

LONDON BOROUGH OF CAMDEN

STATEMENT OF ACCOUNTS 2005-2006

Contents	Page
Statement of Responsibilities for the Statement of Accounts	2
Independent Auditors' Report to Camden London Borough Council	3
Foreword by the Director of Finance	6
Statement on the System of Internal Control	13
Statement of Accounting Policies	17
Consolidated Revenue Account	20
Housing Revenue Account	21
Collection Fund Revenue Account	22
Consolidated Balance Sheet	23
Statement of Total Movements in Reserves	24
Cash Flow Statement	25
Notes to the Accounts	
• The Consolidated Revenue Account	26
• The Housing Revenue Account	33
• The Collection Fund	35
• The Consolidated Balance Sheet	38
• The Cash Flow Statement	56
Pension Fund	58
Glossary of Financial Terms and Abbreviations	66

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

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

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts which is required by the Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice) to present fairly the financial position of the Council at 31 March 2006 and its income and expenditure for the year 2005/2006. In preparing this statement of accounts, the Chief Finance Officer has:

- // selected suitable accounting policies and applied them consistently;
- // made judgements and estimates that were reasonable and prudent;
- // complied with the Code of Practice.

The Chief Finance Officer has also:

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

Independent Auditors' Report to the Members of the London Borough of Camden

Opinion on the financial statements

We have audited the financial statements and pension fund accounts of the London Borough of Camden for the year ended 31 March 2006 under the Audit Commission Act 1998. The financial statements comprise:

- the Consolidated Revenue Account;
- the Housing Revenue Account;
- the Collection Fund;
- the Consolidated Balance Sheet;
- the Statement of Total Movements in Reserves;
- the Cash Flow Statement;
- and the related notes.

The pension fund accounts comprise:

- the Fund Account;
- the Net Assets Statement
- and the related notes.

The financial statements and pension fund accounts have been prepared under the accounting policies set out within them.

This report is made solely to the London Borough of Camden in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the Council for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and Auditors

The Chief Finance Officer's responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements and the pension fund accounts present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its 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.

We review whether the statement on internal control reflects compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003". We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

London Borough of Camden – Statement of Accounts 2005-2006

Basis of Audit Opinion

We conducted our 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the Authority in the preparation of the financial statements and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.
- the pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial transactions of the Pension Fund during the year ended 31 March 2006 and the amount and disposition of the fund's assets and liabilities as at 31 March 2006, 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 to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditors' Responsibilities

We are 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 us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

London Borough of Camden – Statement of Accounts 2005-2006

Conclusion

- We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, the London Borough of Camden made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Best Value Performance Plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2005/06 in December 2005. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
St. Albans
26 September 2006

Note: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published.

These matters are the responsibility of the Council but no control procedures can provide absolute assurance in this area.

Foreword by the Director of Finance

Michael O'Donnell
Director of Finance and Chief Finance Officer

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the Council's accounts. Camden's financial statements for 2005/2006 have been prepared in accordance with the standard format for local authority accounts recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA). They comprise:

The Statement on the System of Internal Control
The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives.

The Consolidated Revenue Account This reports the expenditure for the year of the major services for which the Council is responsible and compares that cost with the income provided from charges made by the Council, from investments, from council tax and from Central Government.

The Housing Revenue Account (HRA) There is a statutory duty to account separately for local authority housing provision. The HRA shows the major elements of Council housing revenue expenditure on maintenance, administration and capital financing costs - and how these are met by rents, subsidy and other income.

The Collection Fund Revenue Account The Collection Fund is a separate account into which are paid the amounts raised from local taxation. The Council's contribution to the national rates pool, along with the payments due to preceptors including Camden itself, are met from this account.

The Consolidated Balance Sheet This shows the balances and reserves at the Council's disposal at the year end, together with its long-term indebtedness, the net current assets employed in its operations and

summarised information on the fixed assets held. It excludes trust funds and the Pension Fund.

The Statement of Total Movements in Reserves
This brings together all the movements in the Council's reserves.

The Cash Flow Statement This summarises the cash movements arising from both revenue and capital transactions with third parties. It excludes trust funds and the Pension Fund.

The Pension Fund Accounts These show contributions to the Council's Pension Fund for employees during 2005/2006, together with the pensions and other benefits paid from it, movements in investments during the year and the financial position of the Fund as at 31 March 2006. The accounts do not include liabilities to pay pensions and benefits after that date.

Statement of Accounting Policies The accounts can be properly appreciated only if the policies that have been followed in dealing with material items are understood. The Statement of Accounting Policies, which follows this foreword, and the various notes to the financial statements therefore form an integral part of the accounts. There is also a glossary of terms and abbreviations at the end of this document.

Review of the Year

The 2005/2006 Statement of Accounts will be my first Statement of Accounts since I joined the council in October 2005 as Director of Finance.

It has been an extremely busy period as during the year the council has undergone a restructure that saw its five service departments formed into three service directorates to bring the council into line with the requirements of the Children Act.

This year also saw the introduction of a new framework for the Comprehensive Performance Assessment (CPA) and the introduction of overall performance categories ranging from 0 to 4 stars, with 4 stars being the highest star rating. This replaced the former categories of excellent, good, fair, weak and poor. Camden Council has been rated an "excellent council" since the introduction of the CPA in 2002.

Under the new assessment Camden was rated as "improving well and demonstrating a 4 star overall performance" retaining its position as a top performing council. Also, in their annual joint audit and inspection letter our external auditors and the Audit Commission noted that "Camden has a good

London Borough of Camden – Statement of Accounts 2005-2006

record of achieving value for money in its services". This is an area we are already looking to improve upon and I hope the recently launched efficiency programme will enable the council to continue to deliver better and cheaper services.

Financial strength has again improved in various ways. The Council took advantage of historically low interest borrowing rates and borrowed £50m from the Public Works Loan Board to support future capital investment. Loan debt at the year end totalled £405m and interest of £8m gross, £4m net, after passing on appropriate amounts to the HRA and the North London Waste Authority, was earned on invested cash balances which stood at £184m at the end of the year.

Camden's council tax rose in 2005/2006 by £32.21 at Band D – an increase of 2.68%. The increase for Camden itself was 1.97%, with the remaining 0.71% covering the increase in the Greater London Authority precept.

A number of important developments took place during the year, which are briefly described below.

During the year, pupils at Parliament Hill School returned to find a spectacular new building following a £4.9 million redevelopment that will improve teaching facilities to go along with the school's status as both a Leading Edge School and Technology College. Work has also begun on the next phase, a new home for dance, drama and music lessons at the Corner Building.

The final phase of the rebuilding of Haverstock School was completed this January. Haverstock School has been totally rebuilt in a £21 million PFI project in partnership with Kajima Construction. This is nothing less than the transformation of Haverstock School. The facilities are outstanding and will offer pupils in Camden the best possible opportunities for many years to come. The community around Haverstock will also have every chance to use these excellent facilities and benefit from them.

Swiss Cottage Leisure Centre opened in March. The £85m Swiss Cottage redevelopment integrates leisure, community and learning facilities together with a Park and Housing. The leisure centre, community centre and doctor's surgery and affordable housing have all been built at no cost to the council taxpayer as the scheme has been procured via a public private partnership. The leisure centre will provide first class sports and fitness amenities that will, amongst other things, hopefully produce future Olympians for the 2012 London Olympic Games.

An official opening was held to celebrate the restoration at Waterlow Park and a new Park centre. Waterlow Park is the last of five historic green spaces to be carefully refurbished by Camden Council, with support from the Heritage Lottery Fund's Urban Parks Programme, at a cost of £2m to the Council. This

restoration concludes more than £6m of investment over the past eight years in our historic green spaces.

By using £0.200m of our resources the council successfully levered in £1.8m of funding from the Football Foundation to provide much needed sports facilities for local residents.

Two Camden tower blocks Snowman and Casterbridge on the Abbey Road are getting a makeover to improve energy efficiency, reduce noise and brighten up their look. The £34.5m scheme will include new windows and cladding and is part of the council's "Raising the Standard" programme.

The Euro

During the year the Council has continued to keep a watching brief on progress towards the euro and its potential impact on its services, its financial systems and the Council's stakeholders. The costs to date have been minimal.

The 2005/2006 Revenue Outturn

The Council's financial position at the end of the year remains strong, the final position adding a net £5.5m to general balances. Included within this figure is a number of departmental underspends and an overspend in the former Environment Department, mainly due to a shortfall in parking income. The transfer to general balances was after departments drew down from their departmental reserves to fund planned spending. The housing department ended with a significant underspend on its general fund services compared with its final budget. This was due in part to the number of actual homeless households being significantly less than anticipated when the budget was set. This underspend and the others will be considered as part of the consideration of the overall financial strategy. Any carry forward approvals will be dependant upon the spending proposals meeting departmental and corporate objectives after which appropriate transfers between reserves will take place.

During the year and following a thorough review of reserves and balances in year £8.9m was transferred to the future Capital schemes reserve to provide additional capital resources for the capital programme.

London Borough of Camden – Statement of Accounts 2005-2006

The Council's actual spend compared with its updated budget for 2005/2006 was as set out below: -

	Final Updated Budget 2005/2006 £'000s	Actual Spend £'000s
Departmental Costs	346,441	347,797
Non-departmental Costs	(23,843)	(30,234)
Revenue funding of capital expenditure	4,867	15,785
Contributions into and out of departmental and other reserves	(2,422)	(16,150)
Total	325,043	317,198
Net Under-spend on Revenue Account		(7,845)

Overall, departmental service costs were £1.4m higher than the final departmental budget. Non-departmental budgets underspent by £6.4m as a result of additional income from investments, an additional payment of government grant in respect of a previous year and the contingency being largely untouched. Increased revenue funding for capital expenditure was funded by a drawdown from earmarked reserves and there were drawings from reserves to fund other planned expenditure. Schools drew £0.852m from their reserves. Overall £7.845m was transferred to general balances from the revenue account.

An overall accumulated surplus, ignoring earmarked reserves and balances held by schools and the HRA, of £19.4m is now held in general balances. The levels of reserves and balances will be subject to review against the council's reserves and balances policy over the course of the next year. The net operating expenditure for the year, before contributions to and from reserves and balances are taken into account and excluding the payment to the Housing capital receipts pool, was £314.440m (£285.786m in 2004/2005).

Balances held by schools at 31 March 2006 totalled £6.823m and there were also amounts held in departmental reserves, other than the HRA, totalling £7.050m.

The 2005/2006 Capital Outturn

Actual capital spend in the year was £121.971m, compared with a budget of £123.918m. Expenditure during the year was mainly funded from grants (39%), from usable capital receipts (7%), from borrowing (17%), from revenue contributions (32%) and from capital contributions (5%). In addition to the capital programme, the Council entered into leasing arrangements in respect of vehicles, plant and equipment with a capital value of £0.210m.

2005/2006 represents the second year of the operation of the Prudential Code where local authorities are now free to set their own levels of borrowing to fund capital expenditure within prudential limits. The council has current borrowing facilities with the Public Works Loan Board and with the Cooperative Bank. In 2005/2006 the council borrowed £21.106m to fund capital expenditure incurred during the year. In addition to new capital resources available in future years from capital receipts and capital grants, the council also has at 31 March 2006 revenue contributions of £18.926m (non-HRA) and £26.921m (HRA), capital contributions of £10.511m and capital receipts of £37.901m in hand to meet future capital expenditure.

Housing

The Council is the main provider of rented accommodation in Camden with 24,582 units. In 2005/2006 average council rents were £77.18 per week, an increase of £3.82, or 5.2%, over the 2004/2005 level of £73.36 per week.

The HRA in 2005/2006 had a net deficit of £8.182m, which when funded from its existing reserves of £80.262m resulted in £72.080m being carried forward at 31 March 2006. The proposed use of this reserve is set out in Note 28.

Pensions

The requirements of Financial Reporting Standard 17 (FRS 17) are implemented in full in the accounts. The accounts include a net pension liability within the balance sheet. The change in the figure between years reflects the change in the estimated employers assets and the present value of the scheme liabilities. The council's triennial valuation takes a longer-term view and provides a more appropriate measure of pension obligations. The last triennial valuation took place in March 2004.

Changes In Functions

After much planning and preparation 2005/2006 has seen the implementation of the Licensing Act. This Act reformed the existing alcohol, entertainment and late night refreshment licensing schemes into a single licensing system to be managed by local authorities. The Council's Licensing Committee has been meeting regularly throughout the year to consider the applications from licensees. To manage variations between income from fees and expenditure the council has established an earmarked licensing reserve to manage these fluctuations arising with implementation.

London Borough of Camden – Statement of Accounts 2005-2006

Illustrative overview

The following seven diagrams show in broad terms the net revenue cost of each Council service per resident, the service inputs on which the Council's money is spent and where it comes from, the number of people employed by the Council and the trend in Council spending and staff numbers over recent years. They also provide information on the departmental breakdown of capital expenditure.

Further Information

Further information about the accounts is available from:

The Head of Financial Planning & Accountancy
Finance Department
Town Hall Extension
Argyle Street
London
WC1H 8NG

Members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press and anyone wishing to do so may appear before the auditor in person to make objection to any item of account. The auditors' report on the accounts precedes this foreword.

My signature below certifies that the accounts were prepared in accordance with the requirements of Regulation 7 of the Accounts and Audit Regulations 2003, issued under the Audit Commission Act 1998 and, except where specifically stated, in accordance with all recognised statutory requirements and codes of practice applicable to local authorities.

I certify that the statement of accounts presents fairly the financial position of the Council at 31 March 2006 and its financial performance in the year then ended.



Michael O'Donnell, CPFA
Director of Finance
and Chief Finance Officer

26 September 2006

CHAIR'S APPROVAL OF STATEMENT OF ACCOUNTS

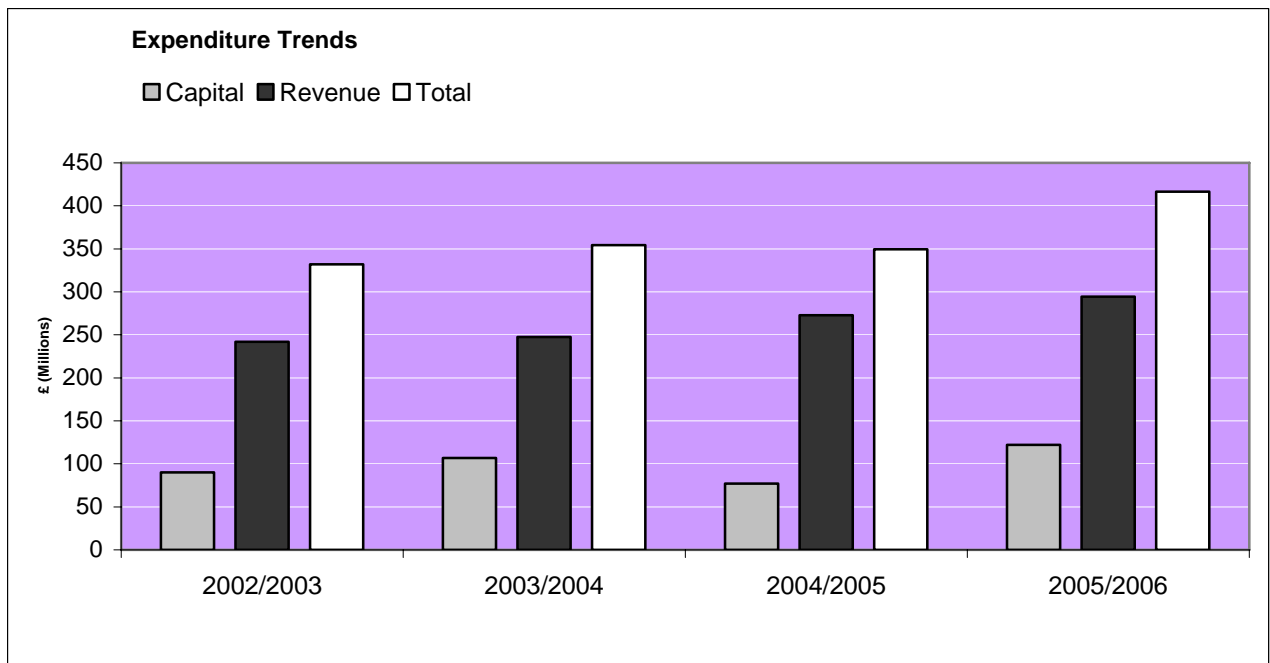
This Statement of Accounts was presented to the Audit Committee of the London Borough of Camden at its meeting on 26 September 2006, and was approved by resolution of the Committee.



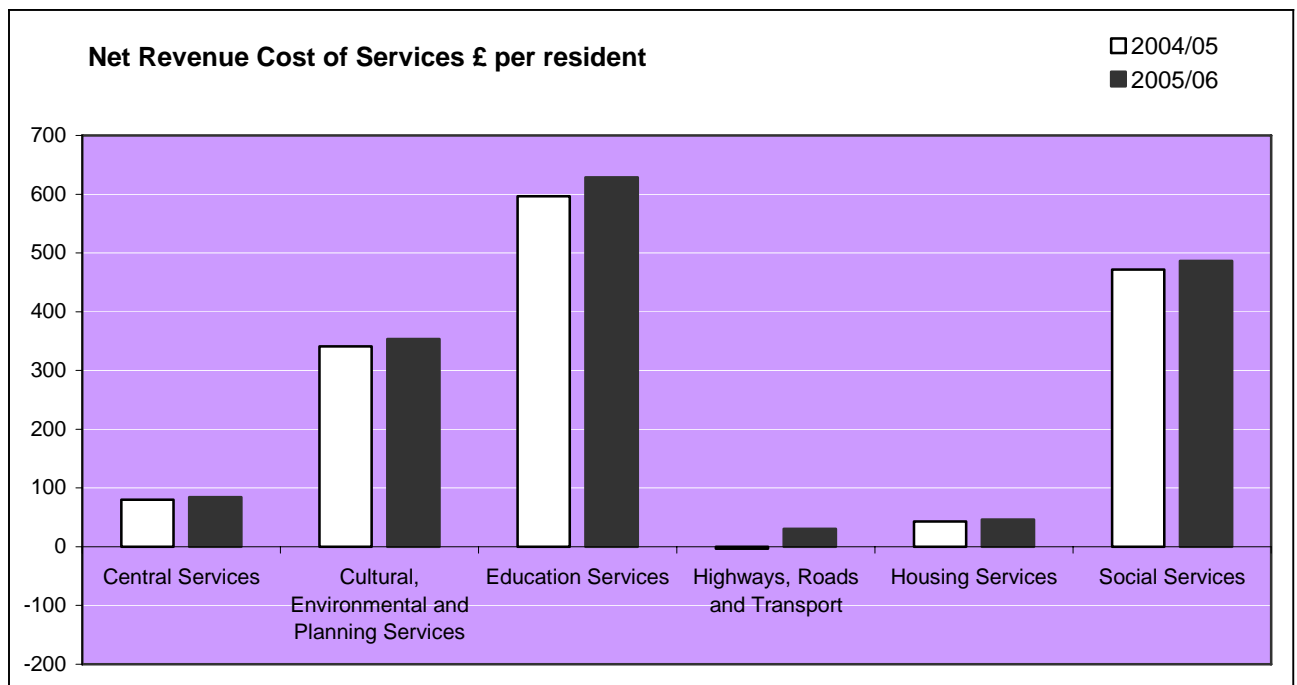
Councillor Arthur Graves
Chair, Audit Committee

26 September 2006

London Borough of Camden – Statement of Accounts 2005-2006

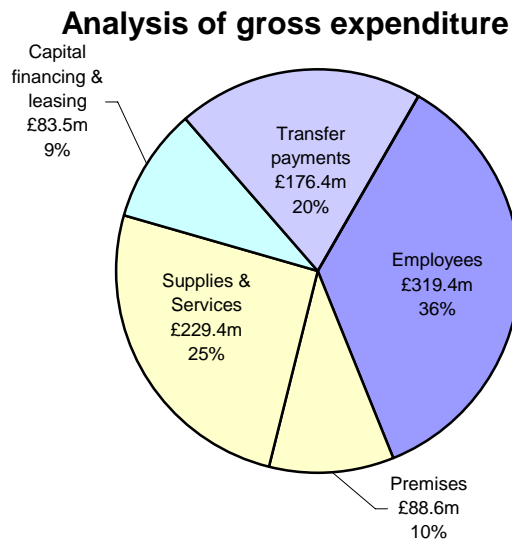


The above restated diagram shows trends in Camden's capital; net revenue before transfers to and from reserves and payments to the Housing capital receipts pool, and total spending. Total spending in 2005/2006 was £416.5m. Revenue spending rose by 8% in 2005/2006 compared with the previous year.

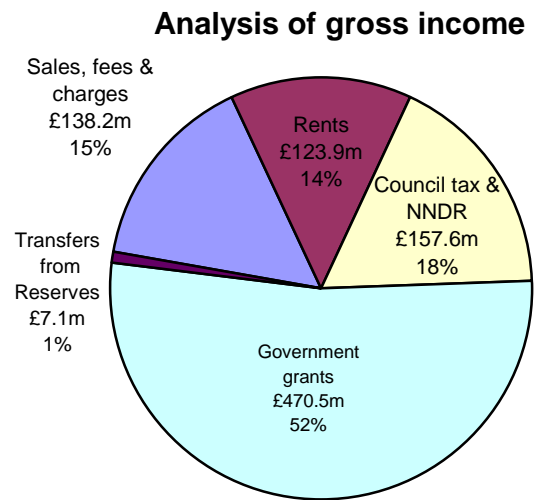


Resident population in 2005/2006 was estimated by Camden at 217,000 compared with 209,200 in 2004/2005. The net revenue cost per resident of all services, excluding HRA housing, in 2005/2006 was £1,630. This was an increase of £101 or 6.6% on 2004/2005.

London Borough of Camden – Statement of Accounts 2005-2006

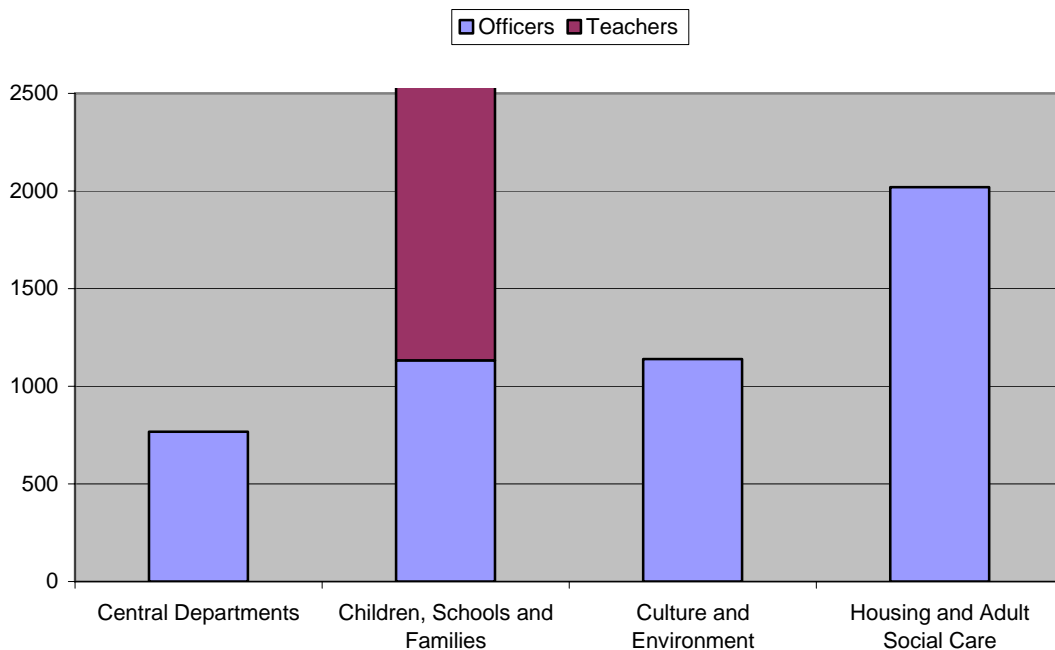


The pie chart above shows how Camden spent its money last year. Camden's gross expenditure in 2005/2006 was £897.3m, an increase of £48.2m over 2004/2005.



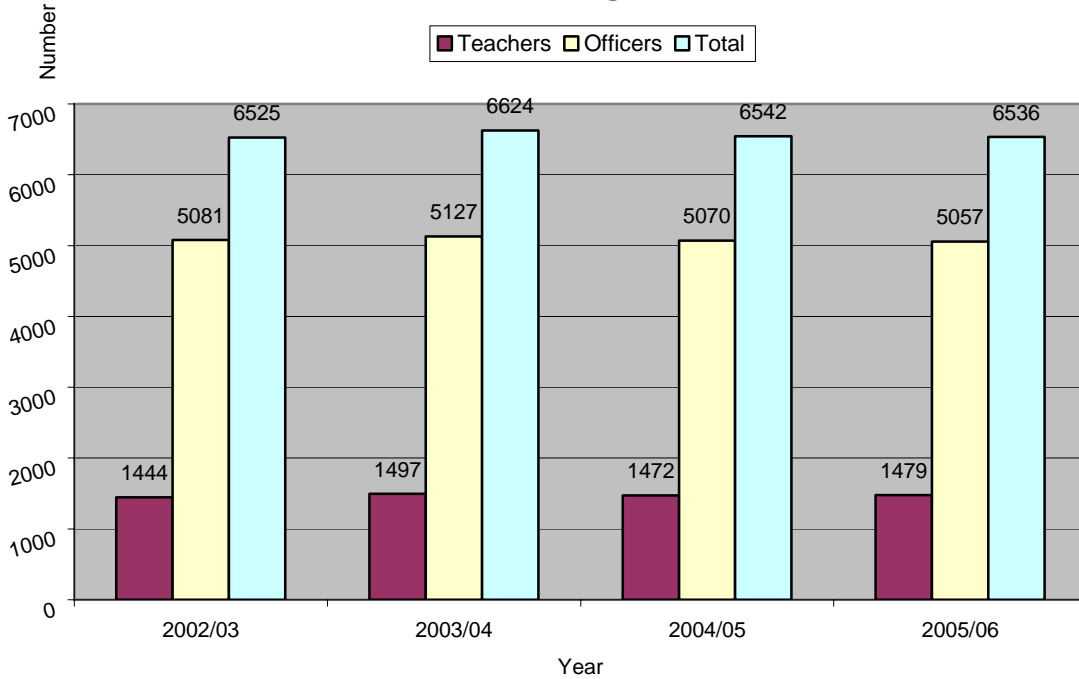
The pie chart above shows how Camden obtained its gross income of £897.3m in 2005/2006. £89m, or 10% of the total was attributable to Council Tax.

Number of Employees

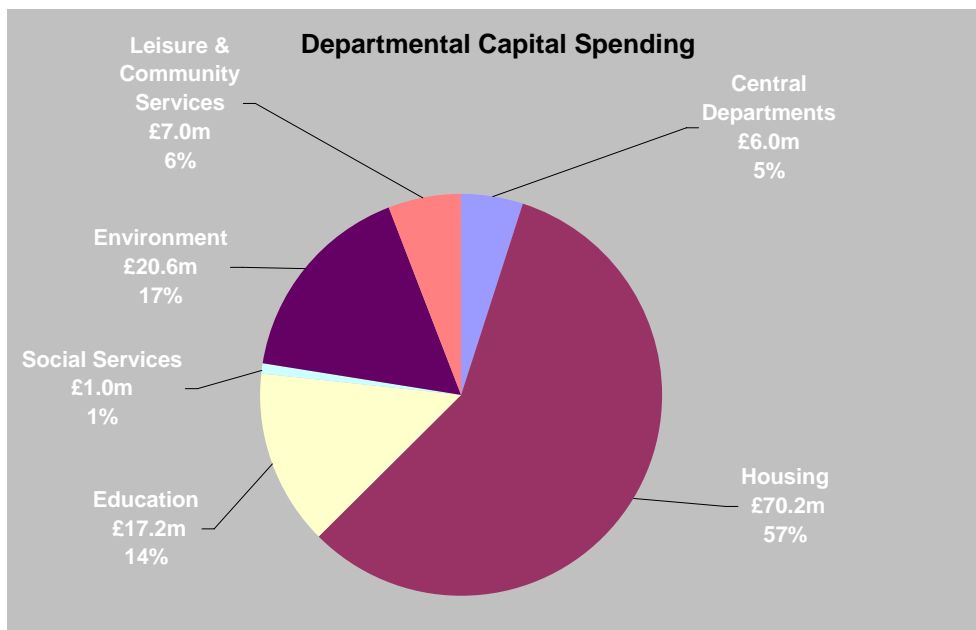


The above diagram shows Camden's staff numbers in 2005/2006 for each directorate, expressed in terms of the number of full-time equivalents in post in each category of employment at 31 March 2006. The figures include staff providing services to housing tenants.

Staffing Trends



The above diagram shows how Camden staff numbers have changed over recent years. Total FTE staffing fell by 6 between 2004/2005 and 2005/2006.



Camden spent £122.0m on capital projects in 2005/2006, compared with £77.0m in 2004/2005. The capital spending in 2005/06 is analysed by department in the chart above.

Statement on the System of Internal Control

1. Scope of Responsibility

The London Borough of Camden is responsible for ensuring that its business is conducted in accordance with the law and professional standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The London Borough of Camden 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 again, having regard to a combination of economy, efficiency and effectiveness. The management/operational arrangements in all Council departments need to reflect and support this approach.

In discharging this overall responsibility, the London Borough of Camden is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk. It is the responsibility of the Council to ensure that this applies at departmental and divisional level and this statement reflects this.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable assurance as to its overall 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 and the impact should they be realised, and to manage them in a manner that delivers value for money.

The main elements of a formal system of internal control have been in place throughout the year 2005/2006. Work has been undertaken in the year and has been ongoing since 1 April 2005 to embed controls and risk management arrangements throughout the Council.

In addition to the in-depth review undertaken for the financial year 2005/2006, general consideration has also been given to matters of control applicable up to the time of completion of this statement. There were no matters of significance arising in that period.

3. The Internal Control Environment

The key elements of the internal control environment operating in the Council can be summarised as follows:

- The Council has a clearly defined set of targets in terms of service delivery which are contained within its Community Strategy. The targets detailed in the strategy are subject to ongoing updating and review by Members and CMT who receive regular reports on progress and achievement. The current strategy runs to March 2006 and significant work has been undertaken during 2005/2006 to facilitate the production of a new long-term strategy. Further work will also be necessary to take into account the priorities of the newly elected political administration following the May 2006 local elections.

- The Council has undertaken significant work during 2005/2006 in developing its change agenda under the Camden 'Moving On' initiative in order to ensure it meets the council's corporate strategic objectives. The identification and delivery of key targets of 'delivering excellence' and 'tackling inequality' and the four linked strategic priorities of 'safe', 'young', 'attractive' and 'serving' Camden are supported by a wide ranging programme of initiatives designed to improve how we will work together as one Council and improve efficiency in the way we do business. The implementation of 'Camden Ways of Working' has further enhanced our means of improving performance and meeting our objectives. In addition, significant work has been undertaken during the year to formulate the new Corporate Plan which will be agreed in 2006/2007. Again any new political priorities arising following the May 2006 local elections will need to be considered within this planning process.

- In order to ensure that Council objectives are effectively managed, the Council has in place an action plan to deliver the strategic approach to managing risk agreed by Members in 2004. Regular progress reports are considered by the Executive and CMT. Significant progress has been made in 2005/2006 in the development of operational, divisional and departmental risk registers which are used to feed the corporate risk register. A major development has been the establishment of the new corporate risk register and the identification and management of the key 22 corporate risks facing the Council.

London Borough of Camden – Statement of Accounts 2005-2006

- Policy and decision-making are managed and controlled within a strong well-established framework and a major feature of this is the Council's written constitution which sets out in detail how the Council operates, how decisions are made and the procedures to be followed to ensure efficiency, transparency and accountability. Management control is exercised through the CMT who work to defined and established processes. Departmental Management Teams (DMT)'s exercise local control within individual departments and the Council has developed a Senior Leadership Group at Chief Officer/Assistant Director level to further enhance its managerial control process.

- Compliance with policies, laws and regulations is dealt with through a range of corporate written rules and procedures, which are regularly reviewed and updated. These include Standing Orders, Financial Standing Orders, Financial Regulations, Code of Conduct and the Anti-Fraud and Corruption Strategy. Officer responsibilities and actions are controlled through individual department's Schemes of Officer Delegation.

- The effective and efficient use of resources and the securing of continuous improvement are achieved through a range of review processes. During 2005/2006 the Council has undertaken work in relation to the identification of efficiency savings in line with the 'Gershon Review' requirements and has published its 'Annual Efficiency' Statement which incorporates a 'forward look' on how we intend to progress matters. Reviews of individual departmental services have resulted in the Council achieving a range of Charter Marks, Beacon Council Awards, accreditations for quality systems and various other awards for individual services.

- Business/service planning is well established and work undertaken during 2005/2006 has established corporate guidelines to deliver a more standard approach to this matter on a Council-wide basis. A key element of this has been to further integrate the link between business/service planning, the Council's budget planning process and the Council's stated objectives.

- The financial management of the Council is organised through a wide range of well-established processes and procedures which delivers strong financial control arrangements. The Council has in place a detailed budget planning process which includes detailed written procedures and which is supported by the Council's comprehensive Financial Standing Orders and Financial Regulations, both of which were reviewed and re-issued during 2005/2006.

The Executive, Executive Member for Resources and CMT receive and consider detailed financial information on a regular basis and this facilitates the decision-making process. Other features of the departmental financial control environment include an annual financial survey, financial digest, standing Financial Management Group and financial schemes of delegation. These are further supported by numerous local procedures to facilitate control in specific areas.

- Performance management within the Council is considered through a range of review arrangements including external inspection bodies, external/internal audit reviews, annual reports for departments and specific services, work of the Overview and Scrutiny Commission and the detailed reporting of national and local performance indicators. In addition, the Council and its departments compile regular performance management information /statistics in line with the corporate model.

- Regular and detailed reports are considered by both the Executive Member(s) and CMT with regard to corporate, departmental and service specific performance. Revised corporate guidelines were produced and implemented during 2005/2006 dealing with the production of standard performance management data to manage and control the process on a Council-wide basis.

- The Comprehensive Performance Assessment (CPA) process brings together a range of performance management information to provide a corporate assessment of the Council's performance and Camden Council are rated in the "4 Star" category on current performance. The Council has in place an action plan to ensure that it controls and implements any significant matters that arose during the CPA 2005 review.

- In the latter part of 2005/2006 the Council made the decision to reconstitute an Audit Committee following advice from the external auditor. Terms of Reference have been developed for this committee utilising best practice as issued by CIPFA and the Audit Commission.

4. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the authority who have responsibility for the development, maintenance and ongoing assurance in respect of the internal control environment covering their individual areas of responsibility. This is also supported by reviews conducted by the external auditors and other review agencies and inspectorates.

The Council has undertaken a review of its system of internal control in accordance with best practice advice as published by CIPFA in meeting the requirements of the Accounts and Audit Regulations 2003.

The review conducted has also taken account of the methods employed by the Council in providing service-based assurance on the system of internal control in operation. Information utilised includes:

- Local Management Information Systems including Service Planning Reviews and Annual Departmental Reports.
- Comprehensive Performance Assessment data and supporting evidence.
- External Audit reviews/reports including the annual risk assessment, system audit report and the annual inspection letter.
- Internal Audit reviews/reports arising from the strategic/annual audit plan as well as specific work carried out on each department's local statement of internal control.
- Monitoring reports in relation to the achievement of the Council's Risk Management Strategy and action plans arising from this.
- Information, evidence and reports arising from the work of the Overview and Scrutiny Commission.
- Reports from Inspectorates (e.g. Benefit Fraud Inspectorate).
- Performance Indicator Information of both a statutory and local nature.
- Various external/internal surveys conducted by the Council including those of residents/staff and corporate complaints procedures.

- Analysis of awards/accreditations achieved corporately and at service level.

The information in relation to key controls and assurance arrangements has been used to complete an assessment against the Council's key strategic initiatives and local risks and the necessary actions arising and future planned initiatives are set out in Section 5 of this statement.

5. Matters for future action

Following the review of the effectiveness of the system of internal control, the following actions are planned and underway to further improve control arrangements: -

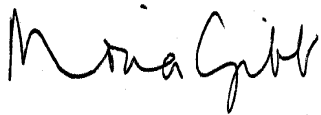
- The new Community Strategy will be finalised and agreed during 2006/2007.
- The new Corporate Plan will be finalised and agreed in summer 2006.
- Continuing work will be undertaken to develop the Council's medium term financial strategy and link this to the corporate objectives identified in the corporate plan.
- Significant review work will be undertaken in relation to the Council's 'Better and Cheaper' initiative which will seek to deliver a range of efficiency savings whilst maintaining proper control measures in key service areas.
- The Council will pilot and rollout its new 'e-buy' system which will deliver both efficiency savings and improved control/compliance in procurement areas.
- The Council will continue to develop its risk management arrangements in line with its corporate strategy.
- Work will be undertaken to support and develop the role of the newly constituted Audit Committee in order to further improve the Council's internal control process.
- A Council-wide training programme on 'fraud-awareness' will be developed and rolled-out for relevant staff in key service areas.

6. Signed Agreement

We have been advised on the implications of the results of the review of the effectiveness of the system of internal control by officers and a plan to address weaknesses and ensure continuous improvement of the system is in place.



Clr Keith Moffitt
Leader of the Council
20 September 2006



Moira Gibb
Chief Executive
20 September 2006

Statement of Accounting Policies

The accounts have been prepared in accordance with the CIPFA Code of Practice issued in 2005. This is a Statement of Recommended Practice (SORP) approved by the Accounting Standards Board.

The Code of Practice requires that departures from recommended accounting policies are fully disclosed, and the reasons for them explained, in local authority accounts. There are no such departures to disclose.

The SORP for 2005 requires that the full requirements regarding external interests and group accounts be implemented in 2005/2006. Camden has re-examined all its external interests and has determined that there are no material interests such as would require the production of group accounts.

The accounts comply fully with the requirements of Sections 41, 42 and 66(4) of the Local Government and Housing Act 1989 which place a statutory duty upon local authorities to follow proper practices in preparing their accounts. The accounts have also been prepared to comply with the 2003 Accounts and Audit regulations.

Accruals

In general, the accounts have been prepared on a basis that accrues and accounts for income and expenditure in the period to which they relate.

Stocks

Issues from the Council's stores have been mainly charged on the basis of the current cost of goods in store. Stock in hand at the year-end is mainly shown at latest purchase price. Although stocks should be shown at the lower of cost and net realisable value, full compliance would not materially affect the value of the Council's assets.

Service Analysis

The service analysis follows the CIPFA Best Value Accounting Code of Practice for both the year of account and the prior year.

Cost of Central Support Services

The costs of central support services are charged to service departments by way of internal transfers. The main bases for apportionment are actual usage, adjusted gross expenditure and headcount.

The cost of each central administrative building is allocated on an average cost basis in accordance with actual floor area occupied by services in the building. The classification of central services follows CIPFA's Code of Practice.

Capital Receipts

Capital receipts from the sale of assets and repayment of house purchase advances have been applied in accordance with the Local Government Act 2003.

Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. This includes assets held under finance leases, which have been capitalised and included in the Consolidated Balance Sheet on the basis of the outstanding obligation to make future rental payments. Schemes that cost less than £10,000 are classified as de minimis and these schemes are classed as revenue rather than capital expenditure.

Operational assets have been included in the Consolidated Balance Sheet at the lower of net current replacement cost or market value in existing use. Non-operational assets have been included at the lower of net current replacement cost or market value. Infrastructure and community assets have been included on the basis of depreciated historical cost.

Intangible Assets

These are shown separately in 2005/2006 on the face of the balance sheet. Expenditure on purchasing intangible fixed assets such as computer software has been capitalised at cost.

Depreciation

Depreciation is provided for on all categories of assets except community assets and freehold land. The Council depreciates its fixed assets on a straight-line basis over the expected life of the asset after allowing for its residual value.

Charges to Revenue in respect of Capital

Service revenue accounts, the Housing Revenue Account and central support services are charged with a capital charge for all capital assets used in

the provision of services. The total charge covers the annual provision for depreciation, where appropriate, plus a capital financing charge determined by applying a specified notional interest rate to net asset values. In 2005/2006 this rate is 3.5% for assets carried at current value and 4.95% for assets carried at historical costs, that is infrastructure and community assets.

A charge is also made to the HRA from the General Fund equivalent to statutory capital financing charges. It is calculated in a manner determined by the Secretary of State in accordance with the provisions of Item 8 of part II of Schedule 4 to the Local Government and Housing Act 1989 (the Item 8 determination).

Capital charges have a neutral impact on the amounts required to be raised from local taxation, as they are reversed in the Asset Management Revenue Account (AMRA) and replaced by external interest payable and the statutory Minimum Revenue Provision for debt repayment. The latter figure is calculated in accordance with the provisions of part 6 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. The principal repayment is 4% of the adjusted Capital Financing Requirement at the start of the financial year for non-housing advances. The HRA is no longer required to make a minimum revenue provision.

Deferred Charges

Deferred charges represent capital expenditure which does not result in, or remain matched with assets controlled by the council e.g. capital grants made to other bodies or individuals. Deferred charges are amortised to revenue over an appropriate period consistent with the consumption of the economic benefits controlled by the council.

Deferred Debits

Deferred debits represent the Housing Revenue Account's share of the costs of debt rescheduling which will be charged to the HRA over the life of the loans repaid.

Capital Grants

Where the acquisition of a capital asset is financed by a Government grant or other contribution, this amount is credited initially to the Capital Grants Deferred Account. Sums are released to AMRA over the useful lives of the assets to which they relate in order to match the depreciation charged on the assets.

Reserves

It has, in the past been the Council's policy to allow departments to carry forward budget underspends in certain circumstances. These underspends are treated as earmarked reserves in the financial statements. The Council also earmarks reserves for other purposes. The purpose of each earmarked reserve is set out in note 56 to the Consolidated Balance Sheet.

Capital Accounts

There are certain other accounts required by the SORP that are shown in the balance sheet. The Fixed Asset Restatement Account (previously the Fixed Asset Restatement Reserve) represents the balance of the surpluses or deficits arising from the periodic revaluation of fixed assets. The Capital Financing Account (previously the Capital Financing Reserve) represents amounts set aside from revenue or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

Revenue Provisions

The Council maintains a number of revenue provisions. A provision counts as expenditure in the year in which it is set up to meet expenditure in a future year.

Investment Income

Income from investments placed with external cash managers has been taken into account in the General Fund.

Private Finance Initiative

In 2003/2004 Camden entered into a 27-year concession for the replacement of the Haverstock School under the Government's Private Finance Initiative. At the end of 2005/2006, the unitary charge payments remaining over the life of the concession are estimated to be £59.606m. In accordance with Financial Reporting Standard 5 (FRS 5) as supplemented by Her Majesty's Treasury Taskforce Guidance (Technical Note 1) the new capital assets that have been created will remain off the Council's balance sheet for the period of the concession.

In carrying out the assessment of the risks and rewards for elements of contracts that involve property, an assessment is made of the substance of the transaction and whether the Council or the operator is exposed to the majority of the risks and rewards of ownership. In carrying out this assessment the Council applied the Treasury Taskforce Guidance Note.

The SORP requires the Council to apply Application Note F to FRS 5 'Private Finance Initiative and Similar Contracts'.

CIPFA's Guidance Notes for Practitioners state that the TTF Guidance Note is influential but not mandatory in applying FRS 5 and accordingly, where the two appear to conflict, the principles of FRS 5 should take precedence.

The Council believes that it is more appropriate to account for these transactions by applying the TTF

Guidance directly, which in this case leads to a different answer, as this reflects accepted practice in other local authorities with PFI contracts and enables comparability.

The Council has created an earmarked reserve, which will be treated as if invested. This will enable the revenue resources available for the project to be managed and used to fund the Unitary Charge payments for the new facility.

Post balance sheet, Camden entered into a 15 year concession for the refurbishment of the Chalcotts Housing Estate under the Government's Private Finance Initiative. 708 dwellings will be refurbished at a cost of £144m.

Pensions

Camden participates in three different pension schemes that meet the needs of employees in particular services. All the schemes provide members with defined benefits related to pay and service. The accounts for 2005/2006 fully reflect the provisions of FRS 17.

Under FRS 17, the amount charged to services is the amount of pension benefit earned during the year, known as the current service cost. This replaces the cash contributions made by services to the Pension Schemes and as a result service costs have been amended. Past Service contributions to the fund and discretionary benefits are no longer shown within net operating costs, but form part of the appropriation between the Consolidated Revenue Account and the Pension Liability that is designed to ensure that the net cost to the general fund remains unchanged.

For FRS 17 purposes, the HRA is treated in the same way as all other service departments. The HRA bears its share of the pension interest cost and the return on pension assets and these, together with the change in HRA service costs, have been matched by an appropriation to the Pension Liability within the HRA. This ensures that the net outturn for the HRA is not altered by these accounting adjustments.

The actuaries have quantified the effect of the changes in the estimated employer assets and the present value of the scheme liabilities and this has increased the pension liability of the Camden fund by £33.262m (£143.151m in 2004/2005) and of the London Pension Fund Authority fund by £3.120m (£5.114m in 2004/2005).

The schemes are as follows:

a) **Teachers** – This is an unfunded scheme administered by the Department for Education and Skills (DfES). The employer's pension cost charged to the accounts is fixed by the contribution rate set by the DfES on the basis of a notional fund. This is unchanged from last year.

b) **Ex ILEA** – This is a funded scheme administered by the London Pensions Fund Authority (LPFA). The amount paid to LPFA is fixed by the contribution rate set by their actuaries in accordance with the Local Government Pension Scheme.

c) **Other Employees** – Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The amounts paid to the fund are fixed by a rate set by the Council's actuary at the triennial valuation.

CONSOLIDATED REVENUE ACCOUNT for the year ended 31 March 2006

	Notes	2005/2006 Gross Expenditure £'000	2005/2006 Gross Income £'000	2005/2006 Net Expenditure £'000	2004/2005 Net Expenditure £'000
Continuing services					
Central Services		50,137	(31,820)	18,317	16,784
Cultural, Environmental and Planning Services	1,2	112,066	(35,321)	76,745	71,326
Education Services		199,942	(63,523)	136,419	124,773
Highways, Roads and Transport Services	3	50,763	(44,185)	6,578	(647)
Housing Services – non HRA	4	189,585	(179,494)	10,091	9,004
Housing Services – HRA		201,360	(167,459)	33,901	43,627
Social Services		145,502	(39,957)	105,545	98,722
	5 - 11	949,355	(561,759)	387,596	363,589
Surplus transferred from trading accounts				(213)	(297)
Asset Management Revenue Account	12			(76,007)	(79,151)
Contribution to Housing Pooled Capital Receipts	54			14,522	41,855
Interest and investment income				(8,273)	(6,981)
Levies by other authorities	13			1,953	2,536
Pensions Interest Cost and expected return on Pensions Assets				9,314	6,090
Net operating expenditure				328,892	327,641
Transfers to the Capital Financing Account	14,15			27,995	803
Transfers to/(from) earmarked reserves (net)	16			(15,298)	9,011
Transfers to/(from) Schools balances				(852)	1,531
Transfers to/(from) HRA balance				(8,182)	6,383
Contribution to Pensions reserve	62			681	2,590
Transfer from Useable Capital Receipts				(14,522)	(41,855)
Amount to be met from government grants and local taxpayers				318,714	306,104
Precept demanded from the Collection Fund				(88,519)	(86,810)
Prior Year Collection Fund (surplus)/deficit				1,122	(47)
Revenue Support Grant				(168,961)	(162,765)
Contribution from NNDR pool	17			(70,201)	(57,827)
Total income from grant and taxpayers				(326,559)	(307,449)
(Surplus) for the year				(7,845)	(1,345)
Consolidated Revenue Account Balance					
Balance at beginning of year				£'000 (13,900)	£'000 (12,555)
Transfers out in year (net)				2,345	-
Surplus for the year				(7,845)	(1,345)
Balance at end of year				(19,400)	(13,900)
Schools balances at beginning of year				(7,675)	(6,144)
(Surplus)/Deficit for the year				852	(1,531)
Schools balances at end of year				(6,823)	(7,675)

HOUSING REVENUE ACCOUNT for the year ended 31 March 2006

		2005/2006	2004/2005
	Notes	£'000	£'000
Income			
Rents – dwellings	19,20,21,23	(91,094)	(85,821)
– non-dwellings		(8,986)	(8,571)
Charges for services and facilities		(22,384)	(18,106)
HRA Subsidy	22	(39,361)	(38,478)
Supporting People Grant		(5,634)	(4,336)
Reduced provision for bad debts		-	-
Total income		(167,459)	(155,312)
Expenditure			
Repairs and maintenance		40,967	40,114
Supervision and management	– General	29,134	28,035
	– Special services	21,113	18,474
Rents, rates and other charges		15,181	13,268
Increased provision for bad debts		1,069	1,360
Cost of Capital	24	67,439	74,024
Depreciation	25	26,218	23,436
Debt Management Expenses		239	228
Total expenditure		201,360	198,939
Net Cost of Service		33,901	43,627
Asset Management Revenue Account		(44,612)	(51,532)
Pensions interest cost and expected return on pensions assets		1,680	1,208
Amortised Premiums		2,520	4,333
Investment Income		(3,322)	(3,112)
Net Operating Income		(9,833)	(5,476)
HRA share of contribution to the Pensions Reserve	27	(172)	57
Revenue Contribution to Capital Expenditure		22,762	450
Deferred Charges – Transfer from Capital Financing Account	26	(664)	(656)
Transfer from Major Repairs Reserve		(3,911)	(758)
(Surplus)/Deficit for the year		8,182	(6,383)
		£'000	£'000
Housing Revenue Account Balance			
Surplus at beginning of year		(80,262)	(73,879)
(Surplus)/Deficit for the year		8,182	(6,383)
Surplus at end of year	28	(72,080)	(80,262)

London Borough of Camden – Statement of Accounts 2005-2006

COLLECTION FUND REVENUE ACCOUNT for the year ended 31 March 2006

	Notes	2005/2006 £'000	2005/2006 £'000	2004/2005 £'000	2004/2005 £'000
Income					
Council Tax					
Income from council tax (net of benefits)	29,30,31	(89,848)		(86,400)	
Council Tax benefits		(24,108)	(113,956)	(23,484)	(109,884)
Decrease in provision for uncollectable amounts	32,33		(1,545)		(1,666)
Community Charge					
Community charge collected			(1)		(2)
NNDR					
Income collectable from business ratepayers			(253,216)		(229,881)
Total income			(368,718)		(341,433)
Expenditure					
Council Tax					
Precepts and Council demand					
- LB Camden (including Garden Squares)		88,519		86,810	
- Greater London Authority		23,044	111,563	21,842	108,652
Distribution of surplus/(collection of deficit)					
- LB Camden		(1,125)		42	
- Greater London Authority		(284)	(1,409)	10	52
Amounts written off			2,245		3,091
Community Charge					
Transfer to General Fund			3		5
NNDR					
NNDR allowable costs and adjustments		1,538		1,957	
Contribution to the NNDR pool	35	251,678	253,216	227,924	229,881
Total expenditure			365,618		341,681
(Surplus)/Deficit for the year			(3,100)		248
Collection Fund Balance					
Deficit at beginning of year			911		663
(Surplus)/Deficit for the year			(3,100)		248
(Surplus)/Deficit at end of year	34		(2,189)		911

London Borough of Camden – Statement of Accounts 2005-2006

CONSOLIDATED BALANCE SHEET as at 31 March 2006

		31 March 2006	31 March 2006	31 March 2005	31 March 2005
	Notes	£'000	£'000	£'000	£'000
Net assets					
Intangible assets	40		870		54
Tangible Fixed assets	36,37,38,39,41,42		2,834,830		2,928,428
Long-term debtors	43		2,054		2,287
Deferred Debits			5,741		7,967
Current assets	44,49	275,196		233,488	
Less current liabilities	45	(228,984)		(157,567)	
Net current assets			46,212		75,921
Total assets less current liabilities			2,889,707		3,014,657
Long-term loans outstanding	46,47,48	(344,096)		(354,690)	
Capital grants deferred	50	(74,173)		(52,104)	
Deferred capital income		(593)		(756)	
Provisions	51	(8,420)		(6,668)	
Pension Liability	62	(358,537)		(322,155)	
Total long-term liabilities			(785,819)		(736,373)
Total assets less liabilities			2,103,888		2,278,284
Financed by					
Fixed Asset Restatement Account	52		1,567,906		1,740,019
Capital Financing Account	53		686,224		645,978
Capital Receipts Unapplied	54		37,901		31,569
Major Repairs Reserve	55		-		-
Contributions to capital works unapplied	58		10,511		9,603
Earmarked reserves	56		59,391		72,344
Pension Reserve	62		(358,537)		(322,155)
Balances					
- Collection Fund			2,189		(911)
- HRA			72,080		80,262
- Locally Managed Schools	57		6,823		7,675
- General Balances			19,400		13,900
Total equity	59		2,103,888		2,278,284

London Borough of Camden – Statement of Accounts 2005-2006

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

for the year ended 31 March 2006

	Fixed Asset Restatement Account	Capital Financing Account	Capital receipts unapplied	Contribution to Capital Works unapplied	Pension Reserve	Specific Balances and Earmarked Reserves	Housing Revenue Account	General Balances	Total
Notes	52	53	54	58	62	55,56,57			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2005	1,740,019	645,978	31,569	9,603	(322,155)	79,108	80,262	13,900	2,278,284
Surplus or deficit for the year	(50,424)	32,261	-	908	548	(10,705)	(8,182)	5,500	(30,094)
Unrealised gains on fixed asset revaluation	(99,565)	-	-	-	-	-	-	-	(99,565)
Effects of amounts payable to the housing capital receipts pool	-	-	(14,522)	-	-	-	-	-	(14,522)
Actuarial Gains and Losses	-	-	-	-	(36,930)	-	-	-	(36,930)
Disposal of fixed assets:-									
– cost or value of assets	(22,124)	-	-	-	-	-	-	-	(22,124)
– proceeds of disposal	-	-	28,839	-	-	-	-	-	28,839
Net (deficit) /surplus on disposal	(22,124)	-	28,839	-	-	-	-	-	6,715
Financing of capital expenditure	-	7,985	(7,985)	-	-	-	-	-	-
Balance at 31 March 2006	1,567,906	686,224	37,901	10,511	(358,537)	68,403	72,080	19,400	2,103,888

London Borough of Camden – Statement of Accounts 2005-2006

CASH FLOW STATEMENT for the year ended 31 March 2006

	Notes	2005/2006 £'000	2005/2006 £'000	2004/2005 £'000	2004/2005 £'000
Revenue Activities					
Cash outflows				Restated	Restated
Payments to NNDR Pool		257,186		223,925	
Payments of precepts		22,760		21,852	
Cash paid in respect of employees		327,253		304,741	
Other operating payments		339,160		340,194	
Payments to the Capital Receipts Pool		14,522		41,855	
Housing benefit paid out		67,385	1,028,266	63,810	996,377
Cash inflows					
Receipts from NNDR Pool		(70,201)		(57,827)	
Non-domestic rate receipts		(254,097)		(231,617)	
Receipts from council tax payers		(92,544)		(87,325)	
Receipts from community charge payers		(1)		(2)	
Revenue Support Grant		(168,961)		(162,765)	
DWP grants for benefits		(160,732)		(145,476)	
Other Government grants	63	(149,302)		(158,401)	
Rents (after rebates)		(60,178)		(61,184)	
Cash received for goods and services		(124,281)	(1,080,297)	(140,724)	(1,045,321)
Net cash inflow from revenue activities	64		(52,031)		(48,944)
Servicing of finance					
Cash outflows - interest paid		21,050		22,350	
- finance lease interest		-		-	
Cash inflows - interest received		(7,391)	13,659	(7,575)	14,775
Net cash outflow from the servicing of loans			13,659		14,775
Capital activities					
Cash outflows					
Purchase of fixed assets		117,338		73,714	
Other capital cash payments		162		(14)	
Deferred charges		3,690	121,190	3,240	76,940
Cash inflows					
Sale of fixed assets		(28,703)		(72,131)	
Capital grants received		(25,422)		(13,759)	
Other capital cash receipts		(7,545)	(61,670)	(5,522)	(91,412)
Net cash (inflow)/outflow from capital activities			59,520		(14,472)
Net cash (inflow)/outflow from activities before financing	65,66		21,148		(48,641)
Management of liquid resources – change in short term investments	67		32,832		37,828
Financing					
Long/short-term loans raised		(228,560)		(112,580)	
Long/short-term loans repaid		179,093	(49,467)	121,547	8,967
Net cash (inflow)/outflow from financing and liquid resources			(16,635)		46,795
Net (Increase)/decrease in cash	68		4,513		(1,846)

Notes To The Accounts

The Consolidated Revenue Account

1. Street Markets (included within Cultural, Environmental and Planning Services)

The Council operates several street markets. The financial results were as follows:

	2005/2006 £'000	2004/2005 £'000
Expenditure	1,152	1,034
Income from fees and charges	(875)	(784)
Deficit for the year	277	250
Deficit brought forward	1,014	764
Deficit carried forward	1,291	1,014

Under laws governing the operation of these markets, income from fees and charges may be applied only to expenditure on the maintenance of the markets. Income from all licence holders, both annual and temporary, has been brought into account.

2. The Local Authority Building Control Regulations (included within Cultural, Environmental and Planning Services)

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 below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

Building (Local Authority Charges) Regulations Account 2005/2006

	Chargeable £'000	Non Chargeable £'000	Total £'000
Expenditure	1,225	454	1,679
Income	(1,303)	(98)	(1,401)
(Surplus)/ Deficit for the year	(78)	356	278
2004/2005	(73)	321	248

In the chargeable section of the Building Regulations Account, charges are to be fixed so that income will not be less than expenditure over a three year period. Over the last three years, income on this account has exceeded expenditure by £0.134m.

3. On-street Parking (included within Highways, Roads and Transport Services)

The surplus arising from on-street parking facilities is used to defray expenditure on qualifying costs incurred by the Council. Under the legislation the application of any surplus is limited to meeting the cost of providing and maintaining parking facilities, highway improvement schemes, highway maintenance and public passenger transport services. Any amount not so used may be carried forward in a parking reserve account to the next financial year.

The surplus from on-street parking in 2005/2006 was £14.774m (£20.914m in 2004/2005). This was applied to defray revenue expenditure as follows:

	2005/2006 £'000	2004/2005 £'000
Income		
Surplus from on-street parking	(14,774)	(20,914)
Expenditure		
Off-street parking	821	954
Highways and traffic improvement:		
- revenue expenditure	1,425	1,205
- capital expenditure	1,789	1,742
- capital charges	4,029	3,655
Concessionary fares and Taxicard scheme	6,710	6,169
Transport planning costs	-	1,538
Home to School transport	-	2,109
Highways maintenance	-	3,542
Total expenditure defrayed from income from on-street parking	14,774	20,914

London Borough of Camden – Statement of Accounts 2005-2006

4. Expenditure on Housing Benefits (included within Housing Services)

	2005/2006	2004/2005
	£'000	£'000
Gross rent allowances	67,385	63,809
Less subsidy income	(68,534)	(64,521)
Net cost of rent allowances	(1,149)	(712)
Gross cost of council tax benefits	24,108	23,484
Less subsidy income	(24,442)	(23,758)
Net cost of council tax benefits	(334)	(274)
Gross cost of rent rebates	62,878	59,457
Less subsidy income	(63,185)	(60,137)
Net cost of rent rebates	(307)	(680)
Net cost of all Housing Benefits to the General Fund	(1,790)	(1,666)

5. Costs of Audit

The following fees were payable during the year to the Audit Commission in respect mainly of statutory inspections and to Deloitte and Touche LLP, the council's Appointed Auditors, in respect of virtually all other external audit services: -

	2005/2006	2004/2005
	£'000	£'000
External Audit Services	366	379
Statutory Inspection	15	49
Certification of grant claims and returns	244	280
Other Audit Services	20	33
Total	645	741

6. Publicity Account

Under Section 5 of the Local Government Act 1986 local authorities are required to keep a separate account of certain categories of expenditure on publicity. Total expenditure in 2005/2006 was £3.918m (£4.316m in 2004/2005). This can be analysed as follows:

	2005/2006	2004/2005
	£	£
Salaries	931,987	865,482
Job advertising	967,413	1,560,814
Publications	335,383	309,595
General publicity and advertising	1,206,974	1,070,410
Other costs	476,558	509,651
	3,918,315	4,315,952

7. Remuneration of Senior Staff and Members

The total sum paid to Members in 2005/2006 was £907,000 (£812,000 in 2004/2005). The number of staff receiving annual remuneration in excess of £50,000 is shown below. This excludes employer's pension contributions but includes benefits in kind, so far as they are chargeable to UK income tax. Also included are compensation payments for loss of office and other payments receivable on the termination of employment, even where these are not taxable.

£'000	2005/2006	2004/2005
50-60	124	91
60-70	21	24
70-80	14	13
80-90	15	11
90-100	3	2
100-110	3	2
110-120	2	-
120-130	-	-
130-140	1	-
140-150	-	1
150-160	1	-
160-170	-	-
170-180	-	1
	184	145

London Borough of Camden – Statement of Accounts 2005-2006

8. Related Party Transactions

A number of transactions with related parties are disclosed elsewhere in the notes to these accounts. Several organisations are designated as local authority influenced under the terms of the Local Authorities (Companies) Order 1995. The Council awarded grants, service agreements and contracts to a number of these organisations to carry out services on its behalf in 2005/2006 as follows:

	2005/2006 £'000	2004/2005 £'000
Arts	310	479
Children, young people and families	802	639
Community advice, development and support	1,450	1,956
Community care	20,008	14,997
Community centres	643	1,090
Employment and training	247	262
Housing associations	1,493	1,969
Multi-functional and infrastructure	1,024	1,085
Other	2,904	2,464
	28,881	24,941

The Council has also provided one of the housing associations with loan guarantees. The value of the loans in question was estimated at £3.1m at 31 March 2006.

The Council received £11.543m from local Health Trusts during the year for the provision of combined health and community care services.

This comprised:

	2005/2006 £'000	2004/2005 £'000
Camden Primary Care Trust	6,553	5,334
Islington Primary Care Trust	49	33
Camden & Islington Mental Health & Social Care Trust	4,941	1,748
	11,543	7,115

The Council acts as lead borough and financial advisor to the North London Waste Authority, the London Committee for Action Against Fraud and the London Ecology Unit. In 2005/2006 it paid £7.586m to these bodies (£6.989m in 2004/2005) and received £1.311m in total (£1.229m in 2004/2005). At 31 March 2006 it held £21.869m on behalf of these bodies (£18.051m at 31 March 2005) which is included in the cash at bank balances and the current liabilities in the accounts.

9. Leasing

Operating Leasing

Operating leasing where the Council is the Lessee – Vehicles, Plant and Equipment: -

	2005/2006 £'000	2004/2005 £'000
Lease Rentals		
Vehicles	713	688
IT Equipment	281	214
Other	261	239
	1,255	1,141

The amount next year the authority is committed to pay in respect of leases expiring: -

	2006/2007 £'000
within one year	427
within two to five years	652
in more than five years	-
	1,079

Operating leasing where the Council is the Lessee – Properties: -

	2005/2006 £'000
Lease Rentals	
Amount payable in respect of:	
Operational Land and Buildings (GF)	4,988
Operational non-residential (HRA)	672
Operational residential (HRA)	9,198
	14,858

London Borough of Camden – Statement of Accounts 2005-2006

Operating Leasing (cont)

The amount next year the authority is committed to pay in respect of leases expiring: -

	2006/2007		Total £'000
	excl. HRA residential £'000	HRA residential £'000	
within one year	27	573	600
within two to five years	1,752	4,626	6,378
In more than five years	3,446	3,682	7,128
	5,225	8,881	14,106

Operating leasing where the Council is the Lessor – Properties: -

	2005/2006 £'000
Amount receivable in respect of:	
Non-operational Land and Buildings (GF)	5,368
Non-operational non-residential (HRA)	8,042
	13,410

	31 March 2006 £'000
Value of Assets held for use in operating leases:	
Non-Operational Land & Buildings (GF)	
- Gross book Value	83,651
- Less accumulated depreciation	(76)
- Net Book Value	83,575

Non-Operational non-residential (HRA)	
- Gross book Value	82,777
- Accumulated depreciation	-
- Net Book Value	82,777

Finance Leasing

Finance leasing where the Council is the Lessee: -

Lease Rentals	2005/2006 £'000	2004/2005 £'000
Non-operational land and buildings	16	11
Plant and Equipment	22	16
	38	27
Analysed over		
Financing Charges	38	27
Principal	-	-
	38	27

Outstanding rentals on these finance leases at 31 March 2006 were as follows:

	£'000
Due within one year	27
Due within two to five years	101
Due in more than five years	78
	206

10. Section 137 (3) Expenditure

Section 137 of the Local Government Act 1972 (as amended) gives local authorities a limited power to incur expenditure for the benefit of people in their area on activities or projects by making donations to the funds of charitable or not-for-profit organisations in the United Kingdom. In 2005/2006 the limit of £1,116,503 was the product of £5.30 multiplied by Camden's relevant population of 210,661. Expenditure on grants and subscriptions amounted to £103,200 in 2005/2006 (£99,564 in 2004/2005).

London Borough of Camden – Statement of Accounts 2005-2006

11. Pensions

(a) Teachers - In 2005/2006 the Council paid £6.311m to the Department for Education and Skills (£6.055m in 2004/2005) in respect of teachers' pension costs, which represents 13.5% of teachers' pensionable pay (13.5% in 2004/2005). In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2005/2006 these amounted to £0.370m (£0.352m in 2004/2005) representing 0.79% of pensionable pay (0.78% in 2004/2005).

(b) Ex ILEA - In 2005/2006 the Council paid £0.352m to the London Pensions Fund Authority (£0.350m in 2004/2005) in respect of former ILEA employees' pension costs, which represents 18.0% of ex-ILEA employees' pensionable pay (18.0% in 2004/2005). In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2005/2006 these amounted to £0.060m, (£0.062m in 2004/2005) representing 3.06% of pensionable pay (3.19% in 2004/2005).

(c) Other Employees – In 2005/2006 the Council's level of contribution into the Pension Fund was 21.9% (19.5% in 2004/2005) for those employees paying 6% of pensionable pay and 18.25% (16.25% in 2004/2005) (for manual staff that joined the scheme before 31 March 1998) for those employees paying 5% of pensionable pay. The actual cash payments made into the Fund by the Council were £27.906m (£23.225m in 2004/2005) which represents 21.89% of Camden employees' pensionable pay (19.49% in 2004/2005).

The Fund's actuary determines the employer's contribution rate. It is based on triennial actuarial valuations, with the last review being at 31 March 2004.

Under Pension Fund regulations applying to 2005/2006, contribution rates were required to meet 100% of the overall liabilities of the Fund over an agreed period and the contributions needed by the Council to meet this requirement will continue to be funded at the level recommended by the Council's actuary.

In addition, the Council is responsible for all pension payments relating to added year benefits it has awarded, together with the related increases. In 2005/2006 these amounted to £2.600m, representing 2.04% of pensionable pay (£2.202m and 1.85% in 2004/2005).

The capital cost of discretionary increases in pension payments (e.g. discretionary added years) agreed by the authority in 2005/2006 was £0.014m (£0.022m in 2004/2005).

There is further pension information in Note 61.

12. Asset Management Revenue Account (AMRA)

The balance on this account consists of the following items:

	2005/2006 £'000	2004/2005 £'000
Income		
Capital charges		
General Fund	(42,349)	(39,949)
HRA	(68,456)	(71,037)
Transfer from Capital Grants Deferred Account	(3,762)	(2,707)
	(114,567)	(113,693)
Expenditure		
Depreciation provision		
General Fund	12,733	11,394
HRA	3,911	758
External interest	21,916	22,390
	38,560	34,542
Net Balance	(76,007)	(79,151)

13. Levies by other local authorities

Levies were paid to other local authorities as follows:

	2005/2006 £'000	2004/2005 £'000
Environment Agency	167	152
Garden Squares	18	17
Greater London Magistrates' Court Authority	-	600
Lee Valley Regional Park	263	252
London Pension Fund Authority	1,505	1,515
	1,953	2,536

From 1 April 2005, Magistrates Courts are being funded directly by central government.

London Borough of Camden – Statement of Accounts 2005-2006

14. Transfer to the Capital Financing Account

The transfer to this account consists of the following items: (see also Note 53 – Consolidated Balance Sheet)

	2005/2006 £'000	2004/2005 £'000
Deferred charges	(3,690)	(3,239)
Capital grant adjustment	1,895	2,321
Capital grants deferred	3,762	2,707
MRP appropriation	(8,608)	(8,024)
HRA consolidation	(3,911)	(758)
Revenue contributions to capital	38,547	7,796
	27,995	803

15. Minimum Revenue Provision (MRP)

The Local Government and Housing Act 1989 requires the Council to charge to the revenue account a provision for the redemption of debt. This is then reduced by the depreciation charge already made to AMRA to leave the net MRP chargeable to the revenue account. For 2005/2006 the amount was £4.124m (£3.370m in 2004/2005).

	2005/2006 £'000	2004/2005 £'000
Minimum Revenue Provision	4,125	3,370
Less - Depreciation	(12,733)	(11,394)
Transfer from Capital Financing Account	(8,608)	(8,024)

16. Transfers to/(from) Earmarked Reserves

The following amounts were transferred to/(from) earmarked reserves and General Balances in 2005/2006:

	2005/2006 £'000	2004/2005 £'000
Departmental reserves		
Law and Administration	(209)	209
Finance	(1,057)	1,709
Organisational Development	(72)	93
Camden Strategy Unit	-	13
Chief Executive's	-	(2,617)
Education	(100)	(3)
Environment	(1,336)	(2,957)
Housing	(5,757)	4,508
Leisure and Community Services	(1,102)	(288)
Social Services	(2,004)	(639)
	(11,637)	28
Corporate reserves		
Future capital schemes	3,356	9,000
Litigation Reserve	(61)	(95)
Central equipment	(1,116)	(64)
Match funding	(945)	(296)
Building Maintenance		
Trading	-	(76)
IT Systems Management	-	(126)
Modernising Government	1,523	(449)
Self-insurance	(3,334)	(168)
Neighbourhood Renewal	(119)	(277)
Schools support teacher absences	(103)	(225)
e-Government	(2,581)	(2,019)
Mental Health Aftercare Reserve	(769)	(42)
Haverstock School PFI Initial Payment reserve	(130)	(130)
Haverstock School PFI reserve	334	1,783
People @ Camden reserve	-	(1,578)
Corporate Initiatives	10	2,514
Licensing Reform	(197)	748
e-Procurement	400	483
Pay and Gratings review	295	-
Revenue Budget Funding	2,121	-
	(1,316)	8,983
Total Net Transfers	(12,953)	9,011

London Borough of Camden – Statement of Accounts 2005-2006

The following amounts were transferred between reserves and general balances in 2005/2006: -

	£'000
To general balances	
- from Departmental reserves	5,860
From general balances	
- to Revenue	(405)
- to Future Capital Schemes reserve	(950)
- to Future Capital Schemes reserve	(5,000)
- to Revenue Budget funding	(1,850)
	<u>(2,345)</u>

17. Income from Business Rates

Income to the national non-domestic rates pool is redistributed directly to both billing and precepting authorities on the basis of resident population. Population figures are determined by the Registrar General. The Council received £70.201m in 2005/2006 (£57.827m in 2004/2005), which was credited to the Consolidated Revenue Account based on a population of 210,661 (207,008 in 2004/2005).

18. Business Improvement District

The Council is the billing authority for the Holborn Business Improvement District (BID) which is run by the Holborn Business Partnership. The Council collects a levy from business ratepayers in the area of the BID on behalf of the BID body and pays the funds to the body to carry out those services for which the BID was established. The Holborn BID started on 1 April 2005.

Holborn BID account

	2005/2006 £'000s	2005/2006 £'000s
Levy for year	808	808
Write Offs	(1)	
Cost of Collecting Levy	(30)	(31)
		<u>777</u>
Paid to BID body		(768)
Balance Carried Forward		<u>9</u>

The Housing Revenue Account

19. Gross Rent Income

Gross rent income is the total rent income due for the year after allowance is made for vacant properties. During the year 1.56% of properties used for permanent accommodation were vacant (1.78% in 2004/2005). The average rent and service charge for all stock was £77.18 per week in 2005/2006, an increase of £3.82 or 5.2%, over the 2004/2005 average rent of £73.36 per week.

20. Housing Stock

The Council was responsible at 31 March 2006 for managing self-contained and shared dwellings. The stock was as follows:

Property	No
Bedsitter/1 Bed accommodation	10,126
2 Bed accommodation	7,617
3 Bed accommodation	5,009
4 Bed+ accommodation	1,508
	<u>24,260</u>
Multi-occupied dwellings	
Shared units *	322
Total	<u>24,582</u>

*Dwelling equivalent

The change in stock can be summarised as follows:

	2005/2006	2004/2005
Stock at 1 April	24,754	25,252
Less sales, demolitions, etc	(172)	(498)
Stock at 31 March	<u>24,582</u>	<u>24,754</u>

21. Rent Arrears

The arrears at 31 March 2006 were £6.544m (£5.837m at 31 March 2005). Amounts written off during the year totalled £0.903m (£1.004m in 2004/2005) and the provision for bad debts at the year-end totalled £4.760m (£5.102m at 31 March 2005).

22. HRA Subsidy

HRA Subsidy is a grant paid by the Office of the Deputy Prime Minister (ODPM) towards the costs of local authority housing. It represents the shortfall of notional rent and other income against expenditure deemed by the ODPM to have been incurred for management and maintenance and charges for capital. Income is calculated as follows:

	2005/2006 £'000	2004/2005 £'000
Notional expenditure		
Management and maintenance	64,068	64,143
Major Repairs Allowance	22,306	22,678
Charges for capital	29,624	31,297
Other	8,726	3,189
Total notional expenditure	<u>124,724</u>	<u>121,307</u>
Notional income		
Rents	(86,353)	(82,807)
Other	(18)	(22)
Total notional income	<u>(86,371)</u>	<u>(82,829)</u>
HRA Subsidy 2005/2006	<u>38,353</u>	<u>38,478</u>
Prior Year Adjustment	1,008	-
	<u>39,361</u>	<u>38,478</u>

London Borough of Camden – Statement of Accounts 2005-2006

23. Rent Rebates

Assistance with rents is available under the Housing Benefits scheme for those on low incomes. About 66% of the Council's tenants were receiving some help with the costs of rent, water and heating charges at 31 March 2006.

	2005/2006 £'000	2004/2005 £'000
Gross rent income	91,094	85,821
Gross tenant service charge income	6,762	6,468
Total	97,856	92,289
Rent rebates	62,878	59,457
Rebates as % of rent income	64.3%	64.4%

Housing Benefit is administered by the Finance Department under regulations laid down by the Department of Work and Pensions (DWP). The net cost of rent rebates granted to council tenants is met by council taxpayers and details are given in Note 4.

24. Capital Financing Costs

Costs of capital charged to the Housing Revenue Account are determined in accordance with the Item 8 Credit and Item 8 Debit (General) determination made by the Secretary of State under part II of schedule 4 to the Local Government and Housing Act 1989.

The determination specifies that the HRA should be charged with a 3.5% notional interest charge in line with that made for non-HRA assets and represents the cost of public sector capital tied up in HRA assets. In order that the HRA only bears the proper HRA interest charge relating to interest on notional HRA debt, an entry is made to the Asset Management Revenue Account representing the difference between these amounts.

25. Depreciation

The Item 8 Determination states that the HRA should be charged with depreciation.

Depreciation is made up as follows:

	2005/2006 £'000	2004/2005 £'000
Operational Assets (dwellings/other)	25,533	23,025
Non-operational Assets	685	411
Total	26,218	23,436

26. Deferred Charges

Deferred charges consist of house purchase grants under the cash incentive scheme of £0.547m (£0.684m in 2004/2005) which are made to tenants to assist them in purchasing homes in the private sector and £0.117m (£nil in 2004/2005) paid out for the Private Finance Initiative.

27. HRA Contribution to the Pension Reserve

Under FRS 17, the pension amount charged to each council service is the amount of pension benefit earned in the year, as determined by the actuary. This replaces the cash contributions made by services to the Pension Fund. This principle has been applied to the HRA. In addition, the HRA has been charged with its share of the pension interest cost and the return on pension assets, and these, together with the change in service costs have been matched by an appropriation to/from the Pension Reserve such that the net outturn on the HRA is not altered by these accounting adjustments.

28. Surplus Carried Forward to Earmarked Reserves

The balance represented by the accumulated surplus of £72,080m at the end of the year was earmarked for the following purposes:

	2005/2006 £'000	2004/2005 £'000
Capital schemes - programmed	26,921	24,378
Major repairs programme	20,808	18,100
Residential Leases	18,366	17,000
Other	-	17,784
Working balance	5,985	3,000
	72,080	80,262

The Collection Fund

29. General

The Collection Fund was established on 1 April 1990 under the provisions of the Local Government Finance Act 1988. It accounts for all transactions on council tax, business rates and residual community charge. Although it is kept separate from the Consolidated Revenue Account, Collection Fund balances do form part of the Consolidated Balance Sheet.

30. Council Tax

The Council Tax is a property-based tax with a system of personal discounts, based upon the nature and degree of occupation of the property concerned. For the purpose of assessing the tax all domestic properties were valued by the Inland Revenue and placed in one of eight bands, depending upon the estimated market value at 1 April 1991.

31. Council Demand

The Council's demand on the Collection Fund represents the balance of spending for the year to be met from local taxes, together with any deficit or surplus met in that year in respect of community charge.

Regulations prescribe that any surplus or deficit in respect of Council Tax items in the Collection Fund is to be split between the Council and major preceptors. These adjustments are determined at the time of tax setting and included in the precepts and Council demand.

Any deficit or surplus in respect of community charge falls to be met solely by, or credited solely to, the Council's General Fund.

By law, the tax for each band is set as a fraction of the band D charge. For 2005/2006, the Council estimated that a band D charge of £1 would produce an income of £90,504. This figure is used by the preceptors and the Council to set the band D charge and is known as the Council Tax Base or the total of band D equivalent properties. The base is determined by taking the number of properties in each band, adjusting for discounts (including that for single occupancy of 25%), exemptions and non-collection, and multiplying by the appropriate fraction for that band. Following a change in the law, on 1 April 2004 discounts on unoccupied, furnished property were reduced from 50% to 10% and on unoccupied, unfurnished property from 50% to zero.

In 2005/2006 the council tax for band D was set as follows:

	£
Camden	977.86
Greater London Authority	254.62
Total	<u>1,232.48</u>

This was an increase of £32.21 (2.68%) on the corresponding figure for 2004/2005 of £1,200.27.

Council Tax Bands

Market Value in April 1991	Band	2005/2006 Council Tax £	Number of properties at 31 March 2006	Number of properties at time of tax setting	Fraction 2005/2006	Tax base for tax setting
Less than £40,000	A	821.66	2,262	2,065	6/9	1,035.36
£40,000 - £52,000	B	958.60	9,828	9,600	7/9	5,662.83
£52,000 - £68,000	C	1,095.54	18,925	18,788	8/9	13,031.28
£68,000 - £88,000	D	1,232.48	23,741	23,627	9/9	18,889.06
£88,000 - £120,000	E	1,506.36	16,225	16,172	11/9	16,166.79
£120,000 - £160,000	F	1,780.24	10,205	10,022	13/9	12,035.55
£160,000 - £320,000	G	2,054.14	11,668	11,619	15/9	16,636.73
£320,000 or more	H	2,464.96	4,018	3,997	18/9	7,046.79
Total			<u>96,872</u>	<u>95,890</u>		<u>90,504.39</u>

London Borough of Camden – Statement of Accounts 2005-2006

32. Community Charge

As the provision for bad debts covers 100% of the arrears outstanding, any further collections of community charge will be credited to the Collection Fund as income. Genuine arrears are still being collected by instalments. Regulations require that any deficit or surplus in respect of community charge be transferred to the Council's General Fund.

33. Council Tax - Uncollectable Amounts

The provision to cover bad debts stood at £13.136m on 31 March 2006. This represents 83% of the outstanding arrears.

34. Fund Balance

The balance on the Collection Fund at 31 March 2006 represents deficits and surpluses that have arisen since 1 April 2003 in respect of council tax and community charge transactions. These may be analysed as follows:

	31 March 2005	Change during 2005/2006	31 March 2006
	£'000	£'000	£'000
Council tax			
-2003/2004	724	(724)	-
-2004/2005	192	(685)	(493)
-2005/2006	-	(1,694)	(1,694)
Community charge	(5)	3	(2)
	<u>911</u>	<u>(3,100)</u>	<u>(2,189)</u>

The surplus in respect of community charge will be credited to the General Fund in future years.

Preceptors and the Council's General Fund will receive the surplus in respect of council tax in 2006/2007 and 2007/2008. These payments may be analysed as follows:

	Refund 2006/2007	Estimated Refund 2007/2008	Total
	£'000	£'000	£'000
Camden	270	1,466	1,736
Greater London Authority	71	382	453
	<u>341</u>	<u>1,848</u>	<u>2,189</u>

35. Collection of National Non-Domestic Rates

Under the arrangements for National Non-Domestic Rates (NNDR) the Council collects business rates for its area, which are based on local rateable values and a multiplier set by the Government. From 1 April 2005 there are two multipliers, the small business non-domestic rating multiplier, which is applicable to those that qualify for the small business relief and the non-domestic rating multiplier, which is applicable to all other businesses and includes a supplement to pay for small business relief. The small business non-domestic rating multiplier for 2005/2006 is 41.5p and the non-domestic rating multiplier is 42.2p (45.6p in 2004/2005 which applied to all businesses). The total amount collectable, less certain reliefs and deductions, is paid into a national pool.

At 31 March 2006 the non-domestic rateable value of the borough was £831.314m (£648.68m at 31 March 2005). On 1 April 2005 a national revaluation of all commercial properties was undertaken by the Valuation Office, which resulted in the significant increase in the rateable value of the borough. Transitional arrangements have limited changes to bills. These arrangements are being phased out over five years.

Appeals against the original rateable values continue to be received. A significant number of these are backdated downward revaluations that resulted in lower income being received from business ratepayers.

London Borough of Camden – Statement of Accounts 2005-2006

Collection of National Non-Domestic Rates (cont)

	2005/2006 £'000	2005/2006 £'000	2004/2005 £'000	2004/2005 £'000
Income from business ratepayers				
Non-domestic rate charge		321,781		267,551
SBBR Supplement		5,139		-
Transitional relief	(26,033)		1,046	
Less - mandatory charity relief	(28,118)		(18,515)	
- empty property relief	(19,156)		(19,844)	
- discretionary relief	(397)	(73,704)	(357)	(37,670)
Income due from business ratepayers		253,216		229,881
NNDR collection costs, credited to the Council's General Fund	(1,137)		(1,112)	
Bad debt provision/losses on collection	346		(18)	
Discretionary relief charged to: the Council's General Fund	275		267	
Interest on refunds	(1,022)	(1,538)	(1,094)	(1,957)
Contribution to NNDR Pool		251,678		227,924

London Borough of Camden – Statement of Accounts 2005-2006

The Consolidated Balance Sheet

36. Fixed Assets

Movement of Fixed Assets

	OPERATIONAL ASSETS						NON-OPERATIONAL ASSETS					Total Non-Operational Assets £'000
	Council Dwellings HRA	HRA - Other	Other Land and Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Total Operational Assets	HRA - Commercial	HRA - Surplus	Investment Assets	Fixed Assets under construction	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
GROSS BOOK VALUES												
Gross Book Value at 31 March 2005	2,069,876	21,482	604,671	10,785	122,473	8,606	2,837,893	74,132	-	66,981	7,948	149,061
Less accumulated depreciation	(22,791)	(1,524)	(13,523)	(6,509)	(14,122)	(2)	(58,471)	-	-	(55)	-	(55)
Net Book Value at 1 April 2005	2,047,085	19,958	591,148	4,276	108,351	8,604	2,779,422	74,132	-	66,926	7,948	149,006
Movement in 2005/2006												
Corrections to Base	(629)	(453)	(10,283)	-	-	-	(11,365)	899	611	(500)	-	1,010
Additions – capital expenditure	53,676	13,720	9,423	327	16,960	206	94,312	585	-	440	22,351	23,376
Less capital expenditure not enhancing asset values	(53,677)	(587)	(8,827)	-	-	-	(63,091)	(585)	-	(327)	-	(912)
Other additions	(222)	-	25,224	-	-	-	25,002	-	-	-	-	-
Disposals	(11,162)	(529)	(7,326)	-	-	-	(19,017)	(300)	(3,307)	-	-	(3,607)
Revaluations	(170,507)	8,354	14,499	-	-	-	(147,654)	12,536	1,105	10,641	-	24,282
Transfers	(868)	1,123	(4,932)	1,806	-	152	(2,719)	(4,489)	3,409	6,415	(4,747)	588
Depreciation	(2,655)	880	(6,343)	(2,391)	(3,273)	-	(13,782)	-	-	(21)	-	(21)
Movement in Net Book Value	(186,044)	22,508	11,435	(258)	13,687	358	(138,314)	8,646	1,818	16,648	17,604	44,716
Net Book Value at 31 March 2006	1,861,041	42,466	602,583	4,018	122,038	8,962	2,641,108	82,778	1,818	83,574	25,552	193,722

Movement of Fixed Assets (cont)

The freehold and leasehold properties that comprise the Council's property portfolio have been valued by:

- Inland Revenue - Valuation Division
- London Borough of Camden - Head of Property Services
(Fellow of the Royal Institution of Chartered Surveyors)

The valuations have been carried out on the under-mentioned bases in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors by members of that institution.

All land and buildings held within the HRA have been valued according to the following bases:

Operational assets such as dwellings, tenants' halls and garages have been valued at Existing Use Value for Social Housing (EUV-SH) for housing property and Existing Use Value (EUV) for non-housing property. EUV-SH valuations have been derived by assessing the vacant possession value of housing properties by using the beacon principle and then reducing the values by 63% (this has been increased with effect from 1 April 2005 from 53% in line with guidance from the Office of the Deputy Prime Minister) to reflect the continuing occupation by secure tenants.

Non-operational assets such as shops have been valued at open market value.

General Fund operational properties were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the asset, the depreciated replacement cost. General Fund non-operational properties were valued on the basis of open market value.

Community assets are shown at historical cost with the opening value as at 1 April 1994 being equivalent to the outstanding debt on these assets at that date.

Infrastructure assets are shown at depreciated historical cost plus the value of expenditure incurred in subsequent years.

London Borough of Camden – Statement of Accounts 2005-2006

37. Revaluation Review Dates

The following table shows the progress of the council's rolling programme for the revaluation of its fixed assets. The valuations have been carried out by the council's appointed valuers and the basis of valuation is set out in the statement of accounting policies.

	HRA dwellings	HRA commercial	HRA other	Other Land and Buildings	Investment Properties - GF	Vehicles, Plant and Equipment	Community Assets	Infrastructure	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation Review Dates									
Valued at historic cost	-	-	-	-	-	10,785	8,607	122,474	141,866
Valued at current value in									
2001/2002	-	-	323	24,491	2,009	-	-	-	26,823
2002/2003	-	-	-	7,133	170	-	-	-	7,303
2003/2004	-	-	-	489,195	1,431	-	-	-	490,626
2004/2005	-	-	-	49,891	185	-	-	-	50,076
2005/2006	1,899,367	86,667	29,514	48,458	73,828	-	-	-	2,137,834
Gross Book Value at 1 April 2005 incl. Revaluation at 1 April 2005	1,899,367	86,667	29,837	619,168	77,623	10,785	8,607	122,474	2,854,528

38. Council Assets

The assets of the Council at 31 March 2006 included the following:

24,582	Council dwellings
476	HRA commercial properties
4	HRA Surplus properties
195	HRA other properties
2	Car parks
2	Cemeteries
10	Community centres
12	Day centres
7	Depots and workshops
6	Libraries
14	Miscellaneous buildings
2	Mortuaries and courts
0	Museums & galleries
23	Non-HRA housing properties
26	Offices
5	Play centres
4	Playing fields
6	Public conveniences
7	Residential homes
10	School keeper houses
8	Schools - nurseries
21	Schools - primary
5	Schools - secondary
4	Schools - special
5	Sports centres/pools
3	Teacher residences
263	Kilometres of road
69	Parks, gardens and open spaces
436	Units of commercial property
9	Surplus/vacant/awaiting development properties

39. HRA Asset Valuations

The Balance Sheet has Net Book Values within the HRA as follows:

	31 March 2006	1 April 2005
	£'000	£'000
Operational Properties		
- dwellings	1,861,041	2,047,085
- other properties	42,466	19,958
Sub total	1,903,507	2,067,043
Non-operational Properties		
- commercial properties	82,777	74,132
- surplus	1,818	-
Sub Total	84,595	74,132
Grand Total	1,988,102	2,141,175

The vacant possession value of dwellings within the HRA at 31 March 2006 is £4.980 bn.

The difference between the vacant possession value of £5bn and the balance sheet value of dwellings of £1.9bn shows the economic cost to Government of providing council housing at less than open market rents.

40. Intangible Assets

	£'000
Software	
Opening Net Book Value	54
- Additions	1,008
- Depreciation	(192)
Closing Net Book Value	870

Software is amortised over three years on a straight line basis.

41. Capital Expenditure and Funding

	2005/2006 £'000	2004/2005 £'000
Expenditure		
Capital additions	31,335	19,096
Written off to Fixed Assets Restatement Account	64,002	46,859
Intangible assets	593	30
Fixed Assets Under Construction	22,351	7,729
Deferred charges	3,690	3,239
Total Capital Expenditure	121,971	76,953

	2005/2006 £'000	2004/2005 £'000
Funding		
Loans	21,106	17,234
Usable capital receipts	7,985	11,990
Leaseholders' contributions	4,300	-
S106 contributions	915	1,649
Other contributions/Insurance receipts	1,087	1,138
Major Repairs Allowance	22,306	22,678
Transport for London grants	8,541	5,992
Single Regeneration Budget Grant	-	44
PSA reward grant	818	280
Other capital grants	16,366	8,152
Revenue financing (HRA)	22,762	450
Revenue financing (GF)	15,785	7,346
	121,971	76,953

HRA capital expenditure in the year was as follows:

	2005/2006 £'000	2004/2005 £'000
Works to HRA dwellings/other properties	55,376	39,591
Acquisitions	13,105	242
Fixed Assets Under Construction	17	332
Deferred Charges (House Purchase Grants)	664	700
	69,162	40,865

In addition, non-HRA housing capital expenditure of £1.663m (£1.239m in 2004/2005) was incurred.

HRA capital expenditure was funded as follows:

	2005/2006 £'000	2004/2005 £'000
Loans	16,320	10,000
Usable Capital Receipts	1,628	4,646
Revenue Financing	22,762	450
Major Repairs Allowance	22,306	22,678
Leaseholders' Capital Contributions	4,300	-
Other	1,846	3,091
	69,162	40,865

HRA Capital Receipts

Gross HRA capital receipts from disposals in 2005/06 were as follows:

	2005/2006 £'000	2004/2005 £'000
Land	324	35
Dwellings	21,462	61,910
Other Properties	5,306	582
Total	27,092	62,527

41 – Capital Expenditure and Funding (continued)

Major items of capital expenditure during 2005/06 included :-

	£'000s		£'000s
<u>Education</u>		Busby Place & Oseney Crescent	589
Regents Park Nursery expansion	698	Grafton Way 30-40	1,476
St. George's Annex	820	South Holborn Mansions East	1,179
Harmood Community Centre	1,003	Rondu House & street properties	514
Parliament Hill School redevelopment	2,600	Laney House	693
Acland Burghley - sports hall / changing facilities	1,313	Abbey Estate low rise & Mary Green	643
Acland Burghley - dance / music block	819	Levita House	2,257
Hampstead School development - technology	1,497	Kenbrook - heating	855
Fitzjohn's - development plan	1,663		
		<u>Leisure & Community Services</u>	
<u>Environment</u>		Swiss Cottage development landscaping	2,575
Planned Improvements - footway works	1,464	Kilburn Library - fit out costs	1,370
Boulevard Project	1,618	Canteloves Gardens - park construction	615
Kilburn High Road - bridge strengthening	2,257		
Regis Road recycling centre	1,629	<u>Organisation Development</u>	
Bedford House - office refurbishment	586	NT exchange upgrade	1,329
Bedford Square Urban Realm	529		
<u>Finance</u>		The council has authorised capital expenditure of £344m to be incurred in the years 2006/2007 to 2011/2012, of which £108m has been contracted. These commitments include the following significant schemes:	
Deane House refurbishment	1,245		
<u>Housing</u>			£'000s
Office accommodation review	895	<u>Children Schools & Families</u>	
Bidborough House offices - acquisition of freehold	13,105	Acland Burghley School - sports hall	520
		Fitzjohn's School - modernisation / development	555
<u>Major repairs / improvements to dwellings at :-</u>		Harmood Community Centre	1,151
Rowley Way / Alexandra Road	777	1A Rosebery Avenue Community Centre	1,593
Snowman & Casterbridge	2,124	Parliament Hill School redevelopment	1,649
Wells House RTS	1,387	Acland Burghley School - dance/music block	2,640
Grove Place & Christ Church Hill	594		
Carol Street	940	<u>Finance Department</u>	
Amphill Square regeneration	6,516	Deane House - refurbishment	1,470
College Place Estate	2,168		
Starcross Street	648	<u>Culture & Environment</u>	
Mayford RTS & community safety	1,033	Inverness Street env. Wks.	700
Godwin & Crowndale	1,296	Kentish Town Sports Centre - refurbishment	543
Holly Lodge Mansions - block 7	773	Kilburn High Road Bridge (A5) strengthening	5,850
Makepeace Mansions Holly Lodge Estate	3,761		
Whittington Estate	970		
Dartmouth Park Hill	511		
Clanfield / Ravenswood / Wheatley House	532		

**41 – Capital Expenditure and Funding
(continued)**

Housing & Adult Social Care

£'000s

Major repairs / improvements to dwellings at :-

Bourne Estate - contract 2	503
Ferdinand House	552
Bayham Place Estate	567
Barlow, Brassy, Maygrove & Hall Oak Walk	571
Busby Place & Osenev Crescent	579
Derby Lodge	620
Beaumont - (Raising the Standard)	662
Regents Park Estate	717
Kenbrook heating	723
The Chenies	737
Grafton Way 30-40	821
Oakshott Court (Raising the Standard)	998
Wells House RTS	1,009
Amphill phase 1A - low rise central heating	1,025
Denton, Malden Crescent	1,035
Amphill phase 3 - refuse chute	1,148
Mayford	1,395
South Holborn Mansions East	1,415
Amphill phase 1B - gas main renewal	1,464
Barnfield / Woodfield	1,510
Amphill phase 4 - community safety	1,630
Regents Park Estate - phase 7	1,690
Levita House	2,410
Gordon Mansions	2,582
College Place Estate	2,644
North Holborn Housing	2,760
Makepeace Mansions	3,017
Whittington Estate	3,435
Snowman & Casterbridge	3,437
Amphill phase 2 - tower heating	4,384
Ingestre Road, Calver, Grangemill etc.	5,175
Amphill Square regeneration	5,528

A further £236m relates to schemes approved to proceed which were not contracted as at 31 March 2006. The following significant schemes are included: -

	£'000s
<u>Culture & Environment</u>	
Boulevard project	2,500
<u>Children Schools & Families</u>	
Secondary school autism unit	750
Two additional primary school resource bases	1,029
<u>Housing & Adult Social Care</u>	
<u>Major repairs / improvements to dwellings at :-</u>	
Sharples Hall Street	507
Woodyard Close	510
Lupton Street	510
Waxham and Ludham	558
Twisden Road	575
1-39 Phoenix Court, Purchase Street	585
Loveridge Road	600
Woodsome Road	673
Bernard Shaw Court	688
Abingdon Close 1-50	748
Lamble Street	750
1-55 Cobden House, Arlington Road	825
Maiden Lane	838
Aspern Grove	960
Barnes House, Bartholomew, Lawford, etc	971
Bourne Estate	1,000
Dunboyne Road	1,065
East Holborn	1,100
Barrington Court	1,110
Curnock Street Estate	1,146
Babington - heating	1,250
Kingsgate estate	1,292
Tresham	1,310
Cressfield Close	1,470
Mortimer	1,801
Broadfield 1-32	2,505
Brunswick Centre - repairs	3,046
Brunswick Centre M & E	4,000
Abbey Estate	5,169
Mental Health Services - Crisis House development	1,331

London Borough of Camden – Statement of Accounts 2005-2006

42. Deferred Charges

	2005/2006	2004/2005
	£'000	£'000
Balance brought forward	-	-
Additions		
Improvement grants	430	197
Other capital grants	1,966	2,320
Voluntary aided schools	480	408
Other	814	314
Written off during the year	(3,690)	(3,239)
Balance carried forward	-	-

43. Long-term Debtors

	31 March	31 March
	2006	2005
	£'000	£'000
Loans to Housing associations	1,355	1,387
Staff car loans	34	51
Right to buy mortgages	118	186
Capital service charge loans	435	510
Other mortgages	40	81
Works in default	72	72
	2,054	2,287

44. Current Assets

	31 March	31 March
	2006	2005
	£'000	£'000
Stocks	219	197
Cash held by officers	102	103
Money on call/short notice	118,855	107,790
Other short-term lending	65,369	43,602
Cash at bank	10,308	12,190
Payments in advance	5,666	5,211
	200,519	169,093
Collection Fund debtors		
Community charge payers	381	381
Council tax payers	15,881	18,504
NNDR ratepayers	3,886	4,937
NNDR Pool	9,616	4,108
	29,764	27,930
Other debtors		
HRA rents	6,544	5,837
Central Government	9,327	12,182
Other local authorities	5,478	5,787
Other sundry debtors	81,911	67,228
	103,260	91,034
Total debtors	133,024	118,964
Less provisions for bad debts		
Collection Fund		
Community charge	(381)	(381)
Council tax arrears	(13,136)	(14,681)
NNDR arrears	(2,066)	(3,658)
	(15,583)	(18,720)
HRA rents	(4,760)	(5,102)
Other arrears	(38,004)	(30,747)
	(42,764)	(35,849)
Total provisions	(58,347)	(54,569)
Total current assets	275,196	233,488

45. Current Liabilities

	31 March 2006 £'000	31 March 2005 £'000 Restated
Temporary loans	-	-
Loans <1 year	60,595	533
Depositors	1,889	1,626
Bank Overdraft	2,675	45
Receipts in advance	23,787	23,450
Charitable receipts	73	73
	89,019	25,727

Collection Fund creditors

- Council tax payers	7,738	7,666
- NNDR ratepayers	10,077	10,246
- NNDR pool	-	-
	17,815	17,912

Other creditors

- Pension Fund	6,128	8,273
- Central Government	27,795	27,475
- Other local authorities	20,635	19,779
- Other sundry creditors	67,592	58,401
	122,150	113,928

Total current liabilities

	228,984	157,567
--	----------------	---------

46. Loans Outstanding

	2005/2006 £'000	2004/2005 £'000
Loans raised	228,560	112,580
Loans repaid	(179,093)	(121,547)
Net increase/(decrease) in external borrowing	49,467	(8,967)

47. Loans Outstanding By Type

	31 March 2006 £'000	31 March 2005 £'000
Money Market Loans	124,000	124,000
PWLB > 1 year	280,095	230,689
PWLB < 1 year	595	533
Temporary loans	-	-
Total loans outstanding	404,690	355,222

48. Long-term Loans Outstanding By Maturity

	31 March 2006 £'000	31 March 2005 £'000
1 – 2 years	64,663	45,594
2 – 5 years	1,837	81,229
5 - 10 years	78,495	46,710
10 years +	199,100	181,157
	344,095	354,690

49. Cash Managers

The Council currently uses three cash managers to invest surplus funds. As at 31 March 2006 the balance of investments held was as follows: -

	31 March 2006 £'000	31 March 2005 £'000
Investment Income	(1,874)	(1,437)
Further Investment	(20,000)	-
Change in Market Value of Investments		
- Realised	618	27
- Unrealised	(542)	(510)
- Management Fees	81	81
Net Return on Investments	(21,717)	(1,839)
Initial Investment	(40,833)	(40,391)
Net increase in the fund	(21,717)	(1,839)
Taken to Consolidated Revenue Account	1,780	1,397
Balance at 31 March 2006	(60,770)	(40,833)

50. Capital Grants Deferred

In respect of grants used to finance asset acquisition, sums are released to the Asset Management Revenue Account (AMRA) in line with the depreciation charged on the new assets. In respect of grants used to finance works to existing assets, sums are released to AMRA in line with depreciation charged on the asset. In respect of leaseholder capital contributions applied, the sums are credited to the Capital Financing Account.

	31 March 2006 £'000	31 March 2005 £'000
Transport Supplementary Grant	4,302	4,446
Other infrastructure grants	36,100	25,593
Other grants (building works)	25,168	14,620
Equipment grants	2,060	2,487
Contributions	6,543	4,958
	74,173	52,104

51. Provisions

	31 March 2006 £'000	31 March 2005 £'000
Self-insurance provision	4,634	3,632
Tree root damage	2,183	2,133
Total insurance provisions	6,817	5,765
Repayment of grant	153	153
Industrial Leases	750	750
Personal Financial services	700	-
Total general provisions	1,603	903
Total provisions	8,420	6,668

Self-Insurance Provision Since 1 April 1993, the Council's property, public and employer's liability and motor insurance policies have been arranged with Zurich Municipal Insurance with a substantial policy excess, currently £100,000 for each and every claim.

Through agreement with Zurich Municipal, aggregate annual limits of £1m and £2.25m apply to the Council's insurance programme and current risk exposure to property and liability claims respectively.

A self-insurance provision has been established to meet claims within the excess and aggregate limits. The self-insurance provision also covers claims from uninsured risks such as the £5m Employers Liability terrorism risk

exposure, Fidelity Guarantee claims exceeding £1m, new asbestos claims, pollution and other operational risk exposures not notified to the insurer. Contributions to the provision are made from departmental expenditure. The HRA also contributes to the provision and claims are paid from the provision, which, if uninsured, would be met by the HRA. There are other uninsured risks, which departments retain; in the event of losses occurring, payments will have to be met from existing budgets.

The balance of the provision at 31 March 2006, £4.634m, is an estimate of outstanding payments on reported claims at that date.

	2005/2006 £'000	2004/2005 £'000
Balance at 1 April	3,632	3,524
Contributions	2,330	2,388
	5,962	5,912
Payment of claims	(1,673)	(2,064)
Insurer imprest	-	298
	4,289	4,146
Transfer to / from self-insurance reserve	734	167
Transfer to Tree Root Damage Provision	(389)	(681)
Balance at 31 March	4,634	3,632

Tree Root Damage From 1994/95 the Council has held a provision to fund legal liability claims arising from damage to private property by the root action of trees owned by the Council. The provision includes an amount for claims that would otherwise have been paid from the HRA. The balance at the end of the year provides 100% cover on outstanding claims and is sufficient to meet anticipated claim payments in 2006/2007 given the expected settlement period.

Repayment of grant Provision has been made in respect of a liability to repay slum clearance grant on a property that has been sold. A provision to repay urban aid grant received on properties that have since been sold has been returned to balances.

Industrial Leases Provision has been made for the liability arising under tax indemnity clauses relating to the letting of industrial units.

Personal Financial Services Provision has been made for the repayment of monies to client accounts.

52. Fixed Assets Restatement Account

The Fixed Assets Restatement Account (previously the Fixed Asset Restatement Reserve) was established on 1 April 1994. At this date the balance represented the difference between the valuation of assets under the previous system of capital accounting and the revaluation at that date. The reserve is written down by the net book value of assets as they are disposed of and capital expenditure which did not enhance asset values. It is also debited or credited with the deficits or surpluses arising on revaluations.

	31 March 2006 £'000	31 March 2005 £'000
Balance brought forward	1,740,019	1,686,373
Revaluations	(99,565)	155,488
Valuation of gifted properties	25,355	220
Adjustments	(1,997)	208
Corrections to base	(9,780)	(1,347)
Capital expenditure which did not enhance asset values	(64,002)	(46,859)
Net Book Value of fixed assets disposed of in year	(22,124)	(54,064)
Balance carried forward	<u>1,567,906</u>	<u>1,740,019</u>
Comprising:		
General Fund	459,205	437,239
HRA	1,108,701	1,302,780
	<u>1,567,906</u>	<u>1,740,019</u>

53. Capital Financing Account

The Capital Financing Account (previously the Capital Financing Reserve) contains the amounts that were required by statute to be set aside from capital receipts for the repayment of external loans (this requirement ended on 31 March 2004) and the amount of capital expenditure financed from revenue and from capital receipts. It also contains the difference between amounts provided for depreciation and the Minimum Revenue Provision (MRP) for the redemption of external debt. An amount equal to the amortisation of capital grants and contributions is also credited to this account.

	31 March 2006 £'000	31 March 2005 £'000
Balance brought forward	645,978	633,305
Prior Year adjustment	-	(76)
Capital financing		
capital receipts	7,985	11,990
revenue	38,547	7,796
Major Repairs Reserve	22,306	22,678
MRP (less depreciation)	(34,826)	(31,460)
Capital grants	3,576	2,574
Capital contributions	4,486	133
Less deferred charges		
written down in year	(3,690)	(3,239)
capital grant adjustment	1,895	2,321
Debt repaid	(33)	(44)
Balance carried forward	<u>686,224</u>	<u>645,978</u>

54. Capital Receipts Unapplied

The Local Government and Housing Act 1989 required that a percentage of capital receipts secured by local authorities after 1 April 1990 must be set aside to meet credit liabilities. This requirement ended on 31 March 2004. From 1 April 2004 local authorities have been required to pay to the Government a proportion of capital receipts from the sale of properties held in the Housing Revenue Account. Capital receipts unapplied are those receipts that are available to the Council after the above requirements have been met. Details of the sources and application of capital receipts are shown below:

	2005/2006	2004/2005
	£'000	£'000
Balance unapplied at 1 April	31,569	13,176
Receipts in Year		
Sale of Council dwellings	21,462	61,910
Sale of other land and buildings	7,241	10,221
Distribution of LRB receipts	103	63
Repayment of housing assoc loans/mortgages	33	44
Total Receipts	60,408	85,414
Application		
New capital expenditure	7,985	11,990
Capital Financing Account	-	-
Payment to national pool	14,522	41,855
Total Application	22,507	53,845
Balance unapplied at 31 March	37,901	31,569

55. Major Repairs Reserve

This reserve came into operation in 2001/2002 and reflected a change in the subsidy regime in that year. The movement in the reserve in 2005/2006 was as follows: -

	31 March 2006	31 March 2005
	£'000	£'000
Opening Balance 1 April	-	-
Transferred to Reserve in year	26,217	23,436
Transferred to HRA in year	(3,911)	(758)
Used to fund capital expenditure on operational HRA property in year	(22,306)	(22,678)
Closing Balance at 31 March	-	-

56. Earmarked Reserves

The following earmarked reserves were maintained during 2005/2006:

	31 March 2006	31 March 2005
	£000	£000
Departmental reserves		
Law and Administration	-	209
Finance	652	1,709
Organisational Development	21	93
Camden Strategy Unit	13	13
Education	2,218	2,318
Environment	-	1,336
Housing	2,950	8,707
Leisure & Community Services	-	1,102
Social Services	1,196	3,200
Total Departmental Reserves	7,050	18,687
Corporate Reserves		
Future Capital schemes a	18,926	15,569
Central Equipment b	-	1,116
Match funding c	109	1,054
Building Maintenance Trading d	1,051	1,051
Risk Management e	228	228
Commercial property f	861	861
IT Systems Management g	1,642	1,642
Modernising Government h	1,991	468
Potential litigation i	670	731
Self-insurance reserve j	10,773	14,107
Kentish Town Sports Centre k	296	296
Neighbourhood Renewal Fund l	22	141
Schools Support teacher absences m	-	104
e-Government n	-	2,581
Mental Health Aftercare Reserve o	2,362	3,131
Haverstock School PFI Initial Payment reserve p	3,187	3,316
Haverstock School PFI reserve q	3,849	3,516
Corporate Initiatives r	2,524	2,514
Licensing s	551	748
e-Procurement t	883	483
Pay & Grading review u	295	-
Revenue Funding Reserve v	2,121	-
Total Corporate Reserves	52,341	53,657
Total Reserves	59,391	72,344

Earmarked Reserves (continued)

a This reserve has been created to cover the cost of various future schemes which were approved in 2005/2006.

b This reserve was set up to enable departments to purchase items of equipment for which operating leases would be inappropriate and to spread the cost over a number of years. This reserve has now been closed.

c This reserve has been created to ensure that match funding is available to support applications for national lottery and other funds by Council departments and voluntary organisations.

d The trading surplus of the Building Maintenance Division and the cumulative surpluses of the former Housing Management and Building Maintenance DSOs are held in this earmarked reserve.

e This reserve contains monies paid to the Council by its insurers and allocated through budgets for use on risk management initiatives.

f This reserve has been set up to meet dilapidations and other payments in respect of commercial and other properties.

g This reserve has been set up to meet the cost of the replacement and enhancement of the Council's major financial systems.

h This reserve has been created to meet the costs of Modernising Government by developing e-services.

i A reserve has been created to protect the Council's position in relation to a number of legal actions.

j In addition to the provision for reported claims (see note 49) the Council has established a reserve against potential claims arising out of past circumstances and for potential increases in reported claim values. Potential claims, which if "uninsured", would be paid from the HRA and are included in the assessment of the reserve level. The reserve also includes provision for claims against policies taken out with Municipal Mutual Insurance (MMI) prior to 1 April 1993. MMI went into "run-off" in September 1992 and subsequently established a scheme of arrangement whereby claims paid since January 1994 will be subject to total or partial clawback in the event of insolvency.

The maximum potential clawback was £3m at 31 March 2006. A further £0.351m was reserved against claims outstanding with MMI at that date.

k This reserve was set up to meet design and consultancy work on the Kentish Town Sports Centre.

l This reserve has been set up to meet Neighbourhood Renewal Fund commitments in future years.

m This reserve was set up to meet the funding of teacher absences.

n This reserve was set up to support the funding of the Council's e-Government agenda. The balance on this reserve has now been transferred into the Modernising Government reserve.

o This reserve has been set up to meet the repayment of mental health aftercare charges under Section 117 of the Mental Health Act 1983.

p This reserve has been set up to hold the funding for the initial payment made under the Haverstock School PFI contract.

q This reserve has been set up to hold the balance of funding received in respect of the Haverstock School PFI.

r This reserve has been set up to provide funding for corporate initiatives by transferring resources from departmental reserves and from other funding sources.

s This reserve has been set up to hold funding allocated for the new Licensing Act that was implemented later than originally expected.

t This reserve was set up to fund the implementation of e-Procurement.

u This reserve has been set up to hold unspent budget provision in 2005/2006 for the pay and grading review.

v This reserve has been set up to hold the funding for additional revenue spending approved in the year and the funding from general balances to support the councils budget for 2006/2007.

57. Schools Balances

Under the provisions of the Education Reform Act 1988, locally managed schools are able to carry forward unspent balances of delegated budgets from year to year. These form part of the Council's reserves but are not available to the authority to support its general activities as their use is at the discretion of the governors of schools holding the balances concerned.

Locally managed schools balances decreased by £0.852m during the course of 2005/2006.

	£'000
Schools balances as at 1 April 2005	7,675
Movement in year	(852)
Schools balances at 31 March 2006	<u>6,823</u>

The Education department makes budgetary provision for the funding of teacher absences, which is apportioned to schools as and when it is required. A specific earmarked reserve was set up to hold unspent balances on this budget in previous years, as shown in note 56. In 2005/2006 the budget and the balance on the reserve were fully spent.

58. Contributions to Capital and Other Works Unapplied

These comprise:

	31 March 2006	31 March 2005
Leaseholder Capital Contributions	<u>4,070</u>	3,833
Developer Contributions		
- capital works	3,133	2,569
- affordable housing fund	2,221	2,137
- other	1,067	1,064
Developer Contributions	<u>6,421</u>	5,770
Insurance Contributions	20	-
Total Contributions	<u>10,511</u>	9,603

59. Analysis of Net assets employed

	31-March 2006 £'000	31 March 2005 £'000
General Fund	343,710	342,118
HRA	1,760,178	1,936,166
	<u>2,103,888</u>	2,278,284

60. Contingent Liabilities

The Council has entered into a number of arrangements with housing associations whereby the associations have acquired dwellings, using private finance with the backing of a loan guarantee from the Council, and then leased the dwellings to the Council. In any year, the Council will make payments to cover any shortfall that may arise between rent payable by tenants and the loan payments by the associations. The Council has also entered into similar arrangements with other organisations. A prudent estimate of the maximum annual liability is £0.250m. The Council is in discussion with one association regarding one such arrangement where the lease runs out shortly.

There is a potential liability in respect of an unresolved claim against the Social Services department on a matter of financial responsibility for a client, which is estimated to be up to £0.277m.

In addition the Council is subject to potential legal action in the following fields including:-

- a) Employment
- b) Public Liability
- c) Environmental

A reserve has been set up to contribute to potential settlements (Note 56).

61. Trust Funds and Other Accounts

The Authority administers a number of trust accounts. The balances on these funds are not included in the Consolidated Balance Sheet.

	Balance at 1 April 2005	Receipts 2005/2006	Payments 2005/2006	Balance at 31 March 2006
	£	£	£	£
Education	(7,052)	(576)	-	(7,628)
Social Services	(11,318)	(2,730)	136	(13,912)
Other Funds	(157,046)	(5,878)	-	(162,924)
Waterlow Park	(562,976)	(283,709)	286,234	(560,451)
Emmanuel Vincent Harris Trust	(3,899,810)	(177,063)	-	(4,076,873)
	(4,638,202)	(469,956)	286,370	(4,821,788)

In addition, the authority administers funds on behalf of Social Service clients including funds administered by officers as Court appointee or receiver. The amount of these funds as at 31 March 2006 was £2.512 million (£1.861 million as at 31 March 2005).

62. Pension and Similar Obligations

The Statement of Accounting Policies includes a section dealing with the pension schemes in which the Council participates and Note 11 to the Consolidated Revenue Account includes information regarding revenue expenditure by the Council on pensions. The accounts of Camden's Pension Fund are also included in this Statement. This note includes the further pension information required under Financial Reporting Standard 17 (FRS 17) that requires the pension asset or liability to be incorporated into the Consolidated Balance Sheet.

The Council's employees belong to three principal pension schemes: the London Borough of Camden Pension Fund, the London Pensions Fund for non-teaching staff who transferred from the Inner London Education Authority (managed by the London Pensions Fund Authority) and the Teachers Superannuation Scheme (TSS) for teaching staff (managed by the Teacher Pensions Agency). All are defined benefit schemes.

The full implementation of FRS 17 requires the establishment of a pension reserve equal and opposite to the amount of any pension asset or liability. Accordingly there is no impact on the general fund reserves.

Changes to the Local Government Pension Scheme.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for their future annual pension. On the advice of our actuaries, and on the advice of the actuaries acting for the London Pension Fund Authority, the view has been taken in respect of both funds that there is insufficiently reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently the valuation of the Council's retirement benefit liabilities as at 31 March 2006, comprising the retirement benefit liabilities of the Camden Pension Fund and the retirement benefit liabilities of the London Pension Fund Authority Pension Fund, does not include any allowance for this change to the pension scheme.

62 Pension and Similar Obligations (continued)

London Borough of Camden Pension Fund

The London Borough of Camden Pension Fund is a multi-employer funded pension scheme, with assets held in separately administered funds. A full actuarial valuation was carried out at 31 March 2004 and updated to 31 March 2006 by a qualified independent actuary. The assumptions that have the most significant effect on this valuation are as follows: -

	As at 31 March 2006 % per annum	As at 31 March 2005 % per annum	As at 31 March 2004 % per annum
Price Increases	3.1%	2.9%	2.9%
Salary Increases	4.6%	4.4%	4.4%
Pension Increases	3.1%	2.9%	2.9%
Discount Rate	4.9%	5.4%	6.5%

The assets in the scheme and the expected rates of return were:

	31 March 2006		31 March 2005		31 March 2004	
	Long-term expected rate of return	Camden's share of the Fund £'000	Long-term expected rate of return	Camden's share of the Fund £'000	Long-term expected rate of return	Camden's share of the Fund £'000
Equities	7.4%	471,986	7.7%	370,862	7.7%	333,800
Bonds	4.6%	122,876	4.8%	97,088	5.1%	75,844
Property	5.5%	18,365	5.7%	16,135	6.5%	13,759
Cash	4.6%	38,136	4.8%	36,272	4.0%	28,682
Total market value of assets		<u>651,363</u>		<u>520,357</u>		<u>452,085</u>

Net Pension Liability	31 March 2006 £'000	31 March 2005 £'000
Estimated Employer Assets	651,363	520,357
Present value of scheme liabilities	(999,250)	(834,982)
Net pension liability	<u>(347,887)</u>	<u>(314,625)</u>

The movement in the net pension liability for the year to 31 March 2006 is as follows:

	Year to 31 March 2006 £'000	Year to 31 March 2005 £'000
Deficit at beginning of year	(314,625)	(239,908)
Current Service Cost	(21,396)	(18,548)
Employer Contributions	28,584	24,478
Contributions in respect of Unfunded Benefits	3,514	3,421
Past Service Costs	(243)	(301)
Impact of Settlements and Curtailments	(640)	(784)
Net Return on Assets	(8,863)	(6,168)
Actuarial Losses	(34,218)	(76,815)
Deficit at end of year	<u>(347,887)</u>	<u>(314,625)</u>

London Borough of Camden – Statement of Accounts 2005-2006

62 Pension and Similar Obligations (continued)

The actuarial gains and losses can be analysed as follows, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006:

	Year to 31 March 2006		Year to 31 March 2005		Year to 31 March 2004		Year to 31 March 2003	
	£'000	%	£'000	%	£'000	%	£'000	%
Differences between expected and actual return on assets	82,794	12.7	21,768	4.2	57,546	12.7	(117,308)	(33.2)
Differences between actuarial assumptions about liabilities and actual experience	44	-	44,568	5.3	(49,166)	(7.1)	2,368	0.4
Changes in the financial assumptions underlying the present value of the Scheme Liabilities	(117,056)		(143,151)		-		-	
	(34,218)	(3.4)	(76,815)	(9.2)	8,380	1.2	(114,940)	(19.1)

London Pensions Fund Authority Pension Fund

The London Pensions Fund Authority Pension Fund is a multi-employer funded pension scheme, with assets held in separately administered funds. A full actuarial valuation was carried out at 31 March 2004 and updated to 31 March 2006 by a qualified independent actuary. The assumptions that have the most significant effect on this valuation are as follows: -

	As at 31 March 2006 % per annum	As at 31 March 2005 % per annum	As at 31 March 2004 % per annum
Price Increases	3.1%	2.9%	2.9%
Salary Increases	4.6%	4.4%	4.4%
Pension Increases	3.1%	2.9%	2.9%
Discount Rate	4.9%	5.4%	6.5%

The assets in the scheme and the expected rates of return were:

	31 March 2006		31 March 2005		31 March 2004	
	Long-term expected rate of return	Camden's share of the Fund £'000	Long-term expected rate of return	Camden's share of the Fund £'000	Long-term expected rate of return	Camden's share of the Fund £'000
Cashflow matching	4.2%	25,150	-	-	-	-
Equity	7.4%	4,210	-	-	-	-
Equities	-	-	7.7%	4,312	7.7%	4,580
Bonds	-	-	4.8%	21,939	5.1%	28,466
Cash	4.6%	950	4.8%	2,269	4.0%	1,633
Total market value of assets		30,310		28,520		34,679

The LPFA pensions fund has amended its investment strategy over the last year. The expected returns on assets reflects the underlying benchmarks or a proxy for these benchmarks.

Net Pension Liability	31 March 2006 £'000	31 March 2005 £'000
Estimated Employer Assets	30,310	28,520
Present value of scheme liabilities	(40,960)	(36,050)
Net pension liability	(10,650)	(7,530)

62 Pension and Similar Obligations (continued)

The movement in the net pension liability for the year to 31 March 2006 is as follows:

	Year to 31 March 2006 £'000	Year to 31 March 2005 £'000
Surplus/(deficit) at beginning of year	(7,530)	1,987
Current Service Cost	(486)	(429)
Employer Contributions	466	486
Contributions in respect of unfunded benefits	63	62
Impact of Settlements and Curtailments	-	(71)
Net Return on Assets	(451)	78
Actuarial Losses	(2,712)	(9,643)
Deficit at end of year	(10,650)	(7,530)

The actuarial gains and losses can be analysed as follows, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006:

	Year to 31 March 2006		Year to 31 March 2005		Year to 31 March 2004		Year to 31 March 2003	
	£'000	%	£'000	%	£'000	%	£'000	%
Differences between the expected and actual return on assets	1,128	3.7	153	0.5	1,060	3.1	(319)	(1.0)
Differences between actuarial assumptions about liabilities and actual experience	(19)	-	(4,682)	(13.0)	(23)	(0.1)	(1,151)	(3.6)
Changes in financial assumptions underlying the present value of the Scheme Liabilities	(3,821)		(5,114)		-		-	
	(2,712)	(6.6)	(9,643)	(26.8)	1,037	3.2	(1,470)	(4.6)

Combined Net Pension Liability

The combined net pension liability is made up as follows: -

	Net Pension Liability at 31 March 2006 £'000	Net Pension Liability at 31 March 2005 £'000
Camden Fund	(347,887)	(314,625)
London Pension Fund Authority	(10,650)	(7,530)
Total	(358,537)	(322,155)

Teacher's Pension Scheme

The Council participates in the Teacher's Pension Scheme. This is an unfunded, defined benefit multi-employer scheme, independent from the Council. The Council is unable to identify its share of the underlying liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme. Contributions to the scheme for the year were £6.311m and the agreed employer contribution rate from 1 April 2006 is 13.5%.

The Cash Flow Statement

63. Other Government Revenue Grants

	2005/2006	2004/2005
	£'000	£'000
Asylum Seekers	2,599	4,748
Childcare Development	1,332	1,080
Children's Fund	724	956
Children's Services Grant	50	389
Council Tax grants	1,137	1,112
Education Maintenance Allowance	-	1,337
HRA Subsidy	38,361	39,283
Mental Health Grants	2,365	1,817
Learning & Skills Council	15,520	13,950
Neighbourhood Renewal Fund	7,217	5,439
Preserved Rights	1,274	1,635
Promoting Independence Grant	1,513	2,348
Residential Allowance	834	1,802
Safeguarding Children	1,019	1,452
School Standards Grant	2,608	2,461
SRB	1,922	2,501
Standards Fund	12,933	12,119
Sure Start	2,624	2,739
Teachers' Pay	3,699	2,796
Transport for London	1,445	1,383
Connexions	1,515	1,348
PFI grant	1,717	2,257
Supporting People Programme grant	37,243	39,697
New Opportunities Fund	361	533
Transitional Support Grant – Education	1,146	2,041
Carers Grant	1,348	901
Other grants	6,796	10,277
	149,302	158,401

64. Reconciliation of Revenue Cash Flow

	2005/2006	2004/2005
	£'000	£'000
		Restated
Net General Fund Revenue (surplus)/(deficit)	(7,845)	(1,345)
Net HRA revenue (surplus)/deficit	8,182	(6,383)
Net Collection Fund revenue (surplus)/deficit	(3,100)	248
Expenditure debited to holding accounts and provisions	2,283	2,457
Deduct interest paid	(21,050)	(22,350)
Deduct contributions to provisions and reserves	(12,714)	(21,712)
Deduct revenue contributions to capital	(38,547)	(7,796)
Creditors increase	(6,917)	(17,395)
Increase/(decrease) in stock	22	33
Add interest received	7,391	7,575
Other financing	(17,083)	8,091
Minimum revenue provision	4,124	3,370
Add contributions from provisions and reserves	22,485	8,126
Debtors (decrease)/increase	10,738	(1,863)
Revenue activities net cash inflow	(52,031)	(48,944)

65. Net Debt

	31 March 2006	Movement in year 2005/2006	31 March 2005
	£'000	£'000	£'000
			Restated
Cash in hand/at bank	10,410	(1,883)	12,293
Cash overdrawn	(2,675)	(2,630)	(45)
Debt greater than one year	(344,095)	10,595	(354,690)
Debt less than one year	(60,595)	(60,062)	(533)
Current Asset Investments	184,224	32,832	151,392
	(212,731)	(21,148)	(191,583)

London Borough of Camden – Statement of Accounts 2005-2006

66. Movement in Net Debt

	2005/2006	2004/2005
	£'000	£'000
		Restated
Increase/(decrease) in cash	(4,513)	1,846
Add Back		
Cash flow from increase/decrease in debt and lease financing	(49,467)	8,967
Cash flow from increase in liquid resources	32,832	37,828
Change in net debt resulting from cash flows	(21,148)	48,641
Net Debt at 1 April	(191,583)	(240,224)
Net Debt at 31 March	(212,731)	(192,966)

Liquid Resources includes money on call/short notice and that held with cash managers.

67. Management of Liquid Resources

	2005/2006	2004/2005
	£'000	£'000
		Restated
Money on call or at short notice		
- deposited	1,699,698	985,743
- returned	(1,666,866)	(947,915)
	32,832	37,828

Further details may be found within Note 44

68. Movement in Cash

	31 March	31 March
	2006	2005
	£'000	£'000
Cash with accounting officers	102	103
Cash at bank (with no penalty)	10,308	12,190
Cash overdrawn	(2,676)	(45)
	2005/2006	2004/2005
	£'000	£'000
Movement in cash with accounting officers	1	2
Movement in cash at bank (with no penalty)	1,882	(392)
Movement in cash overdrawn	2,630	(1,456)
Net cash (inflow)/outflow	4,513	(1,846)

PENSION FUND

Introduction

The Council's Pension Fund is operated under the provisions of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 as amended, the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 as amended and the Teachers' (Compensation for Redundancy and Premature Retirement) Regulations 1997 as amended.

The Accounts have been prepared in accordance with the LGPS Regulations 1997 and the 2005 Code of Practice on Local Authority Accounting in Great Britain issued by CIPFA.

All officers and manual workers can become contributors on appointment with Camden or a scheduled body. Employees of other bodies are also admitted to the Fund. The Fund's income is derived from employees, contributions from employing authorities and income from investments.

The Fund operates as a defined benefits scheme and provides retirement pensions and lump sum allowances, widows' and children's pensions and death gratuities.

The accounts comply with the recommendation of the SORP as far as appropriate for local government.

Basis for Accounting for Income and Expenditure

All income and expenditure has been accounted for in the revenue account on an accruals basis, with the exception of liabilities to pay pensions and other benefits in the future, and transfer values. These are not accrued, in accordance with SORP (July 1996) Financial Reports of Pension Schemes.

Basis of Investment Valuation

Investments are shown in the Net Assets Statement at market value. Market valuations are as provided by the Fund's managers and are based on mid-market values as at the Net Assets Statement date. Prices in foreign currencies are translated at the closing rates of exchange as at that date.

Foreign Currency Transactions

Debtors in respect of dealings done in foreign currencies have been converted to sterling at the closing rates of exchange at the Net Assets Statement date.

Fund Management

The day-to-day management of the Fund is split between the Director of Finance (venture capital and internal funds) and three professional fund managers, Baillie Gifford & Co, UBS Ltd and Schroder Investment Management Ltd. Each operates within policies and targets originally determined by the Council's Investment Panel in 1992 and amended in December 2005 so that now UBS Ltd have been given responsibility for 42.5% of the Fund, Schroder Investment Management Ltd 37.5% and Baillie Gifford and Co. 20%. The Pension Sub Committee also agreed certain performance benchmark changes in December 2005 connected with the long term investment strategy which will be fully implemented during 2006/2007.

Overall investment strategy is the responsibility of the Pension Sub Committee, which consists of eight councillors who receive advice from the Chief Executive, the Director of Finance and the Director of Law and Administration, the three Fund Managers and Pensions Investment Research Consultants Ltd. Trade Union representatives and retired members are also invited to attend the Sub Committee as observers. Sub Committee meetings are held on a quarterly basis. The market value of the assets held by the Council and the three Fund Managers as at 31 March 2006 is as follows:

	£'000
Council	706
Baillie Gifford and Co	121,846
UBS Ltd	331,230
Schroder Investment Management Ltd	291,069
	744,851

Actuarial Valuations

The Fund is subject to actuarial valuation every three years. The actuary is required to specify the employer's rate of contribution to the Fund necessary to ensure that present and future commitments can be met. An actuarial valuation of the Fund was carried out as at 31 March 2004.

The discounted market value of the Fund's assets at the valuation date was £525m and their actuarial value of £718m represented 73% of the Fund's accrued liabilities, allowing for future pay increases.

The employer's contribution rates have been calculated using the projected unit actuarial method and the main actuarial assumptions were as follows:

Rate of Return on Investments

Equities	6.70% per annum
Bonds	4.90% per annum
Rate of general pay increases	4.40% per annum
Rate of increases to pensions in payment in excess of guaranteed minimum pensions	2.9% per annum

Assets were valued at the discounted value of future income assuming a 1.8% per annum dividend growth on income reinvested and also assuming that dividend income would be re-invested in the FT All-Share Index and would share in the long-term growth in capital value of equities listed in that index.

As the Fund at 31 March 2004 was sufficient to meet only 73% of the liabilities it has been necessary to increase the employer's contribution rate from 2005/2006 and continue at that level for the next two years. The rate of contribution during 2005/2006 was 21.90% of pensionable pay.

The recommended rates of employer's contribution, expressed as a percentage of employees' contributions, were as follows:

	%
2004/2005	325
2005/2006	365
2006/2007	365
2007/2008	365

The actuarial valuation as at 31 March 2004 was obtained from Hymans Robertson. In July 1997, the Chancellor announced the abolition of advance corporation tax relief to pension schemes. This reduced Pension Fund income from 1997/98 onwards. The actuarial review incorporated an increase in the employer's contribution rate to maintain the solvency of the Fund. The next triennial actuarial valuation will be carried out as at 31 March 2007. The results will be known in November 2007 and the employer's contribution rate will be adjusted in the light of this.

Related Party Transactions

There were no transactions with related parties other than those which are disclosed elsewhere within the accounts. In 2005/2006, £0.500m was paid to the Council for administration (£0.504m in 2004/2005) and as at 31 March 2006, £6.128m was due from the Council to the Fund (£8.273m at 31 March 2005) (Note 44).

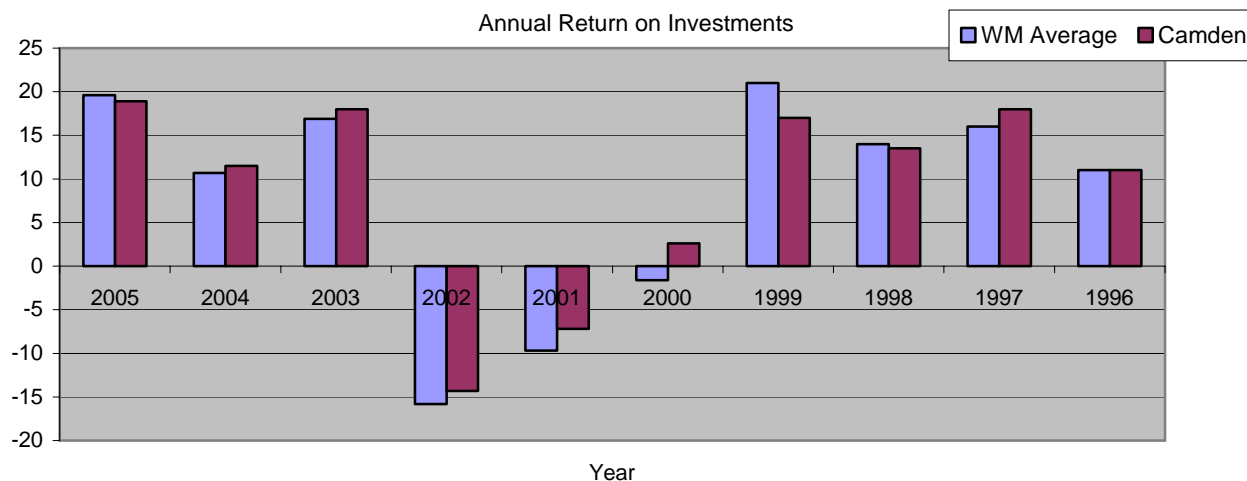
Investment Policy

The LPGS Regulations impose certain limits on different types of investments. Within this framework the Fund imposes its own supplementary limits on the types of assets that may in aggregate be held. During March 2006 the previous limits were slightly amended so as to allow changes to the longer term investment strategy to take place during 2006/2007. The limits at 31 March 2006 were as follow:

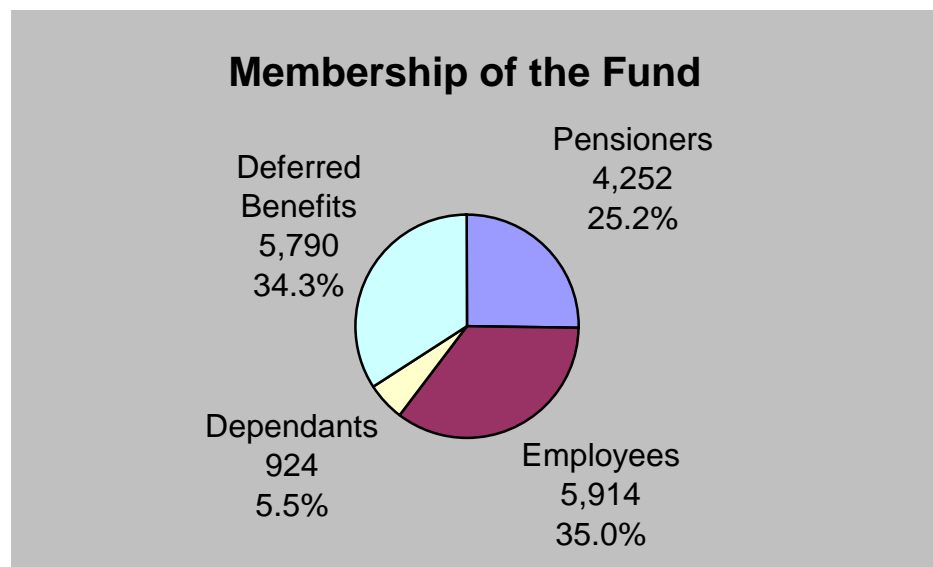
- /// The maximum that may be held in fixed-interest Government bonds is 40% of the Fund. Within that limit no more than 20% may be held in overseas Government bonds. The maximum that may be held in corporate bonds is 10% of the fund, but must be rated either AA or A according to recognised credit agencies.
- /// No more than 80% and no less than 25% may be invested in UK equities (including convertibles). Up to 10% of the UK equity portfolio may be invested in small companies exempt funds, subject to investment in the manager's 'in-house' funds being restricted to a holding of no more than 5% of that fund's value.
- /// Direct property investments (including property unit trusts) and venture capital may not exceed 20% of the Fund.
- /// No more than 12.5% may be in cash for a period greater than two months.
- /// No more than 3% of the Fund may be held in any one equity stock except for any companies in the top fifty market capitalisations, where the limit is 7% of the Fund.
- /// No more than 5% of the equity of any company may be held by the Fund.
- /// No more than 5% of the equity portfolio may be invested in companies having a market capitalisation of under £50m at the time of purchase.
- /// Investments placed with the Council, other than short-term temporary deposits, may not exceed 5% of the Fund.
- /// No more than 45% may be invested in overseas equities.
- /// No more than 15% of the Fund should be invested in insurance contracts.
- /// No more than 35% of the Fund should be invested in a combination of Unit Trusts and Open Ended Investment Companies.

Fund Portfolio and Diversification

The Regulations require that the Trustees and Fund Managers should pay regard to the need to diversify investments and also to the suitability of particular investments.



The overall value of the Fund has risen by 138% during the last ten years. The diagram above, based on figures prepared by the WM Company, provides a comparison between the performance of Camden's Fund and that of the average of other participating funds, including company pensions, for each year over this period. It shows the time-weighted return on investments for each calendar year.



Total membership of the Fund at 31 March 2006 was 16,880 (16,479 in 2005). Within the totals shown in the pie chart are 515 employees, 304 pensioners, 33 dependants and 588 deferred benefits attributable to admitted bodies.

PENSION FUND ACCOUNT for the year ended 31 March 2006

	Notes	2005/2006 £'000	2004/2005 £'000
Contributions and benefits			
Employees' contributions		(9,181)	(8,865)
Employer's contributions		(32,258)	(26,995)
Transfers in		(9,984)	(11,935)
Capital costs	1	(2,475)	(1,693)
Pension indexation		7,489	6,874
Retirement pensions		16,885	16,044
Retiring allowances		3,944	3,131
Death gratuities		438	440
Transfers out		10,911	14,289
Contribution equivalent Premiums	2	11	76
Administration costs		588	589
Other expenditure	3	449	320
Refund of contributions		61	141
Net receipts from dealing with members		(13,122)	(7,584)
Returns on investments			
Investment income	4	(21,149)	(17,939)
Change in market value of investments			
Realised		(24,815)	(9,206)
Unrealised		(92,315)	(36,351)
Management fees		1,221	1,104
Net returns on investments		(137,058)	(62,392)
Net increase in the fund		150,180	69,976
Net assets at 1 April 2005		594,671	524,695
Net assets at 31 March 2006		744,851	594,671

Following a revaluation on 1 October 1992 the distinction between realised and unrealised assets is distorted. The exact impact is unquantifiable but results in the value of the unrealised change in market value being overstated. The extent of the distortion will reduce over the next few years and has no effect on the overall viability of the Fund, other than a presentational one.

PENSION FUND NET ASSETS STATEMENT as at 31 March 2006

	Notes	31 March 2006 £'000	31 March 2005 £'000
Investments at market value			
Fixed interest securities			
Public sector		99,230	83,428
Corporate bonds		8,923	5,079
Life Fund		12,683	11,727
Index linked securities			
-Public Sector		19,540	21,052
-Corporate Bonds		368	257
UK equities	8	302,910	252,032
Overseas equities		240,272	162,240
Property unit trusts		21,232	17,859
Venture capital	7	43	102
	5,6,9	705,201	553,776
Other net assets			
Cash		29,448	29,138
Camden Debtor		6,128	8,273
Debtors less creditors		4,074	3,484
Net assets		744,851	594,671

The net asset statement includes all assets and liabilities of the fund at 31 March 2006, but excludes long-term liabilities to pay pensions and benefits in future years.

The only unlisted securities held are the Venture Capital holdings.

Notes to the Pension Fund Accounts

1. Capital Costs

This is a payment to the Pension Fund from departmental budgets to make up for the funding shortfall following early retirement or ill health retirement.

2. Contributions Equivalent Premiums

This is a payment to the Contributions Agency to reinstate employees into the State Earnings Related Pension Scheme. This applies only to employees who have received a refund of contributions.

3. Other Expenditure

Included in this figure is a sum of £261,576 for overseas withholding tax on overseas equities, of which about 40% is non refundable.

4. Pension Fund Investment Income

A detailed breakdown of this figure is shown below:

	31 March 2006 £'000	31 March 2005 £'000
Fixed interest securities		
- Public sector	4,085	3,084
- Corporate bonds	251	234
Index linked securities	460	458
UK equities	9,737	8,440
Overseas equities	3,817	3,334
Property unit trusts	937	786
Venture capital	1	1
Interest	1,861	1,602
Total income	21,149	17,939

5. Investments

Pension Fund Purchases and Sales by Asset Type for the year ended 31 March 2006:

	2005/2006 £'000	2004/2005 £'000
Purchases		
Fixed interest securities		
- Public sector	130,579	101,467
- Corporate bonds	3,636	3,456
Life Fund	-	6,373
Index linked securities	17,995	10,878
UK equities	35,195	23,677
Overseas equities	86,666	48,578
Property Unit Trusts	498	-
Total purchases	274,569	194,429
Sales		
Fixed interest securities		
- Public sector	114,911	76,005
- Corporate bonds	1,935	4,413
Life Fund	147	2,592
Index linked securities	20,499	8,643
UK equities	37,287	39,173
Overseas equities	65,989	46,833
Property unit trusts	-	-
Venture capital	42	6
Total Sales	240,810	177,665

London Borough of Camden – Statement of Accounts 2005-2006

8. Pension fund – analysis of UK Equities at Market Value by Industrial Sector

For 2005/06, the sector analysis of UK Equities has been revised in a number of areas to provide better overall investment information.

	31 March 2006 £'000	31 March 2005 £'000
Oil & Gas	46,053	-
Basic Materials	9,338	-
Industrials	25,362	-
Health Care	24,540	-
Consumer Goods	21,252	-
Consumer Services	31,420	-
Telecommunications	22,665	-
Resources	-	34,134
Basic Industrials	-	13,380
General Industrials	-	4,860
Cyclical Consumer Goods	-	779
Non-Cyclical Consumer Goods	-	39,342
Cyclical Services	-	34,092
Non-Cyclical Services	-	30,071
Utilities	8,256	6,142
Financials	94,023	71,678
Information Technology	2,838	2,964
Life Funds, OEICs & Unit Trusts	17,163	14,590
	302,910	252,032

9. The Fund's 10 Largest Equity Holdings at 31 March 2006

NB 5% of the Fund's net assets are equal to £37.2m.

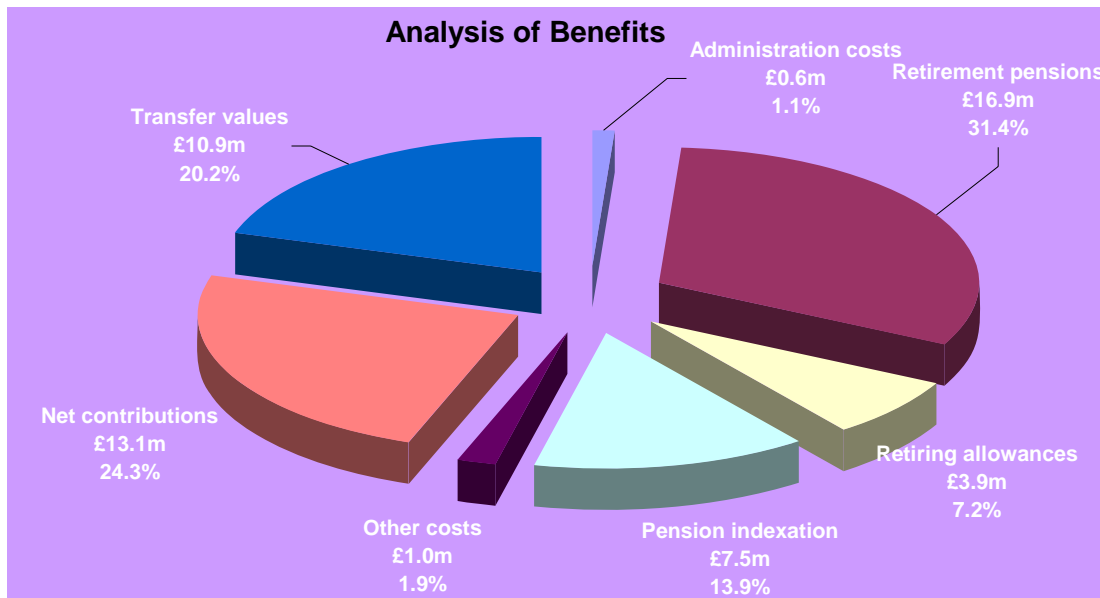
Company	Market value £'000	% of net assets
BP PLC	25,984	3.49
Vodafone Group PLC	17,348	2.33
Royal Bank of Scotland Group PLC	16,887	2.27
HSBC Holdings PLC	16,328	2.19
GlaxoSmithKline PLC	13,792	1.85
Barclays PLC	12,563	1.69
Royal Dutch Shell PLC	10,844	1.45
BG Group PLC	7,860	1.06
HBOS PLC	7,398	0.99
Prudential PLC	7,241	0.97
	136,245	18.29

10. Analysis of Contributors and Benefits

	2005/2006 £'000	2004/2005 £'000
Contributions receivable		
Administering authority	(45,102)	(39,393)
Admitted bodies	(8,796)	(10,095)
	(53,898)	(49,488)
Benefits payable		
Administering authority	37,395	37,910
Admitted bodies	3,381	3,994
	40,776	41,904

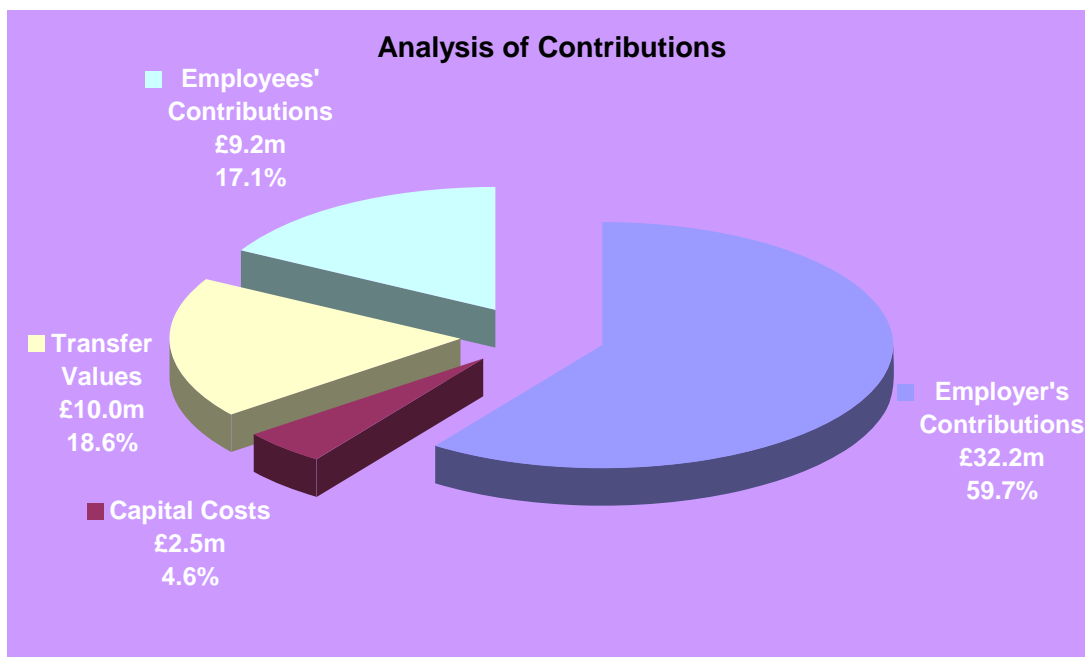
Analysis of Benefits:

The pie chart shows how the total pension fund benefits payable of £53.9m are broken down over the various categories. Retirement Pensions and pension indexation together account for over 45% of the total, while administration accounts for less than 1.5% of the total.



Analysis of Contributions:

The pie chart shows how the total contributions received of £53.9m, available to the Pension Fund in 2005/06, was made up.



GLOSSARY OF FINANCIAL TERMS AND ABBREVIATIONS

FINANCIAL TERMS

Accrual The recognition of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

Balances Unallocated reserves held to resource unpredictable expenditure demands.

Capital Charges Charges made to service department revenue accounts, based on the value of assets employed, and comprises interest and depreciation (where appropriate).

Capital Expenditure Expenditure on new assets such as land and buildings, or on the enhancement of existing assets so as to significantly prolong their useful life or increase their market value.

Capital Financing Charges The annual cost of debt charges (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.

Capital Receipts Income received from the sale of land, buildings and other capital assets.

Contingent Liabilities Potential losses for which a future event will establish whether a liability exists. As it is not appropriate to establish provisions for such amounts, they are not accrued in the financial statements, but disclosed separately in a note to the Consolidated Balance Sheet.

Creditors Amounts owed by the Authority at 31 March for goods received or services rendered but not yet paid for.

Debtors Amounts owed to the Authority which are collectable or outstanding at 31 March.

Deferred Capital Income This consists mainly of income due from former tenants who have purchased their homes and taken out mortgages with the Council.

Deferred Charges Expenditure of a capital nature for which there is no tangible asset (e.g. improvement grants).

Earmarked Reserves Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Provisions Monies set aside for liabilities and losses which are likely to be incurred but where exact amounts or dates on which they will arrive are uncertain.

Revenue Expenditure Spending on day-to-day items, including salaries and wages, premises costs and supplies and services.

Revenue Support Grant The main grant paid by central government to a local authority towards the costs of all its services.

Transfer Payments Benefits paid over to tenants and homeowners towards rent and council tax which is then reimbursed by central government.

ABBREVIATIONS

AMRA Asset Management Revenue Account

CIPFA Chartered Institute of Public Finance and Accountancy

DfES Department for Education and Skills (Central Government)

DWP Department of Work and Pensions (Central Government)

FTE Full Time Equivalent

GLA Greater London Authority

HRA Housing Revenue Account

ILEA The former Inner London Education Authority

LGPS Local Government Pension Scheme

LPFA London Pensions Fund Authority

LRB The former London Residuary Body (residual functions of the Greater London Council and ILEA)

MRP Minimum Revenue Provision

NNDR National Non Domestic Rates (Business Rates)

ODPM – Office of the Deputy Prime Minister (now the Department for Communities and Local Government)

OEIC – Open Ended Investment Company

PFI Private Finance Initiative

PPP Public Private Partnership

PWLB Public Works Loans Board

SORP Statement of Recommended Practice

SRB Single Regeneration Budget

SSAP Statement of Standard Accounting Practice