

Hillingdon Council's Annual Statement of Accounts 2006/2007



HILLINGDON
LONDON

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1	Leader's statement	3
2	Summary of the 2006/07 financial year	5
3	Statement of responsibilities for the statement of accounts	11
4	Independent Auditor's report	13
5	Statement of accounting policies	17
6	Statement of internal control	23
7	Income and expenditure account	27
8	Reconciliation of the deficit on the income account	29
9	Statement of total recognised gains and losses	30
10	Balance sheet	31
11	Cash flow statements	32
12	Housing revenue account	59
13	Collection fund account	62
14	Group accounts	64
15	Pension fund account	73
16	Glossary	81

1. LEADER'S STATEMENT

Throughout my time as Leader of the Council, strong financial management has been key to us being able to invest money in improving our services and dealing with financial challenges that are presented to us.

This year, one of those challenges was the need for us to find £10.1m to cover the loss of government grant for the cost of supporting unaccompanied asylum seeking children. This meant that our balances were decimated, falling to well below the recommended level to meet potential business risks. Through good financial management, we were able to make efficiency savings, which not only covered the shortfall in government funding but also increased our balances to £9.3m.

We also made further savings of £1.6m, which we used to invest in improving services for residents.

These included:

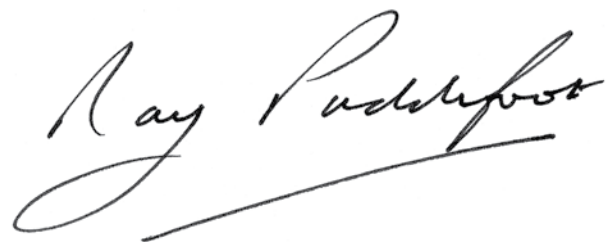
- 250k for the community equipment service to improve our ability to enable vulnerable adults to live safely at home
- 200k for community safety work relating to safer neighbourhoods
- £200k for additional repairs to footpaths in the borough
- £175k for environmental initiatives
- £150k to further support vulnerable children
- £120k for school improvement service
- £100k to fund joint initiatives with the voluntary sector to help improve the quality of life of elderly residents

We achieved all of this whilst keeping council tax increases low. In addition, we were the first council in the country to give our older residents a 2% discount on their council tax bills for 2006/07 and commit to freezing any increase in council tax for the borough's over 65s for the next three years.

This all adds up to a council that is reducing its running costs, improving services and supporting residents who most need our help.

Moving forward into next year, our concerns about the Government not fully funding our costs for supporting unaccompanied asylum seeking children remain and we will be lobbying the Government to try to recover our full costs.

Our Hillingdon Improvement Programme (HIP) will continue to help us deliver efficiencies so that we can continue to keep council tax levels low and invest in improving services for our residents.



Cllr Ray Puddifoot
Leader of the Council



We also made further savings of £1.6m, which we used to invest in improving services for residents.

2. SUMMARY OF THE AUTHORITY'S FINANCIAL POSITION

This document sets out the annual accounts of the London Borough of Hillingdon for the year ended 31 March 2007. The council has prepared its accounts in the format set for local authority accounts by the Chartered Institute of Public Finance and Accountancy.

The purpose of this foreword is to provide a more understandable guide to the most significant matters reported in the accounts. Included in the accounts are a number of technical terms that are specific to local government finance and a glossary has been provided on page 81 to assist the understanding of the financial statements.

Summary of the authority's financial performance in 2006/07

Revenue budget

Hillingdon's net expenditure budget for 2006/07 was set at £172m, which was financed through additional central government support of 2.6% and an increase in local council tax of 2.9%. Coupled with the increase in council tax for Greater London Authority services of 13.3%, it resulted in an overall increase in council tax of 5%.

The 2006/07 budget contained growth of £1.5m and savings of £8.5m. Major items of additional expenditure agreed in the 2006/07 budget were:

- £250k for the community equipment service to improve our ability to enable vulnerable adults to live safely at home
- £200k for community safety and work relating to Safer Neighbourhoods Teams
- £200k for additional repairs to footpaths in the borough
- £175k for environmental initiatives
- £150k to fully implement recommendations arising from the best value review of services to vulnerable children
- £120k for the school improvement service
- £100k to fund joint initiatives with the voluntary sector to help improve the quality of life of elderly residents.

Throughout 2006/07 cabinet received regular financial monitoring reports to enable it to ensure spending was being kept within approved budgets. The actual outturn for the year was £167.98m which when compared to the original budget showed an underspend of £4.048m. This coupled with the budgeted contribution to reserves of £640k led to an increase in general fund balances of £4.688m.

The main variances were as follows:

Adult Social Care, Health and Housing

- Increase in costs to help older people to live at home +£2,208k
- Savings on homelessness largely due to enhanced performance on voids - £2,020k
- Increasing pressure on homecare and direct payments for the physical disability services + £855k
- Slippage on the learning disability modernisation programme - £339k
- Savings in respect of support costs - £558k
- Additional Housing benefit following audit + £500k

Education and Children's Service

- Increased pressure on asylum including the loss of Leaving Care grant resulting from clients classified as exhausted all appeals + £2,730k
- Underspend in children and families primarily from changes in looked after children -£1,275k

Environment and Consumer Protection

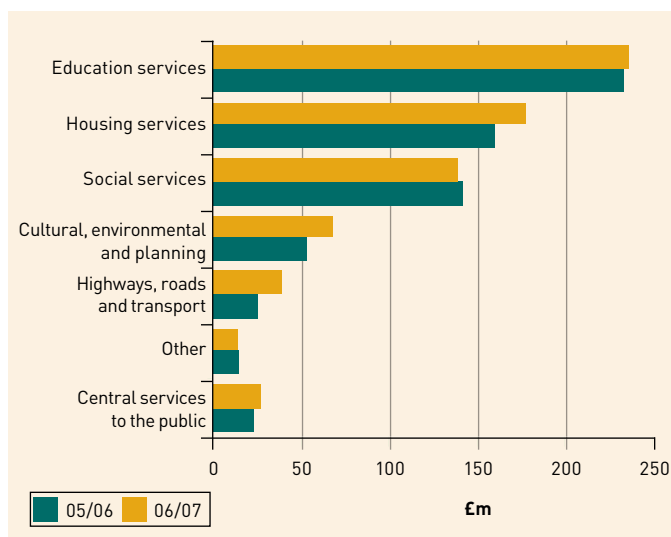
- Increased income in respect of the new licensing regulations, plus savings on costs for environmental health - £295k
- Increased spending on graffiti removal + £188k
- Increased income from trade waste coupled with underspend on waste disposal due to additional recycling - £345k

Corporate budgets

- Shortfall of local authority business growth initiative grant + £1,400k
- Efficiency savings achieved in excess of target set in the budget -£1,994k
- Unallocated development and risk contingency -£1,817k
- Reduction in financing costs due to higher than budgeted capital receipts -£1,119k
- Performance Reward Grant awarded in respect of 2007/08 - £1.072m

Details of revenue expenditure across departments plus the sources of council's revenue income are shown below.

Chart 1 shows the distribution of 2006/07 gross expenditure between the different services of the council.

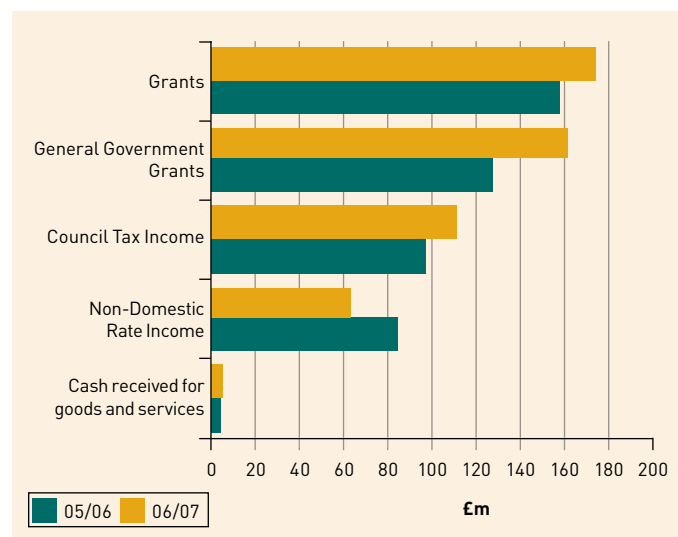


Capital spending in 2006/07

Capital spending is expenditure on the purchase, improvement or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure was incurred. Capital spending for the year totalled £78.408m compared to £83.776m in 2005/06. This expenditure was financed from various sources including supported borrowing (£22.5m), capital receipts (£21.0m), revenue (£16.9m) and government grants and other contributions (£15.3m). The major capital schemes in 2006/07 were the completion of Ruislip High School and the Mental Health/ Learning Disabilities Modernisation Programme.

The Local Government Act 2003 introduced the prudential code whereby the council is responsible for deciding its own level of affordable borrowing. In doing so capital investment plans have to be affordable, prudent and sustainable. To demonstrate that the council has fulfilled these objectives a range of prudential indicators are set annually and performance against these indicators is monitored regularly. During 2006/07 the council undertook supported borrowing of £22.5m to finance the capital programme and required no unsupported borrowing due to sufficient capital receipts. £4.5m of debt was repaid.

Chart 2 shows the source of the council's revenue income.



Balances

The council needs to retain adequate reserves to cover unexpected expenditure and avoid costly short-term borrowing. Equally the council wishes to utilise the maximum resources available to achieve its objectives therefore it plans to maintain reserves at the lowest prudent level. To this aim the council has adopted a recommended range for general fund balances of between £8m and £15m. The council has been actively trying to increase balances so they are within the recommended range and general fund balances at 31 March 2007 now total £9.298m, an increase of £4.688m on the previous year.

In addition the council has a number of earmarked reserves, the majority of which are held for statutory purposes, including £13.626m held as schools delegated funds.

Treasury management

External debt has increased by £50.63m in order to support capital investment for the three-year period 2006-09, while the average rate of interest on the loans portfolio reduced by 0.06% from 4.44% to 4.28%. In spite of the lower average rate, the increase in external debt resulted in external interest costs rising from £6.93m in 2005/06 to £9.45m in 2006/07. The main source of borrowing is the Public Works Loan Board (£179.7m). The steady reduction in the average rate is a consequence of continuing the strategy of repaying higher rated

debt before maturity and also by controlling the amount of debt that has to be refinanced each year.

Investments as 31 March 2007 stood at £102.9m (£43.5m at 31 March 2006) whilst the average for the year was £93.13m (£39.9m in 2005/06). The rise in average investments is caused by a combination of better than expected capital receipts in 2006/07 and re-phasing of some major projects within the capital programme. Total interest earned on council funds in 2006/07 was £4.54m. (£1.87m in 2005/06) The average rate of return was 4.85%, 0.31% higher than the benchmark 7-day LIBID return of 4.54%.

Accounting for pensions

The council participates in two local government pension schemes, one administered by the London Borough of Hillingdon and the other run by the London Pension Fund Authority. The fund's actuary, Hymans Robertson, last carried out an actuarial valuation of the fund as at 31 March 2004. The valuation estimated a deficiency at 31 March 2004 of £53m, which has resulted in an increase in employer's contribution rates effective from 1 April 2005. The total common contribution rate is 14.45%, an increase from 9% in 2001, however, to ease the burden on the local taxpayer it was decided to phase this increase in over a four-year period. The rate increased to 13.50% in 2006/07 and will increase further in 2007/08 to 14.85%.

Chart 3 shows the breakdown of the total capital expenditure for 2006/07 split between service areas

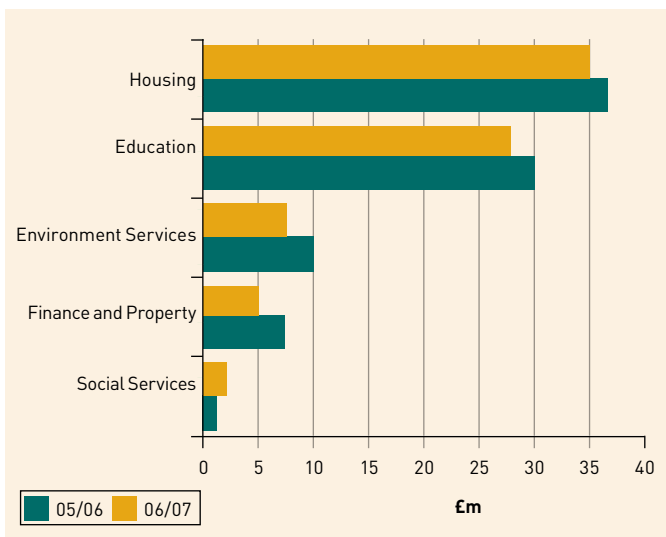
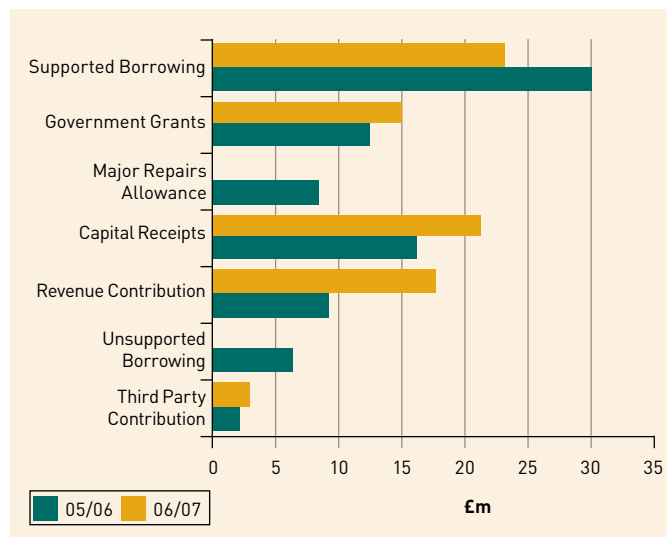


Chart 4 shows the major sources of financing for capital expenditure.



The latest funding check, carried out by Hymans Robertson as at 31 December 2006, indicated that the deficit has dropped to £47m and that the funding level had risen to 92.4%. However, although indicative of the current situation, this was not a full valuation and so cannot be relied upon.

Amending regulations on the removal of the rule of 85 became effective from 1 October 2006. Although the removal of the rule of 85 will apply to new members of the scheme from 1 October 2006, there are extensive transitional protections for existing members as at 30 September 2006. As the next valuation is due to be calculated as at 31 March 2007 no adjustment was made to the employer's rate in the interim.

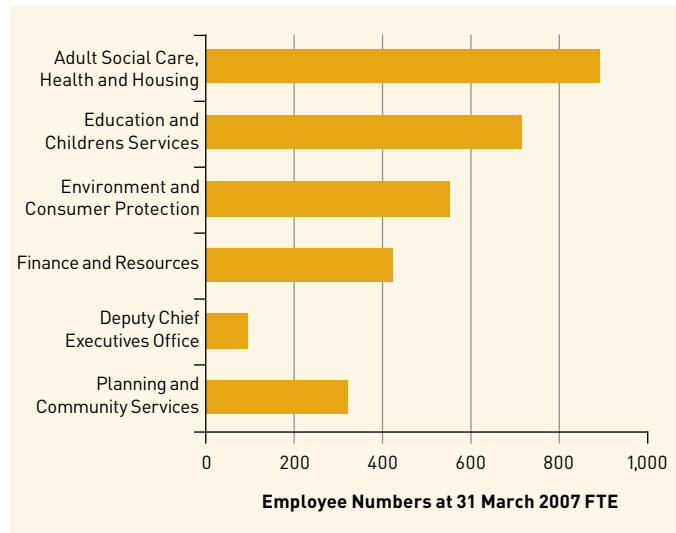
The council is required fully to adopt FRS17 on retirement benefits and the FRS17 disclosures have been calculated using the AA-rated corporate bond yield applicable at 31 March 2007. The total liability at 31 March 2007 of £102.7m has been recognised, compared to £135.5m at 31 March 2006. Details of the FRS17 disclosures are shown in the statement of accounting policies (page 20), and in disclosure Note 45 on page 53.

Collection fund

The council has reported a deficit on the collection fund of £1,196k for 2006/07. This will be distributed in future financial years to the council and the Greater London Authority, in proportion to the value of the respective demands on the collection fund. The council tax collection rate for 2006/07 was 94.9% compared to 94.8% in 2005/06.

Review of staffing 2006/07

Recruiting and retaining high calibre employees is essential if the council is to achieve its performance objectives. At 31 March 2007 the number of council employees, excluding schools, totalled 3,000 full time equivalents (FTE) a decrease of 41 FTE (1.35%) on 31 March 2006. The following chart shows the breakdown by Department.



Overall labour turnover increased from 9.81% in 2005/06 to 11.22% in 2006/07. This is extremely favourable when compared to the latest information from other London boroughs where the average turnover figure was 15.1% in 2003/04.

The council continues to perform above average on a range of employee related best value performance indicators.

	London Borough of Hillingdon	Council average*
Working days lost to sickness absence 2006-2007	8.66 days	9.6 days
Top 5% of earners that are women	44.02%	31.8%
Top 5% earners from ethnic minorities	19.21%	3.32%
Percentage of employees with a disability	2.21%	3.22%
Ethnic minority representatives in the workforce	24.30%	4.90%

* Council average figures provided by the Audit Commission.

Group accounts

The council's group accounts are shown on pages 64 to 72. The council has one subsidiary, Hillingdon Homes Ltd, which is responsible for the management of its housing stock. Hillingdon Homes' income and expenditure, assets and liabilities have been consolidated on a line by line basis in accordance with FRS2. The operating income and expenditure of Hillingdon Homes has been included in the housing service line of the net cost of services.

Significant issues for 2006/07

The 2006 SORP introduced a substantial change to the format of the accounts. The consolidated revenue account and the statement of total movement in reserves were replaced with the following:

- Income and expenditure account – a summary of the resources generated and consumed by the authority in the year.
- Statement of the movement on the general fund balance – a reconciliation showing how the balance of resources generated/consumed in the year links with statutory requirements for raising council tax.
- Statement of total recognised gains and losses – demonstration of how the movement in net worth in the balance sheet is identified to the Income and Expenditure Account surplus and deficit and to other unrealised gains and losses.

To enact these changes the net cost of service for 2005/06 had to be restated for the following adjustments:

- Gains and losses on disposal of fixed assets
 - Retrospective revaluations have been made totalling £2.6m for 2005/06. This was calculated by comparing the re-valued amount to the sale proceeds and this amount was added to the fixed asset restatement account and recognised as such in the statement of total recognised gains and losses.
- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts.

- Credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item.

Further details of the prior period adjustments are shown in Note 1 on page 33.

Also new for 2006/07 is school funding for local authorities in England being provided by a ring fenced grant, called Dedicated Schools Grant (DSG), rather than as part of the Revenue Support Grant settlement. DSG can only be applied to meet expenditure properly included in the schools budget. Details of the deployment of Dedicated Schools Grant are shown in Note 8 on page 36.

Outlook for the future

Hillingdon's budget requirement for 2007/08, as agreed at council on 22 February 2007, is £178.1m. This represents an increase of 3.6% on the budget requirement for 2005/06 and resulted in an increase in council tax in respect of Hillingdon Council of 3.75%. When added to the 5.3% increase in the amount the council collects on behalf of the Greater London Authority the overall impact on Hillingdon's council tax payers is an increase of 4.08%, equivalent to £1,384.39 for a Band D property.

Following an external challenge review savings of £13.3m were identified and included in the 2007/08 budget. These savings have enabled the absorption of the shortfall in unaccompanied asylum seeker children grant funding and the shortfall in the government grant formula, as well as allowing the inclusion of £1.3m of growth items including:

- £400k to introduce a 2% discount on Hillingdon's element of the council tax for older people in households where the charge payer is over 65 years of age and not already in receipt of council tax benefit.
- £100k new recycling and waste minimisation initiatives
- £60k towards implementing the sports and physical activity strategy
- £72k additional funding for school transport for children in foster care



Hillingdon Council is reducing its running costs, improving services and supporting residents who most need our help.

3. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1. Authority's responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority that officer is the director of finance and resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

2. Director of finance and resources' responsibilities

The director of finance and resources is responsible for the preparation of the council's statement of accounts that present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

In preparing this statement of accounts the director of finance and resources has:

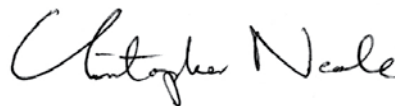
- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the code of practice.

The director of finance and resources has also:

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

3. Director of finance and resources' approval of accounts

I certify these accounts present fairly the financial position of the London Borough of Hillingdon, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), as at the 31st March 2007 and its income and expenditure for the year then ended.



Christopher Neale
Director of Finance and Resources
27 June 2007

Audit Committee certificate for the approval of the accounts

I confirm that these accounts were considered and approved by the Audit Committee at the meeting held on 27 June 2007.

Signed on behalf of London Borough of Hillingdon



Councillor George Cooper
Chair (Audit Committee)
27 June 2007



The London Borough of Hillingdon were the first council in the country to give older residents a 2% discount on their council tax bills for 2006/07 and commit to freezing any increase in council tax for the borough's over 65s for the following three years.

4. INDEPENDENT AUDITOR'S REPORT

Opinion on the financial statements

I have audited the financial statements and pension fund accounts of the London Borough of Hillingdon and its group for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund, the Group Accounts and the related notes. The pension fund accounts comprise the Fund Account, the Net Asset 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 Hillingdon 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.

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 2006 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the 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 2006:

- the financial position of the council 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.

I 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' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the council's corporate governance procedures or its risk and control procedures.

I 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 "summary of the authority's financial position". I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In my 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 2006, the financial position of the council and its Group as at 31 March 2007 and its income and expenditure for the year then ended; and

- the pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial transactions of the Pension Fund during the year ended 31 March 2007, and the amount and disposition of the fund's assets and liabilities as at 31 March 2007, other than liabilities to pay pensions and other benefits after the end of the scheme year.



Les Kidner
District Auditor

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

10 March 2008

Conclusion on arrangements for securing economy, efficiency and effectiveness in then use of resources

Council's responsibilities

The council 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 council is required to prepare and publish a best value performance plan summarising the council'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.

Auditor's responsibilities

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

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

- certifying that I have done so;
- stating whether I 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.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, the council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007.

Best Value Performance Plan

I issued my statutory report on the audit of the council's best value performance plan for the financial year 2006/07 on 21 December 2006. I did not identify any matters to be reported to the council and did not make any recommendations on procedures in relation to the plan.

Certificate

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



Les Kidner
District Auditor

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

10 March 2008



Through good financial management, the council has been able to make efficiency savings, which not only covered a shortfall in government funding but also increased balances to £9.3m.

5. STATEMENT OF ACCOUNTING POLICIES

The accounts have been prepared in accordance with the 2006 Code of Practice on Local Authority Accounting and Statement of Recommended Practice, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS). Any departures from recommended practices are stated within this section and/or within the notes to the accounts.

1. Tangible fixed assets

Recognition: All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the authority for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets that is charged direct to service revenue accounts.

Measurement: Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and guidance notes issued by the Royal Institute of Chartered Surveyors (RICS). Fixed assets are included in the balance sheet on the following basis:

- Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use,
- Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost or

net realisable value. In the case of investment properties this is normally open market value. In some cases where a Depreciated Replacement Cost (DRC) figure has been used, an additional opinion has been sought as to the Open Market Valuation (allowing for alternative uses) if it was at a figure significantly higher or lower than the DRC figure.

- Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation.

Plant and machinery forming an integral part of the property is included in the valuation of the buildings. Other plant and machinery has been given a value on the basis of historic costs as a proxy for current value.

For expediency, a de minimis value of £10,000 was generally adopted for the valuations. Sources of information and assumptions made in producing the various valuations are set out in the valuation report.

Revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur. Any surpluses arising on the revaluation of fixed assets are credited to the fixed asset restatement account.

Impairment: An impairment review of all assets is undertaken at the end of each financial year. Losses arising from the clear consumption of economic benefits would be recognised as a service cost in the income and expenditure. It is then reversed out in the movement on general fund balances

so it does not impact on balances. Impairments resulting from a general fall in prices are recognised in the fixed asset restatement account.

Depreciation: depreciation is provided in accordance with the Financial Reporting Standard (FRS) 15 and CIPFA guidelines. FRS 15 states that depreciation is to be provided on all fixed assets other than non-depreciable land and non-operational investment properties according to the following policy:

newly acquired assets are not depreciated in the year of acquisition and assets in the course of construction are not depreciated until they are brought into use, depreciation is calculated using the straight-line method.

Depreciation is calculated using the straight-line method based on the following useful lives:

Infrastructure	40 years
Vehicles plant and equipment	5 to 7 years
Other land and buildings	useful life varies depending on the condition, type and usage of the asset
Surplus assets	useful life varies depending on the condition, type and usage of the asset

Disposals: when an asset is disposed of or decommissioned any loss or profit on disposal is written off to the income and expenditure account. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Therefore the loss or profit on sale is appropriated to the capital financing account from the statement of movement on the general fund balance.

Receipts from the disposal of fixed assets are accounted on an accruals basis. Capital receipts are available to finance capital expenditure and any receipts that are not used to finance capital expenditure in year are included in the balance sheet in the usable capital receipts reserve.

Council houses are sold at a discount in accordance with the legislative requirements. Some land and property may be sold at a discount or at nil value to housing associations in return for nomination rights (i.e. taking tenants from the council's waiting list), otherwise all other assets are sold at market value.

The Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 requires the council to pay a specified amount of capital receipts from the disposal of housing land and dwellings to the Secretary of State as a contribution to the housing pool. The rate is currently 75% of the capital receipt from the sale of council dwellings and 50% of any other interest in housing land although there are reductions for certain qualifying disposals. This expenditure is recorded in the income and expenditure account but is financed from a contribution from the usable capital receipt reserve.

Deferred credits relate mainly to the sale of council houses and reflect the amount of mortgage principal outstanding on sales, which will be transferred to capital receipts when paid.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the full SORP guidelines.

2. Intangible assets

Intangible assets, such as software licences, are only recognised on the balance sheet when they are purchased or where internally developed and they have a readily ascertainable market value. Intangible assets are included at historic cost and only revalued in line with FRS10. Intangible assets are amortised over their economic life, which is reviewed annually.

3. Charges to revenue for fixed assets

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

- Depreciation attributable to the assets used by the relevant service.
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service.
- Amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover the above charges. However it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to the HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the statement of movement on the general fund balance, by way of an adjusting transaction with the capital financing account for the difference between the two.

4. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs.

5. Deferred charges

Deferred charges represent expenditure that may properly be capitalised, but which does not represent tangible fixed assets, for example housing association grants, capital expenditure on foundation schools and housing improvement grants. Deferred charges are amortised to revenue in the year in which the expenditure is incurred. Where the council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a

transfer to the capital financing account the reverses of the amounts charged in the statement of movement on the general fund balance so there is no impact on the level of council tax.

6. Leasing

Where assets are acquired under finance leases, these assets are recognised in the council's balance sheet together with the liability to pay future rentals. Under the prudential framework these long term liabilities are included in the Capital Financing Requirement (CFR), which triggers Minimum Revenue Provision (MRP) charges in future years on a 4% reducing balance of the liabilities first recognised. When entering into finance leases the council has decided to make Voluntary Revenue Provision (VRP) contributions so the charge to the statement of movement in the general fund balance is in line with the payments of principal over the lease term.

The council has three finance leases with the Ealing Family Housing Association for 102 dwellings. Following a review of leases undertaken in 2004/05 a number of leases for vehicles and plant have been classified as finance leases under SSAP21. Further details are provided in Note 10.

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

7. Long term contracts

The council has entered into two long-term contracts for the provision of older peoples' residential and nursing care. In addition the council has one private finance initiative contract to build and facilities manage the Barnhill Community High School. Further details of these contracts are provided in Note 9.

8. Accruals of income and expenditure

Both the revenue and capital accounts of the council are maintained on an accruals basis in accordance with the code of accounting practice and FRS18. Sums due to or from the council during the year are included in the revenue account whether or not the cash has actually been received or paid in the year.

9. Government grants and contributions

Grants and subsidies have been credited to the appropriate revenue and capital accounts. Accruals have been made for sums known to be receivable for the year, where the receipt was outstanding at 31 March 2007. The final claims for grants included in the accounts are subject to audit. The audit of the grant claims is currently ongoing.

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the government grants-deferred account. Amounts are released to the asset management revenue account over the useful economic life of the asset to match the depreciation charged on the asset to which it relates.

10. Stocks and work in progress

Stocks at the year end are included at the lower of cost or net realisable value. Work in Progress on uncompleted jobs is valued at cost including an allocation of overheads.

11. Costs of support services

In line with CIPFA recommended practice and complying with the Best Value Accounting Code of Practice, a full recharge of support service costs is made to front line services. The basis of allocation is as follows:

- Central department costs (for example finance and resources, deputy chief executive) are mainly apportioned on the basis of staff numbers.
- Administrative buildings are apportioned on the basis of area occupied.

- Computer services are apportioned on the basis of the estimated use by services of these facilities.

12. Provisions and reserves

The council is required to set aside money to cover future known or anticipated liabilities and each reserve or provision should be clearly identifiable as to its purpose and usage. Provisions will cover events likely to occur but uncertain as to the actual sums involved or the event date whilst reserves cover sums set aside for other purposes falling outside this definition.

The fixed asset restatement account represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.

The capital financing account represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

The usable capital receipts reserve includes capital receipts that have not yet been used to finance capital expenditure or to repay debt.

The pension reserve represents the surplus or deficit arising from the valuation of pension assets and liabilities of Hillingdon's interests in the London Borough of Hillingdon pension scheme and the London Pension Fund Authority pension scheme.

The major repairs reserve is a requirement of the HRA resource accounting and holds depreciation charged to the HRA in excess of the major repairs allowance.

13. Retirement benefits

The council participates in two defined benefit pension schemes, the London Borough of Hillingdon pension fund and the London Pension Fund Authority pension fund.

The assets of each scheme have been measured at their fair value as at 31 March 2006. In line with 2005 SORP requirements FRS17 retirement benefit disclosures are calculated using the AA rated corporate bond yield. The attributable scheme

liabilities have been measured on an actuarial basis using the projected unit method. This was undertaken by the council's external actuaries, Hyman Robertson. The deficit in the scheme is the shortfall of the value of the assets in the scheme below the present value of the scheme liabilities.

The current service costs and gains and losses on settlements and curtailments have been included within net cost of services (page 27). The net of the interest cost and the expected return on assets has been included within net operating expenditure (page 27). All pension contributions are accounted for on an accruals basis.

Actuarial gains and losses arising from updating the latest actuarial valuation to reflect conditions as at 31 March 2007 have been recognised in the movement to the pension reserve (page 55). The annual report and accounts of the pension fund are shown on pages 73 to 80.

Pensions for teachers are provided through a separate scheme operated by central government. Although the scheme is a defined benefit scheme the employer's contributions are set in relation to the current service period and are not affected by any surplus or deficit in the scheme relating to past service. The SORP permits this scheme to be accounted for as a defined contribution scheme. The pension costs reported for a year are equal to the contributions payable to the scheme and these costs are shown within net cost of services (page 27).

14. Investments

Investments are shown in the consolidated balance sheet at cost, but market values are shown in the supporting notes.

15. Redemption of debt

The policy on debt redemption is to maintain fairly stable fall out of debt required to be refinanced each year. To achieve this a target has been set that the maximum debt to fallout naturally in any year is around 10%. This spreads the risk of interest rate exposure so all debt is not subject to renewal at the same time.

The majority of the debt held by the authority is distinguishable into two types:

- Maturity loans where the principal is repaid in full on the date the loan matures. In the interim, interest payments are made every six months.
- LOBO (lender's option, borrower's option) loans where the principal is borrowed at a fixed rate of interest for a specified period of time, after which the lender has the option to change the rate of interest and the borrower has the option to continue with the loan at the new rate or the principal is repaid in full before the maturity date. If the lender does not change the rate, the principal is repaid in full on the date the loan matures. In the interim, interest payments are made every six months.

In addition to the debt that falls out naturally in any one year, the authority can choose to redeem debt early as part of its overall debt management policy. This assists in the restructuring of the authority's debt portfolio and although in the short term a premium charge may occur, in the long term finance costs can be significantly reduced.

In line with the SORP premiums incurred on the early settlement of debt will be recognised in the revenue account in the period of repurchase apart from where the original debt has been fully replaced by new debt which gives the same effective economic result as the original borrowing. In this case the general fund proportion of the premium will be written back to revenue on a straight line basis over the lifetime of the replacement loan.

16. Group accounts

The council have to include within their statement of accounts interests in subsidiaries, associates and joint ventures in a set of group accounts. The council has one subsidiary, Hillingdon Homes Ltd, which is responsible for the management of its housing stock. The council's group accounts are shown on pages 64 to 72. Hillingdon Homes' income and expenditure, assets and liabilities have been consolidated on a line by line basis in accordance with FRS2. The operating income and expenditure of Hillingdon Homes has been included in the housing service line of the net cost of services.

Any departures from the accounting policies applicable to the group accounts are detailed on pages 64 to 72.

6. STATEMENT OF INTERNAL CONTROL 2006/07

1. Scope of responsibility

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

In discharging these overall responsibilities, London Borough of Hillingdon 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 managing risk.

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 and not absolute assurance of effectiveness. The system of internal control is a continuous process to:

- Identify risks to the achievement of London Borough of Hillingdon's policies, aims and objectives.
- Evaluate the likelihood of the risks being realised, and their potential impact.

- Prioritise and manage them efficiently, effectively and economically.

3. The internal control environment

The key elements of the internal control environment include:

- A constitution that sets out how the council operates, makes decisions, and what procedures it will use to ensure that decisions are effective, efficient, and transparent to the borough's citizens, to whom the council is accountable.
- A corporate code of governance.
- A local code of conduct for members (incorporating the National Code of Conduct for Members and based on the Nolan Principles).
- A local code of conduct for officers.
- A strategic planning document, Fast Forward to 2010, setting out the council's vision and framework for maintaining continuous improvement showing achievement against statutory and local targets and the targets for the next three years.
- Procedure rules for finance, contracts and human resources issues are included in the constitution.
- The Hillingdon Improvement Programme (HIP), which has been enhanced in 2006/07 to encompass a programme of improvements to build management capability and capacity of the organisation, as well as improving service delivery functions.
- The performance management structure under the remit of the head of organisational design and performance improvement. The performance management group of performance specialists

from across the council meets regularly, to review the performance management framework. Performance management is monitored within groups and corporately at corporate management team as well as cabinet and partnership policy overview committees each quarter.

- An effective service and financial planning and annual budget setting process, running from the preceding summer to February, with a robust challenge process involving members, the director of finance and resources and corporate directors.
- Monthly budget monitoring built upwards from cost centre managers to monthly revenue and quarterly capital reports to cabinet.
- Risk management including;
 - A corporate risk management strategy outlining roles and responsibilities.
 - Identification, quantification and treatment of risks to the council's objectives recorded on risk registers.
 - Quarterly review of risk registers by the corporate management team, executive board and the recently formed audit committee.
 - Defined process for the management of partnership risks.
 - Development of a training session.
- Ethical governance - the corporate governance arrangements, includes;
 - A structure of a leader, cabinet and executive scrutiny committee
 - Newly established audit committee.
 - Corporate management board.
 - Scheme of delegation to members and officers with recording and reporting of significant decisions.

4. Review of effectiveness

The council is responsible for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of the internal auditors and the managers within the authority who have responsibility for the development and maintenance of the internal control environment and also by the comments made by the external auditors and other review agencies and inspectorates.

The review concluded that the system of internal control has been in place for the year ended 31 March 2007 and up to the date of approval of the annual accounts and except for the internal control issues, detailed in section 5, accords with proper practice.

This review took in the council's subsidiary, Hillingdon Homes Ltd, who reported no significant internal control issues for the year ended 31 March 2007.

The review has been informed by:

- The council's development during the year of its policy overview and scrutiny function and the introduction of an audit committee.
- The work of the internal audit section, which follows a four-year rolling plan, based on a risk assessment. The chief internal auditor reported regularly during the year to both the management board and the newly formed audit committee (previously overview and scrutiny committee), and has provided a satisfactory level of assurance on the internal control environment in 2006/07.
- The work of the council's external auditors, the Audit Commission, as reported in their annual audit letter.
- The council's record of keeping spending within budget. A £10m recovery savings package was appropriately put in place in 2006/07 to deal with the exceptional retrospective and late changes in the grant for unaccompanied asylum seeking children grant, re-balancing the budget and building back balances over the medium term.
- A successful recovery plan evidenced by the increase in general fund balances in 2006/07 of £4.7m and meeting the target minimum level of balances of £8m ahead of the original timetable agreed with the Audit Commission.
- Service directors submitting a statement of assurance covering 2006/07 which provides affirmation that any significant control issues have been raised and are been dealt with appropriately

During the 2006-07 Comprehensive Performance Assessment the council achieved three out of four for its use of resources, maintaining its position and overall rated the council

as two star (out of four) with a direction of travel statement of 'improving well'.

The work of managers in the council, particularly through their implementation of performance management to ensure that each area achieves its targets in service delivery, financial control, and good governance is vital. Highlights include achievement of 95% of the council plan targets (short term targets).

During 2006-7 the partnership register was further developed. High and medium risk partnerships were reviewed and action taken as appropriate. A toolkit for the annual review/evaluation of partnerships has been prepared and will be implemented in 2007-08.

5. Actions to deal with outstanding internal control issues

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

- The council is working to negate the impact of the Primary Care Trust's financial position on council services. This includes implementing an exit strategy for the cessation of the pooled budget arrangements during 2007/08.
- A majority of the schools audited during 2006/07 received limited assurance level. A plan to address these issues is being developed within education finance and will be rolled out in 2007/08.
- Further work will be undertaken to ensure that departmental and corporate risk registers are monitored, reviewed and updated on a more systematic and effective basis.
- To address the challenges posed by the Leaving Care grant regime, systems are being strengthened to ensure the accurate recording of the status of claimants.
- The council is working to strengthen the reconciliation of subsidiary bank accounts following criticism from the Audit Commission during the 2005/06 audit.
- The effectiveness review highlighted that procedure notes were not available consistently

across the council. A review should be undertaken to ensure that procedures exist in all service areas, that they are comprehensive and that they exist at the operational level.

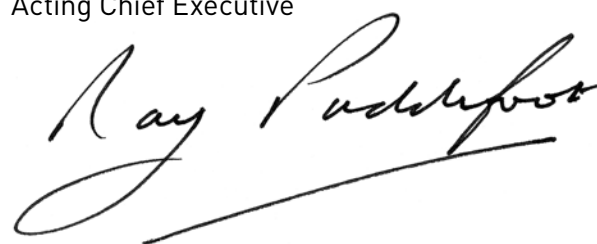
- Work is being undertaken to develop and implement a revised member/officer protocol.
- Induction programmes will be developed to ensure they consistently cover key policies such as financial and contract regulations and the council's whistle blowing policy.
- Work will continue to develop the council's medium term financial strategy and link this to the council priorities as detailed in corporate, service and team plans. This work is being supported by new service planning procedures and revised staff appraisal documentation. The review of internal control highlighted a minority of areas where service planning was not fully embedded, something that the new procedures should address.

The actions will not necessarily resolve the issues within the current year but they are the route to resolving them as soon as is possible and practical. The council expects to make substantial progress during the year, and to report that progress in the next statement on internal control.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the council. We are satisfied that there are suitable plans in place to address the weaknesses and ensure continuous improvement to the system.



Hugh Dunnachie
Acting Chief Executive



Ray Puddifoot
Leader of the Council

Main financial statements

The various financial statements that follow are prepared on an accruals basis and follow best practice recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Code of Practice on Local Authority Accounting in Great Britain. Further details of these requirements are detailed in the statement of accounting policies.

Those statements are published in accordance with Regulation 11 of the Accounts and Audit Regulations 2003.

They summarise the overall financial position of the council and in particular include the following:

Income and expenditure account (page 27)

This account shows the expenditure and the income relating to all the services provided by the council and how the net cost of these services has been financed by the local taxpayers and government grants. It does not include interests in related companies, these are included in the group accounts detailed on page 64.

Statement of total recognised gains and losses (page 30)

This statement brings together all the recognised gains and losses of the authority during the period and identifies those that have and have not been recognised in the income and expenditure account. The statement separates the movements between revenue and capital reserves.

Balance sheet (page 31)

This sets out the assets and liabilities of the council as at the 31 March 2007, but excludes the assets and liabilities of the pension and trust funds. It does not include interests in related companies, these are included in the group accounts detailed on page 64.

Cash flow statement (page 32)

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The statement excludes any transactions of the pension and trust funds.

7. INCOME AND EXPENDITURE ACCOUNT

	Notes	Year ended 31 March 2007			Year ended 31 March 2006		
		Expenditure £000's	Income £000's	Net Expenditure £000's	Expenditure £000's	Income £000's	Net Expenditure £000's
Ependiture on services							
Central services to the public		26,542	20,866	5,676	22,969	18,484	4,485
Cultural, environmental and planning services		68,060	32,862	35,198	53,003	20,241	32,762
Education services		236,437	218,608	17,829	233,612	68,121	165,491
Highways, roads and transport services		38,728	20,216	18,512	24,800	6,902	17,898
Local authority housing (HRA)		41,544	48,382	(6,838)	38,437	46,653	(8,216)
Other housing services		135,114	130,637	4,477	121,290	112,958	8,332
Social services		139,064	49,653	89,411	142,300	53,992	88,308
Court and probation services		158	0	158	171	0	171
Corporate and democratic core		7,268	196	7,073	8,594	2,508	6,086
Non distributed costs		6,582	5,784	798	5,885	4,200	1,685
Net cost of services		699,497	527,204	172,294	651,061	334,059	317,002
Loss on sale of fixed assets		293	0	293	21,531	0	21,531
Precepts and levies		309	0	309	255	0	255
Net (profit)/loss on trading undertakings	2	7,757	7,996	(239)	9,839	9,577	262
Interest payable and similar charges		11,646	0	11,646	62,604	53,976	8,628
Contribution of housing capital receipts to government pool		3,828	0	3,828	6,949	0	6,949
Losses on early settlement of borrowing		167	0	167	31	0	31
Interest and investment income		0	4,831	(4,831)	0	1,578	(1,578)
Pension interest cost and expected return on 44-46 pensions assets		0	2,977	(2,977)	470	0	470
Net operating expenditure		723,497	543,008	180,490	752,740	399,190	353,550
Financed by:							
General government grants				(15,479)			(127,861)
Demand on the collection fund				(99,584)			(96,028)
Transfer to collection fund in respect of deficit				217			57
Non-domestic rate income				(60,906)			(82,527)
Income from general grants and local taxpayers				(175,753)			(306,359)
Deficit for the year				4,737			47,191

Statement of movement on the general fund balance

The income and expenditure account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However the council is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the government scores as a loss in the income and expenditure account, but is met from the useable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned.

The general fund balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the income and expenditure account and the general fund balance. Further details are provided in the note of the reconciliation of the deficit on the income and expenditure account on page 29.

	2006/07 £000's	2005/06 £000's
Deficit for the year on the income and expenditure account	4,737	47,191
Net additional amount required by statute or non-statutory proper practices to be credited to the general fund balance for the year.	(11,198)	(47,520)
Increase in general fund balance for the year	(6,461)	(329)
General fund balance brought forward	(16,829)	(16,500)
General fund balance carried forward	(23,290)	(16,829)
Comprising		
Amount of general fund balance held by schools under schemes to finance schools	(13,626)	(11,881)
Amount of general fund balance generally available for new expenditure	(9,298)	(4,610)
Amount of general fund balance held in respect of the Breakspear Crematorium	(366)	(338)

8. RECONCILIATION OF THE DEFICIT ON THE INCOME ACCOUNT

	2006/07 £000's	2005/06 £000's	2006/07 £000's	2005/06 £000's
Amounts included in the income and expenditure account but required by statute to be excluded when determining the movement on the general fund balance for the year				
Amortisation of intangible fixed assets	(157)			0
Depreciation and impairment of fixed assets	(17,703)			(15,473)
Write down of deferred charges to be financed from capital resources	(10,355)			(14,135)
Government grants deferred amortisation	12,484			5,838
Net loss on sale of fixed assets	(293)			(21,531)
Net charges made for retirement benefits in accordance with FRS17	(18,549)			(5,929)
			(34,573)	(51,230)
Amounts not included in the income and expenditure account but required to be included by statute when determining the movement on the general fund balance for the year				
Minimum revenue provision for capital financing	4,510			3,825
Transfer from usable capital receipts to meet payments to the housing capital receipts pool	(3,828)			(6,949)
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	15,033			
Capital expenditure charged in year to the general fund balance	9,291			8,567
			25,006	5,443
Transfers to or from the general fund balance that are required to be taken into account when determining the movement on the general fund balance for the year				
Housing revenue account balance	(4,292)			(3,343)
Voluntary revenue provision for capital financing	1,982			1,530
Net transfer to or from earmarked reserves	679			80
			(1,631)	(1,733)
Net additional amount required to be credited to the general fund balance for the year			(11,198)	(47,520)

9. STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the income and expenditure account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	2006/07 £000's	2005/06 £000's
Transfer of the deficit on the income and expenditure account	4,737	47,191
Gain arising on revaluation of fixed assets	(25,813)	150,464
Actuarial loss on pension assets and liabilities	(36,314)	(4,745)
Collection fund deficit attributable to Hillingdon	332	207
Total recognised gains and losses for the year	(57,058)	193,117

10. BALANCE SHEET

The assets and liabilities of the pension fund and various trust funds administered by the council are excluded from the above balance sheet as they are not statutory services.



Christopher Neale
Director of Finance and Resources
20 June 2007

	Notes	At 31 March 2007 £000's	£000's	At 31 March 2006 £000's	£000's
Fixed assets					
Operational assets	16				
Council dwellings		727,919		693,123	
Other land and buildings		559,941		533,858	
Vehicles, plant and equipment		11,815		12,316	
Community assets		11,075		10,092	
Infrastructure assets		143,282	1,454,032	142,224	1,391,613
Non operational assets	16				
Investment properties		4,290		5,323	
Assets under construction		4,613		12,139	
Surplus assets, held for disposal		9,990	18,893	25,448	42,910
Intangible assets	17		1,535		787
Long term investments	27		76		76
Long term debtors	28		909		1,171
Deferred premiums on early repayment of debt	35		3,463		3,630
Total long term assets			1,478,908		1,440,187
Current assets					
Stocks and works in progress	29	171		178	
Debtors and payments in advance	30	68,523		96,597	
Short term investments	27	102,900		43,500	
Cash in hand		0	171,594	740	141,015
Current liabilities					
Temporary borrowing	32	(5,213)		(13,372)	
Creditors and receipts in advance	31	(83,008)		(99,832)	
Bank overdraft		(6,089)	(94,310)	0	(113,204)
Total assets less current liabilities			1,556,192		1,467,998
Provisions	40		(4,984)		(3,704)
Deferred credits			(277)		(310)
Long term borrowing	32		(222,890)		(164,103)
Government grants deferred account			(117,281)		(111,896)
Deferred liabilities	9&10		(5,987)		(7,472)
Liabilities related to defined benefit pension schemes	46		(102,704)		(135,502)
Total assets less liabilities			1,102,069		1,045,011
Financed by:					
Fixed asset restatement account	24		958,581		962,162
Capital financing account	25		216,414		191,088
Usable capital receipts account	26		0		0
Pension reserve	46		(102,704)		(135,502)
Equal pay back pay account	40		(234)		0
Fund balances and reserves	33		30,012		27,263
Total net worth			1,102,069		1,045,011

11. CASH FLOW STATEMENTS

Notes	2006/07 £000's	£000's	2005/06 £000's	£000's
Revenue activities				
Cash outflows				
	239,169		242,418	
	44,897		38,677	
	185,885		70,937	
	34,429		32,983	
	3,828		6,949	
	174,205	682,413	321,069	713,033
Cash inflows				
	(46,591)		(45,063)	
	(110,084)		(102,522)	
	(60,906)		(82,526)	
	(33,309)		(45,170)	
	(12,136)		(127,026)	
	(148,435)		0	
	(97,609)		(107,414)	
51	(174,506)		(158,855)	
	(3,594)		(3,431)	
	(37,305)	(724,475)	(39,644)	(711,651)
47		(42,062)		1,382
Revenue activities				
Servicing of finance				
Expenditure				
	9,092		6,117	
	351			
Income				
	(2,473)		(1,690)	
		6,970		4,427
Capital activities				
Cash outflows				
	68,053		69,418	
	0		0	
	10,355	78,408	14,135	83,553
Cash inflows				
	(29,101)		(14,791)	
	(15,305)		(12,192)	
	(2,565)	(46,971)	(1,936)	(28,919)
		31,437		54,634
		(3,655)		60,443
Management of liquid resources				
52		59,400		29,000
Financing				
Cash outflows				
52		32,372		24,617
		1,712		1,575
Cash inflows				
52		(83,000)		(114,600)
		0		0
48		6,829		1,035

Notes to main financial statements

1. Prior to period adjustment

In the 2006/07 statement of accounts the council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the income and expenditure account.

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts.
- Credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item.
- Gains and losses on the disposal of fixed assets are recognised in the income and expenditure account.

	Consolidated revenue account in 2005/06 statement of accounts	Removal of capital financing charges	Relocation of govt grants deferred credits	Recognition of gains and losses on disposal of fixed assets	2005/06 comparatives in income and expenditure account
	£000s	£000s	£000s	£000s	£000s
Central services to the public	4,985	(27)	(473)		4,485
Cultural, environmental and planning services	36,230	(2,654)	(814)		32,762
Education services	180,734	(13,445)	(1,798)		165,491
Highways, roads and transport services	26,979	(7,410)	(1,671)		17,898
Local authority housing (HRA)	23,471	(30,700)	(987)		(8,216)
Other housing services	8,536	(204)			8,332
Social services	90,146	(1,743)	(95)		88,308
Court and probation services	171	0			171
Corporate and democratic core	6,587	(501)			6,086
Non distributed costs	1,767	(82)			1,685
Impact on net cost of services	379,606	(56,766)	(5,838)	0	317,002
Loss on the disposal of fixed assets				21,531	21,531
Asset management revenue account (Interest payable and similar charges in 2006/07)	(53,976)	56,766	5,838		8,628
Impact on net operating expenditure	325,630	0	0	21,531	347,161
Other items not impacting due to change					
Precepts and levies					255
Net loss on trading undertakings					262
Contribution of housing capital receipts to government pool					6,949
Losses on early settlement of borrowing					31
Interest and investment income					(1,578)
Pension interest cost and expected return on pensions assets					470
Net operating expenditure					353,550

2. Trading services

The Council operates a number of services on a trading basis. The financial results of the operations are as follows:

Trading undertakings	Expenditure £000's	Income £000's	2006/07 Deficit/ (surplus) £000's	Expenditure £000's	Income £000's	2005/06 Deficit/ (surplus) £000's
Fleet management	3,118	3,400	(282)	3,015	3,048	(33)
Passenger services	2,624	2,614	10	3,082	2,967	115
Engineering consultancy	1,333	1,336	(3)	1,259	1,265	(6)
Harlington Road depot & canteen	682	646	36	1,162	1,058	104
Building cleaning	0	0	0	581	584	(3)
Property consultancy	0	0	0	740	655	85
	7,757	7,996	(239)	9,839	9,577	262

In addition the following trading services are included in the relevant service heading in the Income and Expenditure Account under best value guidance.

Other trading services	Expenditure £000's	Income £000's	2006/07 Deficit/ (surplus) £000's	Expenditure £000's	Income £000's	2005/06 Deficit/ (surplus) £000's
Industrial estates	313	323	(10)	303	324	(21)
Uxbridge market	64	237	(173)	46	226	(180)
Highways, sewers and street lighting	3,553	3,808	(255)	3,476	3,487	(11)
Grounds maintenance	3,461	3,461	0	2,659	2,659	0
On street car parking	1,699	1,699	0	1,799	1,799	0
	9,090	9,528	(438)	8,283	8,495	(212)

3. Building control trading account

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 can not be charged, such as providing general advice and liaising with other statutory authorities. The statement below shows the cost of operating the building control unit divided between the chargeable and non-chargeable activities.

	Notes	Chargeable	Non chargeable	2006/07 £ Total building control	Chargeable	Non chargeable	2005/06 £ Total building control
Expenditure							
Building control costs	1	645,302	347,471	992,773	564,599	304,015	868,614
Directorate costs		56,820	30,596	87,416	59,365	31,965	91,330
Corporate costs	2	131,166	70,628	201,794	93,885	50,554	144,439
Total expenditure		833,288	448,695	1,281,983	717,849	386,534	1,104,383
Total income		790,850	11,783	802,633	717,991	10,039	728,030
Surplus/(deficit) for year		(42,438)	(436,912)	(479,350)	142	(376,495)	(376,353)

Notes

1. Includes all employee, transport and other building control service costs.
2. Includes premises, supplies and services.

4. External audit costs

The Audit Commission provides external audit services to the council. During 2006/07 the council incurred the following fees where payable to the Audit Commission relating to external audit and inspection.

	2006/07 £000's	2005/06 £000's
External audit services carried out by the appointed auditor	372	253
Statutory inspection audit	57	229
Grant claims and returns	164	185
Total external audit costs	593	667

5. Publicity

Local authorities are required to keep a separate account of publicity expenditure under section 5 of the Local Government Act 1986 with certain exemptions under article 7 of the 1987 order. relevant expenditure is as follows:

	2006/07 £000's	2005/06 £000's
Press section:		
Salaries	473	304
Other costs	169	197
Staff recruitment	1,147	1,348
Net expenditure on 'Hillingdon People'	15	16
	1,804	1,865

6. Local Authority (Goods and Services Act) 1970

The council is empowered by this act to provide goods and services to other public bodies. The council provides payroll services to Hillingdon Homes Ltd and foundation and voluntary schools. The income and expenditure in respect of this service is included in the income and expenditure account.

7. Section 137 expenditure

Under section 137 of the Local Government Act 1972 (as amended), the council is empowered to incur expenditure which in its opinion is of benefit to local taxpayers and which cannot be justified under any other local authority power.

	2006/07 £000s	2005/06 £000s
Expenditure:		
Careline service	240	240
Grants to the voluntary sector	354	379

8. Dedicated schools grant

For 2006/07 the arrangements for government support for the funding of schools changed. Previously funds were provided as part of the council's overall revenue support grant. In 2006/07 the council has received a specific grant, the dedicated schools grant. £148.435m has therefore been credited against the education service outturn in the income and expenditure account that would previously have been treated as part of revenue support grant in corporate income. The difference between 2006/07 figures and comparative figures for 2005/06 for these two lines is substantially explained by this change.

The council's expenditure on schools is funded by grant monies provided by the Department for Education and Skills, the dedicated schools grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the schools budget. The schools budget includes elements for a restricted range of services provided on an authority wide basis and for the individual schools budget, which is divided into a budget share for each school.

Over and underspends on the two elements are required to be accounted for separately.

	Schools budget funded by dedicated schools grant		
	Central expenditure £000s	Individual schools budget £000s	Total £000s
Original grant allocation to schools budget for 2006/07 in the authority's budget	10,205	138,230	148,435
Adjustment to finalised grant allocation	0	0	0
DSG receivable in year	10,205	138,230	148,435
Actual expenditure for the year	(8,871)	(136,486)	(145,357)
(Over)/underspend for the year	1,334	1,744	3,078
Planned top-up funding of ISB from council resources	0	0	0
Use of schools balances brought forward	0	0	0
(Over)/underspend from prior year	0	0	0
(Over)/underspend carried forward to 2007/08	1,334	1,744	3,078

9. Long term contracts

- On the 1 of April 2000 the council entered into a 12 year contract with Care UK Community Partnerships Ltd for older people residential and nursing care. The estimated gross cost for the remaining five years of the contract is £16.7m.
- On 29 February 2000 the council entered into a 10 year contract with Lifestyle Care Plc for older people residential and nursing care. The estimated gross cost for the remaining three years of the contract is £8.7m.
- In December 1999 the council entered into a 25 year contract with a private sector partner, Jarvis (Barnhill) Limited, to build and provide facilities management at the Barnhill Community High School under a private finance initiative (PFI) arrangement. The school opened in September 1999. Under the contract the council incurred principal of £279k and interest of £1,204k in 2006/07. The net present value of outstanding contract payments to be made over the remaining 17 years of the contract, assuming satisfactory performance, totals £26.4m. The contract runs until September 2024. This has been recognised as a fixed asset in the council's asset register. It is shown within other land and buildings at a gross book value of £6,052k, with accumulated depreciation totalling £2,047k. The outstanding liability of the capital value at 31 March 2007 is £4,005k, of this £274k is due within a year and therefore included in creditors and the remaining £3,731k is shown as a deferred liability.

In accounting for this transaction the council has to apply FRS5, which states the council has an asset of the property with access to the benefits of the property and with the risks inherent to those benefits. Following application of the required tests as to the extent to which the council and the providers bear the potential variations in surpluses and deficits, the school is recognised as a fixed asset in the council's asset register.

Jarvis has appointed SMIF as managing agents for the Jarvis Barnhill special purpose company. This does not affect the contract. It is still understood that it is Jarvis's intention to withdraw from the school's PFI market. In the unlikely event that Jarvis were not able to fulfil their contractual duties there would be an interruption to the facilities management of the school until an alternative provider could be arranged. Contingency arrangements are in place to manage this risk.

10. Finance and operating leases

Vehicles, plant and equipment

Outstanding obligations on 31/03/2007

	Finance lease		Operating lease	
	2006/07 £000's	2005/06 £000's	2006/07 £000's	2005/06 £000's
Within one year (2007/08)	517	585	245	274
Between two and five years (2008/09 to 2010/11)	1,095	1,408	586	765
More than five years (2012 and Beyond)		13	503	342
	1,612	2,006	1,334	1,381
Number of vehicles	78	84	24	25

During 2006/07 council made finance lease payments in respect of 78 vehicles totalling £699k. This was charged to the income and expenditure account as £69k finance costs (debited to the income and expenditure account) and £630k relating to the write-down of obligations to the lessor (debited as part of the VRP appropriation to the capital financing account). Depreciation of £630k, equal to the write-down of obligation, is charged to the service. The net present value of the leases has been included in fixed assets.

During 2006/07 the council made payments totalling £305k under operating leases for 24 vehicles.

Dwellings

The council has three 20 year finance leases with the Ealing Family Housing Association for 102 dwellings. The estimated outstanding liability cost for the remaining three years of the contract is £2.05m. The finance lease payments for 2006/07 amounted to £1,085k. This was separated between write-down of obligations of £803k and finance costs of £282k. Depreciation of £803k, equal to the write-down of obligation, is charged to the service. The net value of the leases has been accounted for as part of tangible assets. The outstanding liability for the capital value of these leases at 31 March 2007 is £2.046m. Of this £885k is due within a year and therefore included in creditors and the remaining £1,161k is shown as a deferred liability.

11. Agency services

The council provides agency services through the London Airport Health Control to British Airports Authority. The cost of this service in 2006/07 was £2,268k (£2,244k in 2005/06) which is fully reimbursable and is not included in the income and expenditure account on page 27.

12. Euro costs

The council's integrated general ledger and creditors system has the capacity to handle currencies including the Euro in addition to sterling. No assessment, and therefore no provision, has been made yet in relation to any cost implications associated with the introduction of the Euro.

13. Member Allowances

During 2006/07 the total allowances paid to Members was £1,132k (£1,123k 2005/2006).

14. Officer emoluments

The number of employees in 2006/07 whose remuneration, excluding pension contributions, was £50k or more, are detailed below in bands of £10k. The number of employees included in the totals that exceeded the £50k threshold due to lump sum termination payments are indicated in brackets. These employees left the employment of the council during the financial year.

Remuneration band	2006/07		2005/06	
	Total	Due to Lump Sum	Total	Due to lump sum
£50,000 - £59,999	82	(3)	60	0
£60,000 - £69,999	22	(4)	23	(1)
£70,000 - £79,999	19	(1)	12	0
£80,000 - £89,999	8	0	8	0
£90,000 - £99,999	3	0	1	0
£100,000 - £109,999	2	(1)	0	0
£110,000 - £119,999	2	0	4	0
£120,000 - £129,999	2	0	1	0
£130,000 - £139,999	1	0	0	0
	141	(9)	109	(1)

15. Related party transactions

The council is required to disclose any material transactions with related parties to ensure that stakeholders are aware when these transactions take place and the amount and implications of such transactions. All such material related party transactions are disclosed below.

Government grants

The council received a number of grants from central government which is considered a related party. These are detailed in Note 51 on page 57.

Precepts

In 2006/07 the following precepts and levies are considered related party transactions:

Greater London Authority Precept	£27.54m	Environment Agency	£0.11m
West London Waste Authority Levy	£4.96m	Lee Valley Regional Park Authority	£0.28m

Members and chief officers

A specific declaration form was used to collect information from members and chief officers. During the year the following members held a position of influence, as defined by FRS8, in a voluntary organisation that received grant from the council.

Organisation	Name	Payment (£)
West London Waste Authority	Cllr Andrew Retter	5,136,832
Grundon Waste Management Ltd	Cllr Janet Duncan	559,545
Dash	Cllr David Bishop Cllr George Cooper Cllr Judith Cooper	294,355
Crossroads Care Attendant Scheme	Cllr John Major	292,596
Hillingdon Assoc of Voluntary Service	Cllr Geoff Courtenay Cllr John Major	255,215
Hillingdon Outdoor Activities Centre	Cllr Catherine Dann	110,863
Hillingdon Race Equality Council	Cllr Phoday Jarjussey	64,628
Hillingdon Law Centre	Cllr Sidharath Garg Cllr Mary O'Conner	58,443
Acorn Youth Club	Cllr Catherine Dann	47,750
Groundwork Thames Valley	Cllr George Cooper	41,707
Hillingdon and Ealing Citizens Advice	Cllr George Cooper	15,109
Uxbridge Old Peoples Welfare Assoc	Cllr Geoff Courtenay	12,360
London Youth Games Ltd	Cllr Michael Cox	11,985
Fassnidge Memorial Trust	Cllr Andrew Retter	10,200

During 2006/07 Cllr G Cooper and Cllr D Bishop had a close relative/member of household that held a position of influence in DASH, a voluntary organisation that received grant of £331,755 from the council.

In 2006/07 Cllr J Duncan had a close relative/member of household in receipt of income from a company, Grundons, that contracts with the council. Contract payments totalled £559,545 in 2006/07.

Hillingdon Homes Ltd

During 2006/07 payments totalling £69m were made to Hillingdon Homes Ltd, a subsidiary of the council. The following councillors have been on the board of Hillingdon Homes Ltd during 2006/07: Cllr A Retter, Cllr L Allen, Cllr G Courtenay, Cllr P Filgate, Cllr M Usher, Cllr P Kemp, Cllr A Way, Cllr L Kemp. They do not receive any remuneration.

London Housing Consortium

The council, in partnership with other councils and housing associations, is involved in the London Housing Consortium (LHC). The LHC provides specialist architectural services and bulk procurement arrangements for the public sector. Further details are provided in Note 39 on page 49.

The pension fund

The London Borough of Hillingdon pension fund is considered a related party. The employer's contribution to the pension fund in 2006/2007 was £14,654k (£12,178k 2005/06).

16. Movement of fixed assets 2006/07

Operational assets	Council dwellings £000's	Other land and buildings £000's	Vehicles, plant and equipment £000's	Infrastructure assets £000's	Community assets £000's	Total £000's
Gross book value as at 1 April 2006	702,288	566,085	30,261	187,768	10,092	1,496,494
Accumulated depreciation and impairment	(9,165)	(32,227)	(17,945)	(45,544)	0	(104,881)
Net book value as at 1 April 2006	693,123	533,858	12,316	142,224	10,092	1,391,613
Transfers	(5,679)	28,161			(203)	22,279
Depreciation on transfers		6		(30)		(24)
Additions	31,934	10,317	2,892	6,064	1,095	52,302
Revaluations	37,983	(3,074)	0	(284)	107	34,732
Disposals	(5,478)	(645)	0	0	0	(6,123)
Impairments	(15,640)	(222)	0	0	(16)	(15,878)
Depreciation on assets sold	53	42	0	0	0	95
Depreciation on assets revalued	126	27	0	0	0	153
Depreciation for year	(8,503)	(8,529)	(3,393)	(4,692)	0	(25,117)
Gross book value as at 31 March 2007	745,408	600,622	33,153	193,548	11,075	1,583,806
Accumulated depreciation and impairment	(17,489)	(40,681)	(21,338)	(50,266)	0	(129,774)
Net book value as at 31 March 2007	727,919	559,941	11,815	143,282	11,075	1,454,032

Non-operational assets	Investment properties £000's	Assets construction £000's	Surplus assets £000's	Total £000's
Gross book value as at 1 April 2006	5,323	12,139	26,387	43,849
Accumulated depreciation and impairment	0	0	(939)	(939)
Net book value as at 1 April 2006	5,323	12,139	25,448	42,910
Transfers		(22,366)	87	(22,279)
Depreciation on transfers			24	24
Additions	0	14,840	6	14,846
Revaluations	317	0	6,853	7,170
Disposals	(1,350)	0	(22,221)	(23,571)
Impairments	0	0	0	0
Depreciation on assets sold	0	0	77	77
Depreciation on assets revalued	0	0	0	0
Depreciation for year	0	0	(284)	(284)
Gross book value as at 31 March 2007	4,290	4,613	11,112	20,015
Accumulated depreciation and impairment	0	0	(1,122)	(1,122)
Net book value as at 31 March 2007	4,290	4,613	9,990	18,893

17. Intangible assets

Software	2006/07 £000's	2005/06 £000's
Opening net book value	787	0
Additions	905	787
Amortisation	(157)	0
Closing net book value	1,535	787

Software licences costing £905k were purchased in 2006/07. The cost is being written off over the five-year life of the licence on a straight line basis.

18. Statement of sources of finance

	2006/07 £000's	2004/05 £000's
Opening capital financing requirement	170,481	139,152
Capital investment		
Intangible assets	905	787
Operational assets	52,302	52,563
Non-operational assets	14,846	16,068
Deferred charges	10,355	14,135
Finance Leases	0	223
Sources of finance		
Capital receipts	(25,273)	(16,462)
Government grants and other contributions	(25,570)	(22,043)
Revenue provision	(15,784)	(13,942)
Closing capital financing requirement	182,262	170,481
Explanation of movements in year		
Increase in underlying need to borrow :		
- supported by government financial assistance	11,781	30,452
- unsupported by government financial assistance		877
Increase in capital financing requirement	11,781	31,329

Capital expenditure of £78.408m has been incurred in 2006/07 on fixed and intangible assets and deferred charges. The expenditure on fixed assets is recognised as an addition in the movement of fixed assets. The sources of finance detailed below were used to fund capital expenditure incurred during the year and the principal element of finance lease payments.

19. Depreciation

Depreciation is charged on all fixed assets other than non-depreciable land and investment properties. Depreciation is calculated using the straight line method based on the following useful lives:

Infrastructure	40 years
Vehicles, plant and equipment	5 to 7 years
Other land and buildings	useful life varies depending on the condition, type and usage of the asset
Surplus assets	useful life varies depending on the condition, type and usage of the asset.

Depreciation of council dwellings is provided at the level of the major repairs allowance in line with CIPFA recommended practice.

20. Valuation of fixed assets carried at current value

The freehold and leasehold properties which comprise the authority's property portfolio have been valued as at 1 April 2007 by the estate and valuation service of the authority. Revaluations are made on a rolling five year period. The only external valuation included is of council dwellings which were re-valued as at 1 April 2005 by Drivers Jonas. A valuation certificate has been given by the estates manager that the properties have been valued in accordance with the appraisal and valuation manual of the Royal Institute of Chartered Surveyors, and with guidance notes issued by the Chartered Institute of Public Finance and Accountancy. Property inspections in accordance with the rolling valuation programme were carried out between April 2006 and March 2007. Full details of the basis of valuation for each asset category is provided in statement of accounting policies (page 17).

	Council dwellings £000's	Other land and buildings £000's	Vehicles, plant and equipment £000's	Non-operational assets £000's	Total £000's
Value at historical cost	0	0	11,815	0	11,815
Valued at current value in:					
2006/2007	727,919	559,941		18,893	1,306,753
2005/2006	693,123	533,858	0	42,910	1,269,891
2004/2005	872,444	529,765	0	13,647	1,415,856
2003/2004	781,672	322,139	0	24,569	1,128,380
2002/2003	767,470	318,658	0	25,523	1,111,651
2001/2002	644,816	322,880	0	26,648	994,344
2000/2001	566,498	369,131	0	21,364	956,993
1999/2000	533,369	365,254	0	26,171	924,794
1998/1999	433,942	324,789	0	22,906	781,637
1997/1998	386,725	324,148	0	24,112	734,985

21. Commitments under capital contracts

The council has entered into capital contracts that have committed the council to the following expenditure in future years:

Year	2006/07 £000s	2005/06 £000s
2006/07	-	11,030
2007/08	11,642	187
2008/09	824	-
	12,466	11,217

22. Information on assets held

Fixed assets owned by the council and on the asset register include the following:

	Number as at 31.3.2007	Number as at 31.3.2006 Restated
Council dwellings	10,834	10,936
Operational buildings		
Cemeteries (buildings only)	5	5
Crematoria (buildings only)	1	1
Depots and workshops	10	10
Golf courses	4	4
Libraries	17	17
Museums and galleries	1	1
Nurseries and playgroups	13	13
Office buildings	13	21
Other buildings	152	152
Residential homes and day centres	36	36
Schools	52	52
Sports centres and swimming pools	14	13
Tenanted farms	8	9
Operational equipment		
Vehicles	103	91
CCTV	141	137
Computer terminals	2,800	2,700
Heavy plant	4	4
Infrastructure assets		
Highways (kilometres)	675	675
Bridges	296	296
Community assets		
Allotments	34	34
Cemeteries and crematorium - land only	9	9
Historic buildings	1	1
Parks and open spaces - Area (Hectares)	1,051	1,051
Non-operational assets		
Car parks	23	24
Investment properties	75	81
Land awaiting development	4	4
Surplus assets	5	4

The asset register has been updated for additions, sales and demolitions during the year.

23. Deferred changes

Deferred charges is expenditure classified as capital under the capital financing regulations but which does not result in either a tangible or intangible fixed asset. It is charged to revenue in year.

			2006/07	2005/06
	Improvement grants £000's	Other £000's	Total £000's	Total £000's
Balance as at 1 April			0	0
Expenditure	2,634	7,721	10,355	14,135
Charged to revenue in year	(2,634)	(7,721)	(10,355)	(14,135)
Balance as at 31 March	0	0	0	0

24. Fixed asset restatement account

	General Fund £000s	HRA £000s	Total £000s
Balance as at 1 April 2006	513,869	448,293	962,162
Restatement of opening balance	(237)	0	(237)
Surplus on revaluation in year	3,898	38,030	41,928
Impairments on fixed assets	(238)	(15,640)	(15,878)
Disposal of fixed assets in year	(24,096)	(5,298)	(29,394)
Balance as at 31 March 2007	493,196	465,385	958,581

The balance represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation as at 1 April 1994. The reserve is written down by the net book value of assets as they are disposed and debited or credited with the deficits or surpluses arising from revaluations.

25. Capital financing account and minimum revenue provision

The capital financing account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from capital receipts. It also contains the contributions to the capital financing account credited from the statement of movement on the general fund balances as detailed in the reconciliation note on page 25. This contribution consists of the statutory minimum revenue provision less general fund depreciation, the amount of capital expenditure financed from revenue, the losses on the early settlement of borrowing and deferred charges, contributions and grants written off to revenue. The balance on the account is reduced as loan debt is repaid.

	£000s	£000s Total	£000s Total
Balance as at 1 April 2006		191,088	184,473
Capital receipts - applied for capital financing		21,033	16,192
- applied to reduce indebtedness		4,240	271
Adjustment for finance lease principal	1,712		1,530
Voluntary revenue provision	270	1,982	
Capital financing - revenue		9,291	8,567
Write down of deferred charges		(10,355)	(14,135)
Government grants written down	10,545		4,431
Contributions written down	1,939	12,484	1,407
Minimum revenue provision (less general fund depreciation)			
General Fund MRP		4,511	3,825
Less: Depreciation charged to General Fund	(16,928)		(14,626)
Less: HRA Depreciation greater than MRA	(932)	(17,860)	(847)
Balance as at 31 March 2007		216,414	191,088

Although services are charged with depreciation these charges are credited out through the capital financing account and do not have an impact on the amount required to be raised from local taxation. The depreciation charge is replaced by the minimum revenue provision (MRP), which is a statutory charge that the council has to set aside for the redemption of external debt. In 2006/07 MRP of £4,511k had to be financed from council tax.

26. Fixed asset restatement account

	2006/07 £000's
Balance as at 1 April 2006	0
Capital receipts received in year	(29,101)
Less:	
Pooled capital receipts	3,828
Capital receipts used for financing	25,273
Balance as at 31 March 2007	0

The usable capital receipts reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.

27. Investments

	Book value at 31-Mar-07 £000's	Market value at 31-Mar-07 £000's	Book value at 31-Mar-06 £000's	Market value at 31-Mar-06 £000's
Loans to non public organisations	102,900	102,900	43,500	43,500
Government securities (long term)	76	102	76	103
	102,976	103,002	43,576	43,603

28. Long term debtors

	At 1 April 2006 £000's	New Advances £000's	Repayments £000's	At 31 March 2007 £000's
Housing advances and associations	37	0	(7)	30
Sale of council houses	321	0	(34)	287
Other loans and advances	813	0	(221)	592
	1,171	0	(262)	909

29. Stocks and work in progress

	At 31 March 2007 £000's	At 31 March 2006 £000's
Stocks:		
Building maintenance/highways	129	124
Printing and stationery	15	17
Other stocks	24	23
	168	164
Work in progress:		
Other rechargeable works	3	14
	171	178

30. Debtors

	At 31 March 2007 £000's	At 31 March 2006 £000's
Government departments	29,922	48,439
Other public bodies	2,104	662
Hillingdon Homes Ltd	2,352	12,355
Housing rents	6,289	6,694
Non-domestic ratepayers	20,172	20,403
Community chargepayers	86	86
Council taxpayers	15,925	14,650
Sundry debtors	26,101	26,018
Car and other loans	52	87
	103,003	129,394
Less: Provision for doubtful debts	(34,480)	(32,797)
	68,523	96,597

31. Creditors

	At 31 March 2007 £000's	At 31 March 2006 £000's
Government departments	20,034	14,444
Other public bodies	6,217	6,999
Hillingdon Homes Ltd	688	10,597
Housing rents prepaid	70	243
Sundry creditors	45,994	51,578
Non-domestic ratepayers	6,780	12,769
Council taxpayers and collection fund deficit	3,225	3,202
	83,008	99,832

32. Long term borrowing

	At 31 March 2007 £000's	At 31 March 2006 £000's
Sources of borrowing:		
Public Works Loan Board (PWLB)	174,500	139,694
Mortgage / special	390	409
Other loans	48,000	24,000
	222,890	164,103
Analysis of loans by maturity		
Maturing in 1-2 years	4,920	10,212
Maturing in 2-5 years	3,066	21,964
Maturing in 5-10 years	13,134	18,128
Maturing in more than 10 years	201,770	113,799
	222,890	164,103

£5,213k (£13,372k in 2005/2006) of long term borrowing will be maturing within one year so has been included in short term borrowing. Of this £5,194k relates to PWLB and the remaining £19k to mortgage/ special.

33. Fund balances and resources

	At 31 March 2007 £000's	At 31 March 2006 £000's
General fund		
- Working balance	9,298	4,610
- Schools delegated funds	13,626	11,881
- Breakspear Crematorium	366	338
Earmarked reserves		
- Parking fund	844	1,199
- New Road and Streetworks Act fund	362	168
- PRG capital reserve	1,073	0
Collection fund	(935)	(603)
Housing revenue account	5,378	9,670
	30,012	27,263

34. Specific reserves

Schools delegated funds - Schools are able to carry forward unspent balances of delegated budgets. These balances are committed to be spent by the schools concerned and are not available to the council for general use.

Breakspear Crematorium - The crematorium is run as a joint committee with the London Borough of Harrow. This balance represents Hillingdon's proportion of the surplus generated which is currently set aside for future use by the crematorium.

Parking fund - This represents surpluses set aside from on street parking income to fund traffic management and transport initiatives, as defined by statute.

New Roads and Streetworks Act fund - Income raised under s74 of the New Roads and Streetworks Act is required by statute to be ring fenced for maintaining the highways. Income not spent within the year is set aside in the New Roads and Streetworks Act fund.

Performance reward grant (PRG) capital reserve - By meeting the required targets the council became eligible for performance reward grant during 2006/07 however due to grant conditions the council will not receive the grant until 2007/08. The council has accounted for this grant in 2006/07 and the capital element of the grant was transferred into a specific reserve, as it is earmarked to finance the 2007/08 capital programme.

35. Deferred premiums on early repayment of debt

Following a debt restructure undertaken in 2005/06 the council incurred a premium of £3.661m for the early settlement. The premium in respect of the general fund will be written back to revenue over the life time of the replacement loan. At the 1 April 2006 the balance was £3,630k and repayments for 2006/07 were £62k for the general fund and £105k for the HRA, leaving a closing balance of £3,463k.

36. Accounting for the collection fund balance

The collection fund balance at 1 April 2006 was £764k. An in year deficit of £432k resulted in a deficit balance at 31 March 2007 of £1.196m. On the basis that surpluses and deficits are shared with the GLA (78% to Hillingdon 22% to GLA) the council accounted for the collection fund balance in the 2006/07 statement of accounts as follows:

	At 31 March 2007 £000's	At 31 March 2006 £000's
Fund balances and reserves	935	603
Creditor in respect of GLA share	261	161
	1,196	764

In the STRGL the movement on the council's element of the collection fund deficit is shown as a separate line.

37. Events after the balance sheet date

The 2006/07 statement of accounts was authorised for issue on 20 June 2007. The director of finance and resources signed the accounts on this date for submission to the Audit Committee meeting on 27 June 2007. There are no material events after the balance sheet date to report.

38. Pooled budget agreement

Section 31 of the Health Act 1999 allows partnership arrangement between NHS bodies, local authorities and other agencies in order to improve and co-ordinate services. Each partner makes a contribution to a pooled budget with the aim of focusing services and activities for a client group. Funds contributed are those normally used for the service represented in the pooled budget and allow the organisations involved to act in a more cohesive way.

The council, in association with Hillingdon Primary Care Trust and independent sector providers, has established the Learning Disability Partnership Board. This has meant the creation of a pooled budget fund, and the details of the council contribution (funded by social services) and expenditure are disclosed below:

The Learning Disability Partnership Board

	2006/07 £000s	2005/06 £000s
Funding		
Contribution from Primary Care Trust	10,115	9,650
Contribution from council (social services)	13,034	12,901
Income from client charges and grants	3,189	3,226
Allocation of Underspend		
- PCT	(85)	(228)
- Council (social services)	(85)	(228)
Gross exoenditure	26,168	25,321

Underspend at the year end is carried forward to the next year to reduce the 2006/07 contribution from the PCT. There was no capital expenditure incurred as part of this partnership.

The S31 pooled budget agreement naturally ceased on 31 March 2007. A review of this service is being jointly undertaken by London Borough of Hillingdon and Hillingdon Primary Care Trust and this is due to be completed by the end of June 2007 following which revised arrangements will come into effect.

39. London Housing Consortium

London Housing Consortium (LHC) was set up by the London Boroughs of Barnet, Brent, Camden, Ealing, Hackney, Haringey, Hillingdon, Islington and Tower Hamlets and the Anchor Trust. It exists to provide specialist architectural services and bulk procurement arrangements for the public sector. The major source of income is a levy on companies supplying goods for the public sector users through the LHC arrangements. Under the current membership Hillingdon has 10% of the voting rights. Revenue surpluses are shared between members on a formula basis. In 2006/07 Hillingdon's share of the surplus was £197k. Copies of London Consortium's statement of accounts 2006/07 can be obtained from London Housing Consortium, Building Components and Services, 464 Uxbridge Road, Hayes, Middlesex UB4 0PT.

40. Provisions

	As at 31 March 2007 £000's	As at 31 March 2006 £000's
Insurance	2,986	2,379
Asylum seeker grant claim	399	0
Equal pay - back pay	234	
Other	1,365	1325
Total	4,984	3,704

Insurance

The council has external insurance for major risks such as buildings, liability indemnity and motor vehicles. The policy has an excess clause that requires the council to meet the first part of each claim before the insurance company becomes liable to make payments. The excess level for liabilities has remained at £100k in 2006/07. The council self funds liability claims which fall under the insurance policy excess. The insurance fund provision is to provide for outstanding liability claims against the council as at 31 March 2007. For 2006/07 the provision has been calculated using a discounted cashflow basis at a discount rate of 5.84%.

Equal pay - back pay

Following a court ruling most councils are facing legal action on the issue of equal pay. Hillingdon is in a strong position to defend claims as it harmonised its grading structure for officer and manual workers and introduced a common job evaluation scheme on 1 July 2003. However there remains an outstanding issue on the bonus scheme and the council is currently considering a negotiated settlement. The council has made a provision in the 2006/07 of £234k. Legislation has been passed to negate the impact of this provision on the council's balances therefore this expenditure has been reversed out in the movement on general fund balances. The provision in the balance sheet is matched with a balance on the equal pay back pay account.

Asylum seeker grant claim

Expenditure incurred by the council in respect of asylum seekers is reimbursed by grant funding from the National Asylum Support Service (NASS). Based on expenditure incurred in 2006/07 the council has submitted 2 grant claims totalling £10.7m in respect of 2006/07.

In addition for unaccompanied asylum seeking children that have reached the age of 18, and that were referred between the ages of 16 and 17, the Department for Education and Skills (DFES) provide a leaving care grant to support the ruling of the Hillingdon judgment. Although the council incurred costs of £7.9m on this service in 2006/07, due to the reduction in grant funding the council is currently only eligible for a grant of £2.9m to fund this expenditure.

At 31 March 2007 the total amount of these grant claims still outstanding was £12.6m, being £9.7m for NASS and the £2.9m for DFES. The grant claims are subject to audit and based on previous experience of the leaving care grant regime the council has made a provision of £399k to cover the potential non receipt of grant income.

Other provisions

Following the House of Lords ruling in May 2002 that local authorities have no power to charge for care provided under s117 of Mental Health Act 1983 the council has made of a provision of £525k for the reimbursement of charges. The amount and timing of payments will be determined by the number of claims.

In April 2003 the council entered into a contract to lease homes for use by the council as temporary accommodation. The contract requires the payment of dilapidation costs and a provision of £500k has been made to finance these costs. The transfer of economic benefit is due in 2008/09.

In 2005/06 a provision of £340k has been made to cover the potential disqualification of grant income following the audit of two grant claims.

41. Contingent liabilities and assets

There are a couple of significant legal actions pending against the council arising from the exercise by the council of its statutory functions. They are as follows:

- During 1992/93 the council's then insurers, Municipal Mutual Insurance (MMI), ceased accepting new business. During 1993/94 a scheme of arrangement was set up to try to ensure an orderly settlement of outstanding claims. Under this arrangement the council may be required to repay MMI part of any claims met since 1 October 1993. This would only occur if MMI could not meet all claims against it, which is not expected to be the case. At 31 March 2007, the sum potentially subject to 'clawback' was £2,217k (£2,193k as at 31 March 2006). Further claims totalling £163k were outstanding (£35k in 2005/2006).
- Early in 2007 the contractor managing three of the council's golf courses went into liquidation. The council is facing legal action regarding the status of the staff and a liability will arise if the tribunal rules in favour of the applicant and the council is ordered to pay compensation. The estimated liability is not known, however the council are defending the claim as TUPE does not apply.

42. Analysis of net asset employed

	As at 31 March 2007 £000's	As at 31 March 2006 £000's
General fund	358,429	343,447
HRA	743,640	701,564
Total	1,102,069	1,045,011

43. Trust funds

The council is responsible for a number of small trust funds which are not consolidated in the accounts. The council administers the trust and bequest funds in accordance with the wishes of the benefactors and disbursements from funds are made in pursuance of the objectives of each fund. Surplus monies are invested and the funds receive income mainly from interest and dividends on investments.

	At 31 March 2007 £	At 31 March 2006 £
Education trusts - providing academic prizes	3,688	3,587
Library trusts - purchase of library books	8,057	7,561
Total	11,745	11,148

The legal agreement in respect of phase three of the Stockley Park development required the developers to undertake and pay for works to the highway. The developers agreed to deposit £512.9k with the council in January 2002. These monies are held in trust to be repaid, with interest, when the works are completed. In the event that they default the council will be entitled to use the money to complete the works. The balance on the account as at 31 March 2007 was £558.2k.

44. Pension schemes

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in two local government pension schemes:

- London Borough of Hillingdon pension fund
- London Pension Fund Authority fund

Both these schemes are funded schemes, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. During 2006/07 the council contributed £12.5 m to the Hillingdon pension fund.

The council recognises the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable to the pension fund in the year, so the real cost of retirement benefits is reversed out of the income and expenditure after net operating expenditure. The following transactions have been made in the income and expenditure during the year to make this adjustment:

	London Borough of Hillingdon pension fund		London Pension Fund Authority pension fund		Total
	31 March 2007 £000s	31 March 2006 £000s	31 March 2007 £000s	31 March 2006 £000s	31 March 2007 £000s
Net cost of services					
Current service costs	21,151	16,054	4	15	21,155
Past service costs	0	24	0	0	0
Settlements and curtailments	371	0	0	0	371
Total net cost of services	21,522	16,078	4	15	21,526
Net operating expenditure					
Interest costs	31,398	29,062	338	384	31,736
Expected return on assets in the scheme	(34,461)	(28,678)	(252)	(298)	(34,713)
Total net operating expenditure	(3,063)	384	86	86	(2,977)
Amounts to be met from government grants and local taxation:					
Movement on pension reserve	(3,488)	(5,828)	(28)	(101)	(3,516)
Actual amount charged against council tax for pensions in the year:					
Employer's contributions payable to scheme	12,978	10,634	50	11	13,028
Contributions in respect of unfunded benefits	1,993	0	12	12	2,005

45. Pensions FRS17 disclosure

The council has employees with pensions in the London Borough of Hillingdon pension fund and the London Pension Fund Authority pension fund. The funds are administered in accordance with the Local Government Pension Scheme regulations 1997 as amended. The schemes are funded, meaning that both the employers and employees pay contributions into a fund. These contributions are calculated at a level intended to balance the pension liabilities with the investment assets. A formal actuarial valuation of both funds was undertaken as at 31 March 2004 by Hymans Robertson, an independent firm of actuaries. This actuarial value of liabilities is used to assess the net pension liability as at 31 March 2007 under Financial Reporting Standard 17 (FRS 17), allowing for changes in financial assumptions as prescribed under FRS17.

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

Contribution rates, set at the last actuarial valuation as at 31 March 2004, are designed to bridge the funding gap measured at this point over the course of 25 years. The suitability of this funding regime will be re-assessed at the next actuarial valuation due to take place using figures at 31 March 2007.

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

The main assumptions used in their calculations have been:

	London Borough of Hillingdon Pension Fund		London Pension Fund Authority Pension Fund	
	31 March 2007 % per annum	31 March 2006 % per annum	31 March 2007 % per annum	31 March 2006 % per annum
Price increases	3.2%	3.1%	3.2%	3.1%
Salary increases	4.7%	4.6%	4.7%	4.6%
Pension increases	3.2%	3.1%	3.2%	3.1%
Discount rate	5.4%	4.9%	5.4%	4.9%

The attributable assets of the two pension funds (to cover their scheme liabilities) are valued at fair value - principally market value for investments - and consist of the following categories by proportion of the total assets held.

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 a reduction in their future annual pension. The valuation of the accrued pension figures are on a post commutation basis and have assumed that 25% of members took tax-free cash up to the HMRC limits.

		London Borough of Hillingdon Pension Fund	London Pension Fund Authority Pension Fund		London Borough of Hillingdon Pension Fund	London Pension Fund Authority Pension Fund
	Expected Long term return %	31 March 2007 %	31 March 2007 %	Expected Long term return %	31 March 2006 %	31 March 2006 %
Equities	7.8	74.0	14.5	7.4	77.0	14.0
Bonds	4.9	11.9	1.7	4.6	12.0	83.0
Property	5.8	10.3	0.0	5.5	7.0	0.0
Cash	4.9	3.7	83.8	4.6	4.0	3.0
Total		100	100		100	100

The expected long term return is based on the long term future expected investment return for each asset class as at 31 March 2007.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March are as follows:

	London Borough of Hillingdon Pension Fund		London Pension Fund Authority Pension Fund	
	31 March 2007 £000's	31 March 2006 £000's	31 March 2007 £000's	31 March 2006 £000's
Estimated employer assets	537,821	503,879	5,359	5,840
Present Value of Scheme Liabilities	606,210	603,969	6,682	7,200
Present value of unfunded liabilities	32,904	33,962	88	90
Total value of liabilities	639,114	637,931	6,770	7,290
Net pension deficit	(101,293)	(134,052)	(1,411)	(1,450)

The liabilities show the long term underlying commitments that the authority has to pay in retirement benefits. The total liability of £645.9m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a £102.7m reduction in value as at 31 March 2007. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Defined contribution schemes:

Teachers employed by the authority are members of the teachers' pension fund. This fund is administered by the Department of Education and Skills and provides teachers with defined benefits upon their retirement. The authority contributes towards the pensions by making payments to the fund based on a percentage of members' pensionable salaries. The employers' contribution rate was 13.5% up to December 2006 and 14.1% from January 2007 to March 2007; an average of 13.64% in 2006/07 (13.5% in 2005/06). The total contribution to the fund by the authority in 2006/07 was £8.05m (£7.55m in 2005/06).

With regard to the teachers' pensions scheme there were no contributions remaining payable at the year end. The teachers' pension scheme is a defined benefit scheme. Although the scheme is unfunded a notional fund is used as a basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted on the same basis as a defined contribution scheme. The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. Lump sums paid in respect of this in 2006/07 totalled £316k and there are no on-going payments.

46. Pension reserve

	London Borough of Hillingdon Pension Fund £000s	London Pension Fund Authority Pension Fund £000s	Total £000s
Balance as at 1 April 2006	(134,052)	(1,450)	(135,502)
Current service cost	(21,151)	(4)	(21,155)
Employers' contributions	12,978	50	13,028
Contributions in respect of unfunded benefits	1,993	12	2,005
Past service costs	0	0	0
Impact of settlements and curtailments	(371)	0	(371)
Net return on assets	3,063	(86)	2,977
Actuarial losses (see below)	36,247	67	36,314
Balance as at 31 March 2007	(101,293)	(1,411)	(102,704)

The actuarial losses identified as movements on the pension reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007:

	London Borough of Hillingdon Pension Fund							
	2006/07 £000's	%	2005/06 £000's	%	2004/05 £000's	%	2003/04 £000's	%
Actual return less expected return on pension scheme assets	276		73,032	14.5	16,200	4.0	61,300	16.6
Differences between actuarial assumptions about liabilities and actual experience	(4)		254	0.0	15,300	2.8	(2,800)	(0.6)
Changes in assumptions underlying the present value of scheme liabilities	35,975	-	(68,610)	-	(74,700)	-	-	-
Actuarial losses	36,247	0.0	4,676	14.5	(43,200)	(8.0)	58,500	12.9

	London Pension Fund Authority Pension Fund							
	2006/07 £000's	%	2005/06 £000's	%	2004/05 £000's	%	2003/04 £000's	%
Actual return less expected return on pension scheme assets			229	3.9	34	0.6	205	3.2
Differences between actuarial assumptions about liabilities and actual experience	(7)		2	0.0	(502)	(6.7)	20	0.3
Changes in assumptions underlying the present value of scheme liabilities	74	-	(185)	-	(346)	-	0	-
Actuarial losses	67	0.0	46	3.9	(814)	(10.9)	225	3.2

47. Reconciliation of revenue cash flow

	Note	Year ended		Restated	
		31 March 2007	£000's	31 March 2006	£000's
General fund net deficit / (surplus)		(6,462)		(329)	
HRA deficit		4,292		3,343	
Collection fund		332		364	
Total deficit / (surplus)			(1,838)		3,378
Add items not resulting in cash flow					
Minimum revenue provision		(4,511)		(3,825)	
Voluntary Revenue Provision		(270)		0	
Contributions from reserves		(912)		80	
Provisions set aside in year		(1,046)		297	
Write off of premia		(167)		3,630	
Other non cash items		(216)		(514)	
			(7,122)		(332)
Movements in working capital					
(Increase) / decrease in creditors	49	16,824		(17,593)	
Increase / (decrease) in stocks and work in progress	49	(7)		(159)	
Increase / (decrease) in debtors	49	(28,074)		31,578	
			(11,257)		13,826
Items classified elsewhere on cash flow statement					
Capital expenditure financed from revenue		(16,991)		(16,482)	
Lease payments		(1,712)		(1,530)	
Capital receipts in respect of the pool		3,828		6,949	
Deduct interest received		2,473		1,690	
Interest paid		(9,443)		(6,117)	
			(21,845)		(15,490)
Revenue activities cash outflow / (inflow)			(42,062)		1,382

48. Movement in liquid resources

	39,172 2007 £000's	39,172 2006 £000's	Movement 2006/07 £000's	Movement 2005/06 £000's
Cash with accounting officers	0	0	0	0
Cash in hand / (overdrawn)	(6,089)	740	(6,829)	(1,035)
	(6,089)	740	(6,829)	(1,035)

49. Movement in other current assets

	39,172 2007 £000's	39,172 2006 £000's	Movement 2006/07 £000's	Movement 2005/06 £000's
Debtors	68,523	96,597	(28,074)	31,578
Creditors	(83,008)	(99,832)	16,824	(17,593)
Stocks and work in progress	171	178	(7)	(159)
	(14,314)	(3,057)	(11,257)	13,826

50. Movement in borrowing

	39,172 2007 £000's	39,172 2006 £000's	Movement 2006/07 £000's	Movement 2005/06 £000's
Public works loans board	174,500	153,475	(21,025)	(89,984)
Other loans	48,000	24,000	(24,000)	0
	222,500	177,475	(45,025)	(89,984)

51. Analysis of government grants

	39,172 2007 £000's	39,172 2006 £000's
Rent allowances	44,288	38,772
Council tax and housing benefits	33,860	32,709
Mandatory student awards	0	1
Schools standards fund	16,395	22,989
Homelessness	10,619	9,048
NNDR cost of collection	613	617
Refugee children	8,271	12,659
Adult asylum seekers	3,981	3,714
Other grants	56,479	38,346
	174,506	158,855

52. Reconciliation of net cashflow to the movement in net debt

	2006/07 £000's	2005/06 £000's
Net debt as at 1 April 2006	133,234	71,216
Net debt as at 31 March 2007	131,291	133,234
(Decrease) / increase in net debt	(1,943)	62,018
Represented by:		
Repayments of amount borrowed	(32,372)	(24,617)
New loans raised	83,000	114,600
	50,628	89,983
Increase in short term deposits	(59,400)	(29,000)
Decrease in cash [see Note 48 - page 50]	6,829	1,035
	(1,943)	62,018

Other financial statements

The housing revenue account (page 59)

The council has a statutory duty to maintain a separate revenue account for the provision of council housing. The account shows the expenditure on housing and how this has been financed by rents, government subsidies and other income.

The collection fund (page 62)

This account reflects the statutory requirement to maintain a separate collection fund, which shows the transactions of the billing authority in relation to national non-domestic rates and council tax, and illustrates the way in which these have been distributed to preceptors and the general fund. The collection fund is consolidated with the other accounts of the authority.

Group accounts (page 64)

The group financial statements include the group income and expenditure account, balance sheet, cash flow statement and the statement of total movement in reserves.

Pension fund (page 73)

This fund is not included within the council's balance sheet, but is maintained separately. It provides for pensions and other benefits to council employees, excluding teachers who have a separate national scheme.

12. HOUSING REVENUE ACCOUNT – INCOME AND EXPENDITURE ACCOUNT

	Notes	Year ended 31-Mar-07 £000's	Year ended 31-Mar-06 £000's
Income			
Gross dwelling rents		44,775	43,336
Gross non dwelling rents		1,816	1,726
Charges for services and facilities		1,585	1,745
Contributions towards expenditure		206	0
HRA subsidy receivable including MRA			
		48,382	46,807
Expenditure			
Contribution to housing repairs		11,818	9,649
Supervision and management		12,274	13,069
Rents, rates,taxes and other charges		581	864
Decrease in provision for bad debts	7	(149)	84
Transfer of assumed surplus to ODPM	5	8,372	7,831
Debt management costs		17	12
Depreciation of fixed assets		8,632	8,762
		41,545	40,271
Net cost of HRA services per authority income and expenditure		(6,837)	(6,536)
HRA Services share of corporate and democratic core		192	201
Net cost of HRA services		(6,645)	(6,335)
Loss on the sale of HRA fixed assets		362	
Interest payable and similar charges		282	356
Amortised premiums and discounts		105	19
HRA investment income		(89)	(309)
Deficit for the year on HRA services		(5,985)	(6,269)

Statement of movement on the HRA balance

	2006/07 £000's	2005/06 £000's
Deficit for year on the HRA income and expenditure account	(5,985)	(6,269)
Additional amount required by statute or non-statutory proper practices to be debited or credited to the general fund balance for the year.		
Difference between the interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the SORP and those determined in accordance with statute	(932)	(847)
Loss on the sale of HRA Fixed Assets	(362)	
HRA share of contributions to or from the pension reserve	(138)	(96)
Capital Expenditure funded by the HRA	8,930	8,311
HRA share of the minimum revenue provision	1,976	1,515
HRA voluntary revenue provision	803	729
Reduction in HRA balance for the year	4,292	3,343
HRA balance brought forward	(9,670)	(13,013)
HRA balance carried forward	(5,378)	(9,670)

Notes to housing revenue account

1. Housing stock

The council was responsible at 31 March 2007 for managing dwellings and hostels. The stock was as follows:

	Total at 31-Mar-07	Total at 31-Mar-06
1 bed properties	3,736	3,761
2 bed properties	3,826	3,848
3 bed properties	3,010	3,063
4 plus bed properties	191	193
Hostels	71	71
Total	10,834	10,936

2. Value of HRA assets

	Net book value at 31-Mar-07 £000's	Net book value at 31-Mar-06 £000's
Operational assets		
Council dwellings	727,919	693,123
Other land and buildings	12,464	6,855
Community assets	0	0
Vehicle, plant and equipment	427	26
Non-operational assets	70	70
Total	740,880	700,074

The vacant possession value of dwellings within the authority's HRA as at 1 April 2006 was £1,835m. The difference of £1,142m between this and the balance sheet value of £693m is the economic cost of providing council housing at less than open market rents.

For 2006/07 depreciation of £8,503k in respect of council dwellings, £122k in respect of other land and buildings and £7k in respect of vehicles, plant, furniture and equipment was charged to the HRA.

3. Capital expenditure

Capital expenditure on HRA council dwellings during 2006/07 totalled £32,139k, with a further £394k spent on HRA vehicle, plant and equipment. This was financed by:

	Total at 31-Mar-07 £000's	Total at 31-Mar-06 £000's
Revenue contribution	8,930	8,311
Major repairs allowance	7,700	7,915
Supported capital expenditure (revenue)	15,741	15,830
Supported capital expenditure (capital)	6	72
Capital receipts	96	0
Other contributions	60	0
	32,533	32,128

Capital receipts from the sale of HRA properties during 2006/07 totalled £5.469m and land of £81k.

4. Housing subsidy

HRA subsidy is a government grant paid towards the net cost of management, maintenance and financing costs. For 2006/07 it was based on the following:

	2006/07 £000's	2005/06 £000's
Expenditure		
Management	5,990	5,459
Maintenance	11,304	10,836
Allowance for major repairs	7,700	7,915
Charges to capital	2,083	1,183
ALMO allowance	3,840	3,840
Admissable allowance	87	173
ASB allowance	0	0
Other expenditure	1,032	900
Income		
Rent	(40,388)	(38,114)
Interest on receipts	(20)	(24)
Subsidy payable	(8,372)	(7,831)

5. Rent arrears

At 31 March 2007 the gross HRA rent arrears amounted to £2.421m (£2.22m) all of which relates to dwellings.

6. Bad debt provision

The provision for bad debts on all HRA debts as at 31 March 2007 is £2.043m (£2.192m). Of this £1.747m relates to dwellings and £0.296m to non-dwellings.

7. Major repairs service

HRA resource accounting requires the maintenance of a major repairs reserve (MRR) and holds depreciation charged to the HRA in excess of the major repairs allowance. The movements on this reserve are shown below.

	2006/07 £000's	2005/06 £000's
Balance as at 1 April	0	0
Depreciation transferred to reserve	8,632	8,762
Amount used to finance capital expenditure	(7,700)	(7,915)
Transfer to the capital finance account	(932)	(847)
Balance as at 31 March	0	0

All the £7,770k used to finance capital expenditure was spent on dwellings.

8. Contributions to pension reserve

To comply with FRS17 the HRA is charged additional pension costs, totalling £138k in 2006/07. However, in line with legislation, these costs are credited out through the pension reserve so only the pension fund contributions and discretionary benefits actually payable in the year are charged to rent payers.

13. COLLECTION FUND ACCOUNT

	Note	Year ended 31 March 2007		Year ended 31 March 2006	
		£000's	£000's	£000's	£000's Restated
Income					
Council tax			110,084		104,085
Transfers from general fund:					
Council tax benefits			17,795		16,798
Income collectable from business ratepayers			249,380		226,662
Adjustment of previous years' community charges			0		0
			377,259		347,545
Expenditure					
Precepts and demands:					
London Borough of Hillingdon		99,584		96,028	
Greater London Authority		27,597	127,181	24,158	120,186
Business rates:					
Cost of collection			613		617
Payment to national pool			248,767		226,045
Provision for doubtful debts			1,402		1,133
Towards previous years' estimated collection fund deficit			(271)		(72)
			377,692		347,909
Deficit for the year			433		364
Collection fund balance					
Fund deficit at beginning of year			763		400
Deficit for the year			433		364
Fund deficit at end of year:			1,196		764
Analysis of year end deficit:					
Council tax	4		1,195		763
Previous years' community charges	4		1		1
			1,196		764



Christopher Neale
 Director of Finance and Resources
 20 June 2007

Notes to collection fund account

1. Income from non-domestic rates

Under the arrangements for uniform business rates, the council collects non-domestic rates for its area, which are based on local rateable values multiplied by a national uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the national non-domestic rate (NNDR) pool) managed by central government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. The total non-domestic rateable value at 31 March 2007 was £654.8m. The national non-domestic multiplier for the year was 43.3p and 42.6p for small businesses. 2005/06 was a revaluation year for all properties subject to the national non-domestic rate.

2. Council tax

The council's tax base (i.e. the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of band D dwellings) was calculated as follows:

Band	Estimated number of properties	Discounts and exemptions	Net estimated number of properties	Ratio	Band D equivalent 2006/07	Band D equivalent 2005/06
A	701	190	511	6/9	341	334
B	5,294	1,145	4,149	7/9	3,227	3,217
C	20,716	3,386	17,331	8/9	15,405	15,178
D	44,351	4,863	39,489	9/9	39,489	39,449
E	17,324	1,653	15,671	11/9	19,153	19,129
F	9,235	904	8,331	13/9	12,034	11,936
G	4,460	396	4,064	15/9	6,774	6,682
H	373	53	321	18/9	641	630
Total					97,063	96,555
Adjustment for non-collection					(1,443)	(1,676)
Council tax base					95,620	94,879

3. Adjustment for previous year' community charges

Although council tax has replaced community charge since 1 April 1993, the council continues to account for residual adjustments in relation to the community charges raised in earlier years in the collection fund. These adjustments are transferred to the general fund in future financial years.

4. Contributions to collection fund surpluses and deficits

The deficit of £1k relating to prior year community charges will be transferred to the general fund in future years. The deficit of £1195k relating to the council tax will be charged in subsequent financial years to the council and the GLA in proportion to the value of the respective demands on the collection fund.

5. Write offs

	2006/07 £000s	2005/06 £000s
Council tax	997	812
NNDR	300	0

14. GROUP ACCOUNTS

1. Introduction

The council has been required since 2005/06 to produce a full set of group accounts under the 2005 SORP. The group financial statements required include the group income and expenditure account, balance sheet, cashflow statement and statement of total movement in reserves which are shown on the following pages.

The London Borough of Hillingdon has a 100% interest in Hillingdon Homes (HH) Ltd, a company set up on the 30 April 2003 limited by guarantee which began trading on 1 May 2003. Hillingdon Homes is the only company consolidated in the group accounts.

Hillingdon Homes was set up to manage and maintain the housing stock of the London Borough of Hillingdon and to manage the investment programme for the modernisation of the housing stock.

The summarised group financial statements presented on the following pages show the consolidated financial position of the authority and its interest in Hillingdon Homes. There are no significant effects due to group consolidation.

2. Share holdings

Hillingdon Homes Ltd (wholly owned subsidiary)

The composition of the board and the voting rights is as follows:

	Members	Share of voting rights
LBH	5	1/3
Tenants	5	1/3 (max)
Independent	5	1/3
	15	100%

Council members on the board of Hillingdon Homes are detailed in Note 15 page 39.

Policy decisions concerning the London Borough of Hillingdon commitment:

The council as the sole member of the company undertakes, in the event of the company being wound up, to contribute such amounts as may be required for the payment of the debts and liabilities of the company providing this does not exceed one pound. After the satisfaction of all the debts and liabilities the remaining assets will be transferred to the council's housing revenue account.

3. Basis of consolidation

Hillingdon Homes Ltd is considered a subsidiary of the council and as such its income and expenditure and assets and liabilities are consolidated on a line by line basis to comply with FRS2.

The acquisition accounting basis was used for the purposes of consolidation as the council has control over Hillingdon Homes Ltd, with the date of acquisition being 30 April 2003. As the service was externalised at fair value it did not result in an adjustment for Goodwill.

Hillingdon Homes' financial year runs from 1 April 2006 to 31 March 2007 therefore no adjustments are required regarding the accounting year. Hillingdon Homes' statement of accounts are to be submitted to their board in 19 September 2007 for approval and are subject to audit by their appointed auditor KPMG. Copies of Hillingdon Homes Ltd 2006/07 statement of accounts can be obtained from Hillingdon Homes Finance Department, Ruslip Housing Office, 130 High Street, Ruislip HA4 8LP.

Group income and expenditure account

4. Adjustment of accounting policies

To enable consolidation the council's accounts have to be adjusted to comply with UK GAAP, which differs in a number of areas from the 2006 SORP. To achieve this, the following adjustments were made to the council's accounts:

- **Goodwill:** Subsidiary is formed by London Borough of Hillingdon and there wasn't any goodwill on formation.
- **Retirement Benefits:** The employees of Hillingdon Homes are members of the London Borough of Hillingdon occupational pension scheme, which is a defined benefits scheme. Accounting policies consistent with those of the council have been adopted.

Tangible Fixed Assets

- **Measurement:** Increases in the valuations of fixed assets held by Hillingdon Homes and impairments not charged to the group income and expenditure account are written off to the fixed assets revaluation account.
- **Profit/loss on disposal of assets.** These are credited or debited to the group income and expenditure account. For 2006/07 the loss totalled £6,242k which was included in the net operating expenditure below the net cost of services. They are then netted out in reconciliation of the deficit on the income and expenditure so as to ensure it does not impact on the amount to be raised from taxation.

5. FRS17 retirement benefits

Hillingdon Homes Ltd is a scheduled body of the Hillingdon local government pension fund. The full FRS17 obligation and related deficit in respect of the pension scheme, and both the current and past service costs for Hillingdon Homes' employees, passed to Hillingdon Homes when it started trading in May 2003. Should Hillingdon Homes cease trading the full FRS17 obligation and related deficit/surplus will pass back to the council as an integral part of the general business transfer. As at 31 March 2007 the net pension deficit in respect of Hillingdon Homes totalled £2.97m, which is included in the group balance sheet.

Group income and expenditure account

	Year ended 31 March 2007		2005/06	
	Expenditure £000's	Income £000's	Net expenditure £000's	Net expenditure £000's
Expenditure on services				
Central services to the public	26,542	20,866	5,676	4,958
Cultural, environmental and planning services	68,060	32,862	35,198	33,576
Education services	236,437	218,608	17,829	167,289
Highways, roads and transport services	38,728	20,216	18,512	19,569
Local authority housing (HRA)	42,709	48,848	(6,139)	947
Other housing services	135,114	130,637	4,477	0
Social services	139,064	49,653	89,411	88,403
Court and probation services	158	0	158	171
Corporate and democratic core	7,268	196	7,073	6,086
Non distributed costs	6,582	5,784	798	1,685
Government grant deferred			0	(5,838)
Net cost of services	700,662	527,670	172,993	316,846
Loss on sale of fixed assets	293		293	255
Precepts and levies	309		309	255
Net loss on trading undertakings	7,757	7,996	(239)	262
Interest payable	11,647		11,647	8,628
Contribution to housing pooled capital receipts	3,828		3,828	6,949
Losses on repurchase/early settlement of borrowing	167		167	31
Interest and investment income		5,443	(5,443)	(1,807)
Pension interest cost and expected return on pensions assets		2,997	(2,977)	(109)
Taxation of group	64		64	45
Net operating expenditure	724,727	544,086	180,642	331,355
Financed by:				
Revenue support grant			(15,479)	(127,861)
Council tax income			(99,584)	(96,028)
Transfer to collection fund in respect of deficit			217	57
Non-domestic rate income			(60,906)	(82,527)
Income from general grants and local taxpayers			(175,752)	(306,359)
Deficit for the year			4,890	24,996

Reconciliation of single entity surplus or deficit for the year to the group surplus or deficit

	2006/07 £000's	2005/06 £000's
Deficit on the authority's single entity income and expenditure account for the year	4,737	47,191
Add: Deficit arising from other entities included in the group accounts analysed into the amounts attributable to:		
- Subsidiary	153	378
Group accounts deficit for the year	4,890	47,569

Statement of total recognised gains and losses

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the income and expenditure account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost retirement benefits.

	2006/07 £000's	2005/06 £000's
Net deficit for the year	4,890	47,569
Gain arising on revaluation of fixed assets	(25,813)	150,464
Actuarial loss on pension assets and liabilities	(38,678)	(4,374)
Other	332	207
Total recognised gains and losses for the year	(59,269)	193,866

Group balance sheet

	Notes	At 31 March 2007		At 31 March 2006	
		£000's	£000's	£000's	£000's
Fixed assets			0		0
Intangible assets					
Operational assets	2				
Council dwellings		727,919		693,123	
Other land and buildings		559,941		533,858	
Vehicles, plant and equipment		11,966		12,445	
Community assets		11,075		10,092	
Infrastructure assets		143,282	1,454,183	142,224	1,391,742
Non operational assets			18,893		42,910
Intangible assets			1,535		787
Long term investments			76		76
Long term debtors			909		1,171
Deferred Premiums on early repayment of debt			3,463		3,630
Total long term assets			1,479,059		1,440,316
Current assets					
Stocks and works in progress		171		178	
Debtors and payments in advance	3	65,812		95,044	
Short term investments		102,900		43,500	
Cash in hand and at bank		3,919	172,802	740	139,462
Current liabilities					
Borrowing repayable on demand or within 12 months		(5,213)		(13,372)	
Creditors and receipts in advance	4	(83,471)		(96,796)	
Bank overdraft		(6,089)	(94,773)	(1,047)	(111,215)
Total assets less current liabilities			1,557,088		1,468,563
Provisions of liabilities and charges	5		(5,324)		(3,985)
Deferred credits			(277)		(310)
Borrowing repayable within a period in excess of 12 months			(222,890)		(164,103)
Government grants deferred account			(117,281)		(111,896)
Deferred liabilities			(5,987)		(7,472)
Liability related to defined benefit pension schemes			(105,675)		(140,412)
Total assets less liabilities			1,099,654		1,040,385
Fixed asset restatement account			958,581		962,162
Capital financing account			216,414		191,088
Usable capital receipts reserve			0		0
Pension reserve			(105,675)		(140,412)
Equal pay back pay account			(234)		0
Fund balances and reserves			30,568		27,547
Total net worth			1,099,654		1,040,385

The assets and liabilities of the pension fund and various trust funds administered by the council are excluded from the above balance sheet as they are not statutory services.



Christopher Neale
 Director of Finance and Resources
 20 June 2007

Group cash flow statement

	Notes	2006/07	2005/06
		£000's	£000's
Revenue activities			
Expenditure			
Cash paid to and on behalf of employees		239,169	242,418
Housing benefit paid out		44,897	38,677
RSG / NNDR payments payable to Secretary of State		185,885	70,937
Precepts paid		34,429	32,983
Payment to the capital receipts pool		3,828	6,949
Other operating cash payments		174,205	321,069
Income			
Rents (after rebates)		(46,591)	(45,063)
Council tax income		(110,084)	(102,522)
RSG / NNDR receipts payable by Secretary of State		(60,906)	(82,526)
Non-domestic rate income		(33,309)	(45,170)
Revenue support grant		(12,136)	(127,026)
Dedicated schools grant		(148,435)	0
DWP grants for benefits		(97,609)	(98,840)
Other Government grants		(174,506)	(158,855)
Cash received for goods and services		(3,594)	(3,431)
Other revenue activities		(4,832)	4,353
Other operating cash receipts		(37,305)	(48,218)
Revenue activities net cash (inflow) / outflow	1	(46,894)	5,735
Servicing of finance			
Expenditure			
Interest paid		9,093	6,117
Interest element finance lease rental payments		351	
Income			
Interest received		(2,764)	(1,927)
Servicing of finance net cash outflows		6,680	4,190
Taxation		57	53
Capital activities			
Cash outflows			
Purchase of fixed assets		68,152	69,536
Purchase of long term investments		0	0
Other capital cash payments		10,355	14,135
Cash inflows			
Sale of fixed assets		(29,101)	(14,791)
Capital grants received		(15,305)	(12,192)
Other capital cash payments/income		(2,565)	(1,936)
Capital		31,536	54,752
Net cash outflow		(8,621)	64,730
Net increase in short term investments		59,400	29,000
Financing			
Cash outflows			
Repayments of amounts borrowed		32,372	24,617
Capital element of finance lease rental payments		1,712	1,575
Cash inflows			
Long term loans raised		(83,000)	(114,600)
Short term loans raised		0	0
Increase/(decrease) in cash and cash equivalents		1,863	5,322

Notes to group accounts

1. Reconciliation of revenue cash flow

	Year ended 31 March 2007		Year ended 31 March 2006	
	£000's	£000's	£000's	£000's
General fund net surplus	(6,462)		(329)	
HRA surplus	4,292		3,343	
Hillingdon Homes Ltd	(2,092)		(631)	
Collection Fund	332		364	
Total surplus		(3,930)		2,747
Add items not resulting in cash flow				
Minimum revenue provision	(4,511)		(3,825)	
Voluntary revenue provision	(270)		0	
Contributions from reserves	(912)		80	
Provisions set aside in year	(1,018)		140	
Written off premia	(167)		3,630	
Other non cash items	(1,383)	(5,495)	(927)	(902)
Movements in working capital				
(Increase) / decrease in creditors	13,325		(13,186)	
Increase / (decrease) in stocks and work in progress	(7)		(159)	
Increase / (decrease) in debtors	(29,232)		32,485	
		(15,914)		19,140
Items classified elsewhere on cash flow statement				
Capital expenditure financed from revenue	(16,991)		(16,481)	
Lease payments	(1,712)		(1,530)	
Capital receipts in respect of the pool	3,828		6,949	
Deduct interest received	2,764		1,929	
Interest paid	(9,444)	(21,555)	(6,117)	(15,250)
Revenue activities net cash flow		(46,894)		5,735

2. Movement of fixed assets 2006/07

	LBH Council dwellings	LBH Other land and buildings	LBH Vehicles, plant and equipment	HH Vehicles, plant and equipment	LBH Infra- structure assets	LBH Community assets	Group Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Gross book value as at 1 April 2006	702,288	572,029	30,261	169	187,768	11,269	1,503,784
Accumulated depreciation and impairment	(9,165)	(38,171)	(17,945)	(40)	(45,544)	(1,177)	(112,042)
Net book value as at 1 April 2006	693,123	533,858	12,316	129	142,224	10,092	1,391,742
Transfers	(5,679)	28,161				(203)	22,279
Depreciation on transfers		6			(30)		(24)
Additions	31,934	10,317	2,892	99	6,064	1,095	52,401
Revaluations	37,983	(3,074)	0		(284)	107	34,732
Disposals	(5,478)	(645)	0		0	0	(6,123)
Impairments	(15,640)	(222)	0		0	(16)	(15,878)
Depreciation on assets sold	53	42	0		0	0	95
Depreciation on assets revalued	126	27	0		0	0	153
Depreciation for year	(8,503)	(8,529)	(3,393)	(77)	(4,692)	0	(25,194)
Net book value as at 31 March 2007	727,919	559,941	11,815	151	143,282	11,075	1,454,183

3. Debtors

	LBH At 31 March 2007	HH At 31 March 2007	Total Group At 31 March 2007	Total Group At 31 March 2006
	£000's	£000's	£000's	£000's
Government departments	29,922		29,922	48,439
Other public bodies	2,104	399	2,503	5,993
Hillingdon Homes Ltd	2,352	35	2,387	12,355
Housing rents	6,289		6,289	6,694
Non-domestic ratepayers	20,172		20,172	20,403
Community chargepayers	86		86	86
Council taxpayers	15,925		15,925	14,650
Sundry debtors	26,101		26,101	26,201
Car and other loans	52		52	87
Other debtors and prepayments	0	225	225	615
Less: Intra group transactions	(2,472)	(898)	(3,370)	(7,682)
	100,531	(239)	100,292	127,841
Less: Provision for doubtful debts	(34,480)	0	(34,480)	(32,797)
	66,051	(239)	65,812	95,044

4. Creditors

	LBH At 31 March 2007 £000's	HH At 31 March 2007 £000's	Total Group At 31 March 2007 £000's	Total Group At 31 March 2006 £000's
Government departments	20,034	119	20,153	14,444
Other public bodies	6,217	1,937	8,154	9,189
Hillingdon Homes Ltd	688		688	10,597
Housing rents prepaid	70		70	243
Sundry creditors	45,994	719	46,713	52,295
Non-domestic ratepayers	6,780		6,780	12,769
Council taxpayers and collection fund deficit	3,225		3,225	2,438
Accruals and others		1,058	1,058	2,503
Less: Intra group transactions	(898)	(2,472)	(3,370)	(7,682)
	82,110	1,361	83,471	96,796

5. Provisions

In addition to the council's provision detailed in Note 40, page 50, Hillingdon Homes Ltd has provided for insurance liability £340k.

6. Fund balances and reserves

	At 31 March 2007 £000's	At 31 March 2006 £000's
General fund		
- Working balance	9,298	4,610
- Schools delegated funds	13,626	11,881
- Breakspear Crematorium	366	338
Earmarked reserves		
- Parking fund	844	1,199
- New Road and Streetworks Act fund	362	168
- PRG capital reserve	1,073	0
Collection fund	(935)	(603)
Housing revenue account	5,378	9,670
Hillingdon Homes	556	284
	30,568	27,547

15. PENSION FUND ACCOUNT

Fund account	Note	Year Ended 39,172 £000's	Year Ended 38,807 £000's
Contributions receivable	3		
-From Employers			
Normal		14,654	12,178
Special		259	22
-From Employees			
Normal		6,823	6,355
Additional voluntary		63	13
Transfers in			
Individual transfers in		3,928	5,896
Other income			
Cep recovered		3	6
		25,730	24,470
Benefits payable	3		
Pensions payable		17,782	17,012
Commutation of pensions and lump sum retirements benefits		3,732	1,949
Lump sum death benefits		464	336
		21,978	19,297
Payments to and on account of leavers			
Refunds of contributions		21	44
State scheme premiums		4	35
Individual transfers out to other schemes		2,171	3,924
Group transfers out to other schemes		1,685	493
		3,881	4,496
Administrative expenses	7	673	732
		26,532	24,525
Net withdrawals from dealings with members		(802)	(55)
Return on investments			
Investment income			
Interest from fixed interest securities		2,272	200
Dividends from equities		11,476	9,637
Income from index-linked securities		270	299
Income from pooled investment vehicles		1,366	1,341
Interest on cash deposits		415	770
Other (for example from stock lending or underwriting)		1,104	2,697
		16,903	14,944
Changes in market value of investments			
- Realised		14,829	46,663
- Unrealised		4,588	48,200
Investment management expenses			
Fund managers fees	8	(2,183)	(1,724)
Pooled funds Investment expenses		(294)	(194)
Net return on investments		33,843	107,889
Net increase in the fund during the year		33,041	107,834
Net assets at start of year		543,527	435,693
Net assets at end of year		576,568	543,527

Notes to pension fund accounts

	Notes	Year ended 39,172 £000's	Year ended 38,807 £000's
Net assets statement			
Investments at market value			
Fixed interest securities			
- Government		24,950	26,224
- Other		25,698	13,433
		50,648	39,657
UK equities			
- UK		201,162	201,655
- Overseas		157,495	149,070
		358,657	350,725
Index linked securities			
- UK		15,904	15,457
- Overseas		0	0
		15,904	15,457
Pooled investment vehicles			
- Unit trusts		77,470	77,684
- Private equity		9,919	3,436
- Property		51,923	40,190
		139,312	121,310
Fund manager's cash			
- Cash		11,649	17,739
Net current assets and liabilities			
Debtors			
-Due from the authority			0
- Sundry debtors	5	5,120	5,438
Creditors			
-Due to the authority		(745)	(441)
-Sundry creditors	6	(3,977)	(6,358)
		398	(1,361)
Total net assets		576,568	543,527



Christopher Neale
 Director of Finance and Resources
 20 June 2007

The following information is intended to give a broad outline of the activities of the pension fund. Please refer to the Pension Fund Annual Report, which is published separately, for more detailed information.

1. Accounting policies

- The accounts have been prepared in accordance with the recommendations of the Chartered Institute of Public Finance and Accountancy and comply with both the Local Authority Accounting and Pension Statement of Recommended Practice.
- **Accruals concept** - Income and expenditure are recorded on an accruals basis, except for transfer values which are accounted on a cash basis.
- **Valuation of assets** - Investments are valued on the basis of middle market prices, or where unavailable, on the most appropriate basis in the opinion of the Fund managers.
- **Foreign currency translation** of assets and liabilities are converted into sterling at the closing middle rates of exchange on the balance sheet date. Overseas income is converted at rates of exchange ruling when remitted.
- **Acquisition costs of investments** occur as brokerage commission when investments are purchased. They are recorded in the cash figure on an accruals basis.
- **Investment management expenses** are recorded at cost when the fund managers / custodian invoice the council on a quarterly basis. Expenses are recorded on an accruals basis.
- **Administration expenses recharged to the pension fund** are monitored throughout the year in accordance with the budget and are charged to the pension fund at the end of the financial year.
- **Interest on property developments** - property is held in unit trusts for the pension fund, the return received is calculated in accordance with the unit price at the balance sheet date.

2. Fund operation and membership

The pension fund is administered under the provisions of the Local Government Pension Scheme Regulations 1997 to provide benefits for employees and former employees. The benefits include retirement allowances and pensions payable to former employees and their dependants.

The scheme is administered locally by the council through its pension fund, but the fund is a separate entity from the council and its accounts and balance sheet are separate financial statements.

The fund is financed by contributions from the council and its employees and by income from the fund's investments. The pension fund accounts do not take account of liabilities to pay pensions and other benefits in the future. The contributions from the council and other participating employers are set through the triennial actuarial valuation at a rate sufficient to meet the long-term liabilities of the fund.

Employers who contribute to the fund in addition to London Borough of Hillingdon are:

Admitted Bodies:

Hillingdon and Ealing Citizens Advice
Heathrow Travel Care
Central Parking Systems (CPS)
Lookahead Housing and Care

Scheduled Bodies:

Hillingdon Homes
Uxbridge College
London Housing Consortium
Stockley Academy
Harefield Academy

As at 31 March 2007 there were 6,106 employees contributing to the fund, with 4,476 in receipt of benefit and 4,243 entitled to deferred benefits.

The pension fund investments are managed by four fund managers: UBS Global Asset Management, Goldman Sachs Asset Management, Capital International and Alliance Bernstein, and two Private equity managers: Adam Street Partners and LGT Capital Partners. The performance of the fund managers are monitored by the Pensions Committee that consisted of the following members in 2006/07:

Cllr P Corthorne (Chairman)
 Cllr R Lewis (Vice Chairman)
 Cllr Paul Harmsworth
 Cllr M Cox
 Cllr G Cooper
 Cllr M Markham
 Cllr J Duncan
 Mr J Thomas (UNISON) (non voting)

3. Contributions receivable and pensions payable to the fund

Contributions	2006/07			2005/06		
	Employers £000	Employees £000	Total £000	Employers £000	Employees £000	Total £000
L B Hillingdon	12,925	5,906	18,831	10,538	5,585	16,123
Scheduled bodies	1,683	893	2,576	1,491	690	2,181
Admitted bodies	46	24	70	149	80	229
Total contributions	14,654	6,823	21,477	12,178	6,355	18,533
Benefits			£000			£000
L B Hillingdon			21,521			19,050
Scheduled bodies			447			247
Admitted bodies			10			0
Total benefits			21,978			19,297

4. Additional voluntary contribution (AVC's)

Additional voluntary contributions paid by scheme members are not included in the accounts as these are managed independently of the fund by Prudential.

5. Debtors

	31 March 2007 £000's	31 March 2006 £000's
Amount outstanding on sales of investments	1,894	2,216
Investment income due	2,954	3,132
Employers' / employees' contributions due	104	0
Recoverable tax	168	90
	5,120	5,438

6. Creditors

	31 March 2007 £000's	31 March 2006 £000's
Amount outstanding on purchase of investments	3,029	5,691
Fund managers' fees	611	517
Transfers out payable	56	0
Administration fees	59	0
Tax payable	201	0
Retirement grants payable	21	150
	3,977	6,358

7. Administration and investment costs

	31 March 2007 £000's	31 March 2006 £000's
Administration and processing	623	703
Actuarial fees	50	29
	673	732

8. Investment management expenses

	31 March 2007 £000's	31 March 2006 £000's
Investment managers' fees	2,160	1,650
Investment advice	23	74
Other costs	294	194
	2,477	1,918

9. Investment report

The level of activity of the fund's investments during the year to 31 March 2007 is as follows:

	31 March 2007 £000's	31 March 2006 £000's
Market value B/fwd	527,149	424,674
Less UBS residual account	0	0
Purchase of investments	210,338	239,748
Sale of investments	(192,383)	(232,137)
Realised profit/(loss) on sales	14,829	46,663
Unrealised profit/(loss) in market value	4,588	48,201
Cash balances	11,649	-
Debtors / Creditors	398	-
Market value at 31 March	576,568	527,149

The market value and proportion of investments managed by each fund manager at the year end is disclosed as follows:

	31 March 2007		31 March 2006	
	Market value £000's	Total %	Market value £000's	Total %
UBS global asset management	168,270	29.81	166,362	31.56
UBS property	58,292	10.34	40,168	7.62
Goldman sachs asset management	52,174	9.24	51,560	9.78
Capital international	141,574	25.08	134,949	25.60
Alliance bernstein	134,292	23.79	130,674	24.79
Private equity				
- LGT capital partners	4,779	0.84	2,076	0.39
- Adam street partners	5,140	0.91	1,360	0.26
Cash balances	11,649	2.02		
Debtors / Creditors	398	0.07		
	576,568	100.00	527,149.00	100.00

An analysis of the different types of investment split between 'UK' and 'overseas' and between 'listed and 'unlisted' at the year end is disclosed as follows:

	31 March 2007		31st March 2006	
	%	£000's	%	£000's
United Kingdom				
Listed securities				
Fixed interest - government	2.81	16,188	12.81	67,548
Fixed interest - non government	1.85	10,688	1.14	6,029
Equities	34.89	201,162	30.42	160,331
Index linked securities	2.76	15,904	2.93	15,457
Internally managed funds	11.06	63,761	1.28	6,729
Unlisted securities				
Unit trusts - property	9.00	51,923	7.62	40,190
Unit trusts - equities	-	-	1.15	6,042
	62.37	359,626	57.35	302,326
Overseas				
Fixed interest - government	1.52	8,763	1.41	7,404
Equities	27.32	157,495	28.28	149,070
Managed fund - fixed interest	2.60	15,009	1.90	10,032
Managed fund - equity	0.00	0	0.00	0
Unit trusts - other	2.38	13,709	10.41	54,881
Unit trusts	1.72	9,919	0.65	3,436
	35.54	204,895	42.65	224,823
Other				
Cash balances	2.02	11,649		
Debtors / Creditors	0.07	398		
	2.09	12,047		
Total	100.00	576,568	100.00	527,149
Made up of:				
Listed		502,679		480,917
Unlisted		61,842		46,232
Other		12,047		

10. Actuarial position

The fund's actuary, Hymans Robertson, carried out an actuarial valuation of the fund as at 31 March 2004. On the basis of the assumptions adopted, the valuation showed that the value of the fund represented 88% of the fund's accrued liabilities at the valuation date. The market value of the fund's assets at the valuation date, 31 March 2004, was £393m. The value of the deficit at that date was £53m.

The revised employers' contribution rates were effective from 1 April 2005 and were set to recover the deficiency over a period of 25 years. The total common contribution rate is 14.45% for the period of 1 April 2005 to 31 March 2008.

The contribution rates were calculated using the projected unit method and the main actuarial assumptions used were:

Investment return	6.3%
Earnings growth	4.4%
Price inflation	2.9%

11. Related party transactions

The pension fund is required to disclose material transactions by related parties with deemed membership.

The council is a related party to the pension fund. The revenue contributions the council has made into the pension fund are set out in Note 44 on page 52. The council provides the administration service for the pension fund. In 2006/07 a charge of £623k (£703k in 2005/2006) was made for these services.

A specific declaration form was used to collect information from key chief officers of the administering authority (London Borough of Hillingdon) and from members of the pension fund committee.

No senior officers had any interest with any related parties in relation to the pension fund. From the Pension Committee, George Cooper declared an interest as a trustee of the CAB.

12. Stock lending arrangements

No stock was released to third parties under stock lending arrangements.

13. Statement of investment principles (SIP)

The SIP is reviewed annually and a current version is available on the council's web site: www.hillingdon.gov.uk/central/pensions

14. Bulk transfer

The bulk transfer shown in the accounts relates to the transfer of the Magistrates Court staff who transferred to the fund administered by the London Pensions Fund Authority. Their benefits had been retained within the Hillingdon pension fund as deferred benefits until all the actuarial and administrative procedures were completed and the members elections to transfer were completed.



The council's Hillingdon Improvement Programme (HIP) will continue to help us deliver efficiencies so that we can continue to keep council tax levels low and invest in improving services for our residents.

16. GLOSSARY OF TERMS

Accruals

Amounts charged to the accounts for goods or services attributable to a financial year for which payments have not yet been made and income due not yet received.

Audit

An independent examination of the council's accounts to ensure that they comply with the necessary legislation and follow best accounting practice. The council's accounts are audited by the operations directorate of the Audit Commission.

Balances

The capital or revenue reserves of the council, made up of the accumulated surplus of income over expenditure.

Capital expenditure

Expenditure on the acquisition or enhancement of fixed assets e.g. land and buildings.

Capital financing account

An account that records capital transactions relating to capital expenditure. The account is not available for general use in the financing of capital expenditure. It provides a balancing mechanism between the different rates at which assets are depreciated under the Statement of Recommended Practice (SORP) and are financed through the capital controls system.

Capital receipts

Income received from the sale of fixed assets. A specified amount must be set aside to repay existing debt whilst the balance can be used to finance new capital expenditure.

CIPFA

The Chartered Institute of Public Finance and Accountancy. The Institute produces standards and codes that the council must follow in preparing its financial statements.

Collection fund

This is a statutory account that discloses income and expenditure relating to community charge, council tax and national non-domestic rate collection.

Contingent liabilities and assets

Sums of money which the council will be liable to pay or are owed in certain circumstances e.g. as a result of losing or winning a court case.

Creditors

Amounts owed by the council for goods and services received but for which payment has not been made at the end of the financial year.

Debtors

Amounts due to the council but not received at the end of the financial year.

Deferred charges

Capital expenditure on third party assets, such as voluntary aided schools, that does not give rise to a tangible asset for the council.

Depreciation

A charge made to services in the revenue account to reflect the value of assets used during the year. It is reversed out of through the Capital Financing Account to ensure that it has a neutral impact on the amounts required to be raised from local taxation.

Earmarked reserves

Reserves set aside for specific purposes.

Expected return on assets (pensions)

The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fixed assets

Tangible assets that yield benefit to the council for a period of more than one year.

Fixed asset restatement account

A reserve showing the surpluses or deficits arising on the periodic revaluation of fixed assets. The reserve is not available for general use in the financing of capital expenditure.

Gains or losses on curtailments

An event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

General fund

The council's main revenue account that summarises the cost of providing the council's services (excludes the housing revenue account)

Government grant deferred

Government grant income received in advance.

Housing revenue account

A statutory account that contains all income and expenditure relating to the council's direct provision of council housing.

Item 8

Item 8 refers to Item 8 of Parts I and II of Schedule 4 to the 1989 Act. These require authorities to credit/debit (respectively) to their HRA amounts in accordance with a formula determined by the Secretary of State. The formula provides for amounts to be credited in respect of interest and debited in respect of capital charges in relation to HRA property.

Minimum revenue provision (MRP)

The minimum amount to be charged to the revenue account as defined by government regulation for the repayment of debt.

National non-domestic rates (NNDR)

The rates paid by businesses. The money is collected by the council and paid into a central pool administered by the government. The total collected is then redistributed to authorities on the basis of population.

Pension interest costs

The expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to the settlement.

Precepts

A charge made by another authority (e.g. Greater London Authority) on the council to finance that other authority's net expenditure.

Revenue expenditure

Expenditure on day-to-day items such as salaries, wages and running costs.

Revenue support grant (RSG)

The main grant paid by the government to authorities in support of the council's revenue expenditure.

Unapportionable central overheads

These are overheads for which no user now benefits and should not be apportioned to services.

Usable capital receipts

The amount of capital receipts which the council is able to use for capital spending and which is not required to be set aside to pay back debt.

Obtaining information in your language

If you would like information about Hillingdon Council's services in your own language please ask an English speaker to phone 01895 250111 on your behalf.

Albanian

Ne se kerkoni informacion ne gjuhen tuaj rreth sherbimeve qe ofron Keshilli i Hillington-it, ju lutem kerkojini dikujt qe flet anglisht te telefonoje ne emrin tuaj ne numrin 01895 250111.

Bengali

আপনি যদি হিলিংডন কাউন্সিলের সেবাসমূহের ব্যাপারে আপনার নিজের ভাষায় তথ্য পেতে চান, তাহলে ইংরেজী ভাষায় কথা বলেন, এমন কাউকে আপনার পক্ষ থেকে 01895 250111 নম্বরে টেলিফোন করার জন্য দয়া করে অনুরোধ করুন।

Chinese

如果你想得到以你说用的语言供给有关希灵顿市议会提供服务的信息请托一名能说英语的人替你打电话提出要求，号码 01895 250111。

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਹਿਲਿੰਗਡਨ ਕਾਉਂਸਿਲ ਵਲੋਂ ਦਿੱਤੀਆਂ ਜਾਣ ਵਾਲੀਆਂ ਸੇਵਾਵਾਂ ਬਾਰੇ ਜਾਣਕਾਰੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਕਿਸੇ ਅੰਗਰੇਜ਼ੀ ਬੋਲਣ ਵਾਲੇ ਨੂੰ ਕਹੋ ਕਿ ਉਹ ਤੁਹਾਡੇ ਵਲੋਂ ਇਸ ਨੰਬਰ 'ਤੇ ਫੋਨ ਕਰੇ - 01895 250111

Somali

Haddii aad jeclaanlahayd wararka ku saabsan adeegyada Hillingdon Council in aad ku heshid Luqaddaada, fadlan waydiiso qof ku hadlo luqada af ingiriiska in u ku diro Teleefoonkan 01895 250111.

Tamil

உங்கள் சொந்த மொழியில் ஹிலிங்டன் உள்ளூராட்சி மன்றத்தின் சேவைகளைப் பற்றி நீங்கள் அறிய வேண்டுமானால் தயவுசெய்து உங்களுக்காக ஒரு ஆங்கிலம் பேசுவரை 01895 250111 தொலைபேசியில் அழைக்கச் செய்யவும்.

Urdu

اگر آپ ہلنگڈن کونسل کی خدمات کے بارے میں، اپنی زبان میں معلومات حاصل کرنا چاہتے ہیں تو براہ کرم انگریزی بولنے والے کسی فرد سے گزارش کیجئے کہ وہ آپ کی طرف سے 01895 250111 پر ٹیلیفون کریں۔

This information is also available in large print, Braille and on audio tape.



HILLINGDON
LONDON

www.hillingdon.gov.uk