Borough of Kensington and Chelsea Scheme**

Year Ended	31 Mar 2010 £'000	31 Mar 2009 £'000
Fair value of employer assets	407,001	294,924
Present value of funded liabilities	(695,744)	(424,950)
Net underfunding in funded plans	(288,743)	(130,026)
Present value of unfunded liabilities	(18,423)	(18,762)
<b>Net asset/(liability)</b>	<b>(307,166)</b>	<b>(148,788)</b>
<b>Amount in the balance sheet</b>		
Liabilities	307,166	148,788
<b>Net asset/(liability)</b>	<b>(307,166)</b>	<b>(148,788)</b>

**LPFA Scheme**

Year Ended	31 Mar 2010 £'000	31 Mar 2009 £'000
Fair value of employer assets	18,755	17,517
Present value of funded liabilities	(31,486)	(21,435)
Net underfunding in funded plans	(12,731)	(3,918)
Present value of unfunded liabilities	(1,826)	(1,740)
<b>Net asset/(liability)</b>	<b>(14,557)</b>	<b>(5,658)</b>
<b>Amount in the balance sheet</b>		
Liabilities	14,557	5,658
<b>Net asset/(liability)</b>	<b>(14,557)</b>	<b>(5,658)</b>

Notes to the Core Financial Statements

**Scheme History**

	2005/06*	2006/07 Restated	2007/08 Restated	2008/09	2009/10
<b>Present Value of Liabilities</b>					
Royal Borough Scheme	(499,700)	(500,101)	(448,689)	(443,712)	(714,167)
LPFA Scheme	(26,780)	(26,326)	(24,046)	(23,175)	(33,312)
<b>Fair Value of Assets</b>					
Royal Borough Scheme	342,421	369,755	364,767	294,924	407,001
LPFA Scheme	19,010	19,088	20,085	17,517	18,755
<b>Surplus/(Deficit)</b>					
Royal Borough Scheme	(157,279)	(130,346)	(83,922)	(148,788)	(307,166)
LPFA Scheme	(7,770)	(7,238)	(3,961)	(5,658)	(14,557)
	<b>(165,049)</b>	<b>(137,584)</b>	<b>(87,883)</b>	<b>(154,446)</b>	<b>(321,723)</b>

\*The Council has elected not to restate fair value of scheme assets for 2005/06, as permitted by FRS17 (revised).

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £322m 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 Pension Fund's Actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council for the year to 31 March 2011 amount to £21.1m.

**History of Experience Gains and Losses**

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 is analysed below, measured as a percentage of assets or liabilities at 31 March 2010:

**Royal Borough of Kensington and Chelsea Scheme**

	2005/06*	2006/07 Restated	2007/08 Restated	2008/09	2009/10
	%	%	%	%	%
Differences between the expected and actual return on assets	17.8	(1.0)	(12.5)	(35.6)	20.6
Experience gains and losses on liabilities	0.0	0.1	1.2	0.3	0.6

**LPFA Scheme**

	2005/06*	2006/07 Restated	2007/08 Restated	2008/09	2009/10
	%	%	%	%	%
Differences between the expected and actual return on assets	3.8	0.0	5.3	(16.5)	6.8
Experience gains and losses on liabilities	0.2	0.2	(3.3)	0.1	0.7

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. The liabilities of both the Royal Borough of Kensington and Chelsea Scheme and the LPFA Scheme 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**

	2009/10	2008/09
<b>Long-term expected rate of return on assets in the scheme</b>		
Equity investments	6.5%	7.4%
Bonds (Gilts only in 09/10)	4.5%	5.4%
Property	5.5%	5.2%
Cash	3.0%	4.3%
<b>Mortality assumptions</b>		
Longevity at 65 for current pensioners		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
<b>Other factors</b>		
Rate of inflation	3.9%	3.1%
Rate of increase in salaries	5.4%	4.6%
Rate of increase in pensions	3.9%	3.1%
Rate for discounting scheme liabilities	5.5%	6.9%
Take- up of option to convert annual pension to lump sum	50%	50%

**LPFA Scheme**

	2009/10	2008/09
<b>Long-term expected rate of return on assets in the scheme</b>		
Cashflow matching	4.5%	4.2%
Equity	7.3%	7.0%
Target return portfolio 9/10	5.0%	0
Cash	3.0%	4.0%
<b>Mortality assumptions</b>		
Longevity at 65 for current pensioners		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
<b>Other factors</b>		
Rate of inflation	3.9%	3.1%
Rate of increase in salaries	5.4%	4.6%
Rate of increase in pensions	3.9%	3.1%
Rate for discounting scheme liabilities	5.5%	6.9%
Take- up of option to convert annual pension to lump sum	50%	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 2010 %	31 Mar 2009 %
Equity investments	75	62
Bonds	10	26
Property	3	3
Cash	12	9
	100	100

**LPFA Scheme**

	31 Mar 2010 %	31 Mar 2009 %
Cashflow matching	38	91
Equity	11	8
Target return portfolio	54	0
Cash	(3)	1
	100	100

**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 (ALMOs), 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 Council'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**

In June 2010 the Government announced its intention to link future pension benefits increases to the Consumer Price Index (CPI) rather than as in the past the Retail Price Index (RPI). The Pension Fund Actuary estimates that should the change occur, the future liabilities related to the defined benefit pension scheme will decrease by around £35 million from its current level of £307 million.

**33. Analysis of Government Grants****a. Government Grants not attributable to specific services**

The table below provides a breakdown of Government grants not attributable to specific services as disclosed within the Income and Expenditure Account:

	2010 £'000	2009 £'000
Revenue Support Grant	19,578	12,542
Area Based Grant	10,449	9,777
Total	30,027	22,319

**b. Other Significant Government Grants**

The table below shows other significant grants received in year. In accordance with the SORP these are disclosed on a cash basis:

	2009/10 £'000	2008/09 £'000
Dedicated Schools Grant	64,209	61,315
School Standards/Learning Skills Council	16,851	15,847
Supporting People	10,136	10,670
Housing Subsidy	5,989	4,333
Sure Start	5,144	3,880
Performance Reward/LA Business Growth Incentives	1,968	5,843
Benefits Administration Grant	2,115	2,179
Asylum Seekers Grants	1,195	1,764
Homelessness Directorate Grant	1,802	1,168
Play Pathfinder	1,684	0
Drugs Intervention Programme	1,091	0
Grants below £1 million in value	6,372	3,775
Total	118,556	110,774

**34. Reconciliation of Surplus to Net Cash Flow**

	2009/10 £'000	2008/09 Restated £'000
(Surplus)/Deficit for the year		
- General fund / HRA	(60,601)	36,404
- Collection Fund	90	1,660
- LRB	213	(260)
	(60,298)	37,804
<u>Items Classified elsewhere on cash flow statement</u>		
Interest Paid	(15,028)	(15,669)
External Investment Income	1,246	12,603
<u>Non cash items charged to Income and Expenditure Account</u>		
Depreciation and Impairments	(36,731)	(64,446)
FRS17 Adjustment	354	(945)
Government Grants Amortised	665	9,739
Premia Amortised	(56)	(56)
Deferred Credits	34	13
Gain on Disposal of Fixed Assets	86,198	1,915
<u>Movement in Provisions and Working Capital</u>		
Provisions	(1,050)	427
Stocks and Work in Progress	(89)	69
Net Debtors	98,865	(26,329)
Creditors	3,037	(1,148)
Net Cash Flow from Revenue Activities	77,147	(46,023)

Following changes to the SORP in respect of the Collection Fund, the 2008/09 figures have been restated. Restated figures were previously reported as follows: net deficit on the Collection Fund £1,624, net debtors £20,768k and creditors £6,700.

**35. Movement in Financing**

	2010 £'000	2009 £'000	Movement £'000
Short Term Loans	(12,654)	(10,207)	(2,447)
Long Term Loans	(182,345)	(194,998)	12,653
Total	(194,999)	(205,205)	10,206

**36. Movement in Cash and Cash Equivalents**

	2010 £'000	2009 £'000	Movement £'000
Cash In hand/ (Overdrawn)	29,192	(5,553)	34,745

**37. Reconciliation of Movement in Liquid Resources**

	2010 £'000	2009 £'000	Movement £'000
Loans/Receivables	86,366	174,786	(88,420)
Financial Assets	79,145	48,736	30,409
Losses on Revaluation	516	0	516
Net Increase	166,027	223,522	(57,495)

The category of liquid resources represents deposits and investments that are readily convertible into known amounts of cash or traded in an active market. Financial assets are stated at market value resulting in a revaluation loss of £516,000 that is adjusted for in the cashflow statement movement in liquid resources.

### 38. Reconciliation of Movement in Cash to Movement in Borrowing

	2009/10 £'000	2008/09 £'000
Revenue Activities – Inflow/(outflow)	(77,147)	46,048
Servicing of Finance (outflow)	(13,782)	(3,066)
Capital Activities (outflow)/inflow	78,294	(13,786)
(Increase)/decrease in liquid resources	57,586	(15,251)
(Increase)/decrease in cash	(34,745)	(3,050)
<b>(Increase)/decrease in borrowing</b>	<b>10,206</b>	<b>10,895</b>

### 39. Movements in Reserves and Balances

	General Fund £'000	Housing Revenue Account £'000	London Residuary Body £'000	Total £'000
Capital Adjustment Account	(37,678)	20,591	0	(17,087)
Financial Instruments Adjustment Account	55	0	0	55
Collection Fund Adjustment Account	(90)	0	0	(90)
Revaluation Reserve	(3,533)	141,174	0	137,641
Pensions Reserve	(167,277)	0	0	(167,277)
Usable Capital Receipts Reserve	7,636	419	0	8,055
Deferred Credits (Including Deferred Capital Receipts)	94,500	(32)	0	94,468
Available for Sale Financial Instruments Reserve	(516)	0	0	(516)
Housing Revenue Account Major Repairs Reserve	0	(4,076)	0	(4,076)
Schools Reserves	66	0	0	66
Reserves	(5,752)	(513)	0	(6,265)
<b>Total Movement in Reserves</b>	<b>(112,589)</b>	<b>157,563</b>	<b>0</b>	<b>44,974</b>
Housing Revenue Account Balance	0	1,223	0	1,223
London Residuary Body Balance	0	0	(213)	(213)
Collection Fund Balance	0	0	0	0
General Fund Balance	(6,510)	0	0	(6,510)
<b>Total Movement in Balances</b>	<b>(6,510)</b>	<b>1,223</b>	<b>(213)</b>	<b>(5,500)</b>
<b>Total Movement in Reserves and Balances</b>	<b>(119,099)</b>	<b>158,786</b>	<b>(213)</b>	<b>39,474</b>

### 40. 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 2010 £000s	31 March 2009 £000s	31 March 2010 £000s	31 March 2009 £000s
Financial Liabilities (principal amount)	182,345	192,529	10,186	10,192
Financial Liabilities at amortised cost	182,345	194,998	12,654	10,207
Financial Liabilities at fair value through the I&E	0	0	0	0
<b>Total Borrowings</b>	<b>182,345</b>	<b>194,998</b>	<b>12,654</b>	<b>10,207</b>
Loans and receivables (principal amount)	0	23	165,474	222,306
Loans and receivables at amortised cost	0	23	86,365	174,786
Available-for-sale financial assets	0	0	39,099	0
Financial Assets at fair value through the I&E	0	0	40,046	48,736
Unquoted equity investments at cost	0	150	0	0
<b>Total Investments</b>	<b>0</b>	<b>173</b>	<b>165,510</b>	<b>223,522</b>

#### 41. Financial Instruments Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	2009/10					2008/09				
	Financial Liabilities	Financial Assets			Total	Financial Liabilities	Financial Assets			Total
	Liabilities measured at amortised cost £'000s	Loans and receivables £'000s	Available for Sale Assets (2)	At fair value through I&E(1) £'000s		Liabilities measured at amortised cost £'000s	Loans and receivables £'000s	At fair value through I&E £'000s	Total £'000s	
Interest Expense	(14,973)	0	0	0		(15,613)	0	0		
Losses on derecognition	0	0	0	0		0	0	(13)		
Impairment losses	0	0	0	0		0	0	0		
<b>Interest payable and similar charges</b>	<b>(14,973)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(14,973)</b>	<b>(15,613)</b>	<b>0</b>	<b>(13)</b>	<b>(15,626)</b>	
Interest income	0	1,312	0	45		0	9,596	2,022		
Gains on derecognition	0	0	0	0		0	0	2,162		
<b>Interest and investment income</b>	<b>0</b>	<b>1,312</b>	<b>0</b>	<b>45</b>	<b>1,357</b>	<b>0</b>	<b>9,596</b>	<b>4,184</b>	<b>13,780</b>	
Gains on revaluation			0	0				0		
Losses on revaluation			(516)	0				0		
Amounts recycled to the I&E Account after impairment			0	0				0		
<b>Surplus arising on revaluation of financial assets</b>			<b>(516)</b>					<b>0</b>		
<b>Net gain/(loss) for the year</b>	<b>(14,973)</b>	<b>1,312</b>	<b>(516)</b>	<b>45</b>		<b>(15,613)</b>	<b>9,596</b>	<b>4,171</b>		

(1) Fair Value through the Income and Expenditure Account: at the beginning of the financial year, the Council withdrew its holdings from the cash fund managers and in January 2010, replaced some of the funds placed with Investec, which holds funds as part of a portfolio of identified financial instruments that can be managed together and are acquired principally for the purpose of selling or repurchasing in the near term. The prices quoted for the holdings are the bid prices. The fund manager's portfolio has been accounted for at Fair Value through the Income and Expenditure Account and changes in fair value have been credited to the Income and Expenditure Account.

(2) Available for sale Assets: the Council purchased a holding of £37.7 million of Gilts maturing in November 2010. These are held as available for sale assets and are valued at the year end with reference to the price quoted by the Debt Management Office at the close of business on 31 March. The loss on revaluation has been recognised in the Statement of Total Recognised Gains and Losses.

#### 42. 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.
- The carrying amount is assumed to approximate to fair value.

The fair values are calculated as follows:

	31 March 2010		31 March 2009	
	Carrying amount £'000s	Fair value £'000s	Carrying amount £'000s	Fair value £'000s
<b>PWLB Debt</b>	<b>182,345</b>	<b>226,794</b>	194,998	252,045
<b>Loans and Receivables</b>				
Money market loans < 1 year	86,366	86,366	174,786	174,786
Money market loans > 1 year	0	0	0	0
Gilts < 1 year	39,099	39,099	0	0
<b>Total Loans and receivables</b>	<b>125,465</b>	<b>125,465</b>	174,786	174,786

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 Public Works Loan Board (PWLB) new borrowing rate as the discount factor. If the premature redemption rate were to be used the fair value would be £234,102 (£260,209 as at 31 March 2009).

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

At 31 March 2010, all loans and receivables are repayable within one year. Therefore, the carrying amount is assumed to be approximate fair value; the figures for both years include accrued interest. The prevailing comparator market rates have been taken from indicative investment rates at the Balance Sheet Date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference is likely to be immaterial.

### 43. 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;
- the Council's maximum and minimum exposures to fixed and variable rates;
- the Council's maximum and minimum exposures for the maturity structure of its debt;
- the Council's maximum annual exposures to investments maturing beyond a year; and
- 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 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 councillors.

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 Annual Treasury Strategy.

The following analysis summarises the Council'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 2010 £000s	Historical experience of default %	Adjustment for market conditions at 31 March 2010 %	Estimated maximum exposure to default £000s
Deposits with banks and financial institutions				
AAA rated counterparties	135,422	0	0	0
AA rated counterparties	30,023	0	0	0
A rated counterparties	26	0	0	0
Other counterparties	0	0	0	0
	165,471			0

Whilst the ongoing 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.

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 provides access to longer term funds, it also acts as a lender of last resort to local authorities (although it will not provide funding to an authority whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. Therefore, there is no significant risk that the Council 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 Annual Treasury Strategy 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	12,654
Between one and two years	12,148
Between two and five years	20,253
Between five and ten years	36,108
Between ten and fifteen years	47,327
More than fifteen years	66,509
	194,999

The maturity analysis of financial assets is as follows:

£000s	
Less than one year	165,510
Between one and two years	0
Between two and three years	0
More than three years	0
	165,510

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 rate: 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 affect 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 Strategy draws together the 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 per cent 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	(2,532)
Impact on Income and Expenditure Account	(2,532)
Increase in Government grant receivable for financing costs	0
Share of overall impact debited to the HRA	116
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)	17,444

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

**Price risk:** the Council, excluding the pension fund, does not 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

	2009/10 £'000	2008/09 £'000	Notes
<b>INCOME</b>			
Dwellings Rents (Gross)	31,829	31,106	
Non-Dwellings Rents (Gross)	3,524	3,618	
Charges for Services and Facilities	9,476	9,408	
Contributions towards Expenditure	482	526	
Housing Revenue Account Subsidy Receivable (including the MRA element)	5,715	4,557	13
Government Grant Deferred	1,118	157	
<b>TOTAL INCOME</b>	<b>52,144</b>	<b>49,371</b>	
<b>EXPENDITURE</b>			
Repairs and Maintenance	11,721	12,141	
Supervision and Management	18,245	18,412	
Rents Rates and Taxes and Other Charges	178	141	
Depreciation and Impairments of Fixed Assets:			
-on dwellings	6,623	6,266	10
-on non-dwellings	140	118	10
-impairments	14,039	2,240	11
Debt Management Costs	125	109	
Bad Debt Provision made in Year	501	341	3
Revenue Expenditure Funded from Capital Under Statute	1,098	5,900	12
<b>TOTAL EXPENDITURE</b>	<b>52,670</b>	<b>45,668</b>	
<b>NET COST OF HRA SERVICES AS INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE ACCOUNT</b>	<b>526</b>	<b>(3,704)</b>	
HRA Services Share of Corporate and Democratic Core	42	44	
<b>NET COST OF HRA SERVICES</b>	<b>568</b>	<b>(3,659)</b>	
<b>HRA SHARE OF THE OPERATING INCOME AND EXPENDITURE INCLUDED IN THE WHOLE AUTHORITY INCOME AND EXPENDITURE ACCOUNT</b>			
Interest Payable and Similar Charges	12,913	13,330	9
Amortisation of Premiums and Discounts	0	0	9
Interest and Investment Income	(83)	(755)	
<b>(SURPLUS)/DEFICIT FOR THE YEAR ON HRA SERVICES</b>	<b>13,398</b>	<b>8,915</b>	

## STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

	2009/10 £'000	2008/09 £'000	Notes
(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	13,398	8,915	
Transfers to/(from) Major Repairs Reserve	(140)	(118)	
Contributions to/(from) Reserves	(512)	(29)	
Capital expenditure funded by the Housing Revenue Account	50	50	
Government Grants Deferred	1,118	157	
Impairment of Fixed Assets	(14,039)	(2,240)	11
Capital expenditure Amortised to Revenue	(1,098)	(5,900)	12
<b>(Increase) or decrease in the Housing Revenue Account Balance</b>	<b>(1,223)</b>	<b>836</b>	
Housing Revenue Account surplus brought forward	(9,372)	(10,208)	
Housing Revenue Account surplus carried forward	(10,595)	(9,372)	

## Notes to the Housing Revenue Account

### 1. Gross Rent Income

This is the total rental income due for the year after allowance is made for empty properties. In 2009/2010, income lost on empty properties comprised 1.57 per cent of gross rent debit (1.14 per cent in 2008/2009). Average rents, excluding service charges, were £88.81 a week in 2009/2010 (£86.50 in 2008/2009).

### 2. HRA Rent Rebates (Housing Benefits)

Assistance with rents is available under the Housing Benefits Scheme for those on low incomes. 67.2 per cent of the Council's tenants receive some help with the costs of rent. Total Housing Benefits received by the Council's tenants in 2009/2010 were £22.6m.

### 3. Provision for Bad or Doubtful Debts

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

	2010 £'000	2009 £'000
<b>Tenant Arrears</b>		
Gross Arrears	2,623	2,754
Net Arrears		
Former Tenants *	70	(72)
Current Tenants *	(824)	1,394
Net Arrears at 31 March	(754)	1,322

\* also includes credit balances representing Receipts in Advance

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

	2010 £'000	2009 £'000
<b>Other Arrears</b>		
Gross Arrears	6,836	7,597
Net Arrears		
Leaseholder Charges*	6,066	6,695
Commercial Properties	289	289
Net Arrears at 31 March	6,355	6,984

\* also includes credit balances representing Receipts in Advance

Provision for bad debts has been made as follows:

	2010 £'000	2009 £'000
<b>Provision</b>		
Provision at 1 April	3,974	3,658
Provision Made in Year	78	341
Write-offs during year	(189)	(25)
Provision at 31 March	3,863	3,974

The Bad Debt Provision in the Revenue Account includes in addition to the £78,000 provision made in year, additional legal costs and Major Works Refunds totaling £423,000.

### 4. Housing Stock

a. The Council was responsible for managing on average 6,924 tenanted dwellings during 2009/2010. The closing stock comprised the following:

	Nos.
Houses & Bungalows	154
Flats	6,726
Hostel Spaces (equivalent units)	44
Total	6,924

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

	2010 Nos.	2009 Nos.
Stock at 1 April	6,924	6,921
Add : New Properties	2	4
Less: Sales	0	1
Loss on Conversion of Units	2	0
Stock at 31 March	6924	6,924

### 5. Capital Value of HRA Assets

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

	As at 31 March 2010 £'000	As at 31 March 2009 £'000
<b>Operational Assets</b>		
- Land & Buildings	11,173	10,627
- Dwellings	572,236	445,351
- Other Assets	50	60
Total Operational Assets	583,459	456,038
Non Operational Assets	49,815	50,090
Total All Assets	633,274	506,128

\*At the 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 the economic cost to the Government of providing council housing at less than open market value.

### 6. Major Repairs Reserve

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1st April		6,242		7,109
<b>INCOME</b>				
Contribution from Hsg Revenue Account	6,623		6,384	
<b>EXPENDITURE</b>				
- Dwellings	10,699		7,251	
Surplus/(Deficit) for year		(4,076)		(867)
Balance at 31st March		2,166		6,242

**7. Capital Expenditure in Year**

Capital Expenditure	£'000	Funding Sources	£'000
Land	0	Borrowing	0
Dwellings			
– Enhancements	140		
– Enhancements Subsequently impaired	10,924	Capital Grants & Contributions	1,098
		Usable Capital Receipts	892
– REFCUS	1,098	Direct Revenue Financing	50
Other Property		Major Repairs Reserve	10,699
– Enhancements	577		
<b>Total Expenditure</b>	<b>12,739</b>	<b>Total Funding</b>	<b>12,739</b>

**8. Capital Receipts in Year**

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

	2009/10 £'000	2008/09 £'000
Land	0	0
Dwellings (net of sale expenses)	1,133	330
Other Property	982	1,800
Loan Repayments	33	13
<b>Total Receipts</b>	<b>2,148</b>	<b>2,143</b>

**9. Capital Charges in the HRA**

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

	2009/10 £'000	2008/09 £'000
Item 8 charge based on actual interest paid by RBKC	12,913	13,330
Value of amortised premia	0	0
<b>Total</b>	<b>12,913</b>	<b>13,330</b>

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:

	2009/10 £'000	2008/09 £'000
Intangible Assets	4	4
Operational Assets		
- Land and Buildings	136	114
- Dwellings	6,623	6,266
<b>Total Operational Assets</b>	<b>6,763</b>	<b>6,384</b>
Non Operational Assets	0	0
<b>Total all Assets</b>	<b>6,763</b>	<b>6,384</b>

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:

	2009/10 £'000	2008/09 £'000
Operational Assets		
- Dwellings	13,764	0
- Land/Buildings(non dwellings)	99	2,196
<b>Total Operational Assets</b>	<b>13,863</b>	<b>2,196</b>
Non Operational Assets	176	44
<b>Total all Assets</b>	<b>14,039</b>	<b>2,240</b>

**12. Revenue Expenditure Funded from Capital under statute (REFCUS)**

This included capital expenditure on non-asset related items and capital spending as directed by the Secretary of State not deemed to add capital value.

	2009/10 Net Expenditure £'000	2008/09 Net Expenditure £'000
Capital Expenditure written to revenue	1,098	5,900

**13. HRA Subsidy**

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

	2009/10 £'000	2008/09 £'000
Received in –year	5,929	4,333
Prior year adjustment	60	163
<b>Total Received</b>	<b>5,989</b>	<b>4,496</b>
Due:-		
- Management and Maintenance	17,202	17,231
- Rents	(32,362)	(33,668)
- Interest on receipts	(7)	(11)
- Debt Charges	10,784	11,100
- ALMO Allowance	3,475	3,475
- Major Repairs Allowance	6,623	6,266
<b>Total Due</b>	<b>5,715</b>	<b>4,393</b>
Prior year adjustment	60	163
<b>Total Due</b>	<b>5,775</b>	<b>4,556</b>
<b>Amount due to/(from) Government</b>	<b>214</b>	<b>(60)</b>

## COLLECTION FUND REVENUE ACCOUNT

	2009/10 £'000	2008/09 £'000	Notes
<b>INCOME</b>			
Income from Council Tax	95,994	94,345	3
<u>Transfers from General Fund</u>			
- Council Tax Benefits	13,027	11,858	
- Transitional Relief			3
Income Collectable from Business Ratepayers	207,653	195,345	2
<b>TOTAL INCOME</b>	<b>316,674</b>	<b>301,548</b>	
<b>EXPENDITURE</b>			
<u>Precepts</u>			
- Royal Borough of Kensington & Chelsea	77,499	74,673	
- Greater London Authority	30,687	30,518	
Total Precepts	108,186	105,191	
<u>Business Rates</u>			
- Payment to National Pool	207,056	194,747	
- Costs of Collection	597	598	
<u>Bad and Doubtful Debts/Appeals</u>			
- Write offs	2,373	1,461	
- Provisions	(1,928)	654	
<u>Contributions</u>			
- Towards Previous Years Estimated Collection Fund Surplus	516	521	
<b>TOTAL EXPENDITURE</b>	<b>316,800</b>	<b>303,172</b>	
<b>MOVEMENT ON FUND BALANCE</b>	<b>(126)</b>	<b>(1,624)</b>	

COLLECTION FUND RESERVE	£'000	£'000	
Balance at beginning of year	36	1,660	
Movement on Fund Balance	(126)	(1,624)	
Balance at end of year	(90)	36	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 Rates, Government Grants and payments to both precepting authorities and 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 uniform rate poundage. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR Pool) managed by the 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:

	2009/10 £'000	2008/09 £'000
Non-domestic rates due	220,191	215,220
Less allowances and other adjustments		
- Transitional Relief	1,586	(856)
- Mandatory Reliefs	(9,913)	(11,930)
- Empty Property Reliefs	0	(4,842)
- Discretionary Reliefs	(304)	(147)
- Provision for Bad Debts	(3,676)	(1,527)
- Transfer to General Fund	(231)	(573)
Collectable from Bus. Rate payers/Net Contribution to Pool	207,653	195,345

The National Non Domestic Rateable Value at 31 March 2010 was £489,019.77. The standard NNDR multiplier for 2009/10 was 48.5 pence (46.2 pence in 2008/09). The Small Business Rate Relief multiplier for 2009/10 was 48.1 pence (45.8 pence for 2008/09).

### 3. Council Tax

The tax base for the Financial Year 2009/10 was calculated as follows:

Band	Capital Valuation £'000	Number Of Dwellings	Number of Discounted Dwellings	Multiplier	Add back 2 <sup>nd</sup> Home Discount	Discounted Band D Equivalents
A	0 - 40	1,057	775	6/9	15	532
B	40 - 52	3,411	2,602	7/9	27	2,051
C	52 - 68	9,080	7,205	8/9	144	6,548
D	68 - 88	13,428	10,548	1	300	10,848
E	88 - 120	13,206	10,568	11/9	476	13,393
F	120 - 160	11,859	9,599	13/9	574	14,440
G	160 - 320	19,743	16,066	15/9	1,425	28,201
H	over 320	14,359	12,360	18/9	1,064	25,785
		86,143	69,723		4,025	101,798

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 Band D charge of £1,079.12 (£1,055.27 in 2008/09). The amounts credited to the Collection Fund are analysed as follows:

	2009/10 £'000	2008/09 £'000
Charges for the year including Garden Charges	130,941	127,491
Less - Exemptions	(21,920)	(21,288)
- Council Tax Benefit	(13,027)	(11,858)
Net Charges Payable	95,994	94,345

### 4. Council Tax Precept Adjustments

The estimated balance on the Collection Fund as at 15 January 2010 has to be distributed amongst or collected from the precepting authorities. Although the deficit on the Collection Fund was £90k at the 31 March, the sum of £430k will be additionally debited to the account in 2010/11 by way of payments to precepting authorities. The adjustment of £516k in 2009/10 represents the release of the estimated surplus as at 31 March 2009.

## 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 organisations 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.

	2009/10			2008/09		
	Exp £'000	Income £'000	Net £'000	Exp £'000	Income £'000	Net £'000
<b>Trading Operation</b>						
<b>Family and Children's Services</b>						
Professional Development Centre Catering	215	210	(5)	239	244	5
Professional Development Centre Course Conferences	427	413	(14)	332	353	21
Pupil Support Services	767	580	(187)	839	668	(171)
<b>Transport, Environment and Leisure Services</b>						
Street Trading	727	812	85	703	761	58
Holland Park Theatre	2,882	2,213	(669)	2,770	2,199	(571)
<b>Corporate Services</b>						
Cash Collection	450	467	17	454	515	61
<b>Planning and Borough Development</b>						
Building Control	1,382	1,131	(251)	1,428	1,352	(76)
<b>TOTAL (DEFICIT)/SURPLUS</b>	<b>6,850</b>	<b>5,826</b>	<b>(1,024)</b>	<b>6,765</b>	<b>6,092</b>	<b>(673)</b>

# PENSION FUND

## Introduction

1. The Council's Pension Fund is 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 Council 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 14.
3. The total numbers of active members and beneficiaries at 31 March were as follows:

	2010	2009
Active Members	3,588	3,519
Pensioners and Dependents	2,235	2,158
Former Employees - Deferred Benefits	3,271	3,116
<b>Total</b>	<b>9,094</b>	<b>8,793</b>

## 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 2009).

### 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, but bid prices have been quoted since 2008/09. 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 2009 valuation of the investment assets and the cash cost of new investments made between 1 January and 31 March 2010.

The only derivative contract not forming part of the managed funds at 31 March 2010 was a forward currency contract. The valuation of this was completed 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 per cent 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 that 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

	2009/10 £'000	2008/09 £'000	Notes
<b><u>Dealings with members and employers</u></b>			
<b>INCOME - Contributions</b>			
Employers' Contributions	21,101	20,662	2
Employers' Deficit Funding Contributions	0	0	
Employers' Contributions-Early Retirements	1,910	1,258	3
Employees' Contributions	6,855	6,612	2
Transfer Values Received	3,130	3,258	
Other Income	0	0	
<b>TOTAL INCOME</b>	<b>32,996</b>	<b>31,790</b>	
<b>EXPENDITURE – Pension Benefits</b>			
<b>Benefits Payable</b>			
Pensions	13,881	12,806	4/5
Lump Sums	4,765	4,217	5
<b>Payments to and on behalf of leavers</b>			
Refund of Contributions	36	51	
Transfer Values Paid	4,983	2,486	
<b>Pension Administration and other expenses</b>	<b>509</b>	<b>562</b>	<b>6</b>
<b>TOTAL EXPENDITURE</b>	<b>24,174</b>	<b>20,122</b>	
<b>Net (Addition)</b>	<b>8,822</b>	<b>11,668</b>	
<b><u>Returns on Investments</u></b>			
Investment Income	8,683	13,201	7
Other Investment Income	1	8	
Change in Market Value (Realised and Unrealised)	115,167	(100,322)	
Taxation (Irrecoverable Withholding Tax)	(284)	(281)	
Investment Management Expenses	(1,682)	(1,558)	
<b>Net Returns on Investments</b>	<b>121,885</b>	<b>(88,952)</b>	
Net Increase / (Decrease) in the Fund during the Year	130,707	(77,284)	
Opening Net Assets of the Fund	332,319	409,603	
<b>Closing Net Assets of the Fund</b>	<b>463,026</b>	<b>332,319</b>	

## NET ASSETS STATEMENT

	2010		2009		Notes
	%	£'000	%	£'000	
<b>INVESTMENT ASSETS</b>					
<b>Fixed Interest Securities</b>					8-12
UK Public Sector	0.0%	0	8.6%	28,534	
Overseas Other Sovereign	0.0%	0	0.0%	0	
<b>Index-Linked Securities</b>					
UK Public Sector	0.0%	0	9.4%	31,287	
UK Other	0.0%	0	0.2%	670	
<b>Equities</b>					
United Kingdom	30.2%	139,759	25.8%	85,768	
Overseas	31.4%	145,218	28.2%	93,737	
<b>Pooled Investment Vehicles</b>					
Overseas Equities	8.4%	38,899	5.5%	18,411	
UK Index-Linked gilt Fund	10.4%	47,939	0.0%	0	
UK Corporate Bond Fund	0.0%	0	8.8%	29,364	
UK Property	4.5%	20,850	3.0%	9,854	
Overseas Private Equity	3.4%	15,808	3.1%	10,169	
<b>Derivative Contracts</b>	0.0%	0	0.0%	6	
<b>Cash</b>					
Non-Current (with Managers)	1.5%	6,865	2.2%	7,203	
Current (held directly by Fund)	10.1%	46,943	5.0%	16,461	
<b>Accrued Investment Income</b>	0.3%	1,512	0.4%	1,461	13
<b>Current Assets</b>					
Contributions due	0.0%	135	0.0%	111	13
<b>Current Liabilities</b>					
Accrued Fees Due	-0.1%	(285)	-0.1%	(297)	13
Accrued Lump Sums Payable	-0.1%	(617)	-0.1%	(420)	13
<b>Net Assets and Liabilities</b>	<b>100.0%</b>	<b>463,026</b>	<b>100.0%</b>	<b>332,319</b>	

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 31 March 2009 £'000	Purchases at Cost £'000	Sales Proceeds £'000	Change in Market Value £'000	Market Value at 31 March 2010 £'000
Alliance Bernstein Global Equities	92,400	61,171	(52,389)	43,504	144,686
Baillie Gifford Global Equities	111,844	33,375	(25,175)	58,133	178,177
Legal and General	0	6,000	0	694	6,694
M&G Bonds	90,096	23,144	(73,768)	8,467	47,939
ING Property	10,494	9,300	0	2,239	22,033
Adams Street Private Equity	10,169	3,717	(207)	2,130	15,809
<b>Total Investments</b>	<b>315,003</b>	<b>136,707</b>	<b>(151,539)</b>	<b>115,167</b>	<b>415,338</b>
Debtors	1,572				1,647
Creditors	(717)				(902)
Cash (Held Directly by Fund)	16,461				46,943
<b>Net Assets</b>	<b>332,319</b>				<b>463,026</b>

## 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 million. The Investment Movement Summary shows how the valuation of assets has changed between 31 March 2009 and 31 March 2010.

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

(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 per cent over a period of 13 years, as set out in the Funding Strategy Statement.

(d) On the basis of a funding level of 85 per cent, the employers' common contribution rate for the whole Fund was set at 20.2 per cent of pensionable pay from 1 April 2008 to 31 March 2011. A notable change since the 2004 valuation is that the Fund has been unpoled 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 31 March 2010.

2. Contributions were received from the following sources:

Body	Employer's 2009/10 £'000's	Employer's 2008/09 £'000's
Administering Authority	17,805	17,248
Admitted Bodies	2,537	2,649
Scheduled Bodies	759	765
<b>Total</b>	<b>21,101</b>	<b>20,662</b>
Of which deficit funding through payroll	6,791	7,501

Body	Employee's 2009/10 £'000's	Employee's 2008/09 £'000's
Administering Authority	5,690	5,529
Admitted Bodies	894	824
Scheduled Bodies	271	259
<b>Total</b>	<b>6,855</b>	<b>6,612</b>

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 (including all pension and lump sum payments):

Body	2009/10 £'000's	2008/09 £'000's
Administering Authority	17,334	15,569
Admitted Bodies	1,192	1,399
Scheduled Bodies	120	55
<b>Total</b>	<b>18,646</b>	<b>17,023</b>

Payments to pensioners exclude potential liabilities in respect of nine 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 £70k while the value of pension payments which could be claimed amounted to approximately £200k at 31 March 2010.

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

Payment Type	2009/10 £'000's	2008/09 £'000's
Commutation of Pensions and Lump Sum Retirement Benefits	4,153	3,482
Lump Sum Death Benefits	612	735
<b>Total</b>	<b>4,765</b>	<b>4,217</b>

6. **Related Party Transactions**

Pension Administration and other expenses were £509k and included: the costs of administering pension entitlements; contributions and etc; the apportioned costs of Corporate Finance time spent on pension administration; and 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 2008/09 and 2009/10.

7. **Summary of Investment Income**

	2010 £'000's	2009 £'000's
Income from Fixed Interest Securities**	(315)	1,087
Income from Index Linked Securities**	(151)	583
Dividends from Equities	8,224	7,813
Income from Property	394	524
Income from Derivatives	0	1,544
Income from Private Equity	207	293
Interest on Cash Deposits	324	1,357
Subtotal	<b>8,683</b>	<b>13,201</b>
Income from Pooled Investment Vehicles*	1,135	2,329
<b>Total Investment Income</b>	<b>9,818</b>	<b>15,530</b>

\* 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.

\*\* These show as negative as there was a large accrual in 2008/09. With the sale of segregated bonds in May most of the income (£690k) for 2009/10 is included with income from pooled investment vehicles.

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. 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 or obtained from the Executive Director for Finance, Information Systems and Property.

### 11. Investments

The market value of assets under management at 31 March, excluding debtors and creditors, was as follows:

Managed by	2010		2009	
	£ ' 000	% of Total	£ ' 000	% of Total
Alliance Bernstein	144,687	31.3	92,400	27.8
Baillie Gifford	178,177	38.5	111,844	33.7
Legal and General	6,694	1.4	0	0.0
M and G	47,939	10.4	90,096	27.2
ING	22,033	4.8	10,494	3.2
Adams Street*	15,808	3.4	10,169	3.1
<b>Total Managers</b>	<b>415,338</b>	<b>89.8</b>	<b>315,003</b>	<b>95.0</b>
RBKC Cash Inv**	46,943	10.2	16,461	5.0
<b>Total Net Assets</b>	<b>462,281</b>	<b>100.0</b>	<b>331,464</b>	<b>100.0</b>

\*The valuation is taken from the 31 December 2009 valuation of the investment assets and the cash cost of new investments made between 1 January and 31 March 2010.

\*\*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.

12. The level of activity in the Fund's investments at cost during 2009/10 is shown in the Investment Movement Summary.

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.

### 13. Net Current Assets

Amounts due to and from the Fund at the Balance Sheet Date have been included within the Fund Account as follows:

<b>Current Liabilities</b>	<b>£'000</b>
Accrued Fees Due	285
Accrued lump sum payments	617
<b>Total</b>	<b>903</b>
<b>Current Assets</b>	<b>£'000</b>
Dividends and Interest	1,417
Tax on overseas dividends	95
Accrued Income	135
<b>Total</b>	<b>1,647</b>

### 14. 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  
Chelsea Academy

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

### 15. 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 £533k was invested by members of this fund in this way during 2009/10.

## LONDON RESIDUARY BODY TRANSFERRED FUNCTIONS INCOME AND EXPENDITURE ACCOUNT

	2009/10			2008/09	Notes
	Gross Exp £'000	Income £'000	Net Exp £'000	Net Exp £'000	
<b>INCOME AND EXPENDITURE ON SERVICES</b>					
General Costs	12	0	12	15	
Adjustment to Other Provisions	218		218	(128)	
Adjustment to Assets and Liabilities	0	0	0	9	1
Insurance	0	0	0	0	2
Interest	0	17	(17)	(156)	3
<b>TOTAL EXPENDITURE ON SERVICES</b>	<b>230</b>	<b>17</b>	<b>213</b>	<b>(260)</b>	
Surplus/(Deficit) for the year			(213)	260	

## STATEMENT OF MOVEMENT ON THE LONDON RESIDUARY BODY BALANCE

	2009/10 £'000	2008/09 £'000	Notes
Balance brought forward at 1 April	4,519	4,259	
Surplus(Deficit) for the year on Income and Expenditure Account	-213	260	
<b>TOTAL ASSETS</b>	<b>4,306</b>	<b>4,519</b>	

## LONDON RESIDUARY BODY TRANSFERRED FUNCTIONS BALANCE SHEET

	2010 £'000	2009 £'000	Notes
<b>CURRENT ASSETS</b>			
Current Debtors	1	1	2
Temporary Investment with Royal Borough	4,523	4,520	
<b>TOTAL ASSETS</b>	<b>4,524</b>	<b>4,521</b>	
<b>CURRENT LIABILITIES</b>			
Creditors	0	2	4
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>4,524</b>	<b>4,519</b>	
<b>LONG TERM LIABILITIES</b>			
Provisions	218	0	1
<b>TOTAL ASSETS LESS LIABILITIES</b>	<b>4,306</b>	<b>4,519</b>	
<b>REPRESENTED BY</b>			
London Residuary Body Balance	4,306	4,519	
<b>TOTAL NET WORTH</b>	<b>4,306</b>	<b>4,519</b>	

## Notes to the London Residuary Body

### Introduction

The Council inherited functions relating to local government in inner-London 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 Council was given endowments for Education Awards, Late Rating Claims and Other Functions, from which the net spending has been met. The Council is required to determine whether the sum left is sufficient to meet future expenditure and whether it is possible to distribute any projected excess of this to the inner-London boroughs or, if it is not sufficient, to request funds from the inner-London 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 adjustment to provisions in 2008/09 related to 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 adjustments to debtors in Note 2 below) has also been written off as irrecoverable.

A requirement to provide for identified public liability claims has arisen and the table below shows the sum set aside to cover any resulting claims.

Balance at 31 March	2010	2009
	£'000	£'000
Public Liability Claims	218	0

2. The debtors figure is made up of:

A debtor relating to an education claim (counter to the provision in Note 1) was written off in 2008/09 as it was thought to be no longer recoverable.

The provision for bad debts was written back to revenue in 2008/09 to reflect the low level of sundry debts and the receipts history to 31 March 2009.

3. Interest on the endowment has been calculated at money market rates. The reduction in interest reflects the ongoing fall in external money market rates since September 2008.
4. 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 2010. In addition, estimated claims amounting to £130,000 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 was to fund the anticipated costs in 2009/10 of implementing the Equal Pay agreement.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		470		0
<b>INCOME</b>				
Contributions from Revenue Accounts	0		470	
<b>EXPENDITURE</b>				
Releases to General Fund	470		0	
Surplus/(Deficit) for year		(470)		470
Balance at 31 March		0		470

### ASC SEVERANCE RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		242		0
<b>INCOME</b>				
Contributions from Revenue Accounts	0		400	
<b>EXPENDITURE</b>				
Releases to General Fund	242		158	
Surplus/(Deficit) for year		(242)		242
Balance at 31 March		0		242

### BETTER CITY LIFE RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		2,224		1,655
<b>INCOME</b>				
Unspent balance transferred from West Chelsea Initiative reserve.	0		98	
Contributions from Revenue Accounts	300		600	
<b>EXPENDITURE</b>				
Releases to General Fund	61		129	
Surplus/(Deficit) for year		239		569
Balance at 31 March		2,463		2,224

### BRIDGE REPAIRS RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		146		161
<b>INCOME</b>				
Contribution from Revenue Accounts	0		0	
<b>EXPENDITURE</b>				
Releases to General Fund	0		15	
Surplus/(Deficit) for year		0		(15)
Balance at 31 March		146		146

### 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.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		3		0
<b>INCOME</b>				
Contribution from General Fund	9		15	
<b>EXPENDITURE</b>				
Environmental Projects	0		12	
Surplus/(Deficit) for year		9		3
Balance at 31 March		12		3

### 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 the cost of specific projects

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		1,923		2,059
<b>INCOME</b>				
Transfer from General Fund	1,656		1,250	
<b>EXPENDITURE</b>				
Releases to General Fund	722		1,386	
Transfer to Other Reserves				
Surplus/(Deficit) for year		934		(136)
Balance at 31 March		2,857		1,923

### BUILDING ALTERATIONS RESERVE

The object of the reserve is to provide finance for special repairs and maintenance works. Contributions 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.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		290		345
INCOME				
Contributions from Revenue Accounts	0		0	
EXPENDITURE				
Releases to General Fund	290		55	
Surplus/(Deficit) for year		(290)		(55)
Balance at 31 March		0		290

### CANALSIDE HOUSE RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		53		53
INCOME				
Contributions from Revenue Accounts	0		0	
EXPENDITURE				
Releases to General Fund	24		0	
Surplus/(Deficit) for year		(24)		0
Balance at 31 March		29		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.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		63,716		64,040
INCOME				
Contribution from General Fund	10,693		8,148	
EXPENDITURE	11,281		8,472	
Surplus/(Deficit) for year		(588)		(324)
Balance at 31 March		63,128		63,716

### CAR PARKING RESERVE

The Car Parking Reserve is controlled by the provisions in the Highways Act 1980, Road Traffic Regulation Act 1984, the Greater London Authority Act 1999 and the Traffic Management Act 2004. The object of the reserve 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, highways improvements and environmental improvements.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		37,686		38,502
INCOME				
Surplus on Car Parking Account	21,223			22,197
EXPENDITURE				
Contribution to Revenue Capital	21,703			21,498
Contribution to Capital	5,382			1,515
Surplus/(Deficit) for year		(5,862)		(816)
Balance at 31 March		31,824		37,686

### 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.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		1,500		2,000
INCOME				
Transfer from Revenue	0		0	
EXPENDITURE	1,000		500	
Surplus/(Deficit) for year		(1,000)		(500)
Balance at 31 March		500		1,500

### COMMUNICATION RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		107		122
<b>INCOME</b>				
Contributions from Revenue Accounts	51		100	
<b>EXPENDITURE</b>				
Releases to General Fund	72		115	
Surplus/(Deficit) for year		(21)		(15)
Balance at 31 March		86		107

### COMMUNITY SAFETY RESERVE

To fund community safety initiatives within the Royal Borough.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		82		82
<b>INCOME</b>				
Contributions to fund	0		0	
<b>EXPENDITURE</b>				
Payments to projects	0		0	
Surplus/(Deficit) for year		0		0
Balance at 31 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.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		521		848
<b>INCOME</b>				
Contributions from General Fund	165		124	
<b>EXPENDITURE</b>				
Releases to General Fund	342		451	
Surplus/(Deficit) for year		(177)		(327)
Balance at 31 March		344		521

### COST REDUCTION RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		2,942		3,000
<b>INCOME</b>				
Contributions from Revenue Accounts	00		0	
<b>EXPENDITURE</b>				
Capital Financing	941		58	
Surplus/(Deficit) for year		(941)		(58)
Balance at 31 March		2,001		2,942

### DEMAND GROWTH RESERVE

A resource to meet the effects of volatile demands on budgets has been created to increase the Council's financial resilience.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		5,297		5,297
<b>INCOME</b>				
Contributions from Revenue Accounts	0		0	
<b>EXPENDITURE</b>				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		0		0
Balance at 31 March		5,297		5,297

### ECONOMIC DEVELOPMENT RESERVE

Contributions are made up of surplus rents income from Baseline Studios. The reserve funds schemes that will benefit the local community.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		154		154
<b>INCOME</b>				
Surplus on Business Units	0		146	
<b>EXPENDITURE</b>				
Transfer to Strategic Regeneration Reserve re LAGBI grant	0		9	
Cost of Economic Development Team	0		137	
Surplus/(Deficit) for year		0		0
Balance at 31 March		154		154

### EXCELLENCE ALL ROUND RESERVE

This reserve is for service improvement initiatives.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		0		0
INCOME				
Performance Reward Grant	3,264		0	
EXPENDITURE	133		0	
Surplus/(Deficit) for year		3,131		0
Balance at 31 March		3,131		0

### 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.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		437		202
INCOME				
Contributions from Revenue Accounts	0		300	
EXPENDITURE				
Capital Financing	137		65	
Surplus/(Deficit) for year		(137)		235
Balance at 31 March		300		437

### INSURANCE RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		6,116		6,667
INCOME				
Transfer from General Fund	0		239	
EXPENDITURE				
Releases to General Fund	1,280		790	
Surplus/(Deficit) for year		(1,280)		(551)
Balance at 31 March		4,836		6,116

### 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.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		17		21
INCOME				
Contributions from Revenue Accounts	0		0	
EXPENDITURE				
Releases to General Fund	7		4	
Surplus/(Deficit) for year		(7)		(4)
Balance at 31 March		10		17

### 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.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		250		250
INCOME				
Contributions from Revenue Accounts	0		0	
EXPENDITURE				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		0		0
Balance at 31 March		250		250

### LOCAL ELECTIONS RESERVE

Funds set aside by the Council each year to cushion the financial effect of the Local Government Elections. The balance on the reserve, as shown below, is at 31 March 2010 and therefore does not include any expenditure relating to the 2010 local elections.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		200		125
INCOME				
Contributions from Revenue Accounts	75		75	
EXPENDITURE				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		75		75
Balance at 31 March		275		200

### LOCAL INITIATIVES RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		4,942		4,942
<b>INCOME</b>				
Contributions from Revenue Accounts	0		0	
<b>EXPENDITURE</b>				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		0		0
Balance at 31 March		4,942		4,942

### MANRESA ROAD 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.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		0		250
<b>INCOME</b>				
Contributions from Revenue Accounts	0		0	
<b>EXPENDITURE</b>				
Releases to General Fund	0		250	
Surplus/(Deficit) for year		0		(250)
Balance at 31sMarch		0		0

### MARKET IMPROVEMENT RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		55		22
<b>INCOME</b>				
Contributions to fund	0		33	
<b>EXPENDITURE</b>				
Releases to General Fund	3		0	
Surplus/(Deficit) for year		(3)		33
Balance at 31 March		52		55

### MORTUARY RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		74		74
<b>INCOME</b>				
Contributions from Revenue Accounts	0		0	
<b>EXPENDITURE</b>				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		0		0
Balance at 31 March		74		74

### PENSION FUND REVALUATION RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		0		5,376
<b>INCOME</b>				
Contributions from Revenue Accounts	0		0	
<b>EXPENDITURE</b>				
Releases to General Fund	0		5,376	
Surplus/(Deficit) for year		0		(5,376)
Balance at 31 March		0		0

### PRIVATE HEALTH CARE RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		0		14
<b>INCOME</b>				
Contributions from Revenue Accounts	0		44	
<b>EXPENDITURE</b>				
Releases to General Fund	0		58	
Surplus/(Deficit) for year		0		(14)
Balance at 31 March		0		0

### PROPERTY STRATEGY RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		1,811		2,030
<b>INCOME</b>				
Contributions from Revenue Accounts	0		0	
<b>EXPENDITURE</b>				
Releases to General Fund	178		219	
Capital Financing				
Surplus/(Deficit) for year		(178)		(219)
Balance at 31 March		1,633		1,811

### PUBLIC ART RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		102		102
<b>INCOME</b>				
Contributions from Revenue Accounts	0		0	
<b>EXPENDITURE</b>				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		0		0
Balance at 31 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.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		3,599		3,599
<b>INCOME</b>				
Contributions from Revenue Accounts	398		607	
<b>EXPENDITURE</b>				
Releases to General Fund	144		607	
Surplus/(Deficit) for year		254		0
Balance at 31 March		3,853		3,599

### RISK MANAGEMENT RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		339		189
<b>INCOME</b>				
Transfer from General Fund	0		150	
<b>EXPENDITURE</b>				
Releases to General Fund	110		0	
Surplus/(Deficit) for year		(110)		150
Balance at 31 March		229		339

### SERVICE RISKS RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		4,279		3,300
<b>INCOME</b>				
Contributions from Revenue Accounts	1,065		2,666	
<b>EXPENDITURE</b>				
Releases to General Fund	631		1,687	
Surplus/(Deficit) for year		434		979
Balance at 31 March		4,713		4,279

### SEVERANCE RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		2,388		1,919
<b>INCOME</b>				
Contributions from Revenue Accounts	1,126		600	
<b>EXPENDITURE</b>				
Releases to General Fund	429		131	
Surplus/(Deficit) for year		697		469
Balance at 31 March		3,085		2,388

### 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 costs of major works to the property are fully funded, when they arise.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		17		16
INCOME				
Contributions from Revenue Accounts	1		1	
EXPENDITURE				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		1		1
Balance at 31 March		18		17

### SPECIFIC GRANT LOSS RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		2,738		2,910
INCOME				
Contributions from Revenue Accounts	0		0	
EXPENDITURE				
Releases to General Fund	172		172	
Surplus/(Deficit) for year		(172)		(172)
Balance at 31 March		2,566		2,738

### STANDARDS FUND CARRY FORWARD RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		0		132
INCOME				
Contributions from Revenue Accounts re various Standards Fund Grants	0		0	
EXPENDITURE			132	
Surplus/(Deficit) for year		0		(132)
Balance at 31 March		0		0

### STRATEGIC REGENERATION RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		13,922		13,333
INCOME				
Contributions from Revenue Accounts	254		1,636	
EXPENDITURE				
Releases to General Fund	473		1,047	
Surplus/(Deficit) for year		(219)		589
Balance at 31 March		13,703		13,922

### STREET TRADING ACCOUNT RESERVE

Income is derived from permanent and temporary street trading 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.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		135		77
INCOME				
Contributions to Fund	85		58	
EXPENDITURE				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		85		58
Balance at 31 March		220		135

### SUPPORTING PEOPLE RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		4,597		3,965
INCOME				
Contributions from Revenue Accounts	1,108		632	
Transfer from Budget Carry Forward Reserve				
EXPENDITURE			0	
Releases to General Fund	1,000		0	
Surplus/(Deficit) for year		108		632
Balance at 31 March		4,705		4,597

### 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 that 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 per cent 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.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		1,070		1,070
<b>INCOME</b>				
Contributions from Revenue Accounts	0		0	
<b>EXPENDITURE</b>				
Releases to General Fund	0		0	
Surplus/(Deficit) for year		0		0
Balance at 31 March		1,070		1,070

### WEST CHELSEA INITIATIVE RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		0		98
<b>INCOME</b>				
Rent received	0		0	
<b>EXPENDITURE</b>				
Payments to projects	0		98	
Surplus/(Deficit) for year		0		(98)
Balance at 31 March		0		0

### HRA - CONTROLLED REPAIRS RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		258		264
INCOME				
Contribution from Hsg Revenue Account	0		0	
EXPENDITURE				
Expenditure on Repairs	126		6	
Surplus/(Deficit) for year		(126)		(6)
Balance at 31 March		132		258

### HRA LANCASTER WEST ESTATE MANAGEMENT BOARD RESERVE

The reserve relates to under-spent grant that is earmarked to the Estate Management Board under the terms of its management agreement with the Council.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		523		547
INCOME				
Contribution from Hsg Revenue Account	0		139	
EXPENDITURE	355		163	
Surplus/(Deficit) for year		(355)		(24)
Balance at 31 March		168		523

### HRA - MAJOR REPAIRS RESERVE

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		6,242		7,109
INCOME				
Contribution from Hsg Revenue Account	6,623		6,384	
EXPENDITURE	10,699		7,251	
Surplus/(Deficit) for year		(4,076)		(867)
Balance at 31 March		2,166		6,242

### BANKED LEAVE PROVISION

A sum has been set aside within the 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.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		34		59
<b>INCOME</b>				
Contributions to fund	0		0	
<b>EXPENDITURE</b>				
Release to Revenue re payments to third parties	10		25	
Surplus/(Deficit) for year		(10)		(25)
Balance at 31 March		24		34

### EQUITY SHARE SCHEME PROVISION

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		21		21
<b>INCOME</b>				
Contribution from General Fund	0		0	
<b>EXPENDITURE</b>				
	0		0	
Surplus/(Deficit) for year		0		0
Balance at 31 March		21		21

### HOUSING ASSOCIATIONS PROVISION

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

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		9		9
<b>EXPENDITURE</b>				
Losses written off	0		0	
Contribution to General Fund	0		0	
Surplus/(Deficit) for year		0		0
Balance at 31 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 to provide a resource 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.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		2,384		2,031
<b>INCOME</b>				
Provision for Future Claims	1,869		1,013	
<b>EXPENDITURE</b>				
Release to Revenue	771		239	
Previous Years' Claims Settled	0		421	
Surplus/(Deficit) for year		1,098		353
Balance at 31 March		3,482		2,384

### 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.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		933		933
<b>INCOME</b>				
Contribution from General Fund	0		0	
<b>EXPENDITURE</b>				
Payments made to clients	205		0	
Surplus/(Deficit) for year		(205)		0
Balance at 31 March		728		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.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Balance at 1 April		102		728
INCOME				
Provision for Future Claims	0		0	
EXPENDITURE				
Release to Revenue	43		626	
Surplus/(Deficit) for year		(43)		(626)
Balance at 31 March		59		102



**SECTION 4**

**REVENUE ACCOUNT  
SERVICE DETAILS**



## FAMILY AND CHILDREN'S SERVICES

FAMILY AND CHILDREN'S SERVICES	2009/10			2008/09		
	Exp £'000	Inc £'000	Net £'000	Exp £'000	Inc £'000	Net £'000
<b>EDUCATION SERVICES</b>						
Corporate and Democratic Core	320	0	320	308	0	308
Directorate, Initiatives, Management and Support Services	809	260	549	572	158	414
Community Learning Management and Support Services	207	207	0	200	200	0
Extended Services	3,127	650	2,477	2,807	764	2,043
Youth Support and Development Services	6,399	1,004	5,394	6,622	1,258	5,364
Adult and Family Learning	2,451	1,822	629	2,105	1,492	613
Central London Connexions	1,364	1,364	0	1,260	1,260	0
Family Services Management and Support Services	213	213	0	420	420	0
Child Protection	1,341	242	1,099	1,315	156	1,159
The Virtual School	565	0	565	421	0	421
Fostering And Adoption	3,035	189	2,846	3,041	189	2,852
Youth Justice	1,683	754	929	1,560	490	1,070
Children's Social work	4,725	10	4,715	4,832	0	4,832
Parenting	3,750	0	3,750	3,534	0	3,534
Unaccompanied Asylum Seeking Children	1,171	1,381	(209)	1,355	1,547	(192)
Leaving Care	2,272	277	1,996	2,252	608	1,644
In House Children's Homes and Flats	2,386	51	2,335	2,376	35	2,341
Other Services-Family Support	1,231	303	927	1,092	82	1,009
Promoting and Assessments	1,779	0	1,779	1,885	0	1,885
Complex Health Needs And Disability - Social Work	1,841	83	1,759	2,157	77	2,080
Complex Health Needs And Disability - Parenting	1,173	0	1,173	689	47	642
Complex Health Needs And Disability - Promoting and Assessments	819	202	617	584	75	509
Complex Health Needs And Disability - Other Assessments	1,307	133	1,175	1,278	70	1,208
Strategy, Commissioning and Performance	1,659	694	966	1,119	513	606
School Meals Management Contract	2,461	2,547	(85)	2,228	2,268	(40)
Children's Centres	4,099	1,807	2,293	3,867	1,285	2,582
Early Years Nursery Education	1,684	0	1,684	0	0	0
Early Years Administration and Management	1,516	911	605	3,392	1,565	1,827
Early Years Outreach	2,346	1,993	353	2,041	1,668	373
Schools Strategic Management	4,298	719	3,579	4,500	705	3,795
Facilitating School Improvement	5,738	1,712	4,027	6,444	1,652	4,792
Placements and Recoupment	6,474	5,684	790	6,022	5,759	263
Special Home to School Transport	1,889	22	1,867	1,829	21	1,808
Pupil Referral Unit	1,575	42	1,533	2,045	45	2,000
Education Welfare	1,188	2	1,186	1,013	1	1,012
School's Admission	345	0	345	462	0	462
Access, Inclusion and Other	3,506	509	2,996	3,006	597	2,408
Nursery Schools (Formula)	3,468	961	2,508	3,337	810	2,527
Primary Schools (Formula)	41,452	3,154	38,299	41,680	3,566	38,114
Secondary Schools (Formula)	24,917	4,403	20,514	25,759	4,666	21,093
Special Schools (Formula)	4,739	435	4,305	4,608	489	4,119
Dedicated School Grant	657	74,170	(73,513)	113	72,251	(72,137)
<b>TOTAL CHILDREN'S AND EDUCATION SERVICES</b>	<b>157,981</b>	<b>108,906</b>	<b>49,075</b>	<b>156,127</b>	<b>106,788</b>	<b>49,339</b>
<b>CULTURAL AND RELATED SERVICES</b>						
Corporate and Democratic Core	8	0	8	7	0	7
Extended Services	426	87	339	390	85	305
Youth Support and Development Services	870	366	504	865	272	593
Library Services	7,058	408	6,650	7,481	387	7,093
<b>TOTAL CULTURAL AND RELATED SERVICES</b>	<b>8,362</b>	<b>861</b>	<b>7,501</b>	<b>8,743</b>	<b>744</b>	<b>7,998</b>
<b>TOTAL FAMILY AND CHILDREN'S SERVICES</b>	<b>166,343</b>	<b>109,767</b>	<b>56,576</b>	<b>164,870</b>	<b>107,532</b>	<b>57,337</b>

## HOUSING HEALTH AND ADULT SOCIAL CARE

HOUSING, HEALTH AND ADULT SOCIAL CARE	2009/10			2008/09		
	Exp £'000	Inc £'000	Net £'000	Exp £'000	Inc £'000	Net £'000
<b><u>HOUSING SERVICES</u></b>						
Registered Social Landlords	(181)	431	(613)	1,466	135	1,331
Housing Advances	0	0	0	1	6	(5)
Homelessness	17,533	14,982	2,551	17,115	14,685	2,430
Housing Strategy	499	0	499	394	0	394
Supporting People	11,544	10,753	791	11,192	10,925	267
Other Council Property	0	0	0	13	4	9
Corporate and Democratic Core	38	0	38	61	0	61
<b>TOTAL HOUSING SERVICES</b>	<b>29,433</b>	<b>26,167</b>	<b>3,266</b>	<b>30,242</b>	<b>25,755</b>	<b>4,487</b>
<b><u>ENVIRONMENTAL HEALTH</u></b>						
Food and Training	1,248	171	1,077	1,334	146	1,187
Trading Standards	463	8	455	475	14	460
Environmental Quality	813	79	733	744	51	693
Health and Safety	695	4	691	705	4	701
Mortuary, Coroners and Pest Control Services	1,134	251	883	977	233	744
Noise and Nuisance	1,486	5	1,481	1,694	4	1,691
Housing Private Sector	2,344	453	1,891	2,320	383	1,936
Corporate and Democratic Core	84	0	84	83	0	83
<b>TOTAL ENVIRONMENTAL HEALTH</b>	<b>8,266</b>	<b>970</b>	<b>7,296</b>	<b>8,332</b>	<b>835</b>	<b>7,495</b>
<b><u>ADULT SOCIAL CARE</u></b>						
Service Strategy	301	0	301	274	0	274
Older People	34,838	7,398	27,440	34,785	6,613	28,172
Adults with a Physical Disability	6,419	524	5,895	6,355	488	5,867
Adults with Learning Disabilities	15,417	6,851	8,566	12,666	4,123	8,543
Adults Under 65 with Mental Health Needs	9,887	1,683	8,203	9,876	1,596	8,280
Other Adult Services	2,710	947	1,763	2,709	1,090	1,619
Supported Employment	40	0	40	34	0	34
Public Transport	5,586	25	5,561	5,649	86	5,564
Corporate and Democratic Core	84	0	84	114	0	114
<b>TOTAL ADULT SOCIAL CARE</b>	<b>75,283</b>	<b>17,430</b>	<b>57,853</b>	<b>72,462</b>	<b>13,996</b>	<b>58,467</b>
<b>TOTAL HOUSING, HEALTH AND ADULT SOCIAL CARE</b>	<b>112,982</b>	<b>44,567</b>	<b>68,415</b>	<b>111,036</b>	<b>40,586</b>	<b>70,449</b>

## PLANNING AND BOROUGH DEVELOPMENT

PLANNING AND BOROUGH DEVELOPMENT	2009/10			2008/09		
	Exp £'000	Inc £'000	Net £'000	Exp £'000	Inc £'000	Net £'000
<b><u>PLANNING SERVICES</u></b>						
Development Control, Planning Information and Land Charges	3,697	2,148	1,549	4,182	1,391	2,791
Policy Team	1,026	98	928	1,105	3	1,102
Design and Conservation	789	4	786	966	38	929
Arboriculture	732	0	731	768	6	762
Strategic Sites	272	21	251	0	0	0
<b><u>BUILDING CONTROL</u></b>	<b>1,894</b>	<b>1,193</b>	<b>701</b>	<b>1,921</b>	<b>1,382</b>	<b>539</b>
<b><u>CENTRAL SERVICES</u></b>						
Corporate and Democratic Core	260	0	260	284	0	284
<b>TOTAL PLANNING AND BOROUGH DEVELOPMENT</b>	<b>8,670</b>	<b>3,464</b>	<b>5,206</b>	<b>9,226</b>	<b>2,820</b>	<b>6,407</b>

## TRANSPORT, ENVIRONMENT AND LEISURE SERVICES

TRANSPORT, ENVIRONMENT AND LEISURE SERVICES	2009/10			2008/09		
	Exp £'000	Inc £'000	Net £'000	Exp £'000	Inc £'000	Net £'000
<b><u>CULTURAL, ENVIRONMENTAL, REGULATORY AND PLANNING SERVICES</u></b>						
Licensing Team	1,018	674	344	1,006	622	385
Environmental Strategy	640	3	637	308	(2)	311
Economic Development	100	0	100	73	0	73
<b><u>WASTE MANAGEMENT AND LEISURE</u></b>						
Operations - Cleansing	11,891	140	11,751	11,734	136	11,598
Commercial Waste and Revenue Services	2,441	4,656	(2,215)	2,497	4,774	(2,276)
Waste Disposal	8,229	0	8,229	7,575	0	7,575
Recycling	2,378	80	2,298	2,429	91	2,338
Regulation of Street Trading	727	812	(85)	704	761	(57)
Traders Stores and Market Development	176	185	(9)	83	178	(95)
Carnival and Other Events	889	211	678	863	158	704
Sports Centres	1,026	264	762	1,131	176	954
Parks and Open Spaces	4,336	242	4,094	4,298	218	4,080
Cemeteries	703	809	(106)	676	815	(138)
Arts Development and Support	658	72	586	763	127	636
Holland Park Theatre	2,883	2,213	669	2,770	2,199	571
Museums and Galleries	833	191	642	862	226	637
<b><u>HIGHWAYS, ROADS AND TRANSPORT SERVICES</u></b>						
<b><u>TRANSPORTATION AND HIGHWAYS</u></b>						
Highway Maintenance	10,702	1,159	9,543	10,777	1,244	9,533
Public Lighting	2,136	48	2,089	2,366	36	2,329
Rechargeables and Other Street Works	725	601	124	646	338	308
Traffic Section	2,206	96	2,109	2,464	180	2,284
Transportation and Road Safety	1,518	660	858	1,100	368	732
Car Parking Off-Street	971	1,528	(557)	1,100	1,748	(648)
Car Parking On-Street	14,711	36,029	(21,318)	15,371	37,580	(22,209)
<b><u>WASTE MANAGEMENT AND LEISURE</u></b>						
Operations - Cleansing	1,345	0	1,345	1,318	0	1,318
Parks and Open Spaces	10	0	10	10	0	10
<b><u>CENTRAL SERVICES</u></b>						
Corporate and Democratic Core	292	0	292	301	0	301
Non Distributed Costs	133	0	133	0	0	0
<b>TOTAL TRANSPORT, ENVIRONMENT AND LEISURE SERVICES</b>	<b>73,677</b>	<b>50,673</b>	<b>23,003</b>	<b>73,225</b>	<b>51,973</b>	<b>21,254</b>

## CORPORATE SERVICES

CORPORATE SERVICES	2009/10			2008/09		
	Exp £'000	Inc £'000	Net £'000	Exp £'000	Inc £'000	Net £'000
<b>CULTURAL, ENVIRONMENTAL, REGULATORY AND PLANNING SERVICES</b>						
Community Safety	3,974	1,527	2,447	3,763	1,394	2,369
Economic Development	8,951	5,560	3,391	6,082	7,484	(1,402)
<b>GENERAL FUND HOUSING</b>	<b>157,765</b>	<b>155,145</b>	<b>2,620</b>	133,195	132,416	780
<b>CENTRAL SERVICES</b>						
Corporate and Democratic Core	9,851	3,606	6,245	9,298	729	8,569
Non Distributed Costs	2,000	63	1,937	2,223	100	2,123
<b>CENTRAL SERVICES TO THE PUBLIC</b>						
Local Tax Collection	3,655	1,449	2,206	3,106	1,473	1,633
Registrars	975	646	329	986	589	397
Elections	588	14	574	574	16	558
Emergency Planning	266	0	266	239	0	239
Local Land Charges	0	0	0	308	841	(533)
<b>TRADING SERVICES</b>						
Cash Collection Contract	450	469	(19)	454	515	(61)
<b>TOTAL CORPORATE SERVICES</b>	<b>188,475</b>	<b>168,479</b>	<b>19,996</b>	160,228	145,557	14,672

## **Additional Information**

Website address – [www.rbkc.gov.uk](http://www.rbkc.gov.uk)

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