

London Borough of Hillingdon

Statement of Accounts for the Year ended 31st March 2008

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1. Statement of Accounts 2007/08

Introduction by Councillor Ray Puddifoot, Leader of the Council

Welcome to the London Borough of Hillingdon's Statement of Accounts for 2007/08. This statement sets out how the Council spent your money and gives details about the Council's financial position.

When we were elected, we stated that we would both maintain a low level of Council tax each year and invest in improving services and facilities for the residents of Hillingdon. We have kept that commitment and set a low level of Council tax. In addition, the Borough's over 65s did not pay any increase in Council tax this year.

Once again, through good financial management and planning, we have been able to invest significant sums of money in the areas that you have told us matter most to local residents. These include helping to keep the borough clean and tidy, recycling, support for local residents to get onto the housing ladder.

The additional investments include:

- 10 new solo sweepers and two mechanical sweeping machines
- £400K for recycling initiatives
- An extra £700K for road maintenance
- An extra £110K for street lighting
- £150K to fund town centre improvements
- An investment of £155K for a children's water play feature at Ruislip Lido
- An extra £100k, giving a total of £1m a year on environmental improvements
- £190K on parks and green spaces
- Funding for two extra planning enforcement officers
- £400K for youth projects
- A second mobile youth bus
- £1m for sports initiatives
- £460K to continue the refurbishment of Hillingdon's libraries
- Roll-out of the full low-cost home ownership scheme for borough residents
- Funding for a specialist domestic violence court
- A fund to support priorities for older people

We still face the challenges of not receiving the full costs of supporting unaccompanied asylum seeking children and we are continuing to press Government to fully fund our costs. Indeed, this year, if we received the full costs, we would have been able to set a zero increase in Council tax for everyone.

As well as investing extra money in key services and dealing with the funding challenges that were presented to us, I am delighted that this year, we have achieved our target of £12m in balances a full two years earlier than planned. This is a major achievement and will allow us even more flexibility to invest in improving services for our residents.

As you can see, we are making sure we put residents at the heart of everything we do, investing in Council services, supporting all of our residents and delivering even better services to local people.

This all demonstrates that your Council is delivering exceptional value for money, keeping your Council taxes low and investing extra money in local services.

Signature

Councillor Ray Puddifoot
Leader of the Council

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 31st March 2008. 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 forward 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 89 to assist the understanding of the financial statements.

Summary of the Authority's Financial Performance

Revenue Budget

Hillingdon's net expenditure budget for 2007/8 was set at £178.1m, an increase of £6.0m (3.5%) on the 2006/7 budget. The increase was financed through additional Council Tax (£4m; 4%) and Government Formula Grant (£2m; 2.8%).

The Council's financial strategy is to deliver an average Council Tax increase of 3% over the life of the Administration as well as providing Executive priority growth of £1m per annum and building general reserves to an acceptable level of £12m.

There was an overall increase in Council Tax of 4.08% made up of 3.75% for Hillingdon Borough Council services and 5.3% for the Greater London Authority.

The 2007/8 budget review process identified savings of £13.3m that have a full year impact of £14.8m. This enabled a shortfall in government grant for unaccompanied asylum seekers and scale back in formula grant to be absorbed and £1.3m to be made available for new discretionary growth. £0.4m of this has been used to introduce a 2% discount on Hillingdon's element of Council Tax for older people where the charge payer is over 65 years of age and not in receipt of benefit.

Throughout 2007/8 Cabinet received reports each month showing progress on the main service budgets. These reports highlighted where corrective action was to be taken to ensure plans were achieved and spending kept within approvals. The outturn for the year was £177.7m, which compared to the original budget showed an under spend of £0.4m. Taking account of a grant receipt of £2.5m under the Government's Local Authority Business Grant Incentive scheme the general reserve has increased to £12.2m.

The main variances from the original budget were;

Adult Social Care, Health and Housing

- Increase in costs to help older people to live at home additional £720K
- Reduced cost of support services £192K
- Reduced costs for Homelessness service £444K

Education

- A reduction of schools reserves of £600K
- Additional teacher's threshold grant £701K
- Shortfall of grant for Barnhill PFI £185K
- Children's services improvements in purchasing and placement cost reductions produced an underspend of £1,419K
- Special Needs Team reduced spending on Special Educational Needs and staff vacancies £246K
- Asylum Seeking children additional costs £2,150K not fully covered by grant. A contingency has been provided to cover some of these costs.

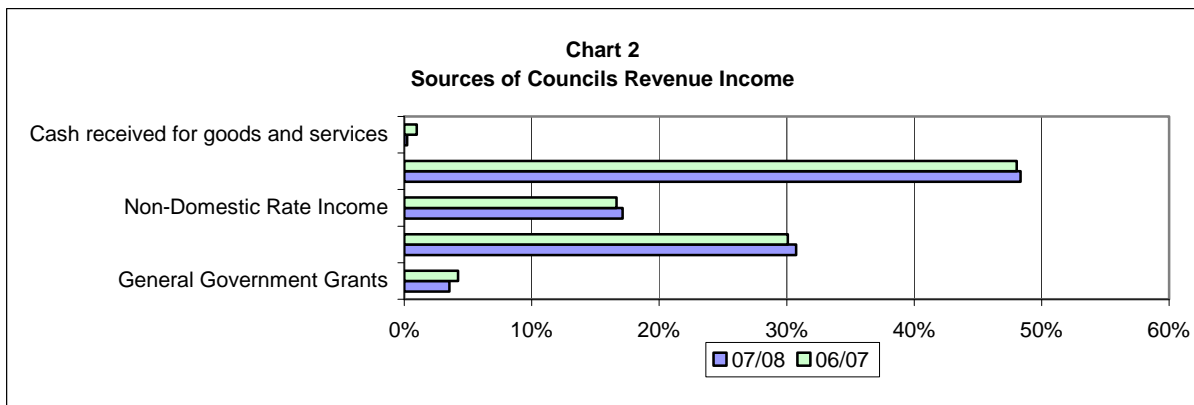
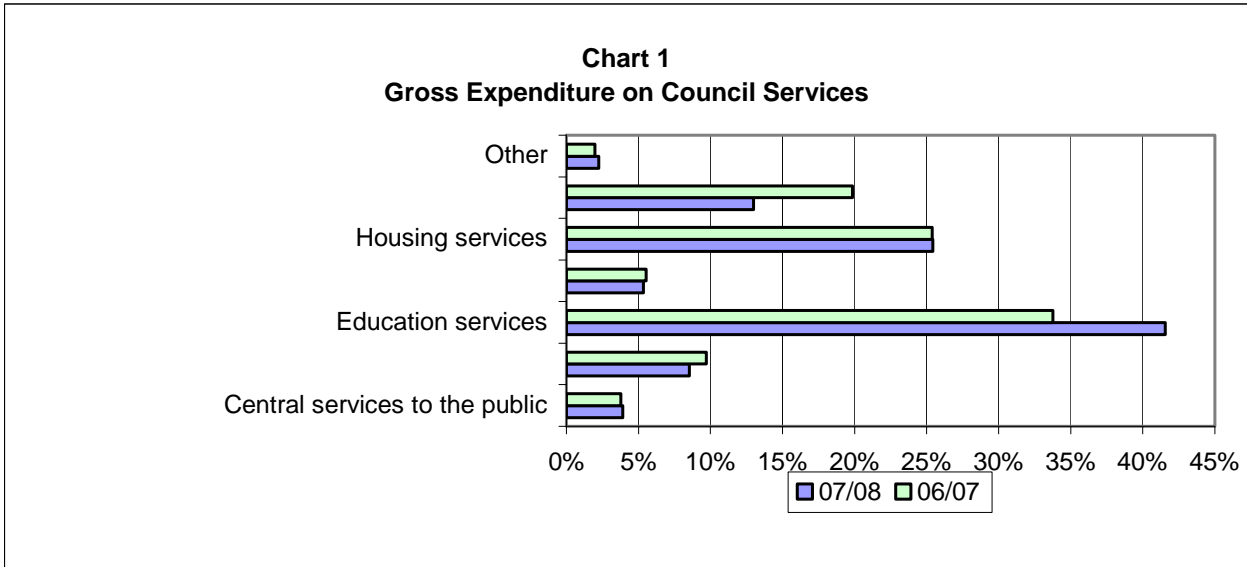
Environment and Consumer Protection

- Savings in respect of new public conveniences £143K
- Graffiti removal and overspend of £163K
- Waste Disposal reduced tonnage produced a saving of £227K
- Local Land Charges reduced income owing to the downturn in the housing market £155K
- Planning policy savings from staff vacancies, legal costs and additional income from RAF Uxbridge £157K
- Leisure facilities reduced income from LBH owned golf courses owing to operator going into administration £286K.

Corporate Budgets

- Additional costs of agency staff to cover key vacancies £354K. Some of these posts have now been filled by permanent appointments
- Additional costs to meet actuary requirements for London Pension Fund Authority £120K
- Fuel costs for Civic Centre additional £98K
- Reduced commercial rates costs on Civic Centre £466K

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



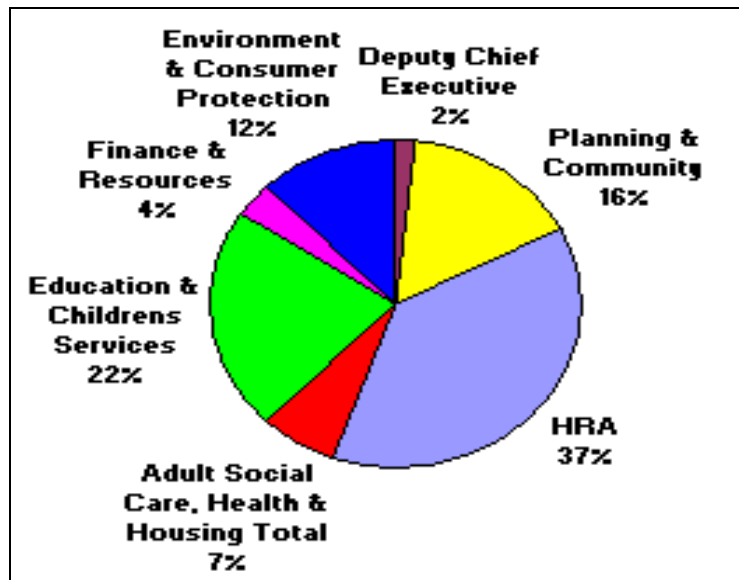
Capital Spending in 2007/8

Capital expenditure 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 was £68.1m compared to £78.4m in 2006/7. This expenditure was financed from various sources including supported borrowing (£17.1m), capital receipts (£17.7m), revenue (£12.5m) and government grants (£18.6m) and other third party contributions (£2.2m). Major capital schemes in 2007/8 included the completion of Ruislip Manor Library, incorporating a library, adult education centre and luxury flats sold at a discount to first time buyers living in the borough, commencement of construction of a new leisure complex at Botwell Green, and the redevelopment of the Uxbridge Lido which will include a 50m swimming pool.

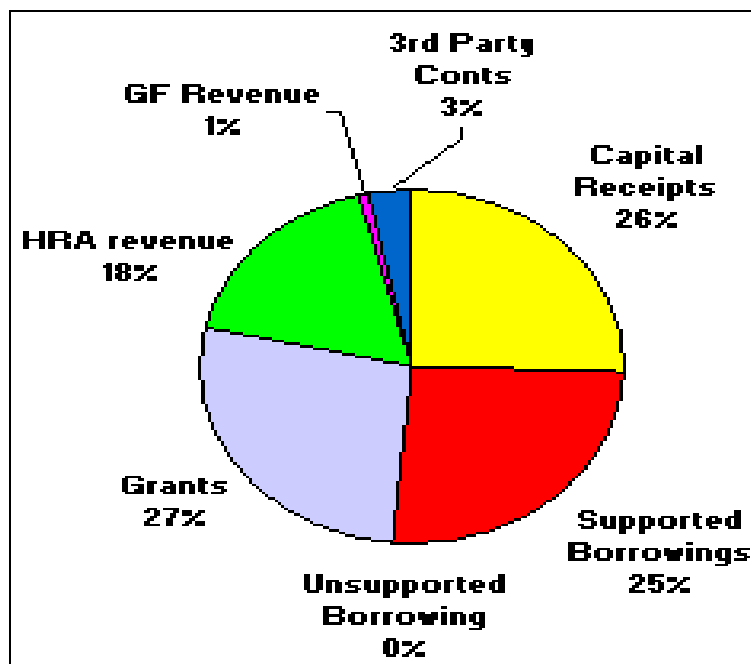
The Local Government Act 2003 introduced the prudential code whereby the Council is responsible for deciding its own level of affordable borrowing. In doing so capital investment plans have to be affordable, prudent and sustainable. To demonstrate that the Council has fulfilled these objectives a range of prudential indicators are set annually and performance against these indicators is monitored regularly. During 2007/8 the Council

undertook supported borrowing of £17.1m (£12.3m HRA funds for Decent Homes expenditure) to finance the capital programme and required no additional unsupported borrowing due to raising sufficient capital receipts. In addition, £12.1m of these receipts were temporarily set aside for the repayment of debt.

2007/2008 Capital Expenditure



2007/2008 Capital Funding



Balances

Balances represent the Council's general reserve. These are set aside to cover unexpected expenditure, for instance additional costs arising from stormy weather or to cover other business risks. Each year the Director of Finance reviews the level of the general reserve to ensure it is adequate as there are restrictions on the Council's ability to borrow to support revenue expenditure. It is assessed that the minimum level of reserves needed appropriately to support the continuation of Hillingdon's services is between £10m and £15M. Two years ago the general reserve had fallen to an unacceptably low level and considerable effort has been placed on securing an increase. The general reserve for non-schools services is now £12.6m

Schools also hold reserves for similar purposes and to meet future project expenditure. At 31st March 2008 school reserves amounted to £13.0m. This is approximately 6% of schools expenditure.

In addition, the Council holds a number of earmarked reserves. This is money that has been set aside for specific purposes most of which are statutory.

Treasury Management

External debt has remained broadly at the same level as last year. The Council borrows to fund capital expenditure. There was a significant increase in long-term debt during 2006/7 taking advantage of the lower level of interest rates. This is being used to fund capital expenditure in 2008/9 as well as 2007/8.

The average rate of interest on the loans portfolio has averaged 4.24% compared to 4.28% last year. This has also resulted in interest costs increasing only slightly by £0.2m to £9.7m. This reflected the slightly higher level of borrowing throughout the 2007/8 financial year than was the case in 2006/7. The main source of borrowing is the Public Works Loans Board. Interest charges by the Board are lower than those charged in the markets.

Hillingdon has followed a strategy of exchanging higher rated loans before maturity where there are real savings to be made. The Council also plans to phase refinancing to avoid borrowing peaks at times when interest costs are high.

The treasury management function aims to maximise the Council's cash flow and increase interest earnings during times of cash flow surplus. At 31st March 2008 the level of short-term investments stood at £92.7m (£102.9m at 31 March 2007) offset by short-term borrowings of £4.9m (£5.2m at 31 March 2007). The net surplus represents a combination of capital receipts used to fund capital spending, re-phasing of some capital projects and a strict recovery process where credit has been granted to Council clients and customers. Total interest earned in 2007/8 was £7.3m (£4.54m in 2006/7). The average rate of return was 5.8%, 0.3% higher than the benchmark 7 day London Inter Bank BID rate of 5.5%.

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 London Borough of Hillingdon Fund's actuary, Hymans Robertson, last carried out an actuarial valuation of the fund on 31 March 2007. Valuations take place every three years. The valuation estimated a deficiency of £50m, which has resulted in an increase in the employer's contribution rate effective from 1st April 2008. The London Borough of Hillingdon contribution rate following the last valuation at 31st March 2004 was 14.85%. This rate has changed with effect from 1st April 2008 to 15.6% and will increase further on 1st April 2009 to 16.35% and on 1st April 2010 to 17.1%.

Teachers employed by the Council contribute to the Teachers Pension Scheme administered by the Department for Children, Schools and Families. Contributions are paid to this body reflecting employee and employers contributions. More details are given at page 55.

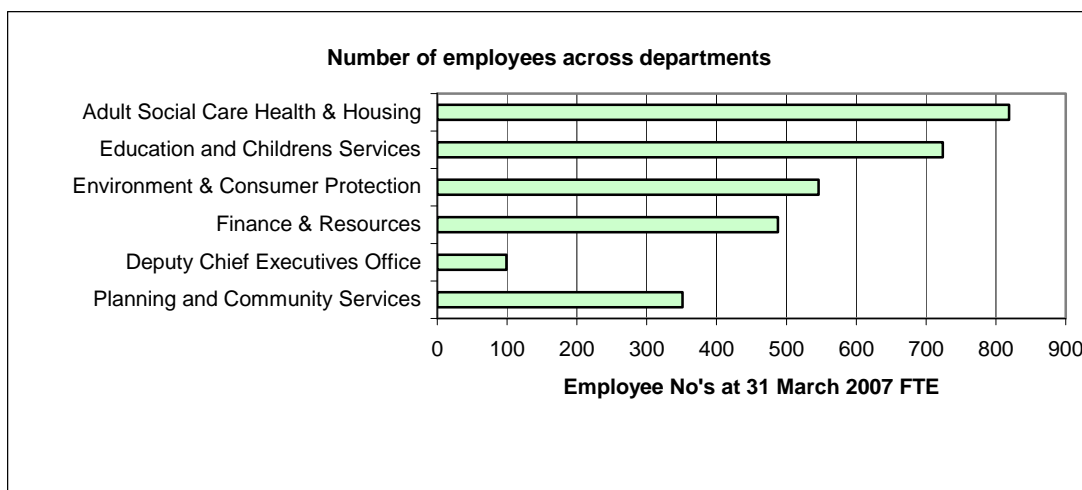
The Council is required to adopt FRS17 on retirement benefits. The total liability at 31st March 2008 of £101.3m has been recognised, compared to £102.7m at 31st March 2007. Details of the disclosures are shown in the Statement of Accounting Policies (page 21) and in disclosures notes on pages 54 to 55.

Collection Fund

The Council has reported a deficit on the collection fund of £1,620K for 2007/8. This will be recovered in future financial years to the Council and Greater London authority in proportion to the value of the respective demands on the Collection Fund. The Council Tax collection rate was 96.2% compared to 94.9% in 2006/7.

Review of Staffing

Recruiting and retaining high calibre employees is essential if the Council is to achieve its performance objectives. At 31st March 2008 the number of Council employees, excluding schools, totalled 3017 full time equivalents (FTE) An increase of 17 FTE (0.6%) on 31st March 2007. The following chart shows the breakdown by department.



Labour turnover reduced from 11.22% in 2006/7 to 8.38% in 2007/8.

The Council performance on a range of employee best value performance indicators show:

London Borough of Hillingdon	
Working days lost due to sickness	9.46
Top 5% earners are women	42.62
Top 5 % earners are from ethnic minorities	17.98
Percentage of employees with disability	2.12
Ethnic minority representation in the workforce.	26.55

Group Accounts

The Council's group accounts are shown on pages 66 to 73. The Council has one subsidiary, Hillingdon Homes Ltd, which is responsible for the management of the 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 Ltd has been included in the Housing Service line of the Net Cost of Services.

Significant issues for 2007/8

The Statement of Recommended Accounting Practice (SORP) for 2007 introduced further changes to the accounting statements.

The Fixed Assets Restatement Account and Capital Financing Account have been replaced by the Revaluation Reserve and Capital Adjustment Account. The Revaluation Reserve only includes revaluations since 1st April 2007. The balance on each former account has been written off to the Capital Adjustment Account.

Loan premiums and discounts resulting from the early repayment of outstanding debt cannot now be carried forward to the following year's balance sheet but must be written off to the General Fund. There are various options regarding treatment that depend upon the circumstances of the repayment. The overall impact on taxpayers is insignificant.

Similarly, where the Council has granted a loan at a privileged rate of interest, or no interest is to be charged, the value of the loan on the balance sheet must be discounted to reflect the lower rate of return and the resultant "consumption" of the asset. The loss of interest is charged to the Income and Expenditure Account but then adjusted so that there is no impact on local taxpayers by a transfer to the Financial Instruments Adjustment Account.

The Local Area Agreement Grant (LAA Grant) has replaced a number of specific grants. This enables Councils to form partnerships with other public bodies and voluntary organisations to achieve agreed joint objectives. The local Council may be the accountable body for all LAA Grant distributed in its area or grant may be distributed directly to partnerships in which case the local Council becomes the agent to the partnership but is not accountable for grant distributed directly. In 2007/8 Hillingdon formed a number of partnerships but has determined to act as the “accountable body” for all LAA Grants distributed.

Outlook for the Future

Hillingdon’s budget requirement for 2008/9 as agreed by Council on 28th February 2008, is £187.3m an increase of 5.2% on the budget requirement for 2007/8. It has resulted in an increase in Council Tax of 3% in respect of Hillingdon Borough Council services.

The impact from setting a target level for Council Tax increases over the life of the Administration is that further savings will be required to balance the budget in the future. It is anticipated that an annual savings requirement of £7.5m will be required.

The approach to securing these additional savings is to continue with the themes identified by external challenge panels to set target values to be achieved. Four key themes for future savings are;

- Securing procurement savings
- Seeking improved efficiency
- Focussing on charging and income generation.
- Maximising funding from other sources

In addition a programme of fundamental service reviews have been commissioned that considers significant service realignment across a range of service areas that are considered to have the potential for value for money improvement.

3. Statement of Responsibilities

1. Authority's Responsibilities

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to ensure 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 31st March 2008.

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.
- 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 2008 and its income and expenditure for the year then ended.

Christopher Neale
DIRECTOR OF FINANCE & RESOURCES
24 September 2008

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 24 September 2008.

Signed on behalf of London Borough of Hillingdon

Elizabeth Kemp
CHAIRMAN
24 September 2008

4. Audit Certificate and Opinion

AUDITORS' REPORT TO THE LONDON BOROUGH OF HILLINGDON

Independent auditor's report to the Members of Hillingdon Council

Opinion on the accounting statements

I have audited the accounting statements, pension fund accounts and related notes of Hillingdon Council and its Group for the year ended 31 March 2008 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund, the Group accounts, and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Hillingdon Council 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 Financial Officer and auditor

The Chief Financial Officer's responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements and the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Council and its income and expenditure for the year, and
- the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply

with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures

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

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the accounting statements, pension fund accounts and related notes, 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 accounting statements, pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, pension fund accounts and related notes.

Opinion

In my opinion:

- The Council financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Council and its Group as at 31 March 2008 and its income and expenditure for the year then ended; and
- The pension fund accounts and related notes present fairly, in accordance with the Statement of Recommended Practice on Local

Authority Accounting in the United Kingdom 2007, the financial transactions of the Pension Fund during the year ended 31 March 2008, and the amount and disposition of the fund's assets and liabilities as at 31 March 2008, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the 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.

Conclusion

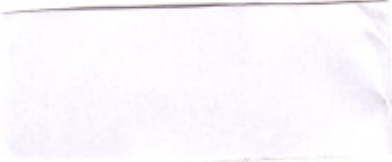
I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006. I am satisfied that, in all significant respects, Hillingdon Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best value performance plan

I issued my statutory report on the audit of the Council's best value performance plan for the financial year 2007/08 in December 2007. 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

30 September 2008



5. Statement of Accounting Policies

The Accounts have been prepared in accordance with the 2007 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.

CAPITAL

1. Tangible Fixed Assets

Recognition: All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis in the accounts, provided that the 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: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet 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.

A de minimis value of £10,000 has been set for capital purchases. This latter limit also applies to valuations.

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, using

valuation data obtained each year by the Council's valuers. Any surpluses arising on the revaluation of fixed assets are credited to the Revaluation Reserve. This is a new account effective from 1st April 2007 and gains arising before that date have been consolidated into the Capital Adjustment Account. There are significant changes to the accounting arrangements for valuations (see later paragraphs for these policies).

De minimis expenditure is charged to revenue but, where permissible and appropriate, it is financed as though it were capital expenditure.

Foundation school assets are not owned by the Council and the value of the assets is not included in the Council's balance sheet.

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 cost in the relevant service revenue account. Otherwise it is written off against any revaluation gain attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account. It is then reversed out in the Statement of Movement on General Fund Balances so it does not have an impact on the Council's balances.

Depreciation: depreciation is provided in the accounts 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 based on the following useful lives or approach:

- | | |
|--|---|
| • Infrastructure | - 40 years |
| • Vehicles, Plant, Furniture & Equipment | - 5 to 7 years |
| • Other Land & 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. |
| • Personal Computers | - useful life varies depending on the condition, type and usage of the asset. |
| • Intangible Assets | - useful life varies depending on the condition, type and usage of the asset. |

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

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 Adjustment Account from the Statement of Movement on the General Fund Balance. Revaluation gains are credited to the Capital Adjustment Account with amounts in excess of £10K being categorised as capital receipts.

Receipts from the disposal of fixed assets are accounted for 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.

Commitments to make stock transfers are valued at estimated tenanted market value at the time the transfer is agreed and an adjustment made to the fixed assets and any loss charged to the HRA Income and Expenditure Account. An adjustment is made to fixed assets for any change to this valuation at the time of actual disposal.

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 & 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. Depreciation, impairment losses and amortisations are therefore not charged to the General Fund and are removed by adjustment in the Statement of Movement on the General Fund Balance

4. 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 Adjustment account reverses 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 the reducing balance of the liabilities first recognised (see accounting policy for Minimum Revenue Provision). 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 3 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.

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.

In general the accounts reflect actual costs and income. In some instances actual costs and income must be estimated. Wherever this need arises information from agreements and contracts are used or guidance is sought from technical experts.

REVENUE

7. Accruals of Income and Expenditure

Revenue accounts of the Council are also 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.

Customer and client receipts: such receipts take the form of sales, fees, charges and rents. These are accrued and accounted for in the period to which they relate. There are a few instances where full accurate accrual is not realistic and the accounts reflect a broad view of the amounts received during the year. Estimations are based upon known prices/charges or agreements currently in force.

Employee costs: full costs are charged in the accounts for the period within which the employee worked. Accruals are made for salaries and wages earned but unpaid at the end of the financial year. These estimations are based upon agreed employment contracts. For some payments such as overtime and car allowances, where the difference between years is not significant, the aim is to ensure that twelve months costs are taken account of. Where estimation is required it is based upon agreed time worked, rates of pay and employment contracts.

Interest: Interest payable on external borrowings and interest on income are accrued and accounted for in the accounts of the period to which they relate on a basis that reflects the overall impact of borrowings.

Supplies and Services: The cost of supplies and services is accrued and accounted for in the period during which they were consumed or received. Accruals are made for all material sums unpaid at year-end for goods and services received or works completed. In some instances the approach is to make sure there is a full year's costs included in the accounts rather than seek spurious accuracy. A de minimis value of £2000 has been set for invoices due to be paid but not processed at the creditors cut-off date except for those relating to utility companies and grant funded expenditure. Where necessary, costs are estimated based upon agreed contracts, price lists and technical officer judgement.

8. Long Term Contracts

The Council has entered into a number of long term contracts that have commitments beyond the period of account. Material future commitments are outlined in a note to the accounts.

9. PFI Contract

A PFI scheme is one where the operator provides the buildings and supporting ancillary services in exchange for annual payments for a period of time.

The Council has entered into a long-term contract for the construction and facilities management of Barnhill Community High School.

10. 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 31st March 2008. The final claims for grants included in the accounts are subject to audit. Government grants are only recognised in the Income and Expenditure account once conditions for their receipt have been complied with and there is a reasonable assurance that the grant will be received in accordance with SSAP 4.

LBH is the "Accountable Body" for the Local Area Agreement Grant. Income and expenditure with respect to the use of LAAG is accounted for in the Net Cost of Services.

11. 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.

12. Costs of Support Services

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

- Central department costs (for example Finance & 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.

13. Corporate and Democratic Core

Corporate and Democratic core services are identified and accounted for separately. These include democratic representation and management and corporate management. They receive recharges of support costs.

14. Non Distributed Costs

Some costs are not allocated to services and appear under the heading “Non Distributed Costs” in the Income and Expenditure Account. These include costs associated with the loss of work or function that cannot be reduced, impairment losses on assets under construction and surplus assets held for disposal, and revenue costs of holding surplus assets.

15. 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

Provisions are established for any liabilities of uncertain timing or amount that have been incurred. Provisions are recognised when;

- There is a present obligation (legal or constructive) as a result of a past event
- It is probable that a cost will have to be met to settle the obligation.

Provisions are charged to the appropriate revenue account. When a payment for expenditure against a provision is made, the expenditure is charged directly to the provision. All provisions are reviewed each year.

Provision for bad and doubtful debts

No provision is made for debts that are secured or are with other Public Sector Bodies except in exceptional circumstances. Of all remaining debts, the Council makes a provision for bad debts based upon continuous reviews on likely recovery undertaken by service managers and supporting finance staff.

Reserves

Amounts set aside for purposes falling outside the definition of provisions or contingent liabilities are treated as reserves. Transfers to and from reserves are distinguished from service expenditure. Expenditure is not charged directly to any reserve.

The Revaluation Reserve records the accumulated gains on fixed assets held by the authority arising from increases in value. This value is offset by that part of depreciation relating to the revaluation for each asset. This is a new account that replaces the Fixed Asset Restatement Account with effect from 1st April 2007. It had a nil balance at 1st April 2007.

The Capital Adjustment Account accumulates resources that have been set aside to finance capital expenditure offset by the write down of historical cost fixed assets (depreciation and impairments) or written off on disposal. This covers both capital assets and expenditure that is capital by definition (deferred charges). This account replaces the Capital Financing Account and the Fixed Asset Replacement Account.

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.

Equal Pay Back Pay Account. This reserve relates to the amount of back pay deferred from being charged to General Fund and Housing Revenue Account for unequal pay claims following direction under regulation 30A of the Capital Financing and Accounting Regulations 2003.

16. Retirement Benefits

The Council participates in 3 defined benefit pension schemes, the London Borough of Hillingdon pension fund, the London Pension Fund Authority pension fund, and the Teachers Pension Scheme. The pensions costs included in the accounts in respect of these schemes have been determined in accordance with relevant Government regulations. They cover the contributions paid to the schemes in respect of employees concerned.

The teachers' scheme is unfunded and administered by the Department for Children, Schools and Families (DCSF). The pension cost charged to the accounts is the contribution rate set by the DCSF on the basis of a notional fund.

The accounts fully conform to the Financial Reporting Standard No 17 (FRS17) relating to pension fund liabilities. Both the Income and Expenditure Account and the Balance Sheet reflect the effects of these requirements.

17. Investments

Loans and receivables are initially measured at their fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made this means that the amount presented in the balance sheet is the outstanding principal receivable and the interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the Council has a number of investments where interest is payable when the investment matures. In these instances the accounts show the accrued interest as part of the carrying value of the loan.

Where investments are tradable (i.e. held for resale, held by a fund manager, and where recent trading activity has taken place) the difference between the fair value and the book value will be taken to Income and Expenditure account.

18. Soft Loans

A soft loan may be defined as a loan granted at a rate of interest that is lower than the market rate, or where no interest is charged. When a soft loan is made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the original principal. Interest is credited at a higher effective rate of interest than the rate receivable (if any) from the voluntary organisations or other person, with the difference serving to increase the amortised value of the loan in the balance sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance Sheet is the interest receivable in the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

The Council operates a policy to permit the cost of permanent residential social care to be “rolled up” against a legal charge on the client’s property in accordance with S55 of the Health and Social Care Act 2001 and subsequent guidance issued thereafter. These are soft loans but the amount involved is trivial and no adjustment has been made in the accounts.

19. Borrowing

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

20. Redemption of Debt

The policy on debt redemption is to maintain a fairly stable fall out of debt required to be refinanced each year. To achieve this, the target has been set that the maximum debt to fall out 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:

- (a) Maturity loans where the principal is repaid in full on the date the loan matures and interest is paid every 6 months. The accrued interest is shown as part of the carrying value of the loan on the balance sheet.
- (b) 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. The accrued interest is shown as part of the carrying value of the loan on the balance sheet.

- (c) Special loans have been set up on an annuity basis. Principal and interest are paid every 6 months. The accrued interest is shown as part of the carrying value of the loan on the balance sheet.

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.

Premiums or discounts incurred or received on the early settlement of debt will be accounted for in line with 2007 SORP guidance and DCLG regulations. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective rate of interest.

The Council incurred a premium on the early settlement of a loan in 2005/6 the remainder of which is included on the balance sheet at 31st March 2007. The outstanding premium has therefore been attached to the outstanding loans. The premium is being recovered via a charge to the Income and Expenditure Account using the Effective Interest Rate. In accordance with the regulations, the Housing Revenue Account (HRA) has been charged on the basis of the life of the original loan. In order to ensure an even-handed approach to General Fund and HRA the amount met by HRA has been transferred to the Financial Instruments Adjustment Account and will be released against the General Fund charge in later years to offset higher costs.

21 Financial Guarantees

A financial guarantee may be defined as an agreement by the Council to make a specified payment to reimburse the holder of a debt. Where the Council has given such a guarantee after 1st April 2006 an assessment is made of the fair value of the debt by assessing the likelihood that the guarantee will be called. In such circumstances the assessed liability is credited to Financial Guarantee Liabilities and a corresponding charge made to service expenditure. The guarantee will then be amortised over its life.

The Council entered into a financial guarantee over Leases with the Ealing Family Housing Association before 1st April 2006 that are not required to be accounted for as financial instruments. The leased assets and related liabilities are recorded within the financial statements. No provision or contingent liability is assessed to be required for this guarantee.

22 Minimum Revenue Provision

The Council has to make an annual provision for the repayment of borrowing and credit liabilities. For all borrowing prior to 1st April 2008 the Council applies the Capital

Financing Requirement concept based upon figures from the balance sheet (4% outstanding debt).

23. Group Accounts

The Council has to include within its 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 66 to 73. 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.

24. VAT

Income and Expenditure excludes any amounts relating to VAT, as all VAT collected is payable to HM Revenue & Customs. VAT is included in the income and expenditure accounts whether of a capital or revenue nature only to the extent that it is irrecoverable.

25. Contingent Assets/Liabilities

Where the amounts are likely to be material, the nature of the contingent item is disclosed in the notes to the accounts.

26. Foreign Currency Transactions

Income and expenditure arising from transactions denominated in a foreign currency are translated into £ sterling at the exchange rate in operation on the date which the transaction occurred.

27. Events after Balance Sheet date

Where, after balance sheet date, an event occurs, favourable or unfavourable, which provides evidence of conditions that existed at balance sheet date the amounts recognised in the statement of accounts is adjusted. Otherwise no adjustment is made.

28. Exceptional and Extraordinary items and Prior Year Adjustments

Exceptional items are included in the cost of the service to which they relate or on the face of the Income and Expenditure Account if required to give a fair presentation of the accounts.

Extraordinary items are disclosed and described on the face of the Income and Expenditure Account.

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period. The cumulative effect of prior period adjustments is included within the Statement of Total Recognised Gains and Losses for the current period.

Main Financial Statements 2007/08

The various financial statements that follow are prepared on an accruals basis and follow best practice recommended by the Chartered Institute of Public Finance & 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.

These 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 26)

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 67.

Statement of Total Recognised Gains and Losses (page 28)

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 29)

This sets out the assets and liabilities of the council as at the 31st March 2008, 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 69.

Cash Flow Statement (page 30)

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. Notes to the Cash Flow Statement are included on pages 57 and 58.

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Income and Expenditure Account

	Year ended 31 March 2008			Year ended 31 March 2007			
	Notes	Expenditure £000's	Income £000's	Net Expenditure £000's	Expenditure £000's	Income £000's	Net Expenditure £000's Restated
EXPENDITURE ON SERVICES							
Central Services to the Public		28,207	22,334	5,873	26,542	20,866	5,676
Cultural, Environmental and Planning Services		57,802	20,375	37,427	68,060	32,862	35,198
Education & Children's Services		291,549	245,261	46,288	281,044	237,155	43,889
Highways, Roads and Transport Services		26,496	7,387	19,109	38,728	20,216	18,512
Local Authority Housing (HRA)		45,530	51,664	(6,134)	41,544	48,382	(6,838)
Other Housing Services		165,515	160,115	5,400	135,114	130,637	4,477
Adult Social Care		93,901	28,134	65,767	94,457	31,106	63,351
Court and Probation Services		172	10	162	158	0	158
Corporate and Democratic Core		11,022	2,921	8,101	7,268	196	7,073
Non-Distributable Costs		3,311	1,085	2,226	6,582	5,784	798
NET COST OF SERVICES		723,505	539,286	184,219	699,497	527,204	172,294
Loss on sale of fixed assets		3,093	0	3,093	293	0	293
Precepts and levies		380	0	380	309	0	309
Net (profit)/loss on trading undertakings	1	7,401	7,374	27	7,757	7,996	(239)
Interest payable and similar charges		11,652	0	11,652	11,646	0	11,646
Contribution of housing capital receipts to Government pool		4,437	0	4,437	3,828	0	3,828
Losses on early settlement of borrowing		19	0	19	167	0	167
Interest and investment income		0	7,376	(7,376)	0	4,831	(4,831)
expected return on pensions assets	51-53	0	3,705	(3,705)	0	2,977	(2,977)
NET OPERATING EXPENDITURE		750,487	557,741	192,746	723,497	543,008	180,490
FINANCED BY:							
General government grants		-	12,158	(12,158)			(15,479)
Demand on the collection fund		-	103,754	(103,753)			(99,584)
Transfer to collection fund in respect of deficit		342	-	342			217
Non-domestic rate income		-	63,948	(63,948)			(60,906)
INCOME FROM GENERAL GRANTS & LOCAL TAXPAYERS				(179,517)			(175,753)
DEFICIT FOR THE YEAR				13,229			4,737

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 & 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 28.

Notes	2007/08 £000's	2006/07 £000's
Deficit for the year on the Income & Expenditure Account	13,229	4,737
Net additional amount required by statute or non-statutory proper practices to be credited to the General Fund balance for the year.	(16,001)	(11,198)
Increase in General Fund balance for the year	(2,772)	(6,461)
General Fund balance brought forward	(23,290)	(16,829)
General Fund balance carried forward	(26,062)	(23,290)
Comprising		
Amount of General Fund Balance held by schools under schemes to finance sch	(13,026)	(13,626)
Amount of General Fund Balance generally available for new expenditure	(12,614)	(9,298)
Amount of General Fund Balance held in respect of the Breakspear Crematorium	(422)	(366)
	(26,062)	(23,290)

Reconciliation Of The Deficit On The Income & Expenditure Account

	2007/08 £000's	£000's	2006/07 £000's	£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	(338)		(157)	
Depreciation and impairment of fixed assets	(21,081)		(17,703)	
Write down of deferred charges to be financed from capital resources	(14,267)		(10,355)	
Government grants deferred amortisation	16,216		12,484	
Net loss on sale of fixed assets	(3,093)		(293)	
Net charges made for retirement benefits in accordance with FRS17	(14,981)		(18,549)	
		(37,544)		(34,573)
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	4,432		4,510	
Transfer from usable capital receipts to meet payments to the housing capital receipts pool	(4,437)		(3,828)	
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	16,705		15,033	
Capital expenditure charged in year to the General Fund balance	4,783		9,291	
		21,483		25,006
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	(339)		(4,292)	
Voluntary revenue provision for capital financing	1,406		1,982	
Net transfer to or from earmarked reserves	(1,007)		679	
		60		(1,631)
Net additional amount required to be credited to the General Fund balance for the year		(16,001)		(11,198)

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 & 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.

	2007/08 £000's	2006/07 £000's
Transfer of the deficit on the Income & Expenditure Account	13,229	4,737
Gain arising on revaluation of fixed assets	(50,346)	(25,813)
Actuarial (gain)/loss on pension assets and liabilities	285	(36,314)
Collection fund deficit attributable to Hillingdon	333	332
Other	0	0
Total Recognised gains and losses for the year	(36,499)	(57,058)

Balance Sheet

	Notes	At 31st March 2008		At 31st March 2007	
		£000's	£000's	£000's	£000's restated
FIXED ASSETS					
Intangible Assets	16		1,682		1,535
Operational Assets					
	15				
Council dwellings		766,345		727,919	
Other land and buildings		551,986		559,941	
Vehicles, plant and equipment		10,569		11,815	
Community assets		12,427		11,075	
Infrastructure assets		145,044	1,486,371	143,282	1,454,032
Non Operational Assets					
	15				
Investment properties		10,672		4,290	
Assets under construction		10,122		4,613	
Surplus assets, held for disposal		7,301	28,095	9,990	18,893
LONG TERM INVESTMENTS	26		4,112		2,376
LONG TERM DEBTORS	27		644		909
Deferred Premiums on early repayment of debt			0		3,463
TOTAL LONG TERM ASSETS			<u>1,520,904</u>		<u>1,481,208</u>
CURRENT ASSETS					
Stocks & works in progress	28	147		171	
Debtors and payments in advance	29	61,690		68,523	
Short term investments		93,803		100,600	
Cash in hand		14,455	170,095	0	169,294
CURRENT LIABILITIES					
Temporary borrowing	31	(4,928)		(5,213)	
Creditors and receipts in advance	30	(92,359)		(83,008)	
Bank overdraft		0	(97,287)	(6,089)	(94,310)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,593,712</u>		<u>1,556,192</u>
Provisions	47		(6,118)		(4,984)
Deferred credits			(187)		(277)
Long term borrowing	31		(216,951)		(222,890)
Government grants deferred account			(126,375)		(117,281)
Deferred liabilities	8 & 9		(4,248)		(5,987)
Liabilities related to defined benefit pension scheme	52		(101,265)		(102,704)
TOTAL ASSETS LESS LIABILITIES			<u>1,138,568</u>		<u>1,102,069</u>
FINANCED BY:					
Revaluation Reserve	23		26,153		0
Capital adjustment account	24		1,182,303		1,174,995
Fixed Asset Restatement Account			0		0
Capital Financing Account			0		0
Financial Instrument Adjustment Account			105		0
Usable capital receipts account	25		509		0
Pension reserve	53		(101,265)		(102,704)
Equal pay back pay account	47		(234)		(234)
Fund balances and reserves	40		30,997		30,012
TOTAL NET WORTH			<u>1,138,568</u>		<u>1,102,069</u>

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/7 to accommodate the implementation of the Revaluation Reserve and new regulations accounting for financial instruments.

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
24 September 2008

Cash Flow Statement

	Note	2007/08		Restated 2006/07	
		£000's	£000's	£000's	£000's
REVENUE ACTIVITIES					
Cash Outflows					
Cash paid to and on behalf of employees		241,790		239,169	
Housing benefit paid out		49,445		44,897	
RSG / NNDR payments payable to Secretary of State		192,526		185,885	
Precepts paid		29,085		34,429	
Payments to the capital receipts pool		5,421		3,828	
Other operating cash payments		149,532	667,799	174,205	682,413
Cash Inflows					
Rents (after rebates)		(26,558)		(46,591)	
Council tax income		(115,839)		(110,084)	
Non-domestic rate Receipts from Pool		(63,948)		(60,906)	
Non-domestic rate Receipts		(31,843)		(33,309)	
Revenue Support Grant		(10,732)		(12,136)	
Dedicated Schools Grant		(158,427)		(148,435)	
DWP grants for benefits		(124,581)		(97,609)	
Other government grants	57	(190,013)		(174,506)	
Cash received for goods & services		(866)		(3,594)	
Other operating cash receipts		9,813		(37,305)	(724,475)
			(712,994)		
Net Cash (Inflow) / Outflow from Revenue Activities	54		(45,195)		(42,062)
SERVICING OF FINANCE					
Expenditure					
Interest paid		9,588		9,092	
Interest element of finance lease rental payments		476		351	
Income					
Interest received		(7,326)		(2,473)	
Servicing of Finance Net Cash Outflows			2,738		6,970
CAPITAL ACTIVITIES					
Cash Outflows					
Purchase of fixed assets		53,799		68,053	
Purchase of long term investments		0		0	
Other capital cash payments		14,267	68,066	10,355	78,408
Cash Inflows					
Sale of fixed assets		(21,864)		(29,101)	
Capital grants received		(18,609)		(15,305)	
Other capital cash payments/income		(2,772)		(2,565)	(46,971)
			(43,245)		
Capital Activities Net Cash Outflow			24,821		31,437
Net Cash Inflow Before Financing / Management of Liquid Resources			(17,636)		(3,655)
MANAGEMENT OF LIQUID RESOURCES					
Net Increase in Short-Term Investments	58		(10,170)		59,400
FINANCING					
Cash Outflows					
Repayments of amounts borrowed	58		5,213		32,372
Capital element of finance lease rental payments			2,049		1,712
Cash Inflows					
Long term loans raised	58		0		(83,000)
Short term loans raised			0		0
(Increase)/Decrease in cash	58		(20,544)		6,829

Notes to Main Financial Statements

1. 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	Income	2007/08	Expenditure	Income	2006/07
	£000's	£000's	Deficit/(Surplu s) £000's	£000's	£000's	Deficit/(Surplus) £000's
Fleet management	3,433	3,427	6	3,118	3,400	(282)
Passenger services	2,107	2,058	49	2,624	2,614	10
Engineering consultancy	1,262	1,158	104	1,333	1,336	(3)
Harlington Road depot & canteen	598	730	(132)	682	646	36
	7,400	7,373	27	7,757	7,996	(239)

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						
Industrial estates	299	288	11	313	323	(10)
Uxbridge market	37	237	(200)	64	237	(173)
Highways, sewers and street lighting			0	3,553	3,808	(255)
Grounds maintenance			0	3,461	3,461	0
On street car parking			0	1,699	1,699	0
	336	525	(189)	9,090	9,528	(438)

2. 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	2007/08			2006/07		
		Chargeable	Non Chargeable	Total Building Control	Chargeable	Non Chargeable	Total Building Control
Expenditure		£	£	£	£	£	£
Building control costs	1	559,422	301,227	860,649	645,302	347,471	992,773
Corporate costs	2	59,094	31,820	90,914	56,820	30,596	87,416
Directorate Costs		173,992	93,688	267,680	131,166	70,628	201,794
TOTAL EXPENDITURE		792,508	426,735	1,219,243	833,288	448,695	1,281,983
TOTAL INCOME		843,392	11,596	854,988	790,850	11,783	802,633
Surplus/(Deficit) for Year		50,884	(415,139)	(364,255)	(42,438)	(436,912)	(479,350)

Notes

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

Notes to Main Financial Statements

3.EXTERNAL AUDIT COSTS

The Audit Commission provides external audit services to the council. During 2007/08 the council incurred the following fees where payable to the Audit Commission relating to external audit and inspection.

	2007/08 £000's	2006/07 £000's
External audit services carried out by the appointed auditor	439	372
Statutory inspection audit	69	57
Grant claims and returns	136	164
Total External Audit costs	644	593

4.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:

	2007/08 £000's	2006/07 £000's
Press section : Salaries	527	473
Other Costs	92	169
Staff recruitment	1,187	1,147
Net expenditure on 'Hillingdon People'	56	15
Total Publicity Costs	1,862	1,804

5.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.

6.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. Since additional powers have been given under the Local Government Act 2000, there is no such expenditure to report for this year's accounts.

Notes to Main Financial Statements

7.DEDICATED SCHOOLS GRANT

The Dedicated Schools Grant has been credited against the Education service outturn in the Income and Expenditure Account.

The council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families, by 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 (ISB), which is divided into a budget share for each school.

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

Original grant allocation to schools budget for 2007/08 in the authority's budget
 Adjustment to finalised grant allocation
 DSG receivable in year
 Actual expenditure for the year
 (Over)/underspend for the year
 Planned top-up funding of ISB from Council resources
 Use of schools balances brought forward
 (Over)/underspend from prior year
 (Over)/underspend carried forward to 2008/09

Schools Budget Funded by Dedicated Schools Grant		
Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
11,951	146,499	158,450
0	(23)	(23)
11,951	146,476	158,427
(11,905)	(147,076)	(158,981)
46	(600)	(554)
0	0	0
0	600	600
1,334	0	1,334
1,380	0	1,380

Notes to Main Financial Statements

8. LONG TERM CONTRACTS

a. On the 1st 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 4 years of the contract is £18.0m.

b. 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 paid principal of £274k and interest of £1,165k in 2007/08. The net present value of outstanding contract payments to be made over the remaining 16 years of the contract, assuming satisfactory performance, totals £26m. 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 & buildings at a gross book value of £6,052k, with accumulated depreciation totalling £2,321k. The outstanding liability of the capital value at 31 March 2008 is £3,731k, of this £270k is due within a year and therefore included in creditors and the remaining £3,461k 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.

9. FINANCE AND OPERATING LEASES

Vehicles, Plant and Equipment

Outstanding obligations on 31/03/2008

Within one year (2008/09)
Between two and five years (2009/10 to 2011/12)
More than five years (2013 and Beyond)

Finance Lease		Operating Lease	
2007/08	2006/07	2007/08	2006/07
£000's	£000's	£000's	£000's
495	517	239	245
601	1,095	556	586
0	0	165	503
1,096	1,612	960	1,334

Number of Vehicles

64	78	32	25
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During 2007/08 council made finance lease payments in respect of 64 vehicles totalling £566k. This was charged to the Income and Expenditure Account as £49k finance costs (debited to the Income & Expenditure Account) and £517k relating to the write-down of obligations to the lessor (debited as part of the VRP appropriation to the Capital Financing Account). Depreciation of £517k, 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 2007/08 the council made payments totalling £309k under operating leases for 32 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 2 years of the contract is £1.16m. The finance lease payments for 2007/08 amounted to £1,085k. This was separated between write-down of obligations of £884k and finance costs of £201k. Depreciation of £884k, 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 2008 is £1.16m. Of this £974k is due within a year and therefore included in creditors and the remaining £187k is shown as a deferred liability.

Notes to Main Financial Statements

10.AGENCY SERVICES

The Council provides agency services through the London Airport Health Control to British Airports Authority. The cost of this service in 2007/08 was £2,409k (£2,268k in 2006/07) which is fully reimbursable and is not included in the Income and Expenditure Account on page 26.

11.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.

12.MEMBER ALLOWANCES

During 2007/08 the total allowances paid to Members was £1,487k (£1,132k 2006/2007).

13.OFFICER EMOLUMENTS

The number of employees in 2007/08 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	2007/08		2006/07	
	Total	Due to Lump Sum	Total	Due to Lump Sum
£50,000 - £59,999	80	0	82	(3)
£60,000 - £69,999	29	0	22	(4)
£70,000 - £79,999	13	(1)	19	(1)
£80,000 - £89,999	8	0	8	0
£90,000 - £99,999	5	(1)	3	0
£100,000 - £109,999	4	0	2	(1)
£110,000 - £119,999	5	0	2	0
£120,000 - £129,999	1	0	2	0
£130,000 - £139,999	3	0	1	0
£140,000 - £149,999	0	0	0	0
£150,000 - £159,999	0	0	0	0
£160,000 - £169,999	1	0	0	0
	149	(2)	141	(9)

14.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.

Precepts

In 2007/08 the following precepts and levies are considered related party transactions:

Greater London Authority Precept	£29.18m	Environment Agency	£0.088m
West London Waste Authority Lev	£5.598m	Lee Valley Regional Park Authority	£0.219m

Notes to Main Financial Statements

Members and Chief Officers

This note concerns the disclosure of additional information on transactions between the Council and its related parties. The purpose of the note is to demonstrate fairness and openness in the accounts. All Councillors and relevant officers are required to complete declarations to meet the requirements of FRS 8 - Transactions with Related Parties. Disclosures of Interest have been made in respect of the following organisations, the payment amount will not necessarily be just in respect of grants but will be a total of transactions between the Council and the organisation during the year.

ORGANISATION	NAME	PAYMENT £
WEST LONDON WASTE AUTHORITY	Cllr Andrew Retter	5,597,800
GRUNDON WASTE MANAGEMENT LTD	Cllr Janet Duncan	1,516,690
DASH	Cllr Paul Harmsworth Cllr Geoff Courtenay	297,930
HILLINGDON SHOPMOBILITY	Cllr Lynne Allen	31,563
HILLINGDON CROSSROADS	Cllr John Major	43,855
HILLINGDON ASSOC OF VOLUNTARY SERV.	Cllr Geoff Courtenay Cllr John Major	869,593
HILLINGDON OUTDOOR ACTIVITIES CENTRE	Cllr Catherine Dann	64,984
HILLINGDON RACE EQUALITY COUNCIL	Cllr Phoday Jarjussey Cllr George Cooper	20,662
HILLINGDON ASIAN WOMAN'S GROUP	Cllr Lynne Allen	19,900
RUISLIP NORTHWOOD OLD FOLK ASSOC	Cllr Catherine Dann	28,510
	Cllr Andrew Retter	
GROUNDWORK THAMES VALLEY	Cllr George Cooper	92,429
HILLINGDON & EALING CITIZENS ADVICE	Cllr George Cooper	344,540
HILLINGDON NARROWBOATS ASSOC.	Cllr Geoff Courtenay Cllr Graham Horn	38,301
FASSNIDGE MEMORIAL TRUST	Cllr Andrew Retter	10,200

In 2007/08 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 £1,516,690 in 2007/08.

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

Hillingdon Homes Ltd

During 2007/08 payments totalling £59m were made to Hillingdon Homes Ltd, a subsidiary of the council.

Councillor Andrew Retter, Councillor Geoff Courtenay, Councillor Peter Kemp, Councillor Elizabeth Kemp and Councillor Anthony Wray have been on the board of Hillingdon Homes Ltd during 2007/08

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.

The Pension Fund

The London Borough of Hillingdon pension fund is considered a related party. The employer's contribution to the pension fund in 2007/2008 was £14,721k (£14,654k 2006/07). A precept of £0.38m was paid to the London Pension Fund Authority in 2007/08

Notes to Main Financial Statements

15. MOVEMENT OF FIXED ASSETS 2007/08

Operational Assets

	Council Dwellings & Buildings £000's	Other Land £000's	Vehicles, Plant & Equipment £000's	Infrastructure Assets £000's	Community Assets £000's	Total £000's
Gross book value as at 1 April 2007	745,407	600,622	33,153	193,548	11,075	1,583,805
Accumulated depreciation & impairment	(17,488)	(40,681)	(21,338)	(50,266)	0	(129,773)
Net book value as at 1 April 2007	727,919	559,941	11,815	143,282	11,075	1,454,032
Transfers	(51)	(1,990)	51	0	0	(1,990)
Depreciation on transfers	0	1	0	0	0	1
Additions	25,242	12,163	2,173	6,598	1,389	47,565
Revaluations	31,379	(1,024)	0	0	6	30,361
Disposals	(9,566)	(5,996)	(339)	0	0	(15,901)
Impairments	(281)	(2,359)	0	0	(44)	(2,684)
Depreciation on assets sold	348	332	339	0	0	1,019
Depreciation on assets revalued	0	0	0	0	0	0
Depreciation for year	(8,645)	(9,081)	(3,470)	(4,836)	0	(26,032)
Gross book value as at 31 March 2008	792,130	601,416	35,038	200,146	12,426	1,641,156
Accumulated depreciation & impairment	(25,785)	(49,429)	(24,469)	(55,102)	0	(154,785)
Net book value as at 31 March 2008	766,345	551,987	10,569	145,044	12,426	1,486,371

Non-Operational Assets

	Investment Properties £000's	Assets Under Construction £000's	Surplus Assets £000's	Total £000's
Gross book value as at 1 April 2007	4,290	4,613	11,112	20,015
Accumulated depreciation & impairment	0	0	(1,122)	(1,122)
Net book value as at 1 April 2007	4,290	4,613	9,990	18,893
Transfers	1,817	(164)	337	1,990
Depreciation on transfers			(1)	(1)
Additions	4,565	5,673	61	10,299
Revaluations	0	0	19,805	19,805
Disposals	0	0	(23,926)	(23,926)
Impairments	0	0	(50)	(50)
Depreciation on assets sold	0	0	1,296	1,296
Depreciation on assets revalued	0	0	20	20
Depreciation for year	0	0	(231)	(231)
Gross book value as at 31 March 2008	10,672	10,122	7,339	28,133
Accumulated depreciation & impairment	0	0	(38)	(38)
Net book value as at 31 March 2008	10,672	10,122	7,301	28,095

The value of council dwellings was overstated by £1.1m at 31 March 2007. This has been corrected in 2007/8.

Notes to Main Financial Statements

16. INTANGIBLE ASSETS

	2007/08 £000's	2006/07 £000's
Software		
Opening Net Book Value	1,535	787
Additions	485	905
Amortisation	(338)	(157)
Closing Net Book Value	1,682	1,535

Software licences costing £485k were purchased in 2007/08. The cost is being written off over the life of the licences on a straight line basis.

17. STATEMENT OF SOURCES OF FINANCE

Capital expenditure of £68.066m has been incurred in 2007/08 on fixed & 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.

	2007/08 £000's	2006/07 £000's
Opening Capital Financing Requirement	182,262	170,481
Capital investment		
Intangible Assets	485	905
Operational assets	47,565	52,302
Non-operational assets	5,749	14,846
Deferred charges	14,267	10,355
Finance Leases	0	0
Sources of finance		
Capital receipts	(29,789)	(25,273)
Government grants and other contributions	(28,521)	(25,570)
Revenue provision	(10,405)	(15,784)
Closing Capital Financing Requirement	181,613	182,262
Explanation of movements in year		
Increase in underlying need to borrow :		
- supported by Government financial assistance	0	11,781
- unsupported by Government financial assistance	(648)	0
Increase in Capital Financing Requirement	(648)	11,781

Notes to Main Financial Statements

18. 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 & Equipment	- 5 to 7 years
Other Land & 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.
Personal Computers	- useful life varies depending on the condition, type and usage of the asset.
Intangible 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.

19. 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 5 year period. The only external valuation included is of council dwellings which were revalued as at 1st 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 2007 and March 2008. Full details of the basis of valuation for each asset category is provided in statement of accounting policies (page 14).

	Council Dwellings £000's	Other Land & Buildings £000's	Vehicles, Plant & Equipment £000's	Non-operational Assets £000's	Total £000's
Value at historical cost	0	0	10,569	0	10,569
Valued at current value in:					
2007/2008	766,345	551,987	0	28,095	1,346,427
2006/2007	727,919	559,941	0	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

20. COMMITMENTS UNDER CAPITAL CONTRACTS

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

Year	2007/08 £000s	2006/07 £000s
2007/08	0	11,642
2008/09	36,358	824
2009/10	16,920	0
2010/11	5,054	0
	58,332	12,466

Notes to Main Financial Statements

21. INFORMATION ON ASSETS HELD

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

	Number as at 31.3.2008	Number as at 31.3.2007
Council Dwellings	10,715	10,834
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	0	1
Nurseries and playgroups	14	13
Office buildings	11	13
Other buildings	147	152
Residential homes and day centres	36	36
Schools	52	52
Sports centres and swimming pools	11	14
Tenanted farms	9	8
Operational Equipment		
Vehicles	103	103
CCTV	144	141
Computer terminals	3,702	2,800
Heavy plant	4	4
Infrastructure Assets		
Highways (kilometres)	675	675
Bridges	296	296
Community Assets		
Allotments	35	34
Cemeteries and crematorium - Land only	10	9
Historic buildings	1	1
Parks & open spaces - Area (Hectares)	1,053	1,051
Car Parks	23	23
Investment Properties	75	75
Land awaiting development	9	4
Surplus Assets	12	5

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

22. DEFERRED CHARGES

Deferred charges represent expenditure that may properly be capitalised, but which does not represent tangible fixed assets belonging to the authority, 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 Adjustment Account is made for the reverse 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.

	2007/08			2006/07
	Improvement Grants £000's	Other £000's	Total £000's	Total £000's
Balance as at 1 April			0	0
Expenditure	3,552	10,715	14,267	10,355
Charged to revenue in year	(3,552)	(10,715)	(14,267)	(10,355)
Balance as at 31 March	0	0	0	0

Notes to Main Financial Statements

23. REVALUATION RESERVE

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/7 to accommodate the implementation of the Revaluation Reserve. The Revaluation Reserve and Capital Adjustment Account replace the Fixed Asset Restatement Account (FARA) and Capital Financing Account (CFA). The credit balances of £958,581K and £216,414K on the FARA and CFA respectively at 31 March 2007 have been written off to the Capital Adjustment Account with a resulting credit balance of £1,174,995K. The Revaluation Reserve has been included in the Balance Sheet with a zero balance. The closing balance on the Revaluation Reserve at 31 March 2008 only shows revaluation gains accumulated since 1 April 2007.

24. CAPITAL ADJUSTMENT ACCOUNT

	2007/08	
	£000s	£000s Total
Opening Balance		1,174,994
Capital receipts -applied for capital financing		17,671
-applied to reduce indebtedness		12,118
Adjustment for finance lease principal	1,676	
Voluntary revenue provision	(270)	1,406
Capital financing - revenue		4,783
Write down of deferred charges		(14,267)
Government grants written down		16,216
Minimum Revenue Provision (less General Fund Depreciation)		
General Fund MRP		4,434
less: -Depreciation charged to General Fund	(17,602)	
-HRA Depreciation greater than MRA	(1,239)	(18,841)
Former Fixed Asset Restatement Account movements		
Disposals	(40,744)	
Impairments	(2,578)	
Revaluations Written Out	27,111	(16,211)
Closing Balance		1,182,303

Although services are charged with depreciation this is adjusted through the Capital Adjustment Account and does not have an impact on the amount required to be raised from local taxation. A minimum revenue provision (MRP) has to be set aside from local taxation to meet the redemption of external debt. In 2007/8 MRP of £4,434K had to be financed from Council Tax.

There were two assets that should have been non cash disposals in 2006/7 written off to FARA (£3.2m). In addition land was sold that should have been netted from a revaluation gain but was credited to FARA (£1.5m). Both these corrected in the Capital Adjustment Account in 2007/8.

Notes to Main Financial Statements

25.USABLE CAPITAL RECEIPTS RESERVE

		£000's
	Balance as at 1st April 2007	0
	Capital receipts received in year	34,735
		34,735
LESS:		
	Pooled capital receipts	(4,437)
	Capital receipts used for financing	(29,789)
		509

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.

26.INVESTMENTS

	Book Value at 31st March 2008 £000's	Market Value at 31st March 2008 £000's	Book Value at 31st March 2007 £000's	Market Value at 31st March 2007 £000's
Loans to non public organisations	4,036	4,036	2,300	2,300
Government securities (long term)	76	76	76	76
	4,112	4,112	2,376	2,376

27.LONG TERM DEBTORS

	At 1st April 2007 £000's	New Advances £000's	Repayments £000's	At 31st March 2008 £000's
Housing advances & associations	30	0	(7)	23
Sale of council houses	287	0	(89)	198
Other loans & advances	592	0	(169)	423
	909	0	(265)	644

28.STOCKS AND WORK IN PROGRESS

	At 31st March 2008 £000's	At 31st March 2007 £000's
Stocks:		
Building maintenance/highways	137	129
Printing & stationery	23	15
Other stocks	14	24
	174	168
Work In Progress:		
Other rechargeable works	-27	3
	147	171

Notes to Main Financial Statements

29.DEBTORS

	At 31st March 2008 £000's	At 31st March 2007 £000's
Government departments	20,727	29,922
Other public bodies	5,316	2,104
Hillingdon Homes Ltd	1,549	2,352
Housing rents	6,890	6,289
Non-domestic ratepayers	15,766	20,172
Community chargepayers	0	86
Council taxpayers	13,340	15,925
Sundry debtors	30,166	26,101
Car & other loans	65	52
	93,819	103,003
Less: Provision for doubtful debts	(32,129)	(34,480)
	61,690	68,523

30.CREDITORS

	At 31st March 2008 £000's	At 31st March 2007 £000's
Government departments	27,191	20,034
Other public bodies	4,025	6,217
Hillingdon Homes Ltd	(33)	688
Housing rents prepaid	0	70
Sundry creditors	51,773	45,994
Non-domestic ratepayers	5,656	6,780
Council taxpayers & Collection fund Deficit	3,746	3,225
	92,358	83,008

Notes to Main Financial Statements

31.FINANCIAL INSTRUMENT BALANCES

	Long-Term		Current		Total	
	31st March 2008 £000s	31st March 2007 £000s	31st March 2008 £000s	31st March 2007 £000s	31st March 2008 £000s	31st March 2007 £000s
Borrowings						
Financial liabilities at amortised	216,951	222,890	4,928	5,213	221,879	228,103
Financial liabilities at fair value through profit and loss	0	0	0	0	0	0
Cash Overdrawn	0	0	0	6,089	0	6,089
Total borrowings	216,951	222,890	4,928	11,302	221,879	234,192
Investments						
Loans and receivables	4,036	2,300	93,803	100,600	97,839	102,900
Available-for-sale financial assets	76	76	0	0	76	76
Fair value through Profit and Loss	0	0	0	0	0	0
Cash in Hand	0	0	14,455	0	14,455	0
Unquoted equity under available for sale	0	0	0	0	0	0
Total investments	4,112	2,376	108,258	100,600	112,370	102,976

Financial Liabilities do not include Financial Leases

All trade payables and receivables are due for settlement within one year. Debtors and creditors falling within this definition are disclosed elsewhere in the Balance Sheet and their relevant policies disclosed accordingly.

32.FINANCIAL INSTRUMENT GAINS/LOSSES

Financial Liabilities	Financial Assets			Total		
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available- for-sale assets £000s	Fair value through P&L £000s	2008 Total £000s	2007 Total £000s
Interest expense	(9,635)	0	0	0	(9,635)	9,450
Losses on derecognition	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0
Interest payable and similar charge	(9,635)	0	0	0	(9,635)	9,450
					0	
Interest income	0	7,294	6	0	7,300	4,548
Gains on derecognition	0	0	0	0	0	0
Interest and investment income	0	7,294	6	0	7,300	4,548
					0	
Gains on revaluation	0		0	0	0	0
Losses on revaluation	0		0	0	0	0
Amounts recycled to the I&E account after impairment	0		0	0	0	0
Surplus arising on revaluation of financial assets	0		0	0	0	0
Net gain/(loss) for the year	(9,635)	7,294	6	0	(2,335)	(4,902)

Notes to Main Financial Statements

33. FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31st March 2008		31st March 2007	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Financial liabilities	221,879	217,114	234,192	0

Method

The fair value of an instrument is determined by calculating the Net Present Value of future cashflows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation is equal to the current rate in relation to an instrument with the same terms from a comparable lender. Interpolation techniques have been used between available rates where the exact maturity period was not available. The new borrowing rate has been used as the discount factor for all PWLB borrowing. Accrued interest has been included in the fair value calculation. The rates used were obtained from the market on 31st March using bid prices where applicable.

Assumptions

Interest is calculated using the most common market convention, and no early repayment or impairment is recognised.

Where interest is paid/received every six months on a day basis the value of interest is rounded to two equal instalments.

Interest value and date have not been adjusted where a relevant date occurs on a working day. It is noted that the above assumptions do not have a material effect on the calculation of fair value.

34. FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31st March 2008		31st March 2007	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Financial Assets	97,915	96,300	102,976	0

35. CREDIT RISK A

	Amounts at 31 March 2008	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2008	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
Deposits with Banks and Other Financial Institutions	97,839	0	0	0
Investments in Subsidiaries	0	0	0	0
Bonds and Other Securities	76	0	0	0
Customers	93,819	34	34	32,129
Total	191,995			32,129

Credit and counter-party risk is the risk of failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially one due to deterioration in its creditworthiness, which causes the Council an unexpected burden on its capital or revenue resources.

Notes to Main Financial Statements

As a holder of public funds, the Council recognises its prime responsibility to always put first the preservation of the principal of the sums which it invests. Consequently, it will optimise returns commensurate with the management of the associated risk.

The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.

Credit ratings will be used as supplied from one or more of the following credit rating agencies:

Fitch, Moodys, Standard & Poors

Treasury Management Consultants will provide regular updates of changes to all ratings relevant to the council allowing officers to monitor and make adjustments to the counterparty lending list as necessary.

36.CREDIT RISK B

Debtors

Less than one year

More than one year

Total

31 March 2008
£000s
68,801
25,018
93,819

37.LIQUIDITY RISK

Loans Outstanding

Public Works Loan Board

Market Debt / LOBOS

Temporary Borrowing

Local Bonds

Deferred Purchase

Other

Total

Less than 1 year

Between 1 and 2 years

Between 2 and 5 years

Between 5 and 10 years

More than 10 years

Total

	On 31 March 2008 £000s	On 31 March 2007 £000s
	172,858	179,694
	48,626	48,000
	0	0
	0	0
	0	0
	395	409
Total	221,879	228,103
	4,928	5,213
	21	4,920
	6,192	3,066
	10,347	13,134
	200,391	201,770
Total	221,879	228,103

Liquidity risk is the risk that cash not be available when it is required. This can jeopardise the ability of the Council to carry out its functions or disrupt those functions being carried out in the most cost effective manner. The Council will therefore have sufficient standby facilities to ensure that there is always sufficient liquidity to deal with unexpected occurrences. It will also seek to ensure that its cash flow forecasting gives as accurate a picture as possible of the ebbs and flows in income and expenditure and the resulting residual daily cash balances.

Refinancing risk is the risk that when loans or other forms of capital financing mature, that they cannot be refinanced where necessary on terms that reflect the assumptions made in formulating revenue and capital budgets. As a result of this the Council ensures that no more than 10% of loans mature in any one year.

Notes to Main Financial Statements

38.MARKET RISK

	2007/08
	£000s
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	1,251
Increase in government grant receivable for financing costs	0
Impact on Income and Expenditure Account	1,251
Share of overall impact debited to the HRA	325
Decrease in fair value of 'available for sale' investment assets	0
Impact on STRGL	0
Decrease in fair value of fixed rate borrowing liabilities (no impact on I&E account or STRGL)	36,498
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	799

Included within the management of market risk is interest rate risk. Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than have been budgeted for. The Council will seek to minimise this risk by seeking expert advice on forecasts of interest rates from treasury management consultants and agreeing with them its strategy for the coming year for the investment and debt portfolios. It will also determine appropriate limits and trigger points as set out below. These limits and strategy are set out in the annual Treasury Management Strategy Statement. This strategy will be periodically reviewed during the relevant year to see whether any modifications are required in the light of actual movements in interest rates.

39.DEFERRED PREMIUMS ON EARLY REPAYMENT OF DEBT

Following a debt restructuring undertaken in 2005/6 the council incurred a premium of £3,661m for the early settlement. The gradual move to international accounting requirements set out in FRS 25,26 and 29 have now been incorporated in the SORP (Statement of Recommended Practice). The accounts reflect a transfer to the new requirements. The outstanding premium has been attached to the loan and is being recovered via a charge to the Income and Expenditure Account. The Housing Revenue Account is being charged over the life of the original loan and this amount credited to a new Financial Instruments Adjustments Account (£105K) to be released against the charge to General Fund in later years when cost are higher. (see significant issues for 2007/8 on page 9).

Notes to Main Financial Statements

40.FUND BALANCES AND RESERVES

		At 31st March 2008 £000's	At 31st March 2007 £000's
General Fund :	- Working balance	12,614	9,298
	- Schools delegated funds	13,026	13,626
	- Breakspear Crematorium	422	366
Earmarked Reserves	- Parking fund	803	844
	- New Road & Streetworks Act fund	294	362
	- PRG Capital Reserve	0	1,073
	- Elections	69	0
Collection Fund		(1,269)	(935)
Housing Revenue Account		5,039	5,378
		30,998	30,012

41.SPECIFIC RESERVES

Elections - Council elections occur every four years. An amount is set aside each year from the Councils budget to meet this cost

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 & Streetworks Act fund - Income raised under S74 of the New Roads & 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.

42.ACCOUNTING FOR THE COLLECTION FUND BALANCE

The Collection Fund balance at 1 April 2007 was a deficit of £1,196m. An in year deficit of £424k resulted in a deficit balance at 31 March 2008 of £1,620m. 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 2007/08 Statement of Accounts as follows:

	At 31st March 2008 £000's	At 31st March 2007 £000's
Fund Balances & Reserves	1,269	935
Creditor in respect of GLA share	351	261
	1,620	1,196

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

Notes to Main Financial Statements

43.EVENTS AFTER THE BALANCE SHEET DATE

Where an event occurs after balance sheet date, favourable or unfavourable, which provides evidence of conditions that existed at balance sheet date the amounts recognised in the statement of accounts are adjusted. Otherwise no adjustment is made. Lehmann Brothers filed for bankruptcy on 16th September thus rendering any investment in that company potentially worthless at that date. The London Borough of Hillingdon Pension Fund had two investments that totalled £1.45m which have subsequently been written off in 2008/9 accounts.

44.Section 75 AGREEMENT FOR LEARNING DISABILITY SERVICES

The section 31 pooled budget arrangement with Hillingdon PCT for Learning Disabilities services ceased on 31st March 2007 and since that date the PCT and the Borough have been operating under s75 of the National Health Service Act 2006, confirming their respective liabilities under this new agreement. Accordingly when the accounts were closed at 31st March 2008 there were 11 clients still subject to a continuing care assessment which is necessary to confirm financial liability. These assessments are unlikely to be completed by the end of June hence both organisations have made assumptions regarding probable outcome and have raised an accrual as necessary. Once these assessments have been completed the financial liability will be backdated to 1st April 2007 and appropriate transactions processed.

45.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. Copies of London Housing Consortium's Statement of Accounts 2007/08 can be obtained from London Housing Consortium, Building Components & Services, 464 Uxbridge Road, Hayes, Middx UB4 0PT.

Notes to Main Financial Statements

46. LOCAL AREA AGREEMENT

The Council is a participant in a Local Area Agreement (LAA) - a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the first year of its three-year agreement.

The purpose of the LAA is:

- To form an agreement between the Hillingdon Local Strategic Partnership, Government (GOL) and other external agencies, to ensure that together we achieve the Hillingdon Community Strategy objectives.
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement.
- To improve the effectiveness and efficiency of public services in Hillingdon by pooling and aligning funding streams.

The LAA Partners are:

LSP Executive

- London Borough of Hillingdon
- Hillingdon PCT
- Metropolitan Police - Hillingdon
- Brunel University
- Uxbridge College
- Groundwork Thames Valley
- Hillingdon Association of Voluntary Services
- Age Concern
- Hillingdon Chamber of Commerce
- BAA Ltd

Other Partners

- London Fire Brigade - Hillingdon
- Learning and Skills Council - London West
- Job Centre Plus
- Pension Service
- Hillingdon Hospital
- Central North West London Mental Health Trust
- Youth Offending Service
- Pre School Learning Alliance
- Hillingdon Drug and Alcohol Services
- Hillingdon Home Start
- Hillingdon Crossroads
- Uxbridge Magistrates Court
- Probation Service
- DASH
- Alzheimer's Society
- The Chimes
- The Mall - Pavilions

Notes to Main Financial Statements

LAA continued..

Hillingdon acts as the accountable body for the LAA. This means that we are responsible for managing the distribution of grant paid by the Government Office to the partners involved.

The total amount of LAA Grant received by the Council in 2007/08 is £4,069,524.

As accountable body, the Council is potentially responsible for repaying to the Government any element of grant that is found to have been misused by it's partners. Systems are in place for distributing grant that are designed to limit the possibility that this will happen. It has not been necessary to recognise any contingnt liabilities for possible repayments and no provisions have been made for any such eventuality.

47.PROVISIONS

	As at 31 March 2008	As at 31 March 2007
	£000's	£000's
Insurance	3,190	2,986
Asylum seeker grant claim	1,572	399
Equal pay - Back pay	234	234
Other	1,122	1,365
Total	6,118	4,984

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 2007/08. 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 2008. For 2007/08 the provision has been calculated using a discounted cashflow basis at a discount rate of 5%.

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 made a provision in 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.

Notes to Main Financial Statements

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 2007/08 the Council has submitted 2 grant claims totalling £8.4m in respect of 2007/08.

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 Children, Schools and Families (DCSF) provide a Leaving Care Grant to support the ruling of the Hillingdon judgment. Although the Council incurred costs of £7.8m on this service in 2007/08, due to the reduction in grant funding the council is currently only eligible for a grant of £3.154m to fund this expenditure.

At 31 March 2008 the total amount of these grant claims still outstanding was £9.693m, being £6.539m for NASS and the £3.154m for DCFS. 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 £1,572k 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 a provision of £488k 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 £635k has been made to finance these costs. The transfer of economic benefit is due in 2008/09.

48. 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:

1. 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 1st 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 2008, the sum potentially subject to 'clawback' was £2,351k (£2,217k as at 31 March 2007). Further claims totalling £60k were outstanding (£163k in 2006/2007).

2. Early in 2007 the contractor managing 3 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.

49. ANALYSIS OF NET ASSETS EMPLOYED

	As at 31 March 2008 £000's	As at 31 March 2007 £000's
General fund	355,526	358,429
HRA	783,303	743,640
Total	1,138,829	1,102,069

Notes to Main Financial Statements

50. 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 .

	As at 31 March 2008 £	As at 31 March 2007 £
Education trusts - providing academic prizes	3,811	3,688
Library trusts - purchase of library books	8,660	8,057
Total	12,471	11,745

The legal agreement in respect of Phase 3 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 31st March 2008 was £570.9k.

51. 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 2007/08 the council contributed £14.6m 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(I&E) after net operating expenditure. The following transactions have been made in the I&E during the year to make this adjustment:

	London Borough of Hillingdon Pension Fund		London Pension Fund Authority Pension Fund		Total
	31 March 2008 £000s	31 March 2007 £000s	31 March 2008 £000s	31 March 2007 £000s	31 March 2008 £000s
Net cost of services					
Current service costs	17,925	21,151	0	4	17,925
Past service costs	336	0	0	0	336
Settlements and curtailments	425	371	0	0	425
Total Net Cost Of Services	18,686	21,522	0	4	18,686
Net Operating Expenditure					
Interest costs	34,489	31,398	346	338	34,835
Expected return on assets in the scheme	(38,288)	(34,461)	(252)	(252)	(38,540)
Total Net Operating Expenditure	(3,799)	(3,063)	94	86	(3,705)
Amounts to be met from Government Grants and Local Taxation:					
Movement on pension reserve	1,716	(3,488)	8	(28)	1,724
Actual amount charged against council tax for pensions in the year:					
Employer's contributions payable to scheme	14,620	12,978	92	50	14,712
Contributions in respect of unfunded benefits	1,983	1,993	10	12	1,993

Notes to Main Financial Statements

52.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 2007 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 2008 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 2007, 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 2010.

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 2008 % per annum	31 March 2007 % per annum	31 March 2008 % per annum	31 March 2007 % per annum
Price increases	3.6%	3.2%	3.6%	3.2%
Salary increases	5.1%	4.7%	5.1%	4.7%
Pension increases	3.6%	3.2%	3.6%	3.2%
Discount rate	6.9%	5.4%	6.9%	5.4%

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.

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:

	London Borough of Hillingdon Pension Fund			London Pension Fund Authority Pension Fund		
	Expected Long Term Return %	31 March 2008 %	31 March 2007 %	Expected Long Term Return %	31 March 2007 %	1 March 2007 %
Equities	7.7	76.2	12.4	7.8	74.0	14.5
Bonds	5.7	13.4	0.0	4.9	11.9	1.7
Property	5.7	8.2	0.0	5.8	10.3	0.0
Cash	4.8	2.3	87.6	4.9	3.7	83.8
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 31st March 2008.

Notes to Main Financial Statements

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 2008 £000's	31 March 2007 £000's	31 March 2008 £000's	31 March 2007 £000's
Estimated Employer Assets	497,810	537,821	4,615	5,359
Present Value of Scheme Liabilities	565,344	606,210	5,768	6,682
Present Value of Unfunded Liabilities	32,489	32,904	89	88
Total Value of Liabilities	597,833	639,114	5,857	6,770
Net Pension Deficit	(100,023)	(101,293)	(1,242)	(1,411)

The liabilities show the long term underlying commitments that the authority has to pay in retirement benefits. The total liability of £603.6m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a £101.2m reduction in value as at 31st March 2008. 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 for Children, Schools and Families 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 14.1% from January 2008 to March 2008 (13.5% in 2006/07). The total contribution to the fund by the authority in 2007/08 was £8.4m (£8.05m in 2006/07).

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 2007/08 totalled £36k and there are no on-going payments.

Notes to Main Financial Statements

53. PENSION RESERVE

	London Borough of Hillingdon Pension Fund £000s	London Pension Fund Authority Pension Fund £000s	Total £000s
Balance as at 1st April 2007	(101,293)	(1,411)	(102,704)
Current Service Cost	(17,925)	0	(17,925)
Employers' contributions	14,620	92	14,712
Contributions in respect of Unfunded Benefits	1,983	10	1,993
Past Service Costs	(336)	0	(336)
Impact of Settlements and Curtailments	(425)	0	(425)
Net Return on Assets	3,799	(94)	3,705
Actuarial Gains (see below)	(446)	161	(285)
Balance as at 31st March 2008	(100,023)	(1,242)	(101,265)

The actuarial gains identified as movements on the Pension Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:

	London Borough of Hillingdon Pension Fund							
	2007/08		2006/07		2005/06		2004/05	
	£000's	%	£000's	%	£000's	%	£000's	%
Actual Return less expected return on pension scheme assets	(66,666)	(13.4)	276	0.1	73,032	14.5	16,200	4.0
Differences between actuarial assumptions about liabilities and actual experience	(21,817)	(3.6)	(4)	0.0	254	0.0	15,300	2.8
Changes in assumptions underlying the present value of scheme liabilities	88,037	-	35,975	-	(68,610)	-	(74,700)	-
Actuarial Gains / (Losses)	(446)	(0.1)	36,247	5.7	4,676	0.7	(43,200)	(8.0)

	London Pension Fund Authority Pension Fund							
	2007/08		2006/07		2005/06		2004/05	
	£000's	%	£000's	%	£000's	%	£000's	%
Actual Return less expected return on pension scheme assets	44	1.0	0	0.0	229	3.9	34	0.6
Differences between actuarial assumptions about liabilities and actual experience	426	7.3	(7)	(0.1)	2	0.0	(502)	(6.7)
Changes in assumptions underlying the present value of scheme liabilities	(309)	-	74	-	(185)	-	(346)	-
Actuarial Gains / (Losses)	161	2.7	67	1.0	46	0.6	(814)	(10.9)

Notes to Main Financial Statements

54.RECONCILIATION OF REVENUE CASH FLOW

Note	Year ended 31st March 2008		Year ended 31st March 2007	
	£000's	£000's	£000's	£000's
General fund net deficit / (surplus)	(2,772)		(6,462)	
HRA deficit	339		4,292	
Collection Fund	334		332	
Total deficit / (surplus)		(2,099)		(1,838)
Add Items not resulting in cashflow				
Minimum Revenue Provision	(4,432)		(4,511)	
Voluntary Revenue Provision	(1,676)		(270)	
Contributions from reserves	40		(912)	
Provisions set aside in year	(1,204)		(1,046)	
Write off of Premia	0		(167)	
Other non cash items	(9,343)		(216)	
		(16,615)		(7,122)
Movements in working capital				
(Increase) / decrease in creditors	56	(9,351)	16,824	
Increase / (decrease) in stocks & work in progress	56	(24)	(7)	
Increase / (decrease) in debtors	56	(5,760)	(28,074)	
Increase/(decrease) in long term debtors		(265)	0	
		(15,400)		(11,257)
Items Classified elsewhere on Cashflow Statement				
Capital expenditure financed from revenue		(12,192)	(16,991)	
Lease Payments		(2,049)	(1,712)	
Capital Receipts in respect of the pool		5,421	3,828	
Deduct interest received		7,326	2,473	
Interest paid		(9,587)	(9,443)	
		(11,081)		(21,845)
Revenue activities cash outflow / (inflow)		(45,195)		(42,062)

55.MOVEMENT IN LIQUID RESOURCES

	31st March 2008	31st March 2007	Movement 2007/08	Movement 2006/07
	£000's	£000's	£000's	£000's
Cash with accounting officers	0	0	0	0
Cash in hand /(overdrawn)	14,455	(6,089)	20,544	(6,829)
	14,455	(6,089)	20,544	(6,829)

56.MOVEMENT IN OTHER CURRENT ASSETS

	31st March 2008	31st March 2007	Movement 2007/08	Movement 2006/07
	£000's	£000's	£000's	£000's
Debtors	62,763	68,523	(5,760)	(28,074)
Creditors	(92,359)	(83,008)	(9,351)	16,824
Stocks and work in progress	147	171	(24)	(7)
	(29,449)	(14,314)	(15,135)	(11,257)

Notes to Main Financial Statements

57.ANALYSIS OF GOVERNMENT GRANTS

	31st March 2008 £000's	31st March 2007 £000's
Rent allowances	49,323	44,288
Council tax & housing benefits	35,112	33,860
Mandatory student awards	11	0
Schools standards fund	17,139	16,395
Homelessness	10,603	10,619
NNDR cost of collection	608	613
Refugee children	7,142	8,271
Adult asylum seekers	3,381	3,981
Other grants	66,693	56,479
	190,012	174,506

58.RECONCILIATION OF NET CASHFLOW TO THE MOVEMENT IN NET DEBT

	2007/08 £000's	2006/07 £000's
Net Debt as at 1st April 2007	130,281	133,234
Net Debt as at 31st March 2008	114,694	131,291
	(15,587)	(1,943)
Represented by:		
Repayments of amount borrowed	(5,213)	(32,372)
New loans raised	0	83,000
	(5,213)	50,628
Decrease in short term deposits	10,170	(59,400)
Increase in cash (see note 59)	(20,544)	6,829
	(15,587)	(1,943)

59.LEVIES

The precepts and levies line in the income and expenditure account excludes those payments made directly from services.

These amounts have been included under the various service headings under "Expenditure on Services"

Other Financial Statements

The Housing Revenue Account (page 60)

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 63)

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 65)

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.

Housing Revenue Account-Income And Expenditure Account

Notes	Year ended 31st March 2008 £000's	Year ended 31st March 2007 £000's
Income		
	46,043	44,775
	1,877	1,816
	1,982	1,585
	1,762	206
	0	0
	51,664	48,382
Expenditure		
	10,798	11,818
	15,962	12,274
	708	581
6	(71)	(149)
4	8,818	8,372
	33	17
	9,282	8,632
	45,530	41,545
Net Cost of HRA Services per Authority Income & Expenditure		
	(6,134)	(6,837)
	182	192
Net Cost of HRA services		
	(5,952)	(6,645)
	0	362
	201	282
	105	105
	(81)	(89)
Surplus for the year on HRA services		
	(5,727)	(5,985)

Statement of Movement on the HRA Balance

	2007/08 £000's	2006/07 £000's
Surplus for year on the HRA Income and Expenditure	(5,727)	(5,985)
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	(1,239)	(932)
Loss on the sale of HRA Fixed Assets	0	(362)
Impairment of Fixed Assets	(281)	0
HRA share of contributions to or from the Pension Reserve	(54)	(138)
Capital Expenditure funded by the HRA	4,251	8,930
HRA share of the Minimum Revenue Provision	2,505	1,976
HRA Voluntary Revenue Provision	884	803
Decrease in HRA balance for the year	339	4,292
HRA Balance Brought forward	(5,378)	(9,670)
HRA Balance carried forward	(5,039)	(5,378)

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 31st March 2008	Total at 31st March 2007
1 Bed Properties	3,710	3,736
2 Bed Properties	3,772	3,826
3 Bed Properties	2,987	3,010
4 plus Bed Properties	188	191
Hostels	57	71
Total	10,715	10,834

2. VALUE OF HRA ASSETS

	Net Book Value at 31st March 2008 £000's	Net Book Value at 31st March 2007 £000's
Operational Assets		
Council dwellings	766,346	727,919
Other land & buildings	13,450	12,464
Community assets		0
Vehicle, plant & equipment	441	427
Non-Operational Assets	70	70
Total	780,307	740,880

The vacant possession value of dwellings within the authority's HRA as at 1st April 2007 was £1.967bn. The difference of £1.201bn between this and the balance sheet value of £766m is the economic cost of providing council housing at less than open market rents.

For 2007/08 depreciation of £8,993k in respect of council dwellings, £267k in respect of other land and buildings and £87k in respect of vehicles, plant, furniture and equipment was charged to the HRA.

3. CAPITAL EXPENDITURE

Capital Expenditure on HRA council dwellings during 2007/08 totalled £25,583k. This was financed by:

	Total at 31st March 2008 £000's	Total at 31st March 2007 £000's
Revenue contribution	4,734	8,930
Major repairs allowance	7,761	7,700
Supported capital expenditure (capital)	12,125	15,741
Supported capital expenditure (revenue)	0	6
Capital receipts	962	96
Other contributions	0	60
	25,583	32,533

Capital receipts from the sale of HRA properties during 2007/08 totalled £8.035m

Notes to Housing Revenue Account

4. HOUSING SUBSIDY

HRA Subsidy is a government grant paid towards the net cost of management, maintenance and financing costs. For 2007/08 it was based on the following:

	2007/08 £000's	2006/07 £000's
Expenditure		
Management	6,289	5,990
Maintenance	11,758	11,304
Allowance for major repairs	7,761	7,700
Charges to capital	2,109	2,083
ALMO allowance	4,744	3,840
admissible allowance	0	87
ASB allowance	0	0
Other expenditure	1,059	1,032
Income		
Rent	(42,519)	(40,388)
Interest on receipts	(20)	(20)
Subsidy payable	(8,818)	(8,372)

5. RENT ARREARS

At 31 March 2008 the gross HRA rent arrears amounted to £1.039m all of which relates to dwellings.

6. BAD DEBT PROVISION

The provision for bad debts on all HRA debts as at 31st March 2008 is £1.83m. Of this £1.77m relates to dwellings and £0.06m to non-dwellings.

7. MAJOR REPAIRS RESERVE

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.

	2007/08 £000's	2006/07 £000's
Balance as at 1 April	0	0
Depreciation transferred to reserve	9,000	8,632
Amount used to finance capital expenditure	(7,761)	(7,700)
Transfer to the capital finance account	(1,239)	(932)
	0	0

All the £7761k 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 £53.25k in 2007/08. However, in line with legislation, these costs are credited out through the pension reserve so only the pension fund contributions and discretionary benefits act

Collection Fund Account

	Notes	Year ended 31st March 2008		Year ended 31st March 2007	
		£000's	£000's	£000's	£000's
Income					
Council tax			114,842		110,084
Transfers from general fund:					
Council tax benefits			18,435		17,795
Income collectable from business ratepayers			245,258		249,380
Adjustment of previous years' community charges			0		0
			<u>378,535</u>		<u>377,259</u>
Expenditure					
Precepts & demands:					
London Borough of Hillingdon		103,754		99,584	
Greater London Authority		29,179	132,933	27,597	127,181
Business rates:					
Cost of collection			608		613
Payment to national pool			244,649		248,767
Provision for doubtful debts			1,206		1,402
Towards previous years' estimated collection fund deficit			(437)		(271)
			<u>378,959</u>		<u>377,692</u>
Deficit for the Year			<u>424</u>		<u>433</u>
COLLECTION FUND BALANCE					
Fund deficit at beginning of year			1,196		763
Deficit for the year			424		433
Fund deficit at end of year:			<u>1,620</u>		<u>1,196</u>
Analysis of year end deficit:					
Council tax	4		1,620		1,195
Previous years' community charges	4		0		1
			<u>1,620</u>		<u>1,196</u>

Christopher Neale
 Director of Finance and Resources
 24 September 2008

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 31st March 2008 was £637.5m. The national non-domestic multiplier for the year was 44.4p and 44.1p for small businesses.

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 & Exemptions	Net estimated number of Properties	Ratio	Band D Equivalent 2007/08	Band D Equivalent 2006/07
A	685	171	514	6/9	343	341
B	5,366	1,209	4,157	7/9	3,233	3,227
C	20,943	3,587	17,357	8/9	15,428	15,405
D	44,535	5,003	39,533	9/9	39,533	39,489
E	17,449	1,697	15,752	11/9	19,252	19,153
F	9,277	923	8,354	13/9	12,067	12,034
G	4,501	449	4,052	15/9	6,754	6,774
H	380	46	334	18/9	667	641
Total					97,277	97,063
Adjustment for non-collection					(1,254)	(1,443)
Council tax base					96,023	95,620

3. ADJUSTMENT FOR PREVIOUS YEARS' COMMUNITY CHARGES

Residual Community Charges of £83k were written off in 2007/08

4. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

The deficit of £1k relating to prior year community charges has been transferred to the general fund in 2007/08. The deficit of £1,620K 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

	2007/08 £000s	2006/07 £000s
Council tax	2,439	997
NNDR	4,663	300
Community Charge	85	0

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 30th April 2003 limited by guarantee which began trading on 1st 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 LBH 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
	<hr/>	<hr/>
	15	100%

Council members on the board of Hillingdon Homes are detailed in Note 14 page 34.

Policy Decisions concerning the LBH 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 30th 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 2007 to 31 March 2008 therefore no adjustments are required regarding the accounting year. Hillingdon Homes' statement of accounts were approved by the board on 23rd July and audited by their appointed auditor KPMG. Copies of Hillingdon Homes Ltd 2007/08 statement of accounts can be obtained from Hillingdon Homes Finance Department, Ruislip Housing Office, 130 High Street, Ruislip HA4 8LP.

Group Accounts

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:

- i. **Goodwill:** Subsidiary is formed by LBH and there wasn't any goodwill on formation.
- ii. **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

- iii. **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.
- iv. **Profit/loss on disposal of assets.** These are credited or debited to the group income and expenditure account. For 2007/08 the loss totalled £3,093k 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 & 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 2008 the net pension deficit in respect of Hillingdon Homes totalled £0.39m, which is included in the Group Balance Sheet.

Group Income and Expenditure Account

	Year ended 31 March 2008			2006/07
	Notes	Expenditure £000's	Income £000's	Net Expenditure £000's
EXPENDITURE ON SERVICES				Restated
Central services to the public		28,208	22,334	5,874
Cultural, environmental and planning services		57,802	20,375	37,427
Education & Children's Services		291,549	245,261	46,288
Highways, roads and transport services		26,496	7,387	19,109
Local authority housing (HRA)		45,884	51,974	(6,090)
Other housing services		115,509	110,109	5,400
Adult Social Care		93,901	28,134	65,767
Court and Probation services		172	10	162
Corporate and democratic core		11,022	2,921	8,101
Non distributed costs		3,311	1,085	2,226
NET COST OF SERVICES		673,854	489,590	184,264
Loss on sale of fixed assets		3,093	0	3,093
Precepts and levies		380	0	380
Net loss on trading undertakings		7,401	7,374	27
Interest payable		11,652	0	11,652
Contribution to housing pooled capital receipts		4,437	0	4,437
Losses on repurchase/early settlement of borrowing		19	0	19
Interest and investment income		0	8,036	(8,036)
Pension interest cost & expected return on pensions assets		0	3,705	(3,705)
Taxation of group		52	0	52
NET OPERATING EXPENDITURE		700,888	508,705	192,183
FINANCED BY:				
General Government Grants		-	12,158	(12,158)
Demand on the Collection Fund		-	103,754	(103,754)
Transfer to collection fund in respect of deficit		342	-	342
Non-domestic rate income		-	63,948	(63,948)
INCOME FROM GENERAL GRANTS & LOCAL TAXPAYERS				(179,518)
DEFICIT FOR THE YEAR				12,665
				4,890

Reconciliation of Single Entity Surplus or Deficit for the Year to the Group Surplus or Deficit

Notes	2007/08 £000's	2006/07 £000's
Deficit on the authority's single entity Income & Expenditure Account for the year	13,229	4,737
Add: Deficit arising from other entities included in the group accounts analysed into the amounts attributable to:		
- Subsidiary	(564)	153
Group Accounts deficit for the year	12,665	4,890

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 & 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.

	2007/08 £000's	2006/07 £000's
Net deficit for the year	12,665	4,890
Gain arising on revaluation of fixed assets	(50,346)	(25,813)
Actuarial gain on pension assets and liabilities	(2,289)	(38,678)
Collection Fund deficit attributable to Hillingdon	333	0
Other	0	332
Total Recognised gains and losses for the year	(39,637)	(59,269)

Group Balance Sheet

	Notes	At 31st March 2008		At 31st March 2007	
		£000's	£000's	£000's	£000's
FIXED ASSETS					Restated
Intangible assets - Software Licenses			1,682		1,535
Operational Assets	2				
Council dwellings		766,345		727,919	
Other land and buildings		551,986		559,941	
Vehicles, plant and equipment		10,652		11,966	
Community assets		12,427		11,075	
Infrastructure assets		145,044	1,486,454	143,282	1,454,183
Non Operational Assets			28,095		18,893
LONG TERM INVESTMENTS			4,112		76
LONG TERM DEBTORS			674		909
Deferred Premiums on early repayment of debt			0		3,463
TOTAL LONG TERM ASSETS			<u>1,521,017</u>		<u>1,479,059</u>
CURRENT ASSETS					
Stocks & works in progress		147		171	
Debtors and payments in advance	3	60,812		65,812	
Short term investments		93,803		102,900	
Cash in hand and at bank		19,582	174,344	3,919	172,802
CURRENT LIABILITIES					
Borrowing repayable on demand or within 12 months		(4,928)		(5,213)	
Creditors and receipts in advance	4	(95,311)		(83,471)	
Bank overdraft		0	(100,239)	(6,089)	(94,773)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,595,122</u>		<u>1,557,088</u>
Provisions of liabilities and charges	5		(6,420)		(5,324)
Deferred Credits			(187)		(277)
Borrowing repayable within a period in excess of 12 months			(216,951)		(222,890)
Government grants deferred account			(126,375)		(117,281)
Deferred liabilities			(4,248)		(5,987)
Liability related to defined benefit pension schemes			(101,650)		(105,675)
TOTAL ASSETS LESS LIABILITIES			<u>1,139,291</u>		<u>1,099,654</u>
Revaluation Reserve			26,153		0
Capital Adjustment Account			1,182,303		1,174,995
Fixed Asset Restatement Account			0		0
Capital Financing Account			0		0
Financial Instruments Adjustment Account			105		0
Usable capital receipts reserve			508		0
Pension reserve			(101,650)		(105,675)
Equal pay back pay account			(234)		(234)
Fund balances and reserves	6		32,106		30,568
TOTAL NET WORTH			<u>1,139,291</u>		<u>1,099,654</u>

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
 24 September 2008

Group Cash Flow Statement

	Note	2007/08		2006/07	
		£000's	£000's	£000's	£000's
REVENUE ACTIVITIES				Restated	
Expenditure					
Cash paid to and on behalf of employees		241,790		239,169	
Housing Benefit paid out		49,445		44,897	
RSG /NNDR payments payable to Secretary of State		192,526		185,885	
Precepts Paid		29,085		34,429	
Payment to the capital receipts pool		5,421		3,828	
Other operating cash payments		149,532	667,799	174,205	682,413
Income					
Rents (after rebates)		(26,558)		(46,591)	
Council Tax Income		(115,839)		(110,084)	
RSG /NNDR receipts payable by Secretary of State		(63,948)		(60,906)	
Non-domestic rate income		(31,843)		(33,309)	
Revenue Support Grant		(10,732)		(12,136)	
Dedicated Schools Grant		(158,427)		(148,435)	
DWP grants for benefits		(124,581)		(97,609)	
Other government grants		(190,012)		(174,506)	
Cash received for goods & services		(866)		(3,594)	
Other operating cash receipts		8,777		(37,305)	
Other Revenue Activities		0	(714,029)	(4,832)	(729,307)
Revenue Activities Net Cash (Inflow) / Outflow	1		(46,230)		(46,894)
SERVICING OF FINANCE					
Expenditure					
Interest paid		9,588		9,093	
Interest element finance lease rental payments		475		351	
Income					
Interest received		(7,586)		(2,764)	
Servicing of Finance Net Cash Outflows			2,477		6,680
Taxation			52		57
CAPITAL ACTIVITIES					
Cash Outflows					
Purchase of fixed assets		53,835		68,152	
The Council received a number of grants from central government which is considered a related party. These are detailed in Note 51 on page 54.		0		0	
Other capital cash payments		14,267	68,102	10,355	78,507
Cash Inflows					
Sale of fixed assets		(21,864)		(29,101)	
Capital grants received		(18,609)		(15,305)	
Other capital cash payments/income		(2,772)	(43,245)	(2,565)	(46,971)
Capital					
Net cash outflow			24,857		31,536
Net Cash Inflow Before Financing/Management of Liquid Resources			(18,844)		(8,621)
Net increase in short term investments			(10,170)		59,400
FINANCING					
Cash Outflows					
Repayments of amounts borrowed		5,213		32,372	
Capital element of finance lease rental payments		2,049	7,262	1,712	34,084
Cash Inflows					
Long term loans raised			0		(83,000)
Short term loans raised			0		0
(Increase)/decrease in cash and cash equivalents			(21,752)		1,863

Notes to Group Accounts

1. RECONCILIATION OF REVENUE CASHFLOW

	Year ended 31st March 2008		Year ended 31st March 2007	
	£000's	£000's	£000's	£000's
General fund net surplus	(2,772)		(6,462)	
HRA Deficit	339		4,292	
Hillingdon Homes Ltd	(2,022)		(2,092)	
Collection Fund	334		332	
Total Surplus		(4,121)		(3,930)
Add items not resulting in cashflow				
Minimum revenue provision	(4,432)		(4,511)	
Voluntary Revenue Provision	(1,676)		(270)	
Contributions from reserves	40		(912)	
Provisions set aside in year	(1,253)		(1,018)	
Written off Premia	0		(167)	
Other non cash items	(8,065)	(15,386)	1,383	(5,495)
Movements in working capital				
(Increase) / decrease in creditors	(10,361)		13,325	
Increase / (decrease) in stocks & work in progress	(24)		(7)	
Increase / (decrease) in debtors	(5,288)		(29,232)	
Increase/(decrease) in long term debtors	(265)	(15,938)		(15,914)
Items Classified elsewhere on Cashflow Statement				
Capital expenditure financed from revenue	(12,156)		(16,991)	
Lease Payments	(2,049)		(1,712)	
Capital Receipts in Respect of the Pool	5,421		3,828	
Deduct interest received	7,326		2,764	
Interest paid	(9,327)	(10,785)	(9,444)	(21,555)
Revenue activities net cash flow		(46,230)		(46,894)

2. MOVEMENT OF FIXED ASSETS 2007/08

	LBH Council Dwellings	LBH Other Land & Buildings	LBH Vehicles, Plant & Equipment	HH Vehicles, Plant & Equipment	LBH Infrastructure 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 2007	745,407	600,622	33,153	268	193,548	11,075	1,584,073
Accumulated depreciation & impairment	(17,488)	(40,681)	(21,338)	(117)	(50,266)	0	(129,890)
Net book value as at 1 April 2007	727,919	559,941	11,815	151	143,282	11,075	1,454,183
Transfers	(51)	(1,990)	51		0	0	(1,990)
Depreciation on transfers		1					1
Additions	25,242	12,163	2,173	36	6,598	1,389	47,601
Revaluations	31,379	(1,024)	0		0	6	30,361
Disposals	(9,566)	(5,996)	(339)		0	0	(15,901)
Impairments	(281)	(2,359)	0		0	(44)	(2,684)
Depreciation on assets sold	348	332	339		0	0	1,019
Depreciation on assets revalued	0	0	0		0	0	0
Depreciation for year	(8,645)	(9,081)	(3,470)	(104)	(4,836)	0	(26,136)
Net book value as at 31 March 2007	766,345	551,987	10,569	83	145,044	12,426	1,486,454

Notes to Group Balance Sheet

3. DEBTORS

	LBH At 31st March 2008 £000's	HH At 31st March 2008 £000's	Total Group At 31st March 2008 £000's	Total Group At 31st March 2007 £000's
Government departments	19,740	0	19,740	0
Other public bodies	5,333	0	5,333	399
Hillingdon Homes Ltd	1,549	0	1,549	35
Housing rents	6,890	0	6,890	0
Non-domestic ratepayers	15,766	0	15,766	0
Community chargepayers	0	0	0	0
Council taxpayers	13,340	0	13,340	0
Sundry debtors	31,136	27	31,163	0
Car & other loans	65	0	65	0
Other debtors & prepayments	0	221	221	225
Less: Intra group transactions	0	(1,126)	(1,126)	(3,370)
	93,819	(878)	92,941	-2,711
Less: Provision for doubtful debts	(32,129)	0	(32,129)	(34,480)
	61,690	(878)	60,812	-37,191

4. CREDITORS

	LBH At 31st March 2008 £000's	HH At 31st March 2008 £000's	Total Group At 31st March 2008 £000's	Total Group At 31st March 2007 £000's
Government departments	27,191	0	27,191	119
Other public bodies	4,025	60	4,085	1,937
Hillingdon Homes Ltd	(33)	0	-33	0
Housing rents prepaid	0	0	0	0
Sundry creditors	51,773	910	52,683	719
Non-domestic ratepayers	5,656	0	5,656	0
Council taxpayers & Collection fund Deficit	3,746	0	3,746	0
Accruals & others	0	1,255	1,255	1,058
Less: Intra group transactions	0	727	727	(3,370)
	92,358	2,952	95,310	463

5. PROVISIONS

In addition to the council's provision detailed in Note 47, page 52, Hillingdon Homes Ltd has provided for insurance liability £302k.

6. FUND BALANCES AND RESERVES

	At 31st March 2008 £000's	At 31st March 2007 £000's
General Fund :		
- Working balance	12,614	9,298
- Schools delegated funds	13,026	13,626
- Breakspear Crematorium	422	366
Earmarked Reserves:		
- Parking fund	803	844
- New Road & Streetworks Act fund	294	362
- PRG Capital Reserve	0	1,073
- Elections	69	0
Collection Fund	(1,269)	(935)
Housing Revenue Account	5,039	5,378
Hillingdon Homes	1,108	556
	32,106	30,568

Pension Fund Accounts

FUND ACCOUNT	Notes	Year Ended 31st March 2008 £000's	Year Ended 31st March 2007 £000's
Contributions Receivable	3		
-From Employers			
Normal		16,704	14,654
Special		680	259
Additional		0	0
-From Employees			
Normal		6,763	6,823
Additional Contributions		133	63
Transfers In	4		
Group Transfers In		0	0
Individual Transfers In		4,120	3,928
Other Income	5		
Claims on term Insurance			
Contributions Equivalent Premium Recovered			3
		<u>28,400</u>	<u>25,730</u>
Benefits Payable	6		
Pensions Payable		19,004	17,782
Commutation of Pensions and Lump sum retirements benefits		5,569	3,732
Lump Sum death benefits		314	464
		24,887	21,978
Payments to and on account of leavers	7		
Refunds of Contributions		7	21
State Scheme Premiums		6	4
Group transfers out to other schemes		0	1,685
Individual transfers out to other schemes		2,531	2,171
		2,544	3,881
Administrative Expenses	9		
		648	673
		<u>28,079</u>	<u>26,532</u>
Net withdrawals from dealings with members		321	(802)
Return on Investments			
Investment Income	10		
Interest from fixed interest securities		2,145	2,272
Dividends from equities		11,667	11,476
Income from index-linked securities		333	270
Income from pooled investment vehicles		1,468	1,366
Interest on cash deposits		679	415
Other (for example from stock lending or underwriting)		460	1,104
Irrecoverable withholding tax		(218)	0
		16,534	16,903
Changes in market value of investments	11		
- Realised		30,234	14,829
- Unrealised		(78,926)	4,588
		(48,692)	19,417
Investment Management Expenses	12		
Fund managers fees		(2,361)	(2,183)
Pooled funds Investment expenses		(325)	(294)
		(2,686)	(2,477)
Net Return on Investments		<u>(34,844)</u>	<u>33,843</u>
Net Increase/(Decrease) in the fund during the year		<u>(34,523)</u>	<u>33,041</u>
Net Assets at start of year		<u>576,568</u>	<u>543,527</u>
Net Assets at end of year		<u>542,045</u>	<u>576,568</u>

Notes To Pension Fund Accounts

		Notes	Year Ended 31st March 2008 £000's	Year Ended 31st March 2007 £000's
NET ASSETS STATEMENT				
Investments at Market Value		11		
Fixed Interest Securities	UK Public Sector Quoted		12,030	16,188
	UK Corporate Quoted		7,465	10,688
	Overseas Public Sector Quoted		4,189	8,763
	Overseas Corporate Quoted		12,974	15,009
			36,658	50,648
UK Equities	UK Quoted		169,096	201,162
	Overseas Quoted		160,634	157,495
			329,730	358,657
Index Linked Securities	UK Public Sector Quoted		17,212	15,533
	UK Corporate Quoted		405	371
			17,617	15,904
Pooled Investment Vehicles	UK Managed Funds - Other		18,244	48,436
	UK Unit Trusts - Other		5,848	16,262
	UK Unit Trusts - Property		50,470	51,923
	O/S Managed Funds - Other		2,449	0
	O/S Unit Trusts - Other		50,903	12,772
			127,914	129,393
Private Equity	Managed Fund		18,010	9,919
			18,010	9,919
Fund manager's Cash	Sterling		11,847	11,649
			11,847	11,649
Net current assets and liabilities				
Debtors		14		
	Sundry Debtors		8,133	5,120
			8,133	5,120
Creditors		15		
	Due to the authority		(1,527)	(745)
	Sundry Creditors		(5,949)	(3,977)
	Other Forward Fx Unrealised Loss		(387)	0
			(7,863)	(4,722)
TOTAL NET ASSETS			542,045	576,568

Christopher Neale
 Director of Finance
 24 September 2008

Notes To Pension Fund Accounts

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. BASIS OF PREPARATION

The accounts have been prepared in accordance with the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 [in the Republic of Ireland, the Occupational Pension Schemes (Disclosure of Information) Regulations 2006], and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised May 2007). This regulation is not effective until the 2008/09 financial year, but has been adopted early by the London Borough of Hillingdon Pension Fund.

Transitional provisions

There have been changes to the Statement of Recommended Accounting Practice (SORP) for Pension Funds but comparative information has not been provided, as retrospective valuations at bid price would not be reliable. As an alternative the SORP permits existing accounting policies to be applied to comparative information.

- a. Disclosure of valuation figures for 2006/2007 has been made on the mid price basis.
- b. A valuation on bid price would be required to enable a comparison against the current year.

2. ACCOUNTING POLICIES

- a) 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.
- b) **Accruals concept** - Income and expenditure are recorded on an accruals basis, except for transfer values which are accounted on a cash basis.
- c) **Valuation of assets** - Investments are valued on the basis of BID market prices, or where unavailable, on the most appropriate basis in the opinion of the Fund managers.
- d) **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.
- e) **Acquisition costs of investments** occur as brokerage commission when investments are purchased. They are recorded in the cash figure on an accruals basis.
- f) **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.
- g) **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.
- h) **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.

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 to dependents.

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.

Notes To Pension Fund Accounts

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

Admitted Bodies:

Hillingdon & Ealing Citizens Advice

Heathrow Travel Care

Central Parking Systems (CPS)

Look Ahead Housing and Care

Scheduled Bodies:

Hillingdon Homes

Uxbridge College

Stockley Academy

Harefield Academy

London Housing Consortium

As at 31 March 2008 there were 6,192 employees contributing to the fund, with 4,158 in receipt of benefit and 4,660 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 2007/08:

Cllr P Corthorne (Chairman)

Cllr M Markham

Cllr G Cooper

Cllr J Duncan

Cllr Paul Harmsworth

Mr J Thomas (UNISON) (Non Voting)

Cllr M Cox

Mr Nicholas Manthorpe (Active Scheme Representative) (Non Voting)

Mr John Holroyd (Pensioner/Deferred Scheme Representative) (Non Voting)

3. CONTRIBUTIONS

	2007/08	2006/07
	£000's	£000's
Employers		
Normal	13,582	12,552
Deficit Funding	3,802	2,361
Employees		
Normal	6,763	6,823
Additional Contributions	133	63
	24,280	21,799

* As identified in the last actuarial valuation (31 March 2007), the fund was 92% funded.

Thus the 8% deficit was agreed with the actuaries to be made up over a period of 25 years, with a target contribution rate of 16.80% to achieve 100% funding.

This necessitated the increase in contribution rates by the affected employers within the fund on an annual basis. These extra employers' contributions constitutes the deficit funding payments.

(Also see note 52)

4. TRANSFERS IN

	2007/08	2006/07
	£000's	£000's
Individual transfers in from other schemes	4,120	3,928
	4,120	3,928

5. OTHER INCOME

	2007/08	2006/07
	£000's	£000's
Claim on term insurance policies	0	3
	0	3

Notes To Pension Fund Accounts

6. BENEFITS	31 March 2008	31 March 2007
	£000's	£000's
Pensions	19,004	17,782
Commutations and lump sum retirement Benefits	5,569	3,732
Purchase of Annuities	0	0
Lump Sum Death benefits	314	464
	24,887	21,978

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS	31 March 2008	31 March 2007
	£000's	£000's
Refunds of Contributions	7	21
State Scheme Premiums	6	4
Group transfers out to other schemes	0	1,685
Individual transfers out to other schemes	2,531	2,171
	2,544	3,881

8. OTHER PAYMENTS
No transactions recorded for this category

9. ADMINISTRATIVE EXPENSES	31 March 2008	31 March 2007
	£000's	£000's
Administration and processing	578	623
Actuarial fees	70	50
	648	673

10. INVESTMENT INCOME	31 March 2008	31 March 2007
	£000's	£000's
Interest from fixed interest securities	2,145	2,272
Dividends from equities	11,667	11,476
Income from index-linked securities	333	270
Income from pooled investment vehicles	1,468	1,366
Interest on cash deposits	679	415
Other (for example from stock lending or underwriting)	460	1,104
	16,752	16,903
Irrecoverable withholding tax	(218)	0
Total investment income	16,534	16,903

Notes To Pension Fund Accounts

11. INVESTMENTS

	Value at 01/04/07	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31/03/08
Fixed interest securities	50,648	33,517	(33,909)	(13,598)	36,658
Equities	358,657	186,370	(179,097)	(36,202)	329,728
Index-linked securities	15,904	4,892	(5,047)	1,868	17,617
Pooled investment vehicle	139,312	8,692	(1,705)	(373)	145,926
Derivative contracts	0	387	0	(387)	0
Propertires	0	0	0	0	0
Insurance policies	0	0	0	0	0
AVC investments	0	0	0	0	0
	564,521	233,858	(219,758)	(48,692)	529,929
Cash deposits	11,649				11,846
Other investment balances	398				270
	576,568				542,045

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £744,617. In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

	31 March 2008	31 March 2007
	£000's	£000's
Fixed Interest Securities		
UK Public Sector quoted	12,030	16,188
UK Corporate quoted	7,465	10,688
Overseas Public Sector quoted	4,189	8,763
Overseas Corporate quoted	12,974	15,009
	36,658	50,648
Equities		
UK quoted	169,096	201,162
Overseas quoted	160,634	157,495
	329,730	358,657
Index Linked Securities		
Uk public sector quoted	17,212	15,533
Uk corporate quoted	405	371
	17,617	15,904

Notes To Pension Fund Accounts

11. INVESTMENTS (Continued)

	31 March 2008	31 March 2007
	£000's	£000's
Pooled Investment Vehicles		
UK Managed funds - other	18,244	48,436
UK Unit Trusts - other	5,848	16,262
UK Unit Trusts - property	50,470	51,923
O/S Managed Funds - other	2,449	0
O/S Unit Trusts - other	50,903	12,772
Private Equity	18,010	9,919
	145,924	139,312
Cash deposits		
Sterling	11,847	11,649
	11,847	11,649
Forward FX Unrealised Loss	(387)	0
Outstanding trades	(433)	(1,135)
Outstanding dividend entitlements and recoverable withholding tax	3,418	3,136
Sundry Debtors	141	104
Sundry Creditors	(2,469)	(1,707)
	270	398

AVC INVESTMENTS

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

12. INVESTMENT MANAGEMENT EXPENSES

	31 March 2008	31 March 2007
	£000's	£000's
Administration, management and custody	2,650	2,454
Performance measurement services	4	2
Other advisory fee	32	21
	2,686	2,477

13. BORROWINGS

The Fund currently has no borrowings

14. CURRENT ASSETS

	31 March 2008	31 March 2007
	£000's	£000's
Amount outstanding on sales of investments	4,574	1,894
Investment income due	3,418	2,954
Employers' / Employees' contributions due	141	104
Recoverable tax	0	168
	8,133	5,120

Notes To Pension Fund Accounts

15. CURRENT LIABILITIES

	31 March 2008	31 March 2007
	£000's	£000's
Amount outstanding on purchase of investments	5,007	3,029
Fund managers' fees	649	611
Administration fees	27	59
Retirement Grants payable	38	21
Transfers Out payable	0	56
Forward Fx Unrealised Losses	387	0
Tax Payable	228	201
Pension Fund Owed to General Fund	1,527	0
	7,863	3,977

16. ACTUARIAL POSITION

The Fund's actuary, Hymans Robertson, carried out an actuarial valuation of the fund as at 31 March 2007. On the basis of the assumptions adopted, the valuation showed that the value of the fund represented 92% of the fund's accrued liabilities at the valuation date. The market value of the fund's assets at the valuation date, 31 March 2007, was £577m. The value of the deficit at that date was £50m.

The revised employers' contribution rates were effective from 1 April 2008 and were set to recover the deficiency over a period of 25 years. The total common contribution rate is 16.8% for the period of 1st April 2008 to 31 March 2011.

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

Investment Return	6.10%
Earnings Growth	4.70%
Price Inflation	3.20%

17. 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 (3) to the Pension Fund accounts. The council provides the administration service for the pension fund. In 2007/08 a charge of £578k (£623k in 2006/2007) 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 Hillingdon & Ealing Citizens Advice.

Notes to Pension Fund Accounts

18. STOCK LENDING ARRANGEMENTS

On the 12th December 2006 the London Borough of Hillingdon Pension Fund Committee agreed to engage Northern Trust Global Investments Limited to carry out Securities Lending. As at 31st March 2008, securities worth £51m were loaned out by Northern Trust from our portfolio and collateral worth £3.5 billion was held within the pool including Hillingdon. In the same period, a net income of £144,594.79 was received. (Gross £195,193.70).

19. STATEMENT OF INVESTMENT PRINCIPLES (SIP)

The SIP is reviewed annually and a current version is available on the Council's website:

www.hillingdon.gov.uk/central/pensions

20. BULK TRANSFER

There were no bulk transfers in or out of the fund during 07/08.

London Borough of Hillingdon

Annual Governance Statement 2007-08

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 a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The London Borough of Hillingdon has approved and adopted a code of corporate governance. During 2007-08 the code has been reviewed for consistency against the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The Council has updated the code, which will be presented at a full Council meeting for approval in 2008-09. This statement explains how the London Borough of Hillingdon has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

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

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

The governance framework has been in place at the London Borough of Hillingdon for the year ended 31 March 2008 and up to the date of approval of the Annual Report and Statement of Accounts.

The Governance Framework

The London Borough of Hillingdon has brought together the underlying set of statutory obligations, management systems and principles of good governance to establish a formal governance framework. The key elements outlined below demonstrate how the authority maintains effective internal controls and governance system.

The London Borough of Hillingdon's Constitution, which sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that they are efficient, transparent and accountable to local people.

'Fast Forward to 2010', sets out the Council's vision for the London Borough of Hillingdon and the key priorities for improving services for local residents, partners, businesses and visitors. This is a strategic planning document that records achievement against statutory and local targets.

Part 2 of the constitution outlines the **roles and responsibilities** of the Executive, Non-executive, Mayor, Overview and Scrutiny committees, Standards committee and officer functions. The governance arrangements for the London Borough of Hillingdon comprise:

- A structure of the Leader of the Council, cabinet and executive scrutiny committees
- A Corporate Management Team
- A Operational Management Group
- The Audit Committee, led by an independent chair

Part 2, article 7 of the Constitution sets out the **'Cabinet Scheme of Delegations'**. This governs the Council's allocation of responsibilities and the discharge of executive functions by the Leader, the Cabinet and Cabinet members.

Part 3 of the Constitution sets out the **'Scheme of Delegations to Officers'**. This governs the responsibility allocated to officers of the Council to perform the authority's activities on behalf of the executive. The Council is currently in the process of conducting a cross-Council review of the scheme of delegations to ensure consistency with statutory obligations.

Part 5 of the Constitution sets out a formal **'Code of Conduct'** governing the behaviour and actions of all elected Council members. Based on national guidelines, the code ensures that Councillors conduct themselves appropriately to fulfil their duties and that any allegations of misconduct are investigated. This code also applies to all Council employees and is part of the contract of employment. During 2007-08 the Council has reviewed the code, updated guidance and communicated these requirements to officers. A members training programme has also been implemented to embed high standards of conduct and behaviour. Additionally, from May 2008 all complaints against members of the Council are handled by the Standards Committee in accordance with the requirements of the Local Government and Public Involvement in Health Act 2007 & the Standards (in England) regulations 2008.

A 'Register of Interests' that records and monitors declarations of financial interest made by members or officers. This is maintained in accordance with section 117 of the Local Government Act 1972.

The London Borough of Hillingdon has in place a **Code of Corporate Governance** setting out the Council's governance structure, decision making process and areas of responsibility. Originally adopted in 2002, the code has been reviewed and updated during 2007-08 to evidence the improvements made to the Council's governance arrangements. The revised code is founded on the fundamental principles of openness, integrity and accountability and sets out the policies, systems and procedures in place to achieve this.

A Member / Officer Protocol to govern and regulate the relationship between the Council's elected members and appointed officers. This has been developed in consultation with the political leadership, all Council members and officers. The protocol was approved on 15 May 2008 at the Council's Annual General Meeting and is being communicated to all members and officers.

An independent Audit Committee that operates to oversee the financial reporting, provide an independent scrutiny of the Council's financial and non-financial systems, and provide assurance on the effectiveness of the Council's risk management procedures and control environment. The Audit Committee has been set up with terms of reference consistent with CIPFA's *'Audit Committees – Practical Guidance for Local Authorities 2005'*.

A formal whistle-blowing policy, which is based on the Public Interest Disclosure Act 1998. The policy allows Council staff and the public to raise complaints regarding any behaviour or activity within the Council, ranging from unlawful conduct to possible fraud or corruption. The Monitoring Officer has overall responsibility for maintaining and operating the policy, along with reporting on outcomes to the Standards Committee.

The performance management structure under the remit of the Head of Organisational Development 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 Policy Overview Committees each quarter.

The Hillingdon Improvement Programme (HIP) is the Council-wide transformational programme aimed at delivering a range of performance, organisational culture and process improvements. In 2007-08 HIP made a significant contribution to reviewing the Council's vision and delivering substantial improvements to how the Council operates and the way services are delivered.

The London Borough of Hillingdon has established effective **risk management systems**, which include:

A corporate risk management strategy outlining the Council's risk framework, roles and responsibilities and processes for capturing and reporting key corporate risks

Team, service and corporate risk registers, which allow the identification, quantification and treatment of risks against the Council's objectives

A Corporate Risk Management Group (CRMG) for ensuring the Council's Risk Management Strategy and training in risk management is embedded into the decision making process

A clearly defined process for the management of partnership risks, which is outlined in the 'Partnerships Framework and Toolkit'.

A programme of risk management training for both Council members and officers to ensure the consistent practice of identifying and escalating risk

The Committee Standing Orders (Part 4B), Procurement & Contract Standing Orders (Part 4H) & Scheme of Delegation to Officers (Part 3) are incorporated in the Constitution and reviewed annually. The Scheme of delegation was updated in April 2008 and published on the Council's internal web pages. For 2008-09 a scheme of delegation specific to each directorate was published. In 2008-09 these schemes have been reviewed and updated accordingly.

The Council operates an effective **service, financial planning and annual budget setting process**. This runs from the preceding summer to February with a robust challenge process involving members, the Director of Finance & Resources and Corporate Directors.

The London Borough of Hillingdon operates a training and development programme for Council members and senior officers. This is as follows:

The Council has established a **member development service**, which allows Councillors to access a range of training and develop information. This includes an induction process and material for new members, a programme of member seminars, internal and external training and regular news briefings from 'Members Bulletin'. The service also covers the roles and responsibilities of members and guidance on standards and ethics.

Officers and senior managers are able to access and complete a wide range of learning and development packages through the Council's internal website. This includes online induction programmes and guidance, NFCE courses, NVQ qualifications and a range of other learning events.

Performance and Development Appraisal (PADA) is the Council's competency framework, which must be completed by all officers and senior managers. This records employees' key objectives and tasks, and logs when these must be delivered. The Council's guidance on PADA's also includes an employee and senior manager competency framework

The London Borough of Hillingdon operates a system to monitor legislative changes and ensure that the Council is fully compliant with laws and regulations. In 2007-08 a programme of HIP 'bite-size' sessions delivered training to senior managers on processes and procedures such as procurement, and service and budget planning.

The Consultation Strategy 2007, which established the London Borough of Hillingdon's approach to building strong relationships with residents, visitors and business within the borough. The strategy sets out how the Council consults and engages with the

community throughout Hillingdon to deliver its vision to become a modern well-managed Council delivering excellent services

The Council has produced and implemented a 'Partnership Framework and Toolkit' to establish clear procedures for managing the broad range of Council partners. The toolkit allows consistent approaches to be applied for reviewing existing partnerships as well as considering new partnership arrangements. The toolkit ensures that the Council works with its partners in identifying all its partnerships and gather assurances that they all have good systems of governance, specifically around accountability, risk, probity and audit.

Review of Effectiveness

The London Borough of Hillingdon has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Overall the review of effectiveness concluded that the internal control systems have been in place for the financial year ended 31 March 2008 and, except for the internal control issues detailed in section 5, management and control systems are operating effectively in accordance with good practice.

This review took into consideration the Council's subsidiary, Hillingdon Homes Ltd, which reported no significant internal control issues for the year ended 31 March 2008.

The review has been informed by:

A comprehensive annual programme of scrutiny and review by the Policy Overview Committees and the Audit Committee.

The work of the Council's external auditors, the Audit Commission, as reported in their annual audit letter.

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 Corporate Management Team and the Audit Committee and has provided a satisfactory level of assurance on the internal control environment in 2007-08

The Council has continued to maintain its excellent track record of managing spending within budget, despite the exceptional and unique nature of the risk environment within which the Council operates when compared to the rest of English local government, having absorbed pressures around the costs of unaccompanied asylum seeking children and the impact of the financial position of Hillingdon PCT. Despite these pressures the Council increased unallocated reserves, over the course of 2007/08, to £12.2 million by 31 March 2008. This compares with a target set by the Audit Commission two years ago to increase reserves to £8 million by the same date.

The submission of internal control assurance statements from all Service Directors and Heads of Service covering the financial year 2007-08. Statements provide confirmation that the control environment is operating effectively to safeguard the delivery of services and that any significant control issues have been raised and are being dealt with appropriately.

During the 2007-08 Comprehensive Performance Assessment the Council achieved two (out of four) for its use of resources and three (out of four) for Value for Money, maintaining its position and overall rating as a two star (out of four) Council 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. Approximately 98% of Council plan targets have been completed or are on target to be completed within the timescales identified.

Throughout 2007-08 the Council has made substantial progress to improve existing and implement new procedures and protocols to strengthen governance arrangements and good practice. This includes:

Production of a 'Member / Officer Protocol'

A review of the 'Scheme of Delegations'

Planning Code of Conduct

ICT Code of Conduct

A review of the Council's Code of Corporate Governance

Formation of the Corporate Risk Management Group and improved risk management procedures

Significant Governance Issues

Substantial progress has been made throughout the year to review and resolve the internal control issues reported in the Statement of Internal Control 2006-07. The Council has implemented all outstanding actions to strengthen governance arrangements and control systems and can confirm that all issues reported in 2006-07 have been resolved. The following points provide an update on key improvements from 2006-07:

The Council has conducted a review to ensure that policies and procedures are comprehensive and regularly updated in all service areas. Good practice has shown that some service areas maintain a list of the policies and procedures in place, issue dates and when these are scheduled for review. The Council acknowledges that further work is required in 2008-09 to embed consistent practices across all service areas and ensure that procedures are updated regularly and accessible.

The Partnership Framework and Toolkit was agreed in January 2008 and implemented across the Council. The effectiveness review showed that although there is awareness of the framework and in service areas, full compliance would not occur until early 2008-09. The Council has been working to ensure that all the service areas comply fully with the procedures to manage partnership arrangements.

The Risk Management system has been significantly improved throughout 2007-08. The review showed that risks are being identified and recorded on either the corporate risk register or group risk register. The Council is working to further strengthen the processes for identifying and reporting service level risks and ensure that risk reviews are carried out on a timely basis.

Following a review of the effectiveness of the system of internal control the following control issues have been identified in 2007-08:

Internal Audit identified control issues in the operation of Fleet Management. The comprehensive action plan developed by a specialist risk manger is being implemented and should be completed by the summer. A further independent review of progress against this plan will be commissioned in July 08.

The Council has made significant progress in reviewing payroll controls and has resolved a number of weaknesses identified by external audit in 2006-07. Accounts, as part of efforts to improve control in this area, identified a further issue with reconciliation of payroll to the general ledger and have addressed this.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Hugh Dunnachie
Chief Executive

Signature.....

Date.....

Cllr Ray Puddifoot
Leader of the Council

Signature.....

Date.....

Glossary of Terms

ACCRUAL - A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end of the period.

ACTUARIAL VALUATION - A valuation of assets held, an estimate of the present value of benefits to be paid, and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

AGENCY SERVICES - The provision of services by one body (the agent) on behalf of another that is legally responsible for providing the service. The Council provides services to British Airports Authority.

ASSET - Something that will be used by the authority over a long period of time and has a lasting value (e.g. land, buildings, and roads). See also **COMMUNITY ASSETS, FIXED ASSET, INFRASTRUCTURE ASSETS, NON-OPERATIONAL and OPERATIONAL ASSETS**.

BAD DEBT PROVISION

An amount set aside in the accounts towards potentially irrecoverable debts. This amount is netted against Debtors in the Consolidated Balance Sheet.

BUDGET - A statement of the authority's plans for services expressed in money shown over one or a number of years.

CAPITAL ADJUSTMENT ACCOUNT - A new account that replaces the Capital Financing Account but with a similar function to that account. The balance on the Fixed Asset Restatement Account was transferred to this account on 1st April 2007. This account was created by regulations set out in the Statement of Recommended Practice for Accounting.

CAPITAL CHARGE - A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

CAPITAL EXPENDITURE - Spending on assets (e.g. land, buildings, roads etc.) that adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING ACCOUNT – reflects the amounts set aside from revenue and capital receipts to finance capital expenditure and repay loans. Also included is the difference between depreciation and the Minimum Revenue Provision (see definition below) set aside from revenue to repay debt. This account has been closed at 31 March 2007 as required by the Statement of Recommended Practice for Accounting.

CAPITAL RECEIPTS - The proceeds from the sale of land, buildings or other assets. Capital receipts can be used to pay for new capital expenditure, within rules set down by the Government, or to repay outstanding loans.

CIPFA - The Chartered Institute of Public Finance and Accountancy is the

professional accounting body that specialises in the public services.

COMMUNITY ASSETS - Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONTINGENCY – Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

CONTINGENT ASSET - A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

CONTINGENT LIABILITY - A contingent liability is either:

- a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or
- b) past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE - The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi purpose authorities with a responsibility for making choices in the use of taxpayers' money. The cost of the activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

COUNCIL TAX - The local tax based on relative market values of residential property, that helps to fund local services.

CREDITOR - An amount owed by the Council to a supplier for work done or goods received for which payment has not yet been made.

DEBTOR – An organisation or individual that owes money to the Council.

DEFERRED CHARGE – A charge arising from capital expenditure but where there is no tangible asset. An example is grants given for private property improvement. The Council is permitted to borrow for such expenditure

DEPRECIATION - The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

DIRECT REVENUE FINANCING (revenue contributions to capital) - Resources provided from the authority's revenue budget to finance the cost of capital projects.

DISTRICT AUDITOR - An auditor employed directly by the Audit Commission to audit the accounts of local authorities.

EARMARKED RESERVES - Those elements of the reserves that have been set aside, "earmarked", for specific services.

EMOLUMENTS - All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

EXCEPTIONAL ITEMS - Material items that fall within the ordinary activities of the Council that need to be disclosed in order to present the accounts fairly.

EXTRAORDINARY ITEMS - Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur.

FAIR VALUE - the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FEES AND CHARGES - Income raised by charging users of services.

FINANCE LEASE - A method of paying for capital expenditure where a rent is paid for an asset during its useful life. Finance Leases are treated as capital. See **OPERATING LEASE**.

FINANCIAL YEAR - The period covered by a set of financial accounts - the local authority financial year commences 1 April and finishes 31 March the following year.

FIXED ASSET - An asset that has value beyond one financial year.

FIXED ASSET RESTATEMENT ACCOUNT – principally reflects surpluses or deficits arising from the revaluation of assets and the disposal of assets. This account ceased to exist after 31st March 2007. The final balance was transferred to the **Capital Adjustment Account**.

GENERAL RESERVE – the amount remaining unspent on revenue account after taking account of all expenditure and income for the year. The General Reserve is required to enable the Council to meet potential business risks so that services will not be affected financially should unexpected events occur.

GOING CONCERN - The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assumes no intention to curtail significantly the scale of operations.

GOVERNMENT GRANTS – Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

GROSS EXPENDITURE - The total cost of providing the Council's services before taking into account income from government grants and fees and charges for services.

IMPAIRMENT - A reduction in the value of a fixed asset below its previously assessed value in the balance sheet.

INCOME - Amounts due that has been or is expected to be received.

INFRASTRUCTURE ASSETS - Fixed assets that have no alternative use and are intended to be held in perpetuity. Examples of infrastructure assets are highways and footpaths.

INVESTMENTS - A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority for 365 days or more. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. A short-term investment occurs when surplus funds are invested for 364 days or fewer.

LIABILITIES - Money owed to individuals or organisations that will be paid at some time in the future.

MINIMUM REVENUE PROVISION - (MRP) - The minimum amount, which must be charged each year to an authority's revenue account to set aside funds to repay the principal sum of borrowing for capital purposes.

NET BOOK VALUE - The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET EXPENDITURE – Gross expenditure less specific service income but before deduction of revenue support grant.

NET CURRENT REPLACEMENT COST - The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET REALISABLE VALUE - The open market value of the asset in its existing use (open market value in the case of non-operational assets), or sale proceeds for stocks and stores less the expenses to be incurred in realising the asset.

NATIONAL NON-DOMESTIC RATE (NNDR) – A levy on businesses based on a national rate in the pound multiplied by the rateable value of the premises occupied. NNDR is redistributed among all local authorities and police authorities on the basis of population.

NON-OPERATIONAL ASSETS - Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non operational assets are investment properties, assets under construction and assets that are surplus to requirements, pending sale or redevelopment.

OPERATIONAL ASSETS - Assets held, occupied, used or contracted to be used on behalf of the authority or consumed by an authority in the direct delivery of the services for which it has a responsibility, whether statutory or discretionary or for the service or strategic objectives of the authority.

OPERATING LEASE - A means of renting an asset for part of its life. Operating leases are treated as revenue expenditure See **FINANCE LEASE**.

OUTTURN - Actual income and expenditure for a financial year.

PENSION FUND - The Fund for staff in the Local Government Pension Scheme, maintained on an actuarial basis, which makes pension payments on retirement of participants; it is financed by contributions from the employer and employees and from investment income.

POST BALANCE SHEET EVENTS -Those events, both favorable and unfavorable, which occur between the balance sheet date and the date on which the Director of Finance signs the Statement of Accounts.

PRECEPT - The demands made by the Council and the Greater London Authority on the Collection Fund to finance expenditure.

PRIOR YEAR ADJUSTMENTS - Those material adjustments applicable to prior years arising from changes in accounting policies or to correct fundamental errors.

PRIVATE FINANCE INITIATIVE (PFI) – A central government initiative that aims to increase the level of funding available for public services by attracting private involvement. The Council has one such scheme relating to the provision of Barnhill School. The school has been developed and its ancillary services are provided by a private company with which the Council has a long term contract.

PROVISION FOR DISCOUNT AND PREMIUMS ON LOAN REDEMPTION - A provision to spread over an appropriate period discounts received and premiums paid when loans from the Public Works Loan Board are prematurely repaid.

PROVISION - An amount, set-aside in the accounts, for liabilities that have to be met but where timing is uncertain.

PUBLIC WORKS LOAN BOARD (PWLB) - A government agency that provides long term and medium term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

RELATED PARTY - the relationship between a senior officer or elected member or their families with another body that has, or might develop, a business relationship with the Council.

RESERVES - Money set aside by the authority to meet particular expenditure in future years which do not fall within the definition of provisions.

REVALUATION RESERVE – a new account opened on 1st April 2007 that records all accumulated gains from fixed assets held by the authority offset by that part of depreciation relating to the revaluation.

REVENUE EXPENDITURE - The day-to-day running costs incurred by an authority in providing services. For example payment of salaries to employees.

REVENUE SUPPORT GRANT - A grant paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

STOCKS - The amount of unused or unconsumed stocks held in expectation for future use.

TRANSFER VALUE - A payment one superannuation fund makes to another when a member changes employment.

TRUST FUNDS – Money held in trust by the Council for a specified purpose.

USEFUL LIFE - The period over which the local authority will derive benefits from the use of a fixed asset.

WORKS IN PROGRESS - The cost of work done on an uncompleted project at the balance sheet date.

VIREMENT – The permission to spend more on one budget head when this is matched by a corresponding reduction on some other budget head, i.e. an authorised switch of resources between budget heads.