



LONDON BOROUGH OF
RICHMOND UPON THAMES

STATEMENT OF ACCOUNTS

For the year ending 31st March 2002

Mark Maidment CPFA
Director of Finance and
Corporate Services

INDEPENDENT AUDITOR'S REPORT TO THE LONDON BOROUGH OF RICHMOND UPON THAMES

I have audited the statement of accounts on pages 1 to 40 which has been prepared in accordance with the accounting policies applicable to local authorities. The statement of accounts comprises the Authority's accounts on pages 1 to 30 and 39 to 40, which have been prepared in accordance with the accounting policies set out on pages 5 to 7 and the Pension Fund accounts, on pages 31 to 38, which have been prepared in accordance with the accounting policies set out on page 34.

Respective responsibilities of the Chief Finance Officer and auditors

As described on page 39, the Chief Finance Officer is responsible for the preparation of the statement of accounts. My responsibilities as independent auditor are established by statute, the Code of Audit Practice Issued by the Audit Commission and my profession's ethical guidance. I report to you my opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Authority.

Basis of opinion

I carried out my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards.

My audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also included an assessment of the significant estimates and judgements made by the Authority in the preparation of the statement of accounts 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 that I consider necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts is 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 statement of accounts.

Opinion on the Authority's accounts

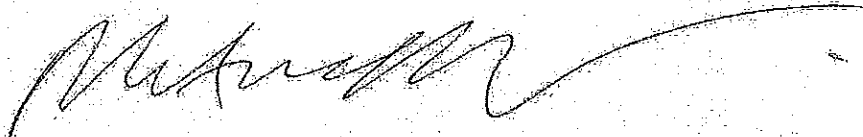
In my opinion, the statement of accounts presents fairly the financial position of the London Borough of Richmond upon Thames at 31 March 2002 and its income and expenditure for the year then ended.

Opinion on the Pension Fund accounts

In my opinion, the statement of accounts presents fairly the financial transactions of the London Borough of Richmond upon Thames Pension Fund during the year ended 31 March 2002, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Certificate

I have carried out 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. The audit cannot be concluded and an audit certificate issued until issues raised by members of the public have been considered. I am satisfied that the amounts involved will not have a material impact on the statement of accounts.



Michael Haworth-Maden
District Auditor
District Audit
4th Floor, Millbank Tower
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20 December 2002

1. EXPLANATORY FOREWORD

1.1 INTRODUCTION

The Council's accounts for the year ended 31st March 2002 are set out on the following pages of this publication and include:

<u>Section number</u>	<u>Description</u>
1	Explanatory Foreword
2	Statement of Accounting Policies
3	Housing Revenue Account
4	Consolidated Revenue Account
5	Trading Accounts
6	Collection Fund Accounts
7	Home Loans Unit Accounts
8	Consolidated Balance Sheet
9	Cash Flow Statement
10	Pension Fund Accounts
11	Statement of Responsibilities
12	Statement of Total Movements in Reserves
13	Corporate Governance Statement

Each section is supported, where appropriate, by explanatory notes.

Further information concerning these accounts is available from the Director of Finance and Corporate Services by telephoning 020-8891-7171 or by writing to:

Director of Finance and Corporate Services
 London Borough of Richmond upon Thames
 Civic Centre
 44 York Street
 Twickenham
 TW1 3BZ

1.2 EXPLANATION OF CONTENTS

1.2.1 Statement of Accounting Policies

This explains the basis on which the figures in the accounts are presented.

1.2.2 Housing Revenue Account

This account shows the costs of providing Council housing. The Council is required by statute to keep this account separately from all other Council revenue accounts. Following the sale of the Housing Stock in July 2000, this account has been closed with effect from 31st March 2002.

1.2.3 Consolidated Revenue Account

This account summarises the overall revenue position of the Council including General Fund services, the Housing Revenue Account, Trading Accounts and any other Council operations.

1.2.4 Trading Accounts

The legislation governing Direct Service and Direct Labour Organisations was repealed with effect from January 2000. However, the Council has decided to continue operating some of the organisations on a trading account basis and retain the existing reporting structure. Other former Direct Service Organisations have been reintegrated into the General Fund Services.

1.2.5 Collection Fund Accounts

These accounts record the transactions of the Council in relation to local taxation and non-domestic rates. They also show the distribution of income to preceptors and the Council's General Fund.

1.2.6 Home Loans Unit Accounts

The Council took over responsibility for the ex GLC mortgage portfolio in 1988. Surpluses on the account are distributed to the London Boroughs.

1.2.7 Consolidated Balance Sheet

This shows the year end financial position of the authority and includes information such as balances and reserves at the authority's disposal, its long term indebtedness, the fixed and net current assets employed together with summarised information on the fixed assets held. Trust Funds and the Pension Fund are not included in this account.

1.2.8 Cash Flow Statement

This statement summarises the inflows and outflows of cash from transactions with third parties for revenue and capital purposes.

1.2.9 Pension Fund Accounts

This account gives a summary view of the funds transactions in the year and of its assets at year-end.

1.2.10 Statement of Total Movement in Reserves

This statement brings together all of the recognised gains and losses of the Authority and identifies those, which have not been recognised in the Consolidated Revenue Account.

1.2.11 Statement of Responsibilities

This sets out the respective responsibilities of the Authority and the Chief Financial Officer for the Statement of Accounts.

1.2.12 Corporate Governance Statement

This explains the measures that are in place to ensure that the Authority conducts its business in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for.

1.3 SIGNIFICANT FEATURES IN THE ACCOUNTS1.3.1 General Fund Revenue AccountSummary General Fund Revenue Account

	<u>Actual</u> <u>2000/01</u> <u>£000</u>	<u>Actual</u> <u>2001/02</u> <u>£000</u>
Net Cost of Services	153,625	165,867
Minimum Revenue Provision (Net)	-1,200	-2,506
Interest and Investment Income	-2,711	-3,239
Asset Management Revenue Account	-6,021	-9,473
Housing Insurance Fund	-1,000	0
Transfer of HRA Surplus	0	-8,453
Contribution to Bad Debt Provision	1,000	2,000
Contribution to Earmarked Reserves	0	5,239
Net write offs/ons of old balances	-342	0
Appropriations	-3,338	-5,204
Total Borough Expenditure	140,013	144,231
Revenue Support Grant	-21,604	-25,726
Non domestic rates	-51,829	-52,114
Precept on Collection Fund	-64,710	-70,136
Surplus from Collection Fund	-3,750	0
Deficit/Surplus (-) for the Year	-1,880	-3,745

2001/02 financial year was yet another challenging one for the Council. The budget for the year reflected the continuing drive to stabilise the Council's financial position and to increase the levels of reserves and bad debt provisions.

Overall, the outturn position was broadly in line with the budget despite a significant overspend in Social Services and to a lesser degree in Education. This was possible because of underspends in Housing, Corporate Services, Environment and Treasury Management. In addition, the closure of the Housing Revenue Account, following on from the transfer of the housing stock to Richmond Housing Partnership, yielded a revenue balance of £8.453m which was transferred to the General Fund.

The Council has been able to increase its general bad debt provision by £2.0m, create an Infrastructure Reserve (to address high priority works) of £2.6m, create a Social Housing Reserve of £1.3m (to compensate for the loss of usable capital receipts) and increase its general reserves by £2.9m to £5.5m.

1.3.2 Housing Revenue Account

A summary of the Housing Revenue Account is shown below. A full version of this account appears in Section 3 of this document.

	<u>Actual</u> <u>2000/01</u> <u>£000</u>	<u>Actual</u> <u>2001/02</u> <u>£000</u>
Gross Expenditure	11,525	1,134
Capitalisation	-3,432	-5,262
Gross Income	-10,895	-127
Surplus (-)/Deficit for the year	<u>-2,802</u>	<u>-4,255</u>

The Council transferred its housing stock to Richmond Housing Partnership (RHP) in July 2000. The Council received a gross capital receipt of £59.5m. The balance of the receipt after paying the Government levy and writing off the revenue and capital costs associated with the transfer was £44.5m of which £31.8m was reserved for the repayment of outstanding debt and £12.7m was available to fund projects within the Council's Capital Programme. The usable balance now stands at £8.377m after financing schemes in the 2001/02 capital programme and the impact of the capitalisation transaction. (A Social Housing Reserve has been established to compensate for the impact of this transaction). In accordance with the permission granted by the Secretary of State, the Housing Revenue Account was closed on the 31st March 2002. The accumulated revenue surplus was transferred to the General Fund.

1.3.3 Capital Expenditure

Capital expenditure for 2001/02 is summarised below:

<u>Committee</u>	<u>2001/02</u> <u>Budget</u> <u>£000</u>	<u>2001/02</u> <u>Outturn</u> <u>£000</u>	<u>2001/02</u> <u>Variance</u> <u>£000</u>
Education	5,350	3,747	-1,603
Resources	3,671	3,309	-362
Environment	7,204	5,472	-1,732
Social Services	513	653	140
Housing	4,439	4,049	-390
	<u>21,177</u>	<u>17,230</u>	<u>-3,947</u>

The underspend has arisen mainly because of slippage in the programme (Westfields School £0.8 m, New Deal for Schools £0.3m, ITPG schemes £0.4m, Community Safety £0.2m, Planned Maintenance Budgets £0.1m).

2. STATEMENT OF ACCOUNTING POLICIES

2.1 General Principles

The general principles adopted in the compilation and presentation of these accounts are those recommended by the Chartered Institute of Public Finance and Accountancy. The policies set out below do not apply to the Pension Fund Accounts which have their own statement of accounting policies.

2.2 Accruals

The accounts, both revenue and capital, are prepared on an income and expenditure basis. They include, therefore, all sums receivable and all sums payable by the Council whether or not the cash has been received or paid. There are two exceptions to this principle. Firstly, electricity and similar regular payments are charged on the date of the meter readings rather than being apportioned between financial years. Secondly, interest due but not yet paid on certain historical loans from the Public Works Loans Board is treated on a cash basis. Both of these exceptions are applied consistently each year and they have no material effect on the accounts.

2.3 Reserves and provisions

In accordance with FRS 12, (Accounting for Provisions), provisions are established where it can be determined that a transfer of economic benefits may be likely to occur. Provisions are mainly incurred for bad and doubtful debts.

Following the closure of the Housing Revenue Account and the end of Compulsory Competitive Tendering, the Council holds two sets of revenue balances, namely the General Fund and Schools balances. The General Fund is a general contingency fund to meet revenue expenditure. The Schools' balances represent the accumulated balances of all the borough's schools and may only be used by the schools.

The Council maintains Insurance Funds to meet claims in respect of Council housing and to cover the £27,500 excess on other policies. Provisions are also made for bad and doubtful debts.

The Council has, this year, created three new earmarked reserves. The first is for Infrastructure Works (£2.6m) which is intended to enable the Council to undertake high priority works identified in the Asset Management Plan. The second is for Social Housing (£1.3m) which is intended to finance social housing projects and compensates for the loss of usable capital receipts arising from the capitalisation transaction in the Housing Revenue account (see Section 3). The third is a provision for outstanding HRA liabilities (£1.3m).

In addition, the Council maintains a Fixed Asset Restatement Reserve and a Capital Financing Reserve as required by the Code of Practice on Local Authority Accounting. These reserves are technical in nature and do not represent funds available to the Council.

2.4 Basis of recording fixed assets in the balance sheet

Expenditure on the acquisition, creation, or enhancement of fixed assets is capitalised on an accruals basis.

Operational assets of a specialised nature, where no general market exists, have been valued on a depreciated replacement cost basis. Non-specialist operational properties, where there is considered to be a general market, have been valued on an open market value for existing use basis. Non operational properties have been valued on an open market value basis.

Infrastructure and Community Assets such as roads and parks, which, in the past, were assigned nominal values, have been assigned values based on actual capital expenditure over past years.

2.5 Deferred charges

There are certain items of capital expenditure within the accounts which do not result in the creation or enhancement of an asset e.g. improvement grants, welfare adaptations. Such expenditure is classified as a deferred charge. Deferred charges are required to be written off to the Revenue Account over an appropriate period. In the majority of cases the appropriate period is deemed to be 1 year. There is a corresponding appropriation to the revenue account such that there is no effect on the level of local taxation. There is one exception to this policy relating to a premium on early repayment of PWLB loans which will be written down over 21 years

2.6 Basis of charges made to revenue account for fixed assets

With the exception of the Housing Revenue Account, charges to all revenue accounts for the use of fixed assets are made such that the charges, as a minimum, cover the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to the net amount at which the asset is included in the balance sheet. All assets are depreciated according to their estimated life on a straight line basis. Investment properties and buildings are depreciated over 50 years and infrastructure assets over 40 years.

Under FRS11 (Accounting for Impairments) the Council would be required to carry out annual impairment reviews for assets with lives greater than 50 years which are not depreciated. An impairment is defined as being a material change in the value of an asset during the accounting period. The Authority is depreciating all appropriate assets over a maximum of 50 years and therefore does not have to undertake impairment reviews.

2.7 Capital receipts

The usable proportion of capital receipts from the disposal of assets are held in the capital receipts unapplied account until such time as they are used to finance capital expenditure. Interest on capital receipts unapplied is credited to the General Fund and Housing Revenue Account. The reserved part of the capital receipts is held in the capital financing reserve until used to repay debt. An exception to this principle in the Home Loans Unit accounts is detailed in note 7.3.2 in Section 7 of this document.

2.8 Basis of valuation of stocks and work in progress

Stocks are valued on a weighted average basis, taking account of all items in stock at their purchase cost. Work in progress is stated at cost. This policy is not strictly in accordance with the SORP, which requires stock and work in progress to be valued at the lower of cost or net realisable value. However the impact of this is not considered to be material.

2.9 Extent to which support services are allocated

In accordance with the requirements of the Best Value Code of Accounting Practice (BVACOP), all relevant service support costs are fully allocated over frontline Services. However, certain central costs which are deemed to be either Corporate and Democratic Core, or Central Unallocated overheads are not recharged but held centrally.

SECTION 2

2.10 Investments

Investments are valued in the balance sheet at the lower of cost or Net Realisable Value.

2.11 Leases

Rentals on operating leases are charged to the appropriate revenue account on a straight-line basis over the operational life of the lease

2.12 Pensions

Richmond's Pension Fund is a funded, defined benefits scheme. The Accounting Policies and actuarial position of the Fund are disclosed in Section 10 of this document.

2.13 London Boroughs Grants Unit

The Council is 'lead borough' for the London Boroughs Grants Unit. A separate statement of accounts is prepared for the Unit and its financial affairs are, therefore, excluded from this document.

2.14 Home Loans Unit

On 14th November 1988 the Borough took over the domestic mortgage portfolio of the London Residuary Body. The transfer was effected by the London Government Reorganisation (Mortgages) Order 1988. The Home Loans Unit was established to administer the mortgage portfolio. Their accounts are included in this Statement.

2.15 Government Grants and Contributions

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant is credited initially to the Government Grant Deferred account. Amounts are released to the Asset Management Revenue Account over the useful life of the asset to match the depreciation charged on the asset to which the grant relates.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

3. HOUSING REVENUE ACCOUNT

3.1 Housing Revenue Account

	<u>2000/01</u> <u>£000</u>	<u>2001/02</u> <u>£000</u>
<u>INCOME</u>		
Dwelling Rents	-6,991	0
Other Rents	-188	-8
HRA Subsidy Receivable	-3,548	0
Housing Benefit Transfers	-21	0
Contribution from Housing Insurance Fund	0	0
Investment Income - Mortgage Interest	-147	-119
Total Income	-10,895	-127
<u>EXPENDITURE</u>		
Repairs and Maintenance	1,789	38
Supervision and Management	2,526	275
Capital Expenditure Charged to Revenue	-3,432	-5,262
Rent Rebates	3,907	0
HRA Subsidy Payable	3,100	0
Bad and Doubtful Debts	0	821
Capital Financing	203	0
Total Expenditure	8,093	-4,128
Surplus(-)/Deficit for the Year	-2,802	-4,255
Balance Brought Forward	-57	-4,198
Transfer to General Fund	0	-8,453
Balance Carried Forward	-2,859	0

3.2 Notes to the Housing Revenue Account

3.2.1 Capital Expenditure Financed From Revenue

As part of the transfer of the housing stock it is permissible to finance capital expenditure on the housing stock for the year of transfer and the preceding 2 financial years from the capital receipt. This resulted in a credit of £5.262m to the HRA. This is similar to a transaction carried out in 2000/01. The transaction has the additional effect of reducing the usable element of the LSVT receipt by £1.3m. A Social Housing Reserve has been established in the General Fund to compensate.

3.2.2 Closure of the HRA

The Council has received permission from the Secretary of State to close the HRA with effect from 31st March 2002. The outstanding balance on the HRA is therefore transferred to the General Fund and has been used to establish a £2.6m infrastructure reserve, the £1.3m social housing reserve as mentioned in paragraph 3.2.1, a contribution to the Council's bad debt provision of £1.0m with the remainder transferring into the General Fund balance.

4. CONSOLIDATED REVENUE ACCOUNT**4.1 Consolidated Revenue Account**

	<u>2001/02</u>	<u>2001/02</u>	<u>2001/02</u>	<u>2000/01</u>
	<u>Gross</u>	<u>Gross</u>	<u>Net</u>	<u>Net</u>
	<u>Exp're</u>	<u>Income</u>	<u>Exp're</u>	<u>Exp're</u>
	<u>£000s</u>	<u>£000s</u>	<u>£000</u>	<u>£000</u>
Education, Arts & Leisure	101,640	-22,520	79,120	75,631
Corporate Services	27,734	-21,969	5,765	16,998
Environment	48,851	-24,800	24,051	12,959
Housing General Fund	53,957	-44,943	9,014	6,302
Social Services	60,627	-19,523	41,104	41,246
Housing Revenue Account	1,134	-5,389	-4,255	-2,802
Central Unallocated Costs	2,115	0	2,115	489
Corporate & Democratic Core	4,698	0	4,698	0
Net Cost of Services	300,756	-139,144	161,612	150,823
Trading Activities deficit			0	240
Minimum Revenue Provision			-2,506	-1,200
Interest and Investment Income			-3,239	-2,711
Asset Management Revenue Account			-9,473	-6,021
Net Operating Expenditure			146,394	141,131
Appropriations				
Transfer to HRA Balances			-4,198	2,802
Contribution to/(from) Trading Activities			0	-240
Contribution to Bad Debt Provision			2,000	1,000
Contribution to Earmarked Reserves			5,239	0
Housing Insurance Fund			0	-1,000
Net write offs/ons of old balances			0	-342
Appropriations re deferred charges etc.			-5,204	-3,338
Amount to be met by Government				
Grants and Local Taxpayers			144,231	140,013
Sources of Finance				
Precept on Collection Fund			-70,136	-64,710
Revenue Support Grant			-25,726	-21,604
Non Domestic Rates			-52,114	-51,829
Collection Fund Surplus			0	-3,750
Income from General Grants and Council Tax			-147,976	-141,893
Surplus/Deficit			-3,745	-1,880
Opening Balance on General Fund			-4,981	-3,101
Closing Balance on General Fund			-8,726	-4,981
Closing Balance on School funds			-2,788	-2,330

4.2 Notes to the Consolidated Revenue Account4.2.1 Lease rentals

Please see note 8.2.5 to the Consolidated Balance Sheet for this information.

4.2.3 Publicity

	<u>2000/01</u>		<u>2001/02</u>	
	<u>Estimate</u>	<u>Actual</u>	<u>Estimate</u>	<u>Actual</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Public notices	44	47	45	26
Staff advertising	288	457	323	612
Other advertising	99	107	136	149

4.2.4 Asset Management Revenue Account

The transactions on this account can be summarised as follows:

	<u>2000/01</u>	<u>2001/02</u>
	<u>£000</u>	<u>£000</u>
Capital charges to revenue accounts	-14,391	-18,088
Depreciation	2,935	3,353
External interest payable	5,435	5,262
Net transfer	-6,021	-9,473

4.2.5 Minimum Revenue Provision

	<u>2000/01</u>	<u>2001/02</u>
	<u>£000</u>	<u>£000</u>
Housing – 2% of credit ceiling	392	0
Non housing - 4% of credit ceiling	2,811	2,294
Less:		
Adjustment for commuted loans	-1,076	-1,447
	<u>2,127</u>	<u>847</u>
Amount charged as depreciation	2,935	3,353
Amount charged to HRA (Item 8)	392	0
Additional charge to revenue account	-1,200	-2,506
	<u>2,127</u>	<u>847</u>

4.2.6 Pension Scheme

A total of £6.304m (£5.773m in 2000/01) was charged to the accounts in respect of employers contributions to the Pension Scheme. This represents 15.5% (13.5% in 2000/01) of pensionable pay. In addition, £0.337m special contributions in respect of early retirements were made (£1.577m in 2000/01). There were no discretionary payments.

£4.061m (£3.613m in 2000/01) was paid to the Teachers Pensions Agency.

4.2.7 Members Allowances

During the year, a total of £693k (£550k in 2000/01) was paid in Members Allowances.

4.2.8 Officers' emoluments

The number of officers whose emoluments exceed £40,000 are set out in the table below.

<u>Salary Range</u>	<u>No.</u>
£40k - £50k	165
£50k - £60k	28
£60k - £70k	13
£70k - £80k	2
£80k - £90k	4
£90k - £100k	1
£100 - £110	1

4.2.9 Related Party Transactions

There are no declarable related party transactions other than the following:

Councillor Knight is an employee of the Association of London Government to which the Council paid a subscription of £60,475 during 2001/02.

Councillor Carthew is an employee of the Greater London Authority to which the Council paid a precept of £12.482m in 2001/02.

Councillors Samuel, Mollett and B. Miller were trustees of the Richmond Theatre Trust during 2001/02. (See note 8.2.15 for financial details).

Councillor Arbour is a member of the GLA to which the Authority paid a precept of £12.482m in 2001/02.

Councillor Jean Matthews is a member of the Partnership Board of the Kingston Primary Care Trust. The Council paid £781k to the KPCT in 2001/02 in respect of 3 homes for people with learning difficulties. In addition KPCT paid the Council £50k in respect of shared administration costs.

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant element of its funding in the form of grants and prescribes the form of transactions that the Council has with other parties (e.g. housing benefits. Significant transactions with the Government are set out below:

	£000s
Revenue Support Grant	25,726
Income from Non Domestic Rates Pool	52,114
Housing Benefit Subsidy	29,902
Asylum Seeker Grants	9,394
Council Tax Benefit Subsidy	5,995
Social Services Grants	4,433
Education Grants	10,810
Environment Grants	2,974
Other Grants	628
TOTAL	141,976

4.2.10 Residential Care Homes PFI Project

The Council has entered into a PFI contract for the provision of residential care services for the elderly. The contract was signed with Care UK in March 2001 with responsibility for service provision transferring in April 2001. Currently the service is

provided on 5 sites – the project will rationalise the provision onto 3 sites by refurbishment, expansion and new build.

The 2 sites that will no longer be required will be sold – Care UK has guaranteed the sale value at £2.3m and the unitary payment has been reduced to reflect this. Without the inclusion of the sale of these 2 sites the unitary charge payable would have been higher for each year of the contract. A long-term debtor has been established to reflect this, each year this will be reduced and a charge made to the revenue account so that the full cost of the contract is recognised not just the element paid in the year.

The 3 redeveloped sites are leased to the Contractor for the 25-year contract period and are then handed back to the Council for a nil value at the end of the contract. It is assumed that the fair value of these sites at the end of year 25 has been added into the annual contract payments. The element of the annual payment that relates to the fair value is a prepayment for the buildings that are handed back to the Council in year 25. This is reflected in the long-term debtor account.

4.2.11 Building Control Account

BUILDING REGULATION CHARGING ACCOUNT (new charges)	Chargeable 2001/2002	Non Chargeable 2001/2002	Total 2001/2002
	£	£	£
EXPENDITURE			
Employee Costs	299,835	94,685	394,520
Premises	0	0	0
Transport	14,505	4,581	19,086
Supplies and Services	118,992	6,486	125,478
Third Party Payments	1,154	364	1,518
Support Costs	238,618	75,353	313,971
TOTAL EXPENDITURE	673,104	181,469	854,573
INCOME			
Building Regulations Charges	804,480	3,221	807,701
Other Income		3,039	3,039
TOTAL INCOME	804,480	6,260	810,740
(SURPLUS)DEFICIT FOR THE YEAR	-131,376	175,209	43,833

The local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement above shows the total cost of operating the Building Control Unit divided between chargeable and non chargeable activities.

5. TRADING ACCOUNTS

5.1 Summary Revenue Account

	<u>2000/01</u> <u>£000</u>	<u>2001/02</u> <u>£000</u>
<u>Expenditure</u>		
Labour	7,716	4,219
Materials	2,389	1,931
Sub - contractors	434	507
Transport	1,314	962
Capital charges	22	0
Overheads	1,207	619
Movement on work in progress	46	0
	<u>13,128</u>	<u>8,238</u>
<u>Income</u>		
Charges under works contracts	-12,888	-8,248
Surplus(-) or deficit for the year	<u>240</u>	<u>-10</u>

5.2 Notes to the Trading Accounts

5.2.1 Operations

Until January 2000 the Council operated two Direct Labour Organisations (DLOs) under the provisions of the Local Government Planning and Land Act 1980 and fourteen Direct Service Organisations (DSOs) under the provisions of the Local Government Act 1988 and the Local Government Act 1992. The Local Government Act 1999 abolished these requirements. However, the Council has chosen to maintain the following former DLOs and DSOs as trading accounts and the full year results are published below. All other former DLOs and DSOs were reintegrated into the General Fund Revenue Account. The table shows the turnover and surplus or deficit of the Council's DSOs and DLOs

	<u>Turnover</u> <u>2001/02</u> <u>£000</u>	<u>Surplus(-)</u> <u>or deficit</u> <u>2001/02</u> <u>£000</u>
Building Maintenance	1,901	-27
Highways	955	-4
Civic Catering	189	30
Teddington Pool	736	-81
Transport Workshops	674	-23
Refuse Collection	3,213	-19
Schools Catering	580	114
	<u>8,248</u>	<u>-10</u>

6. COLLECTION FUND ACCOUNTS6.1 Income and Expenditure Account

<u>2000/01</u> <u>£000</u>		<u>2001/02</u> <u>£000s</u>	<u>2001/02</u> <u>£000s</u>
<u>INCOME</u>			
-69,880	Income from Council Tax		-76,744
	Transfers from General Fund		
-6,266	Council Tax Benefits	-6,713	
-46	CTSBL ¹ contributions	-150	
			-6,863
-45,134	Income collected from Business Ratepayers		-47,436
<u>-121,326</u>			<u>-131,043</u>
<u>EXPENDITURE</u>			
	Precepts		
64,710	LBRUT	70,136	
10,129	Greater London Authority	12,482	
<u>74,839</u>			<u>82,618</u>
394	CTSBL contributions to General Fund		307
0	Adjustment to provision for bad debts		-782
	Contributions		
	Towards previous years estimated Collection		
4,290	Fund surplus		0
	Business Rate		
44,838	Payment to national pool	47,145	
295	Cost of collection allowance	291	
<u>45,133</u>			<u>47,436</u>
<u>124,656</u>			<u>129,579</u>
<u>3,330</u>	Movement on Fund Balance		<u>-1,464</u>
-3,869	Balance brought forward		-539
3,330	Surplus/deficit for the year		-1,464
<u>-539</u>	Balance carried forward		<u>-2,003</u>

1. CTBSL stands for Council Tax Benefit Subsidy Limitation

6.2 Notes to the Collection Fund Account6.2.1 General

This account reflects the statutory requirement for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax, national non-domestic rates and any residual community charge.

The year end surplus or deficit on the Collection Fund is distributed between the billing and precepting authorities on the basis of estimates made on the 15th January of the end of year balance.

6.2.2 National Non Domestic Rates (NNDR)

Non domestic rates are organised on a national basis. The Government specifies an amount, known as the multiplier which, when multiplied by the rateable value of the property, gives the amount payable for that property. The total rateable value for the borough, as at 31st March 2002 was £138,378,829. The national multiplier for 2001/02 was set at 43p in the pound. The borough is responsible for collecting amounts due from business ratepayers in its area but pays the proceeds into the national NNDR pool, which is administered by the Government. The money is distributed to local authorities on the basis of a fixed amount per head of adult population. The table below shows a reconciliation between the gross rate payable and the amount shown in the Collection Fund Account.

	<u>£000s</u>
Gross calculated yield	57,407
Transitional Allowances	-1,719
Mandatory Relief	-5,830
Gross Rate Yield	<u>49,858</u>
Apply buoyancy factor (0.977)	48,711
Losses in collection	-1,117
Discretionary Relief	-158
TOTAL	<u>47,436</u>

6.2.3 Calculation of Council Tax

The 2001/02 Council Tax was calculated as follows:-

	£	£
Borough Expenditure		147,819
GLA Precept		12,482
Total Expenditure		<hr/> 160,301
Estimated Collection Fund Surplus		0
Business Rates from National Pool		-52,114
Revenue Support Grant		-25,726
CTBSL		157
Total to be met from Council Tax		<hr/> 82,618
Divided by Council Tax Base		82,730.43
BAND D EQUIVALENT TAX		<hr/> 998.64

6.2.4 Council Tax Base

The 2001/02 Council Tax Base was calculated according to the following formula:

$$M - (P \times 25\%) + R \times S/T$$

where:

M is the number of chargeable dwellings for each band

P is the number of discounts applying in each band

R is the adjustment for the estimated changes in the number of dwellings and discounts

S/T is the proportion of Council Tax which dwellings in each band bear in relation to dwellings in band D

SECTION 6

Council Tax Base Calculation:-

Band	M	P	R	S / T
A	531 -	445 x 25% =	111.25 + 0 =	419.75 x 6 / 9 = 279.83
B	1,834 -	1,225 x 25% =	306.25 + 18 =	1,545.75 x 7 / 9 = 1,202.25
C	10,750 -	6,699 x 25% =	1,674.75 + 22 =	9,097.25 x 8 / 9 = 8,086.44
D	18,450 -	8,924 x 25% =	2,231.00 + 44 =	16,263.00 x 9 / 9 = 16,263.00
E	18,732 -	7,411 x 25% =	1,852.75 + 98 =	16,977.25 x 11 / 9 = 20,749.97
F	10,758 -	3,442 x 25% =	860.50 + 105 =	10,002.50 x 13 / 9 = 14,448.06
G	11,261 -	2,452 x 25% =	613.00 + 299 =	10,947.00 x 15 / 9 = 18,245.00
H	2,505 -	424 x 25% =	106.00 + 30 =	2,429.00 x 18 / 9 = 4,858.00
				0.00
				84,132.55
			Collection Rate	x 98.25%
				82,660.23
			Amount due from MOD	70.20
				82,730.43

The total Council Tax expected to be raised on the above calculation was £82.618m. The actual amount collected, after adjusting for Council Tax Benefit, was £83.607m a difference of £0.989m. After allowing for contributions and bad debt provisions, the fund showed a surplus of £0.767m for the year.

SECTION 7

7. HOME LOANS UNIT ACCOUNTS

7.1 Revenue Account

	<u>2000/01</u> <u>£000</u>	<u>2001/02</u> <u>£000</u>
<u>INCOME</u>		
Interest due		
-on advances to mortgagors	-622	-388
-on temporary investments	-600	-367
Other income		
-insurance commission	-90	-81
-rents	-84	-87
-miscellaneous	-311	-336
	<hr/> -1,707	<hr/> -1,259
<u>EXPENDITURE</u>		
Employees	149	189
Premises	25	26
Supplies and Services	95	62
Central Support Services	32	33
Agency & Contracted Services	35	5
Capital Financing Costs	950	646
	<hr/> 1,286	<hr/> 961
Surplus for the year	<hr/> -421	<hr/> -298
<u>APPROPRIATION OF SURPLUS</u>		
Balance brought forward	-429	-425
Surplus for the year	-421	-298
Distribution to London Boroughs	425	420
Balance carried forward	<hr/> -425	<hr/> -303

7.2 Balance Sheet

	<u>2000/01</u>		<u>2001/02</u>	
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<u>Current Assets</u>				
Temporary investments		9,608		4,938
Deferred debtors		6,650		4,471
Sundry debtors		475		379
Cash in Hand		328		327
		17,061		10,115
<u>Long Term Liabilities</u>				
Loans Outstanding		-10,000		-5,000
<u>Current Liabilities</u>				
Sundry creditors	-589		-391	
Cash overdrawn	-154		-140	
		-743		-531
<u>Provisions</u>		-220		-220
Total assets less liabilities		<u>6,098</u>		<u>4,364</u>
<u>Other Balances</u>				
Deferred capital receipts	-5,631		-3,840	
Revenue Account	-425		-303	
Appropriation Account	-31		-210	
Suspense	-11		-11	
		-6,098		-4,364
		<u>-6,098</u>		<u>-4,364</u>

7.3 Notes to the Home Loans Unit Accounts7.3.1 General

On November 14th 1988 the Authority took over responsibility for the ex-GLC mortgage portfolio which it administers on behalf of the London Boroughs. Any surplus arising from the operation is distributed amongst the London Boroughs.

7.3.2 Capital Receipts

Amounts are transferred from the deferred capital receipts account to capital receipts unapplied on the basis of amounts due. The amount received is transferred to the Appropriation Account for distribution.

7.3.3 Loan Repayments

Following the discontinuation of the Loans Pool, the HLU has incorporated into its balance sheet the outstanding PWLB debt for which it has responsibility. Interest payable on these loans is charged directly to the HLU Revenue Account.

SECTION 7

7.3.4 Capital Distribution

	<u>2000/01</u> <u>£000</u>	<u>2001/02</u> <u>£000</u>
Balance brought forward	-154	-31
Surplus for the year	-1,927	-2,009
	<u>-2,081</u>	<u>-2,040</u>
Amounts distributed to Boroughs	2,050	1,830
Balance carried forward	<u>-31</u>	<u>-210</u>

8. CONSOLIDATED BALANCE SHEET**8.1 Consolidated Balance Sheet**

<u>31.3.01</u> <u>£000</u>		<u>Note</u>	<u>31.3.02</u> <u>£000s</u>	<u>31.3.02</u> <u>£000s</u>
	Fixed Assets	8.2.4		
201,355	Other Land & Buildings		215,961	
65	Vehicles, Plant & Equipment		58	
2,118	Community Assets		2,250	
16,594	Infrastructure Assets		22,151	
11,577	Non Operational Assets		15,709	
<u>231,709</u>				<u>256,129</u>
427	Deferred Charges	8.2.1		405
563	Deferred Revenue Costs			0
2,250	Long Term Investments	8.2.6		2,250
	Long Term Debtors			
8,099	Mortgages		5,738	
384	Other		<u>2,821</u>	
				<u>8,559</u>
<u>243,432</u>	Total Long Term Assets			<u>267,343</u>
	Current Assets			
237	Stock & Work in Progress		204	
22,040	Debtors		23,726	
69,178	Investments	8.2.6	78,387	
-9,321	Cash and Bank		<u>-15,027</u>	
	Current Liabilities			87,290
-23,599	Creditors		-26,033	
-7,383	Temporary Loans		<u>-3,396</u>	
				<u>-29,429</u>
<u>294,584</u>	Total Assets Less Current Liabilities			<u>325,204</u>
-63,763	Long Term Borrowing	8.2.3		-60,755
-53	Deferred Creditor			-47
-853	Government Grant Deferred			-3,949
-6,986	Deferred Capital Receipts			-5,013
-369	Provisions	8.2.8		-910
<u>222,560</u>	Total Assets Less Liabilities			<u>254,530</u>
	Represented By:			
-19,582	Capital Receipts Unapplied	8.2.12		-16,585
-106,335	Capital Financing Reserve	8.2.12		-114,994
-84,748	Fixed Asset Restatement Reserve	8.2.12		-101,708
-3,061	Reserves and Holding Accounts			-10,008
	Revenue Balances			
-2,651	General Fund			-5,931
-2,330	Schools(Earmarked)			-2,788
-2,859	HRA			0
-455	Home Loans Unit			-513
-539	Collection Fund			-2,003
<u>-222,560</u>				<u>254,530</u>

SECTION 8

8.2 Notes to the Consolidated Balance Sheet

8.2.1 Summary of movement in deferred charges

Description	Bal. 1.4.01 £000s	Gross Exp £000s	Income £000s	Net Exp. £000s	Written down £000s	Bal. 31.3.02 £000s
Improvement Grants	0	1,340	-476	864	-864	0
Community Safety	0	397	0	397	-397	0
LAHAG Schemes	0	1,272	0	1,272	-1,272	0
Rent Allowances	0	821	0	821	-821	0
DIYSO	0	149	0	149	-149	0
Advances re Richmond Theatre	0	376	0	376	-376	0
Redundancy Costs	0	510	0	510	-510	0
Education - VA Schools	0	207	0	207	-207	0
Welfare Adaptations	0	131	0	131	-131	0
IT Software & Development	0	216	0	216	-216	0
PSA Schemes	0	364	0	364	-364	0
Non Allocable	0	539	0	539	-539	0
Other Minor Items	0	95	0	95	-95	0
PWLB Premium	427	0	0	0	-22	405
	427	6,417	-476	5,941	-5,963	405

8.2.2 Provision for Credit Liabilities

	2000/01 £000	2001/02 £000
Balance b/fwd	62,893	96,195
Reserved part of capital receipts	37,285	4,817
Minimum Revenue Provision	2,127	847
Loan Principal Repaid	-6,110	-7,009
Balance c/fwd	96,195	94,850

8.2.3 Long Term Borrowing

Source of Loan	Average Interest Rate 2001/02 %	Outstanding at 31st March	
		2001 £000s	2002 £000s
PWLB	8.32	55,848	52,848
Money markets	10.8	7,250	7,250
Other	5.45	665	656
		63,763	60,754

The analysis of maturity of loans is:

	31.3.01 £000s	31.3.02 £000s
Maturing:		
1 - 2 years	3,010	7,010
2 - 5 years	9,528	5,530
5 - 10 years	13,550	17,550
More than 10 years	37,675	30,664
	63,763	60,754

8.2.4 Analysis of fixed assets

	<u>31.3.01</u>	<u>31.3.02</u>
Land and Property		
Nursery schools	1	1
Primary schools	39	39
Secondary schools	8	8
Special schools	3	3
Child guidance centre	1	1
Youth and community centre	4	4
Libraries	12	12
Art Galleries	1	1
Cemeteries	6	6
Golf Course	1	1
Sports Centres	3	3
Allotment land (including leased plots)	27,54 hectares	27.54 hectares
Swimming pools	2	2
Public halls	7	7
Offices	8,824 m ²	8,824 m ²
Public conveniences	8	8
Depots	2	2
Residential homes for older people	5	0
Day centres for older people	5	5
Respite Care Home	1	0
Under 5's centres	2	2
Day centres for people with mental health needs	3	3
Day centres for people with physical disabilities	1	1
Residential units for people with learning difficulties	3	3
Shop premises	24	24
Travellers Site	1	1
Council dwellings	7,244	0
Hostels	2	2
Vehicles	87	87
Infrastructure		
Roads	374 km	374 km
Bridges and other structures	58	58
Car parks	26	26
Community assets		
Parks	27	27
Ornamental parks	3	3
Open spaces	53	53
Sports grounds	9	9

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The movement in the Balance Sheet valuation of Fixed Assets is set out in the table below:

	Other Land & Buildings £000s	Vehicles, Plant & Equip. £000s	Investment Properties £000s	Infra- structure Assets £000s	Comm- unity Assets £000s	Total £000s
Book Value as at 1.4.01	201,355	64	11,577	16,594	2,118	231,708
Additions	0	0	0	0	0	0
Enhancements	4,628	0	62	5,992	132	10,814
Disposals	-9,189	0	-4,892	0	0	-14,081
Revaluations	21,976	0	9,065	0	0	31,041
Depreciation 2001/02	-2,809	-6	-103	-435	0	-3,353
Book Value as at 31.3.02	215,961	58	15,709	22,151	2,250	256,129
Depreciation b/fwd	4,376	816	47	373	0	5,612
2001/02 Depreciation	2,809	6	103	435	0	3,353
Depreciation c/fwd	7,185	822	150	808	0	8,965

8.2.5 Leases

The annual rentals relating to operating leases, together with outstanding rental obligations at year end are:

Operating Leases	2000/01 £000	2001/02 £000
Rentals paid during year	488	520
Amounts due within 1 year	444	491
Total O/S obligations	2,172	2,260

8.2.6 Investments

	Long Term		Short Term	
	31.3.01 £000	31.3.02 £000	31.3.01 £000	31.3.02 £000
Banks, Building Societies etc.	0	0	69,009	78,239
Other Local Authorities	2,250	2,250	0	0
Other	0	0	169	148
	2,250	2,250	69,178	78,387

8.2.7 Insurance Funds

Movements on the Insurance Funds maintained by the Council were as follows:

Reserve	Balance 31.3.01 £000s	Transfers in £000s	Transfers out £000s	Balance 31.3.02 £000
Housing Insurance Fund	34	0	-34	0
Central Insurance Fund	-2,407	-1,215	925	-2,697

The Central Insurance Fund was established in 1993/94 in response to the increased excesses imposed by the Council's insurers. Risks covered include public liability, employer's liability and council property other than houses. In 2001/02, the level of

excess is £27,500 with the Council's insurers being responsible for any claims greater than this amount.

8.2.8 Provisions

The figure for provisions is analysed as follows:

<u>Provision</u>	<u>Balance</u> <u>31.3.01</u> <u>£000s</u>	<u>Transfers</u> <u>in</u> <u>£000s</u>	<u>Transfers</u> <u>out</u> <u>£000s</u>	<u>Balance</u> <u>31.3.02</u> <u>£000s</u>
Bad debts *	-10,313	-2,613	3,409	-9,517
Other	-369	-541	0	-910
Total	-10,682	-3,154	3,409	-10,427

* In accordance with the Accounting Code of Practice, this figure has been netted off against the Debtors figure in the Balance Sheet.

8.2.9 Schools balances

The schools hold balances of £2.788m (£2.330m at 31.3.01) under delegated schemes. These sums are currently earmarked for educational purposes.

8.2.10 Civic Centre

The civic centre complex was officially opened on 6th March 1990. The accounts include revenue provision for the running costs of the buildings. Capital finance for the scheme was provided by a private sector developer. The Council will make rental payments to the developer over a 20 year period after which the ownership of the building will pass to the Council.

8.2.11 Trust Funds

The Council administers the following trust funds. The majority are educational trusts that provide prizes to outstanding pupils. The largest fund is the Richmond Chapel Fund. Interest on the fund is available to pay for Grounds Maintenance in the proximity of the chapel.

	<u>Balance</u> <u>1.4.01</u> <u>£</u>	<u>Income</u> <u>£</u>	<u>Expenditure</u> <u>£</u>	<u>Balance</u> <u>31.3.02</u> <u>£</u>
<u>Education</u>				
Various Funds	-5,457.14	-178.36	336.89	-5,298.61
<u>Social Services</u>				
B. E. Brooks	-19,633.36	-1,008.60	1,325.52	-19,316.44
Edgar Dailley	-1,208.03	-51.77	31.43	-1,228.37
	-20,841.39	-1,060.37	1,356.95	-20,544.81
<u>Planning & Transport</u>				
Kew Amenities	-3,009.33	-132.41	0.00	-3,141.74
<u>Leisure Services</u>				
Richmond Chapel	-115,144.85	-3,631.01	0.00	-118,775.86

The majority of funds are invested internally with a small number being invested externally in Government stocks.

In addition to these trust funds, the Council used to administer the money of some residents in Social Services homes. The figure at 1.4.01 was £78,269.25. Following

SECTION 8

the transfer of the homes to Care UK Ltd. under the PFI scheme, these monies are now administered by Care UK Ltd.

8.2.12 Movements in capital reserves

Fixed asset restatement reserve

	<u>2000/01</u> <u>£000s</u>	<u>2001/02</u> <u>£000s</u>
Balance b/fwd	-276,604	-84,748
Disposals	205,582	14,081
Revaluations	-13,726	-31,041
Balance c/fwd	<u>-84,748</u>	<u>-101,708</u>

Capital financing reserve

	<u>2000/01</u> <u>£000</u>	<u>2001/02</u> <u>£000</u>
Balance b/fwd	-69,190	-106,335
Capital receipts set aside	-37,285	444
Capital Receipts Applied	-4,062	-10,524
Other contributions	-557	0
Capital Grants Applied	-77	-4,581
Revenue financing	0	-26
MRP (less depreciation)	809	2,507
Write off of deferred charges	4,027	5,963
Long Term Debtors re PFI Scheme	0	-2,208
Deferred Debtors re PFI Scheme	0	-233
Balance c/fwd	<u>-106,335</u>	<u>-114,993</u>

Capital receipts unapplied

	<u>2000/01</u> <u>£000</u>	<u>2001/02</u> <u>£000</u>
Balance b/fwd	-3,674	-19,582
Capital receipts/Section 106 receipts	-57,458	-12,344
Set aside	37,285	4,817
Receipts used for financing	4,265	10,524
Balance c/fwd	<u>-19,582</u>	<u>-16,585</u>

Under normal circumstances the capital receipt set aside entries in the capital financing reserve and capital receipts unapplied accounts should be equal. Due to a prior year adjustment, related to the £5.262m credit for prior years' capital expenditure charged to revenue in the HRA financed from the LSVT receipt, these entries do not match in 2001/2002.

8.2.13 Capital expenditure and financingCapital Expenditure

<u>Description</u>	<u>2000/01</u> <u>£000</u>	<u>2001/02</u> <u>£000</u>
Education, Arts & Leisure	2,321	3,747
Central Services	3,083	3,205
Environment	2,358	5,576
Social Services	1,229	653
Housing General Fund	1,890	4,049
Housing Revenue Account	1,302	0
	<u>12,183</u>	<u>17,230</u>

Capital Financing

<u>Description</u>	<u>2000/01</u> <u>£000</u>	<u>2001/02</u> <u>£000</u>
Loans	6,922	1,907
Capital grants	644	4,958
Capital receipts applied	2,736	9,209
Contributions	758	0
Revenue Contributions	0	25
Unfinanced (accruals)	1,036	1,131
Unfinanced (retentions)	87	0
Total	<u>12,183</u>	<u>17,230</u>

8.2.14 Asset Valuation

All valuations are intended as approximations of the valuation as at 1.4.02. The methods of valuation used are outlined in note 2.4 in Section 2 of this document. It is intended that all assets will be revalued on a five year rolling programme basis. In 2000/01 only 10% of the Council's assets were revalued. The Council's valuers have in 2001/02 brought the revaluation programme back to its proper position by making valuations on 30% of the Asset base. The valuations were undertaken under the supervision of Peter Southcombe of SERCO Ltd. who is an associate member of the Royal Institution of Chartered Surveyors.

8.2.15 Contingent Liabilities

The Council has extended a guarantee, on behalf of Richmond Theatre Management Company, to underwrite repayments on a loan of £4.2m from the Royal Bank of Scotland. Up to 31st March 2001, the Council had paid £2.9m under the terms of the guarantee. The Council will have to make further payments of approximately £7.8m over the remaining life of the agreement. The net present value of these payments is approximately £5.1m.

The Council has been acting as lead borough in appealing against the Court's decision that charges made for residential accommodation under Section 3 of the Mental Health Act 1983 are illegal. The House of Lords has now upheld this original decision. It is not currently possible to estimate accurately the impact of this adverse decision, however it is unlikely to be material.

9. CASH FLOW STATEMENT

9.1 Cash Flow Statement

	<u>2000/01</u> <u>£000</u>	<u>2001/02</u> <u>£000</u>
Revenue Activities		
Expenditure		
Cash paid re employees	102,690	107,528
Other operating costs	137,406	135,202
Council Tax Benefit	6,266	6,714
Income		
Rents	-8,394	-1,544
Council Tax	-75,844	-83,607
Non domestic rates	-51,829	-52,114
Revenue Support Grant	-21,604	-25,726
Other Government Grants	-54,781	-56,695
Cash received for goods & services	-39,088	-43,068
Revenue activities net cash flow	-5,178	-13,310
Servicing of finance		
Interest paid	5,435	5,262
Interest received	-2,711	-3,239
Capital Activities		
Expenditure on assets	8,568	17,134
Capital receipts	-57,458	-12,344
Capital grants received	-3,340	-8,153
Other capital transactions	2,799	4,151
Financing		
Repayments of amounts borrowed	6,110	7,009
New loans raised	-6,159	-13
	-51,934	-3,503
Change in cash and cash equivalents	-51,934	3,503

9.2 Notes to the Cash Flow statement9.2.1 Reconciliation of revenue cash flow

	<u>2000/01</u> <u>£000</u>	<u>2001/02</u> <u>£000</u>
Surplus/Deficit for the year	37	-2,551
	0	0
Capitalisation	800	-800
Change in stock	-175	-34
Change in creditors	-3,801	-3,841
Change in debtors	-2,391	2,396
Change in reserves/provisions	352	-8,480
Revenue activities net cash flow	<u>-5,178</u>	<u>-13,310</u>

9.2.2 Cash and cash equivalents

	<u>31.3.01</u> <u>£000</u>	<u>31.3.02</u> <u>£000</u>	<u>Movement</u> <u>£000</u>
Cash	-9,321	-15,027	-5,706
Short term investments	69,178	78,387	9,209
	<u>59,857</u>	<u>63,360</u>	<u>3,503</u>

9.2.3 Financing items

	<u>£000</u>
Loans outstanding 31.3.01	71,146
Repayments of amounts borrowed	-7,009
New loans raised	13
Loans outstanding 31.3.02	<u>64,150</u>

10. PENSION FUND ACCOUNTS**10.1 Fund Account**

	<u>2000/01</u> <u>£000</u>	<u>2001/02</u> <u>£000</u>
Contributions and Benefits		
Contributions receivable		
- From employers	-7,080	-7,868
- From employers (special contributions)	-1,577	-371
- From employees	-3,056	-3,027
Transfers in (inc. group and individual transfers)	-2,647	-3,231
Benefits payable		
- Pensions	8,075	8,612
- Lump sums (inc. retirement and death grants)	1,487	1,156
Payments to and on account of leavers		
- Transfers out (inc. group and other transfers)	2,137	2,142
- Refund of contributions	84	141
Administrative and other costs borne by the scheme	386	376
Net additions / withdrawals from dealings with members	-2,191	-2,070
Returns on investments		
Investment income	-6,403	-6,040
Change in market value of investments		
- Realised	-8,987	3,447
- Unrealised	30,282	4,890
Investment management expenses	672	602
Net return on investments	15,564	2,899
Net increase / decrease in the fund during the year	13,373	829
Opening net assets of the scheme	-232,980	-219,607
Net increase / decrease in the fund during the year	13,373	829
Closing net assets of the scheme	-219,607	-218,778
Reconciliation of movement in net assets:-		
Opening net assets of the scheme	-232,980	-219,607
Net new money invested per Fund Account	-7,922	-7,508
Change in the market value of investments	21,295	8,337
Closing net assets of the scheme	-219,607	-218,778

10.2 Net Assets Statement

	<u>31.3.01</u> <u>£000</u>	<u>31.3.02</u> <u>£000</u>
Investment Assets		
Fixed interest securities		
- Public Sector	12,766	10,985
- Other	733	3,247
Equities	139,283	141,345
Index linked securities		
- Public Sector	6,901	6,676
- Other	616	331
Unit Trusts/OEICs/PFPVs		
- Property	3,481	3,413
- Other	38,738	38,753
Other investments	312	228
Net current assets and liabilities		
Debtors	648	1,452
Short term investments	14,058	7,060
Cash in hand	3,664	6,333
Creditors	-1,593	-1,045
	<u>219,607</u>	<u>218,778</u>

10.3 Notes to the Pension Fund10.3.1 Operation of the Fund and Membership

The Fund is administered by the London Borough of Richmond upon Thames, but also includes the employees of certain other bodies. Membership details as at 31st March 2002 are summarised below:

	<u>Contributors</u>	<u>Pensioners & Dependants</u>
LBRUT	2,780	2,326
Former employees with preserved benefits	0	1,878
Other bodies:		
Association of District Councils	0	16
Hampton School	48	7
Notting Hill Housing Trust	4	6
St. Mary's College	104	51
SW Middlesex Crematorium Board	11	15
Richmond CAB	1	1
Housing Organisations Mobility & Exchange Services	17	2
Council for Voluntary Services	3	4
Richmond upon Thames Music Trust	8	0
Christ's Comm. Management Body	0	0
IRRV	12	1
Project for Children with Special Needs	7	0
St. Catherine's School	6	0
Museum of Richmond	2	0
Richmond Housing Partnership	75	4
Twining Enterprises	9	0
Former employees with preserved benefits	0	102
	<u>3,087</u>	<u>4,413</u>

The fund's investments were managed by two firms during the financial year 2001/02, Henderson Global Investors and Schroder Investment Management Limited. The activities of the fund managers are supervised by the Investment Committee which consisted of the following members in 2001/02:

Councillor A. Mollett (Chairman)
 Councillor S. Lamb (Vice-Chairman)
 Councillor B. Langford
 Councillor L. Mann
 Councillor W. Treble

In addition, the Committee's meeting were attended by:

Mr L. Johnson (Staff Observer)
 Mr D. Taylor/Mr R. Wyatt (Henderson)
 Mr C. Crole/Mr G. Aherne (Schroders)
 Mr R. Borland (Hymans Robertson & Co – Actuaries)

The Sub-Committee is responsible for ensuring that the Fund is protected against inflation and that there is sufficient cash to meet all present and future liabilities. They have decided on a spread of investments, the details of which are shown in the Net Assets Statement.

10.3.2 Accounting Policies

The general principles adopted in the compilation and presentation of these accounts are those recommended by the Chartered Institute of Public Finance and Accountancy in the Code of Practice on Local Authority Accounting. The Fund Account is generally prepared on an income and expenditure basis. This means that funds receivable and payable by the Fund, whether or not the sum has been received or paid, are included in the accounts. Investment income and transfers are the major exceptions to this policy, being accounted for on a cash basis.

From the start of the financial year 1997/98, the Council adopted the practice of paying capital contributions to the Pension Fund where premature retirement is granted on grounds of redundancy/efficiency or ill-health. These payments represent the cost (calculated as a capital sum) of paying the scheme pension from the date of retirement to the date at which in normal circumstances it would have fallen due. Two payments representing the capital cost of future pension enhancements were also made in 2001/02, with a total value of £0.011m. These payments are shown collectively in the accounts as "contributions receivable from employers (special contributions)" and in 2001/02 amounted to £0.371m.

Transfer values are accounted for on a cash basis given the following:

- i) There is often a significant delay in obtaining from the transferring pension scheme details of the value due in respect of an employee (or, alternatively, in confirming that no transfer is due).
- ii) Transfers from the Fund, particularly when a non-local government scheme is involved, can be subject to delay. In these cases, the formula-based transfer value cannot be arrived at until the point at which the transfer is made.

The difference is not considered to be material.

Investment assets are shown at the mid market price at the close of business on 31st March 2002.

Investments denominated in currencies other than Sterling are translated using the closing rate method.

The net effect of gains and losses arising from currency transactions undertaken in the course of the purchase or sale of non-Sterling denominated investments is included within "Change in the market value of investments (Realised)" within the Fund Account and in 2001/02 represented a net profit of £2,000.

Unrealised gains and losses on any currency futures contracts held by the fund managers are not shown in the Net Assets statement, but are recorded in the Fund Account upon settlement. At 31st March 2002, Schroder Investment Management Limited held one open future currency contract with a "mark to market" value at that date of £18,000.

10.3.3 Liabilities after the Period End

The Fund's financial statements do not take account of liabilities to pay pensions other benefits after the period end. The Fund's ability to meet these obligations is the subject of the periodic actuarial report detailed in the next paragraph.

10.3.4 Performance and Actuarial Position

During 2001/02, the Fund showed a return of -1.1% on its assets compared with an average of -0.5% for all Local Authorities.

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The latest actuarial valuation of the fund was completed as at 31st March 2001. The results of the revaluation indicated that the actuarial value of the available assets of £237.1m were sufficient to cover 88.0% of the accrued liabilities.

The Council is required, however, to set employers' contributions rates such as to ensure that the Fund is sufficient to meet 100% of its liabilities. Contributions to the fund are, therefore, being made up over the future lifetime of existing employees to bring the funding level up to a fully solvent position. (This policy also applies to the scheduled bodies to the fund.)

The actuarial method used to determine the contribution rate required to meet liabilities accruing in the future is known as the Projected Unit Method. The principal financial assumptions adopted in the valuation were as follows:

Investment Return	- Equities (Av) 6.5% p.a. - Bonds (Av) 5.5% p.a.
Salary Increases	4.3% p.a. (plus an allowance for promotional increases)
Pension Increases	2.8% p.a.

10.3.5 Market Value of Assets

The total market value of assets as at 31st March 2002 under the management of the fund managers was:

	2000/01		2001/02	
	Market Value (inc. cash) £000	% of Total Fund Assets	Market Value (inc. cash) £000	% of Total Fund Assets
Schroders	112,591	51	110,765	51
Henderson	99,634	45	98,640	45
	212,225	96	209,405	96

10.3.6 Analysis of Investment assets

2000/01

	UK		Foreign		Cash	Total
	Listed £000	Unlisted £000	Listed £000	Unlisted £000	£000	£000
Schroders	72,004	37	33,828	0	6,722	112,591
Henderson	66,217	0	26,951	0	6,466	99,634
	138,221	37	60,779	0	13,188	212,225

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2001/02

	<u>UK</u>		<u>Foreign</u>		<u>Cash</u> <u>£000</u>	<u>Total</u> <u>£000</u>
	<u>Listed</u> <u>£000</u>	<u>Unlisted</u> <u>£000</u>	<u>Listed</u> <u>£000</u>	<u>Unlisted</u> <u>£000</u>		
Schroders	68,856	38	37,360	0	4,511	110,765
Henderson	64,959	0	30,125	0	3,556	98,640
	133,815	38	67,485	0	8,067	209,405

10.3.7 Analysis of transactions

	<u>2000/01</u>		<u>2001/02</u>	
	<u>Purchases</u> <u>£000</u>	<u>Sales</u> <u>£000</u>	<u>Purchases</u> <u>£000</u>	<u>Sales</u> <u>£000</u>
Schroders	69,170	66,724	63,693	58,832
Henderson	70,438	67,812	55,265	48,603
	139,608	134,536	118,958	107,435

10.3.8 Analysis of contributions and benefits

<u>2000/01</u>	<u>Admin- istering Authority</u> <u>£000</u>	<u>Scheduled Bodies</u> <u>£000</u>	<u>Admitted Bodies</u> <u>£000</u>	<u>Total</u> <u>£000</u>
Contributions receivable				
From employers	5,717	560	803	7,080
From employers (special)	1,577	0	0	1,577
From employees	2,500	246	310	3,056
	9,794	806	1,113	11,713
Benefits payable	8,879	275	409	9,563

<u>2001/02</u>	<u>Admin- istering Authority</u> <u>£000</u>	<u>Scheduled Bodies</u> <u>£000</u>	<u>Admitted Bodies</u> <u>£000</u>	<u>Total</u> <u>£000</u>
Contributions receivable				
From employers	6,304	627	937	7,868
From employers (special)	337	11	23	371
From employees	2,415	243	369	3,027
	9,056	881	1,329	11,266
Benefits payable	9,026	313	429	9,768

10.3.9 FRS 17

The Council has instructed its actuary, Hymans Robertson, to calculate its Net Pension Liability as at 31 March 2002 under Financial Reporting 17 (FRS 17). The calculation, and its disclosure, is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2000 – A Statement of Recommended Practice (Update Bulletin 2) issued by the CIPFA/LASAAC Joint Committee. The Net Pension Liability represents the value of pension benefits accrued as at 31 March

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2002 in excess of those deemed by the actuary to be covered by the existing assets of the Fund at that date.

FRS 17 requires the Fund's assets to be expressed at their market value as at the date of disclosure. This will inevitably lead to significant levels of variation from year-to-year in the value of the Net Pension Asset or Liability based on the short-term fluctuation in the value of the Fund's assets, particularly that proportion held in equity-type investments.

The amounts in the disclosure are based on the data supplied for the purposes of the full actuarial valuation carried out as at 31 March 2001, as updated by the actuary.

The main assumptions used are set out below.

	31 March 2001	31 March 2002
Inflation	2.80%	2.80%
Salary Increases	4.30%	4.30%
Pensions Increases	2.80%	2.80%
Discount Rate (Average)	6.25%	6.40%

The fair value of the assets of the Fund attributed to the Council by the actuary, together with the expected rate of return assumed for the period reported and subsequent period are set out below.

	31 March 2002 £000	Expected Return
Equities	145,679	7.50%
Bonds	30,011	5.50%
Property	2,978	6.00%
Cash	12,238	4.00%
Total	190,906	

The Net Pension Liability of the Fund based on the actuary's assessment of the present value of the liabilities of the Fund attributable to the Council is set out below.

	£000
Estimated Employer Assets (as above)	190,906
Present Value of Employer Liabilities	236,172
Net Pension Liability of the Fund	45,266

In addition to those pension liabilities attributable to the Fund, the Council has a future liability in respect of discretionary increases in pension payments, otherwise termed "enhanced pensions" or "added years". The present value of these unfunded liabilities has been calculated in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2000 – A Statement of Recommended Practice.

The total Net Pension Liability including that relating to discretionary increases in pension payments is set out below.

	£000
Estimated Employer Assets (as above)	190,906
Present Value of Employer Liabilities	236,172
Net Pension Liability of the Fund	45,266
Present Value of Discretionary Pension Liabilities commencing during 2001/02	414
Present Value of Discretionary Pension Liabilities commencing in previous years	22,950
Total Net Pension Liability of the Employer	68,630

Contribution rates set at the last actuarial valuation as at 31 March 2001 were designed to recover the funding deficit measured at that point (£32.4m for the whole Fund) over the course of 15 years. The suitability of this funding regime will be re-assessed at the next actuarial valuation due to take place at 31 March 2004. Discretionary pensions increases are funded directly on a revenue basis as they fall due.

10.3.10 Statement of Investment Principles

A fully revised Statement of Investment Principles was published as part of the agenda of the Investment Committee on 30th September 2002. A copy is available from the Director of Finance and Corporate Services at the address shown on page 1 of this document.

10.3.11 Post Balance Sheet Event

Since the 31st March 2002 the value of pension fund investments has declined. The portfolio value of investments with Henderson's and Schroders were £98.7m and £111.3m respectively at the 31st March 2002, at 30th September 2002 the portfolio values were £77.5m and £88.7m respectively. These movements reflect the decline in the global economy and stock market values since 31.3.2002.

11. STATEMENT OF RESPONSIBILITIES

11.1 THE AUTHORITY'S RESPONSIBILITIES

The Authority is required :

to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Richmond, the Chief Finance Officer is the Director of Finance and Corporate Services, Mr. M. Maidment.

to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

11.2 THE CHIEF FINANCE OFFICERS RESPONSIBILITIES

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA /LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2001.

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

selected suitable accounting policies and then applied them consistently.

made judgements and estimates that were reasonable and prudent.

complied with the Code of Practice.

The Chief Financial Officer has also:

kept proper accounting records which were up to date.

taken reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF TOTAL MOVEMENT IN RESERVES

	Balance 1.4.01 £000s	Net Surplus/Deficit £000s	Revaluation Gains/Losses £000s	Effects of Disposals £000s	Financing £000s	Balance 31.3.02 £000s
Capital Reserves						
Capital Receipts Unapplied	-19,582	0	0	-12,344	15,341	-16,585
Capital Financing Reserve	-106,335	0	0	0	-8,658	-114,993
Fixed Asset Restatement Reserve	-84,748	0	-31,041	14,081	0	-101,708
Revenue Reserves						
General Fund (ex schools)	-2,651	-3,280	0	0	0	-5,931
Schools	-2,330	-458	0	0	0	-2,788
HRA	-2,859	-3,255	0	6,114	0	0
Home Loans Unit	-455	-58	0	0	0	-513
Collection Fund	-539	-768	0	0	0	-1,307
Housing Insurance Fund	33	-33	0	0	0	0
Central Insurance Fund	-2,407	-290	0	0	0	-2,697
Infrastructure Reserve	0	-2,600	0	0	0	-2,600
Social Housing Reserve	0	-1,300	0	0	0	-1,300
HRA outstanding Liabilities	0	-1,339	0	0	0	-1,339
Other	-687	-1,385	0	0	0	-2,072
TOTAL	-222,560	14,766-	-31,041	7,851	6,683	-253,833

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13. CORPORATE GOVERNANCE STATEMENT

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of the Authority's affairs and the stewardship of the resources at its disposal. To this end, the Authority has approved and adopted a code of corporate governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE Framework *Corporate Governance in Local Government: A Keystone for Community Governance*. A copy of the code can be obtained from the Corporate Policy Unit, Civic Centre, 42 York Street, Twickenham, TW1 3BZ.

During the year, the Authority has started to put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. Specifically it has developed and adopted a risk management strategy, which will be implemented over the coming period. The Corporate Policy Manager has been given responsibility for:

- overseeing the implementation and monitoring the operation of the code
- reviewing the operation of the code in practice
- reporting annually to the Cabinet on compliance with the code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

In addition, the Authority's Chief Internal Auditor has been given the responsibility to review independently and report to the Cabinet annually, to provide assurance on the adequacy and effectiveness of the code and the extent of compliance with it.

Except for the matters outlined below, we are satisfied that the arrangements now in place are adequate and being operated effectively.

We report that there are several aspects of the Code of Corporate Governance that are not yet in place. The main areas of non-compliance are:

- undertaking a risk assessment within each directorate and establishing appropriate control monitoring procedures for identified risks. The risk assessment performed to date has been at the corporate level only.
- amending the Authority's purchasing strategy to incorporate new requirements for assessing risks in dealing with suppliers and partners including the creation of a new 2nd tier post to oversee procurement issues.

We propose over the coming year to take steps to address the above matters to further enhance our corporate governance arrangements.

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We are satisfied that these steps will address the need for improvements and we will review their implementation and operation as part of our next annual review.

Signed:

Gillian C. Norton

Gillian Norton
Chief Executive

Mark Maidment

Mark Maidment
Director of Finance and
Corporate Services