

London Borough of Hillingdon
Statement of accounts
for the year to 31 March 2009



HILLINGDON
LONDON

www.hillingdon.gov.uk

London Borough of Hillingdon

Statement of Accounts for the Year ended 31 March 2009

	Contents	Page
1	Leader's Statement	2
2	Explanatory Foreword	3
3	Summary of Authority's Financial Performance	5
4	Statement of Responsibilities for the Statement of Accounts	12
5	Audit Certificate and Opinion	13
6	Statement of Accounting Policies	17
7	Income and Expenditure Account	26
8	Reconciliation Of The Movement On The General Fund	28
9	Statement of Total Recognised Gains and Losses	29
10	Balance Sheet	30
11	Cash Flow Statement	31
12	Notes to the Main Financial Statements	32
13	Housing Revenue Account and Notes	63
14	Collection Fund and Notes	66
15	Group Accounts and Notes	68
16	Pension Fund Accounts	77
17	Annual Governance Statement	84
18	Glossary	90

1. Leader's Statement

Introduction by Councillor Ray Puddifoot, Leader of the Council

Welcome to the London Borough of Hillingdon's Statement of Accounts for 2008/09. This statement sets out how the Council spent your money and gives details about the Council's financial position.

For 2009/10, we kept our commitment to residents to freeze council tax for everyone who lives in Hillingdon. Our policy of putting residents at the heart of everything we do means that as well as a zero increase in council tax, we have also continued to invest in things that are helping to improve our borough.

The environment, our heritage, our libraries and our sports facilities have all received extra money invested by your council.

Work is progressing on our two state-of-the-art leisure centres in Uxbridge and Botwell, Hayes and we are well on target to open them on time and to budget. Our library refurbishment programme is continuing to deliver improved facilities for our residents and the number of people now visiting our libraries is increasing. This is against the national trend and shows that our policy of investing in libraries rather than closing them is the right one.

We are supporting the borough's older residents with initiatives such as free burglar alarms, which have helped more than 500 of our older residents to feel safer in their own home. We are supporting our younger residents by providing more facilities for them such as the mobile youth bus and in the coming year, we will be opening three new youth centres.

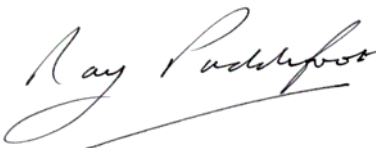
Our residents' card, HillingdonFirst – is designed to offer privileges to Hillingdon council taxpayers, so that you will receive preferential rates on parking and other council services, as well as discounts in local shops and businesses.

As well as supporting our residents, we have also helped local businesses during what has been a tough year for them. Our response to helping businesses through the credit crunch has included a free weekend parking initiative to encourage shoppers into Uxbridge, work to help get small businesses reductions on their business rates and help with rents. We have also brought in significant additional funding to help support training in the borough, helping both residents and businesses alike.

We are still pressing the government to fully fund the costs of supporting unaccompanied asylum seeking children, as this remains a burden on the borough, which we believe to be unfair.

As well as no increase in council tax and continued investment in local services, the Council has also been rated as the most efficient Council in London and eighth in the country, which is a very impressive performance by any measure. Since April 2008, the council has made £24,211,000 in efficiency savings – This represents almost 10% of our total spending. This means we are running the Council for less, allowing us to invest in improving local services. More importantly, we have saved every Band D household in Hillingdon £252.

In the last year, your Council has delivered on its vision to be a modern, well-managed council delivering excellent services and we will continue to provide excellent value for money for the residents of our borough.



Councillor Ray Puddifoot
Leader of the Council

2. Explanatory Foreword

This document sets out the annual accounts of the London Borough of Hillingdon for the year ended 31 March 2009. The accounts are in the format for local authority accounts set by the Chartered Institute of Public Finance and Accountancy.

The purpose of this foreword is to provide a guide to the most significant matters reported in the financial statements. Included are a number of technical terms that are specific to local government finance and a glossary has been provided on page 90 to assist the understanding of the financial statements.

The core accounting statements comprise:

The Income and Expenditure Account

This reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from taxpayers. The surplus or deficit on this account represents the amount by which income is greater than or less than expenditure. Both income and expenditure are measured using essentially the same accounting conventions, UK Generally Accepted Accounting Practices (UK GAAP), which a large unlisted company would use in preparing its accounts.

The Statement of Movement on the General Fund Balance

This reports items of income and expenditure that are required respectively to be credited or charged to the General Fund Balance by statute or non-statutory practices other than in accordance with UK GAAP. These are items that are taken into account in determining the Council's budget requirement and its Council Tax demand.

The Statement of Total Recognised Gains and Losses

This reports all the gains and losses experienced by a local authority in addition to those reflected in the Income and Expenditure Account. It will include, for example, gains on revaluations of fixed assets and pensions actuarial gains and losses.

The Balance Sheet

This shows the balances and reserves at the Council's disposal at the year-end, together with its long-term indebtedness, the net current assets employed in its operations and summarised information on the fixed assets held. It excludes funds held in trust for others and the Pension Fund.

The Cash Flow Statement

This summarises the cash movements arising from both revenue and capital transactions with third parties. It excludes funds held in trust for others and the Pension Fund.

The supplementary accounting statements comprise:

The Housing Revenue Account (HRA) Income and Expenditure Account

There is a statutory duty to account separately for local authority housing provision. The HRA Income and Expenditure Account shows in detail the Income and Expenditure on HRA services included in the whole authority Income and Expenditure Account. It includes the major elements of Council housing revenue expenditure on maintenance, administration, and capital financing costs, and major income sources such as rents and other income.

The Statement of Movement on the Housing Revenue Account Balance

This shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year.

The Collection Fund Revenue Account

The Collection Fund is a separate account into which are paid the amounts raised from local taxation. From this are paid the amounts due to preceptors including the Council itself. This account also collects and distributes the national business rates pool, which the Council collects on behalf of central government.

The Pension Fund Accounts

These show contributions to the Council's Pension Fund for employees during 2008/09, together with the pensions and other benefits paid from it, movements in investments during the year and the financial position of the Fund as at 31 March 2009. The accounts do not include liabilities to pay pensions and benefits after that date.

The document also includes the following:

The Annual Governance Statement

This statement is provided under the CIPFA/SOLACE framework and sets out the systems, processes, culture and values, by which the Council is directed and controlled, and its activities through which it accounts to, engages with, and leads the community. The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

Statement of Accounting Policies

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

Glossary of Terms

The Glossary provides a definition of key terms used to aid understanding the Accounting Statements.

3. Summary of the Authority's Financial Performance

Summary

The financial year to 31 March 2009 has been dominated by dramatic, almost unprecedented turbulence in the global economy, which has had a significant impact on the finances of many organisations within Hillingdon, including the Council.

The spring and summer of 2008 were marked by accelerating inflationary pressures driven by increases in global food and oil prices. These inflationary pressures turned around dramatically in the autumn of 2008 as the UK economy experienced a rapid descent into recession and global demand for commodities diminished. In addition, the collapse of the local housing and commercial property markets due to the reduction in the supply of capital finance (known as the 'credit crunch') that began in the autumn 2007 continued throughout, with local property prices around 15% below their peak by March 2009.

The national policy response has seen the Bank of England reduce interest rates from 5% in September 2008 to an unprecedented low of 0.5% in March 2009 and introduce 'quantitative easing' in order to avoid the risk of deflation.

Locally, the Council has taken a leading role in steering the borough and its communities through these exceptional challenges. We quickly identified the impacts of changes in the wider economy on the Council's own finances, and used our budget management processes to mitigate the impact of them, as well as using the Council's position, policies and resources to lead our key partners in introducing a range of measures to help local residents, businesses and the voluntary sector through the recession.

The key impacts of the external environment on the Council's own financial position relevant to these statements have been:-

- Cost pressures on services reliant on operational vehicles due to higher fuel prices, mainly in the first half of the year and services reliant on electricity consumption.
- Reductions in income from services linked to the local housing market such as local land charges, development control and building control.
- A reduced contribution from capital receipts to the financing of the capital programme due to unfavourable market conditions for disposal of property interests.
- Reductions in interest receivable from short-term deposits of Council funds in the second half of the year.
- The reduction in the value of investment assets held by the pension fund as global stock markets and property values continued to suffer throughout the year.

The Council achieved a notable success in the summer of 2008 in the long-running campaign to secure a fair funding settlement from the Government for the costs of services to unaccompanied asylum-seeking children that arrive in the borough through Heathrow airport. Additional grant of £3.9 million for the 2006/07 and 2007/08 financial years was secured as a result of lobbying together with other authorities affected by this issue, which has allowed our unallocated General Fund balances to increase to over £16 million as at 31 March 2009. This position of financial strength is more necessary than ever as we continue to campaign for a permanent funding settlement from the Government that takes this burden away from local Council Tax payers, who again contributed over £4 million to the cost of these services in 2008/09.

In the autumn of 2008 the Council's finances were affected by the high-profile collapse of two Icelandic banks in which £20 million of short-term deposits had been placed. We continue to work with other affected authorities to secure the full return of these deposits. However it has been necessary to recognise some impairment of these assets in the statement of accounts. Government regulations allow the impact of these on the Income and Expenditure account to be deferred beyond this financial reporting year.

Despite all these challenges, the Council's financial position was stronger at 31 March 2009 than for many years. Unallocated balances and reserves increased from £12 million to £16 million over the course of the year, and the Council was able to set a zero increase in Council Tax for 2009/10 for the first time ever, whilst continuing to invest in and deliver improved services to residents. The capital programme outturn for the year

included significant expenditure on two key new leisure facilities in the borough, as well as an innovative library refurbishment programme, investment in schools, decent homes and environmental improvements.

Underpinning all of these improvements has been a continual focus on efficiency in service delivery. The programme of internal service reviews through the Hillingdon Improvement Programme was completed and generated savings and efficiencies of £13 million. In addition, we have continued to deliver effective management of key services such as social care, where improved processes and proactive intervention have enabled us to reduce expenditure on high cost residential placements across both children's and adult services.

These achievements are set out in more detail in the following sections.

Revenue Budget

Hillingdon's net budget requirement for 2008/09 was set at £187.3m, an increase of £9.3m (5.2%) on the 2007/08 budget. The increase was financed through additional Council Tax (£2.7m) and Government Formula Grant (£6.6m). However, out of this increase in formula grant almost £5 million related to the transfer of specific Government grants into formula grant. Therefore the real increase in external resources through Council Tax and general Government grant was only £4.3 million (an increase of 2.4%).

Hillingdon's element of the Council Tax increased by 3.0% for 2008/09. This was added to a 1.95% increase in the Greater London Authority precept, to give an overall 'doorstep' increase in the local Council Tax of 2.8% for 2008/09. For older people over 65 and not in receipt of benefits as at 1 April 2008 the Hillingdon element of Council Tax remained at the 2007/08 level.

The 2008/09 budget process identified savings of £11.3m that have a projected full year impact in 2009/10 of £14.8m. This enabled the forecast shortfall in government grant for unaccompanied asylum seekers and the impact of reduced income from Hillingdon Primary Care Trust to be absorbed and £1.9m to be made available for new discretionary growth.

Throughout 2008/09 Cabinet received reports each month showing progress on main service budgets. These reports highlighted where corrective action was to be taken, especially relating to the impacts of the economic downturn, to ensure plans were achieved and spending kept within approvals. The outturn for the year was £186.8m, which, compared to the original budget showed an underspend of £1m. Taking account of a grant receipt of £0.8m under the Government's Local Authority Business Grant Incentive scheme and £3.9m for Unaccompanied Asylum Seeking Children (UASC) Special Circumstances and Leaving Care grants the unallocated general reserve has increased to £16.2m.

The main variances from the original budget were:-

Adult Social Care, Health and Housing

- A significant reduction in demand led budgets for residential services, particularly for older people (£930k) and physical disabilities (£719k) services resulting in savings
- Increased demand and changes in funding increasing costs for learning disabilities (£115k) and mental health (£494k) services
- Pressures for the homelessness service £222k

Education and Children's Services

- A reduction of schools reserves of £2,381k
- Shortfall of grant for Barnhill PFI of £228k
- Reduction of income and costs of staffing cover within music services adding to £260k
- Children's services improvements in purchasing and placement cost reductions produced an underspend of £561k
- Director and youth services reduced spending and staff vacancies £246k
- Asylum Seeking children (£1,729k) and Exhausted All Appeal cases (£803k) additional costs not fully covered by grant and not covered by Council subsidy.

Environment and Consumer Protection

- Savings in respect of new public conveniences £123k
- Kerbside Recycling additional costs of £299k due to increased activity, offset by reduced tonnages for Waste Disposal producing a saving of £205k, and additional Trade Waste and Civic Amenity site income.
- Additional income from Consumer Protection (Licensing Services) of £124k

Planning and Community Services

- Savings in Community Safety from staff vacancies in the new team £181k
- Pressures in the Arts service from reduced take up and loss of income £121k
- Savings in Libraries to reduce impacts of pressures £134k
- Leisure facilities additional legal costs and golf contract pressures £342k
- Planning and Transportation pressures £335k

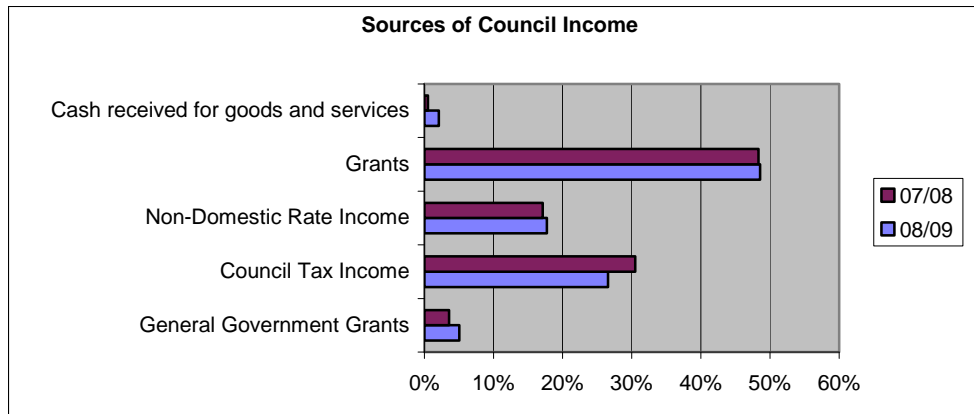
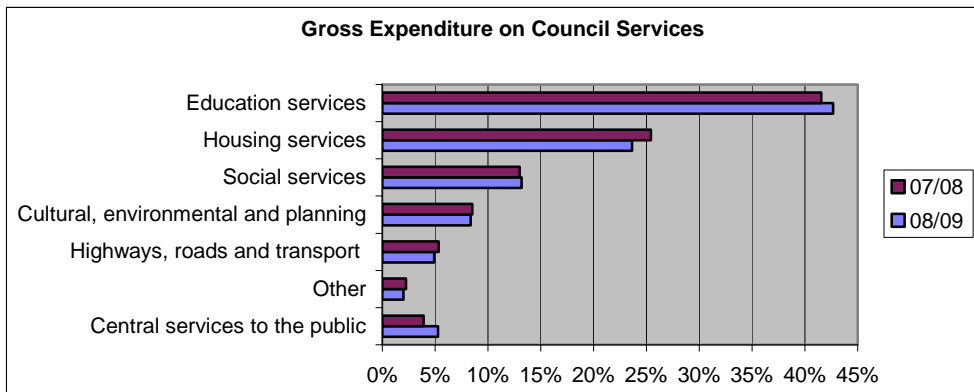
Central Services

- Additional costs of agency staff to cover key vacancies and to implement key reviews £354k. Some of these posts have now been filled by permanent appointments.
- Additional costs to ensure a successful transfer of the Facilities Management Contract £238k

Exceptional Items

- Increased fuel and energy related costs £594k
- Loss of income due to property market pressures £1,291k
- Reduced take up in the First Time Buyers Initiative resulting in a saving of £228k

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



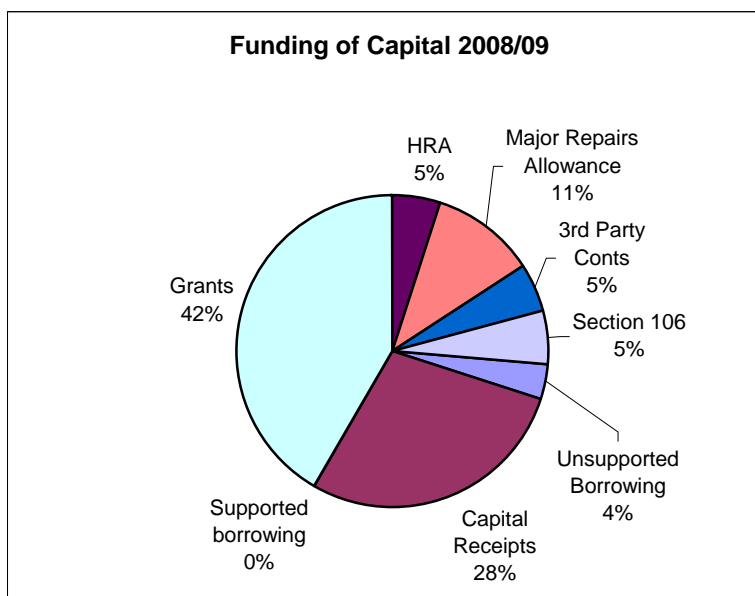
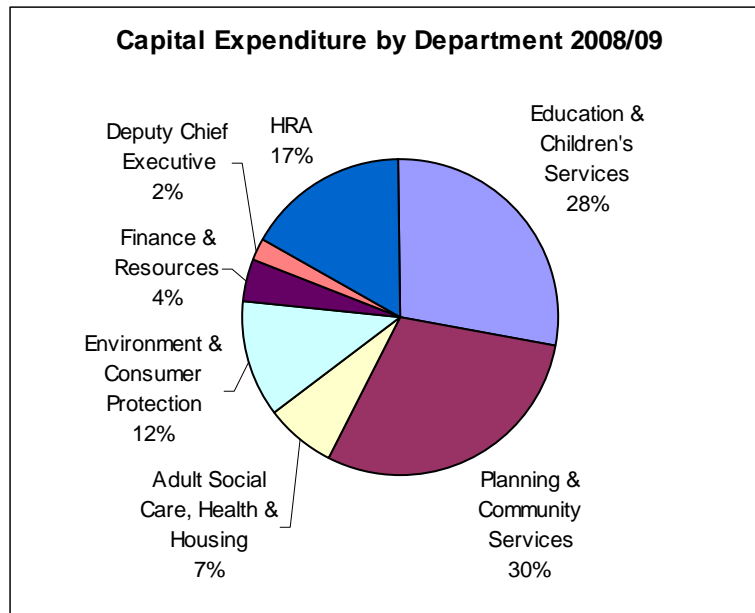
Capital Spending in 2008/09

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 £70.1m compared to £68.1m in 2007/08. This expenditure was financed from various sources including capital receipts (£19.8m), Housing revenue contributions (£11.6m), government grants (£29.2m), Section 106 (£3.8m) and other third party contributions (£3.1m).

Major capital schemes in 2008/09 included the completion of Oak Farm School, incorporating a Children's Centre, various Children's Centres around the borough, Hayes Boxing Club, investment in the borough libraries, purchase of a new youth bus, investment in recycling projects, the continuation of construction of a new leisure complex at Botwell Green with the addition of a gymnastic centre to the project, the redevelopment of the Uxbridge Lido which includes a 50m Olympic size swimming pool and the commencement of work on a New Young People's Centres.

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 2008/09 the Council required unsupported borrowing of £2.6m to finance the capital programme.



Reserves

These are set aside to cover unexpected expenditure, for instance additional costs arising from such things as stormy weather or 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. At the time of budget setting for 2008/09 it was assessed that the appropriate level of reserves needed to support the continuation of Hillingdon's services was between £9m and £13m. Three years ago the general reserve had fallen to an unacceptably low level following retrospective charges in Central Government asylum grants and considerable effort has been placed on securing an increase. The general reserve for non-schools services now stands £17.3m.

Schools also hold reserves for similar purposes and to meet future project expenditure. These are committed to be spent on the education service. At 31 March 2009 school reserves amounted to £11m. This is approximately 5% 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

Treasury Management in Local Government is governed by the CIPFA Code of Practice on Treasury Management in the Public Services and in this context is the "management of the Council's cash flows, its banking and its capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks". This Council has adopted the Code and complies with its requirements.

Volatile markets and turmoil in the banking sector made 2008/09 a challenging year for Treasury Management. Counterparty lists and wider investment strategies were constantly reviewed to react to unfolding events. However, despite this the Council had £15m deposited with Heritable and £5m with Landsbanki when these banks were placed into administration. Latest creditor reports indicate that the Council can expect to receive £16.15m of these deposits leading to a £3.85m impairment (page 47).

Excluding interest due on these deposits, the Council achieved an average rate of return of 5.04% and earned interest of £5.68m (£7.29m 2007/08). Outstanding debt was reduced by £24.9m representing £4.9m of naturally maturing debt and a £20m early repayment following a portfolio restructure in light of changing economic conditions. This resulted in savings of £0.5m on interest paid on outstanding loans with total payments made of £9.36m in the year representing an average interest rate paid of 4.24%.

Detailed disclosures of the Council's investments and debt portfolio are contained within the Notes to the Main Financial Statements on pages 45 to 52.

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. The triennial valuation calculated a deficit of £50m, which resulted in an increase in the employer's contribution rate effective from 1 April 2008. The London Borough of Hillingdon common contribution rate following the last valuation at 31 March 2004 was 14.85%. This rate increased with effect from 1 April 2008 to 16.6% and increased further on 1 April 2009 to 17.35%. On 1 April 2010 this will be further increased to 18.1%.

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 56.

The Council is required to adopt FRS17 on retirement benefits. The net liability in respect of the London Borough of Hillingdon and London Pension Fund Authority funds at 31 March 2009 of £210.4m has been recognised, compared to £103.1m at 31 March 2008. This increased liability reflects the fall in fund value

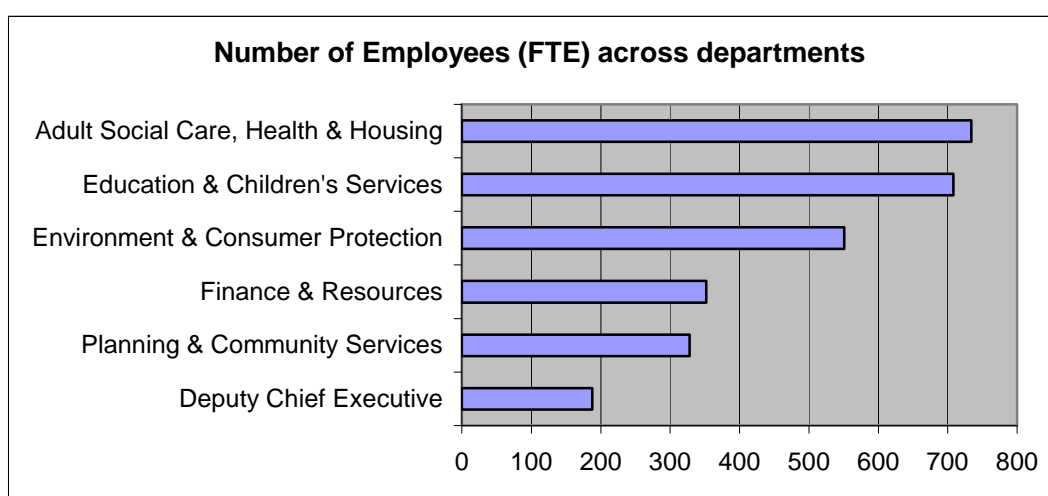
resulting from the deteriorating equity, bond and property markets. Details of the disclosures are shown in the Statement of Accounting Policies (page 22) and in disclosures notes on pages 56 to 59.

Collection Fund

The Council has reported a deficit on the collection fund of £175k for 2008/09 (£1,620k for 2007/08). 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 96.1% compared to 96.2% in 2007/08.

Review of Staffing

Recruiting and retaining high calibre employees is essential if the Council is to achieve its performance objectives. At 31 March 2009 the number of Council employees, excluding schools, totalled 2,862 full time equivalents (FTE). This is a decrease of 155 FTE (5.28%) on 31 March 2008. The following chart shows the breakdown by department as at 31 March 2009.



Voluntary labour turnover decreased from 8.38% in 2007/08 to 7.2% in 2008/09.

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

Working days lost due to sickness	8.10 days
Proportion of the top 5% earners who are women	39.84%
Proportion of the top 5 % earners who are from ethnic minorities	12.13%
Percentage of employees with disability	2.06%
Ethnic minority representation in the workforce.	23.44%

Outlook for the Future

Hillingdon's budget requirement for 2009/10 as agreed by Council on 26th February 2009 is £189.2m, an increase of 1% on the budget requirement for 2008/09. This has allowed Council Tax to be frozen at 2008/09 levels which, along with the 0% increase announced by the GLA, results in a 0% change in Council Tax in respect of Hillingdon Borough Council services.

The London Borough of Hillingdon has also committed to freezing Council Tax for all residents for 2010/11. The impact from setting this target level for Council Tax is that further savings will be required to balance the budget in the future. The savings requirement for 2009/10 is £7.45m, rising to £13.2m in 2010/11.

The impact of the recession on the national and global economy has meant that the Government has indicated that severe restrictions on public expenditure will be applied in the next Comprehensive Spending Review period from 2011/12 onwards, with no real term growth in Government grant forecasts. The Council is currently preparing a revised financial strategy to address these even greater challenges that lie ahead, but is confident that the principles of sound financial management and efficient service delivery that have built up the current position of financial strength will continue to provide the basis for delivering improved service outcomes for the residents of Hillingdon.

4. Statement of Responsibilities for the Statement of Accounts

1. Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Director of Finance & Resources; and
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

2. Director of Finance & Resources Responsibilities

The Director of Finance & Resources is responsible for the preparation of the Council's statement of accounts that present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2009.

In preparing this statement of accounts the Director of Finance & Resources has:

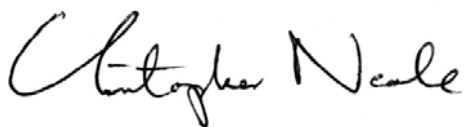
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the code of practice.

The Director of Finance & Resources has also:

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

3. Director of Finance & Resources Approval of Accounts

I certify that 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 31 March 2009 and its income and expenditure for the year then ended.

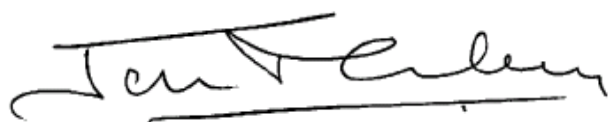


Christopher Neale
DIRECTOR OF FINANCE & RESOURCES
22 September 2009

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 29 June 2009.

Signed on behalf of London Borough of Hillingdon



John Morley
CHAIRMAN (AUDIT COMMITTEE)
23 September 2009

5. Audit Certificate and Opinion

Independent auditor's report to the Members of London Borough of Hillingdon

Opinion on the Authority accounting statements

We have audited the Authority and Group accounting statements and related notes of the London Borough of Hillingdon for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account the Collection Fund and the related notes 1 to 58. The Authority and Group accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of London Borough of Hillingdon in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the Authority and Group accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

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

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

We read other information published with the Authority and Group accounting statements and related notes as described in the contents section and consider whether it is consistent with the audited Authority and Group accounting statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and

disclosures in the Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- The Authority's 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 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The Group 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 2008, the financial position of the Group as at 31 March 2009 and its income and expenditure for the year then ended.

Opinion on the pension fund accounts

We have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes 1 to 18. The 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 the London Borough of Hillingdon in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

The Chief Financial Officer's responsibilities for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

We report to you our opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, 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.

We read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Annual Report published with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

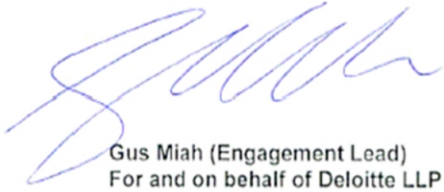
We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in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

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, We are satisfied that, in all significant respects, London Borough of Hillingdon made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

We certify that we 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.



Gus Miah (Engagement Lead)
For and on behalf of Deloitte LLP

Appointed Auditor

Birmingham, UK

30 September 2009

6. 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 Institution 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 historical 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 was a new account effective from 1st April 2007 and gains arising before that date have been consolidated into the Capital Adjustment Account.

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; and
- 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 - 5 years.
- Intangible Assets - 5 years.

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 once applied. 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 historical cost and only revalued in line with FRS10. Intangible assets are amortised over five years.

3. Charges to Revenue for Fixed Assets

Service revenue accounts, support services and trading accounts are charged 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. Revenue Expenditure funded from Capital under statute

Revenue Expenditure funded from Capital under statute represents expenditure that may properly be capitalised, but which is spent on third party tangible fixed assets, for example housing association grants, capital expenditure on foundation schools and housing improvement grants. Such expenditure is taken to revenue in the year in which the expenditure is incurred. Where the Council has determined to meet the cost of this from existing capital resources or by borrowing, a transfer to the Capital Adjustment account reverses the amounts charged to the Income and Expenditure Account via the Statement of Movement on the General Fund Balance so there is no impact on the level of Council tax.

5. Leasing

Finance Leases

Assets are acquired under finance leases when substantially all the risks and rewards relating to the asset transfer to the council. These assets are recognised in the Council's balance sheet together with the liability to pay future rentals.

The Council has three finance leases with the Ealing Family Housing Association for 102 dwellings and a number of leases for vehicles and plant.

Operating Leases

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.

REVENUE

6. 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 borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Interest accruals are included in short-term investments or borrowings together with any amounts payable in the next year in relation to the relevant instruments

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 £2,000 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.

7. 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.

8. PFI Contract

The Council enters into certain contracts for services under the Private Finance Initiative (PFI). These services include the provision of a property in order to provide the contracted service. In accounting for such contracts the Council considers:-

- Firstly, whether the contract consists of separable elements. If this is the case then each element will be accounted for separately; and
- Secondly, for each element of the contract (or the whole contract if it is not separable) whether or not the Council has acquired an asset with a corresponding liability to pay the operator for it, or, alternatively, has a contract only for services.

For elements of such contracts that include an asset this is recorded within deferred liabilities. For elements that do not, no such asset liability is recorded in the balance sheet and the ongoing charge for the use of the property and related services is accounted for within the net cost of services.

In carrying out the assessment of risks and rewards for elements of contracts that involve the Council, the substance of the transaction is assessed and whether the Council or the operator is exposed to the majority of the risks and rewards of ownership. In carrying out this assessment, the Council have applied the Treasury Task Force (TTF) Guidance Note No. 1 'Accounting for PFI Transactions'. The SORP requires the Council to apply Application Note F to FRS5 'Private Finance Initiative and Similar Contracts.' CIPFA's Guidance Notes for Practitioners state the TTF Guidance Note is influential but not mandatory in applying FRS5, and accordingly where the two appear to conflict the principles of FRS5 should take precedence.

The Council believes that it is more appropriate to account for these transactions by applying the TTF Guidance directly, as this reflects accepted practice in other local authorities with PFI contracts and enables comparability.

Further details of the Council's PFI contract is disclosed in note 9 on page 35.

9. Government Grants and Contributions

Grants and subsidies have been credited to the appropriate revenue and capital accounts. Accruals have been made for sums known to be receivable for the year, where the receipt was outstanding at 31st March 2009. 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.

The Council 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.

10. Stocks and Work in Progress

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

11. Costs of Support Services

In line with CIPFA recommended practice and complying with the Best Value Accounting Code of Practice, 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.

12. 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.

13. 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.

14. 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 account replaced 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 statute (revenue expenditure funded from capital under statute). 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.

The Equal Pay Back Pay 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.

15. Retirement Benefits

The Council participates in three 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 on behalf of the Department for Children, Schools and Families (DCSF) by Capita. 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.

16. Financial Assets

Loans and receivables are initially measured at their fair value and carried at their amortised cost. Annual credits are made to the Income and Expenditure Account for interest receivable and are based on the interest rate applicable to the financial 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 plus any accrued interest. The interest receivable for the year is credited to the Income and Expenditure Account.

Where investments are classed as available for sale, the value of the investment will be shown in the balance sheet at fair value with any difference between fair value and book value being shown in the available for sale reserve. Income from these investments is credited to the Income and Expenditure Account.

17. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account are made for interest payable and are based upon the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means the amount presented in the Balance Sheet is the outstanding principal payable plus any accrued interest. The interest payable for the year is charged to the Income and Expenditure account.

However, where a 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, with the write down of premium or discount to the Income and Expenditure Account being spread over the life of the loan by an adjustment to the effective rate of interest.

18. Redemption of Debt

The Council sets aside resources each year for the repayment of historical debt. Debt held by the Council is distinguishable into three types of loans:

- (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 repay the principal before maturity. 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 six months. The accrued interest is shown as part of the carrying value of the loan on the balance sheet.

In addition to the scheduled repayments the Council will also reschedule or redeem debt early as part of the overall management of the portfolio by utilising the Council's ability to repay and/or replace debt based on prevailing market conditions.

19. Minimum Revenue Provision

The Council has to make an annual provision for the repayment of borrowing. For all borrowing prior to 1st April 2008 and borrowing that receives support via the Revenue Support Grant the Council applies the Capital Financing Requirement concept based upon figures from the balance sheet (4% of outstanding debt). For other borrowing, the council makes provision for the repayment of debt over the life of asset to which the borrowing is applied.

20. 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 68 to 76. 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 Local Authority Housing (HRA) service line of the Net Cost of services.

21. 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.

22. 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.

23. Foreign Currency Transactions

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

24. 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.

25. 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.

Account is taken of material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors 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

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. 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 local taxpayers and government grants. It does not include interests in related companies, these are included in the group accounts detailed on page 68.

Statement of Total Recognised Gains and Losses (page 29)

This statement brings together all the recognised gains and losses of the authority during the period and identifies those that have not been recognised in the Income and Expenditure Account. This shows the aggregate movement in the Council's net worth during the year.

Balance Sheet (page 30)

This sets out the assets and liabilities of the Council as at 31 March 2009, but excludes the assets and liabilities of pension and trust funds. It does not include interests in related companies, these are included in the group accounts detailed on page 68.

Cash Flow Statement (page 31)

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 60 and 61.

Income and Expenditure Account

		Year Ended 31 March 2009			Year ended 31 March 2008	
Notes		Expenditure £000's	Income £000's	Net Expenditure £000's		Net Expenditure £000's
EXPENDITURE ON SERVICES						
		26,949	19,785	7,164		5,873
		58,983	17,813	41,170		37,427
		304,978	249,505	55,473		46,288
		24,218	6,795	17,423		19,109
		92,002	53,655	38,347	-	6,134
		144,056	134,682	9,374		5,400
		93,595	27,608	65,987		65,767
		181	8	173		162
		11,999	3,692	8,307		8,101
		7,529	1,141	6,388		2,226
NET COST OF SERVICES		764,490	514,684	249,806		184,219
		582	0	582		3,093
		406	0	406		380
	1	7,497	7,688	-	191	27
	31	19,518	0	19,518		11,671
		885	0	885		4,437
	31	0	9,143	-	9,143	-
		0	494	-	494	
	50	5,590	0	5,590	-	3,705
NET OPERATING EXPENDITURE		798,968	532,009	266,959		192,746
FINANCED BY:						
	8		21,511	-	21,511	-
			106,988	-	106,988	-
		901		901		342
			71,330	-	71,330	-
INCOME FROM GENERAL GRANTS & LOCAL TAXPAYERS				-	198,928	-
DEFICIT FOR THE YEAR				68,031		13,229

The deficit for the year of £68,031k includes impairments of Fixed Assets and Financial Investments totaling £56,960k that have been charged to the Income & Expenditure Account in accordance with recommended accounting practice. These are reversed via the Statement of Movement on the General Fund Balance, so as to mitigate the effect on the council tax payer laid out under statute.

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.
- Depreciation and Impairment charges are replaced with the Minimum Revenue Provision to provide for the repayment of debt.
- 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.

The reconciliation below 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 Movement on the General Fund on page 28.

	Notes	2008/09 £000's	2007/08 £000's
Deficit for the year on the Income & Expenditure Account		68,031	13,229
Net additional amount required by statute or non-statutory proper practices to be credited to the General Fund balance for the year. (Page 28)		(70,282)	(16,001)
Increase in General Fund balance for the year		(2,251)	(2,772)
General Fund balance brought forward		(26,062)	(23,290)
General Fund balance carried forward		(28,313)	(26,062)
Comprising			
General Fund Balance held by schools	40/41	(11,022)	(13,026)
General Fund Balance generally available for new expenditure	40	(16,920)	(12,614)
General Fund Balance held in respect of the Breakspear Crematorium	40	(371)	(422)
		(28,313)	(26,062)

Reconciliation of the Movement on the General Fund

	2008/09		2007/08	
	£000's	£000's	£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	(355)		(338)	
Depreciation and impairment of fixed assets	(69,687)		(21,081)	
Premiums and discounts	(361)		0	
Impairment of Financial Investments Adjustment	(4,948)		0	
Revenue Expenditure Funded from Capital Under Statute	(17,772)		(14,267)	
Government grants deferred amortisation	20,876		16,216	
Net loss on sale of fixed assets	(582)		(3,093)	
Net charges made for retirement benefits in accordance with FRS17	(24,870)		(14,981)	
Other Income	494		0	
		(97,205)		(37,544)
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	3,543		4,432	
Transfer from usable capital receipts to meet payments to the housing capital receipts pool	(890)		(4,437)	
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	18,982		16,705	
Capital expenditure charged in year to the General Fund balance	3,955		4,783	
		25,591		21,483
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	(478)		(339)	
Voluntary revenue provision for capital financing	1,739		1,406	
Net transfer to or from earmarked reserves	71		(1,007)	
		1,332		60
Net additional amount required to be credited to the General Fund balance for the year		(70,282)		(16,001)

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 movement 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.

	2008/09 £000's	2007/08 £000's
Transfer of the deficit on the Income & Expenditure Account	68,031	13,229
Loss/(Gain) arising on revaluation of fixed assets	8,033	(50,346)
Actuarial Loss/(Gain) on pension assets and liabilities	101,473	2,149
Collection fund (surplus)/deficit attributable to Hillingdon	(1,133)	333
Available for sale reserve	(15)	0
Other	0	130
Total Recognised (gains) and losses for the year	176,389	(34,505)


The STRGL figures for 31 March 2008 have been adjusted for a £1,864k loss from those included in the Statement of Accounts for 2007/08 to accommodate the change in the basis of valuation of Pension Fund assets. See note 50 on page 56 for further details.

Balance Sheet

	Notes	At 31st March 2009		At 31st March 2008	
		£000's	£000's	£000's	£000's
FIXED ASSETS					
Intangible Assets	16		1,443		1,682
Operational Assets					
	15				
Council dwellings		698,685		766,345	
Other land and buildings		559,466		551,987	
Vehicles, plant and equipment		10,297		10,569	
Community assets		14,926		12,427	
Infrastructure assets		146,120	1,429,494	145,044	1,486,372
Non Operational Assets					
	15				
Investment properties		10,993		10,672	
Assets under construction		28,550		10,122	
Surplus assets, held for disposal		7,390	46,933	7,301	28,095
LONG TERM INVESTMENTS					
	30		2,075		4,112
LONG TERM DEBTORS					
	26		424		644
TOTAL LONG TERM ASSETS					
			1,480,369		1,520,905
CURRENT ASSETS					
Stocks & works in progress	27	133		147	
Debtors and payments in advance	28	43,804		60,118	
Short term investments	30	88,848		93,803	
Cash in hand		18,433	151,218	14,455	168,523
CURRENT LIABILITIES					
Temporary borrowing	30	(2,054)		(4,928)	
Creditors and receipts in advance	29	(115,083)	(117,137)	(92,489)	(97,417)
TOTAL ASSETS LESS CURRENT LIABILITIES					
			1,514,450		1,592,011
Provisions					
	46		(4,026)		(4,546)
Deferred credits					
			(165)		(187)
Long term borrowing					
	30		(194,526)		(216,951)
Government grants deferred account					
			(141,634)		(126,375)
Deferred liabilities					
	9 & 10		(3,424)		(4,248)
Liabilities related to defined benefit pension schemes					
	51		(210,490)		(103,129)
TOTAL ASSETS LESS LIABILITIES					
			960,185		1,136,575
FINANCED BY:					
Revaluation Reserve	23		18,156		26,153
Available for Sale Financial Instruments Reserve	22		15		0
Capital adjustment account	24		1,123,064		1,182,303
Financial Instrument Adjustment Account	39		(5,309)		105
Usable capital receipts account	25		1,009		379
Pension reserve	51		(210,490)		(103,129)
Equal pay back pay account	46		(234)		(234)
Fund balances and reserves	40		33,974		30,998
TOTAL NET WORTH					
			960,185		1,136,575

The Balance Sheet figures for 31 March 2008 have been adjusted from those included in the Statement of Accounts for 2007/08 to accommodate the change in the basis of valuation of Pension Fund assets.

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 & Resources
23 September 2009

Cash Flow Statement

	Note	2008/09		2007/08	
		£000's	£000's	£000's	£000's
REVENUE ACTIVITIES					
Cash Outflows					
Cash paid to and on behalf of employees		263,575		265,299	
Housing benefit paid out		58,865		49,445	
RSG / NNDR payments payable to Secretary of State		263,520		192,526	
Precepts paid		29,784		29,085	
Payments to the capital receipts pool		1,343		5,421	
Other operating cash payments		97,913	715,000	126,023	667,799
Cash Inflows					
Rents (after rebates)		(27,657)		(26,558)	
Council tax income		(118,890)		(115,839)	
Non-domestic rate Receipts from Pool		(71,330)		(63,948)	
Non-domestic rate Receipts		(215,572)		(190,270)	
Revenue Support Grant		(9,930)		(10,732)	
DWP grants for benefits		(126,525)		(124,581)	
Other government grants	56	(199,153)		(190,013)	
Cash received for goods & services		(3,719)		(866)	
Other operating cash receipts		6,224		9,813	
Net Cash Inflow	53		(766,552)		(712,994)
Revenue Activities			(51,552)		(45,195)
SERVICING OF FINANCE					
Expenditure					
Interest paid		9,757		9,588	
Interest element of finance lease rental payments		606		476	
Income					
Interest received		(7,031)		(7,326)	
Servicing of Finance Net Cash Outflows			3,332		2,738
CAPITAL ACTIVITIES					
Cash Outflows					
Purchase of fixed assets		51,172		53,799	
Purchase of long term investments		0		0	
Other capital cash payments		17,772	68,944	14,267	68,066
Cash Inflows					
Sale of fixed assets		(17,336)		(21,864)	
Capital grants received		(27,432)		(18,609)	
Other capital cash payments/income		(1,846)		(2,772)	
Capital Activities Net Cash Outflow			(46,614)		(43,245)
			22,330		24,821
Net Cash Inflow Before Financing / Management of Liquid Resources			(25,890)		(17,636)
MANAGEMENT OF LIQUID RESOURCES					
Net Decrease in Short-Term Investments	57		(4,955)		(10,170)
FINANCING					
Cash Outflows					
Repayments of amounts borrowed			34,920		5,213
Capital element of finance lease rental payments			1,947		2,049
Cash Inflows					
Long term loans raised			(10,000)		0
Increase in cash	54		(3,978)		(20,544)

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	2008/09 (Surplus) /Deficit	Expenditure	Income	2007/08 (Surplus) /Deficit
	£000's	£000's	£000's	£000's	£000's	£000's
Fleet management	3,461	3,579	(118)	3,433	3,427	6
Passenger services	2,288	2,195	93	2,107	2,058	49
Engineering consultancy	1,163	1,214	(51)	1,262	1,158	104
Harlington Road Depot	585	700	(115)	598	730	(132)
	7,497	7,688	(191)	7,400	7,373	27

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	395	212	183	299	288	11
Uxbridge market	45	219	(174)	37	237	(200)
	440	431	9	336	525	(189)

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 cannot 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	2008/09			2007/08		
		Chargeable	Non Chargeable	Total Building Control	Chargeable	Non Chargeable	Total Building Control
Expenditure		£	£	£	£	£	£
Building control costs	1	576,642	310,500	887,142	559,422	301,227	860,649
Corporate costs	2	55,955	30,130	86,085	59,094	31,820	90,914
Directorate Costs		174,944	94,201	269,145	173,992	93,688	267,680
TOTAL EXPENDITURE		807,541	434,831	1,242,372	792,508	426,735	1,219,243
TOTAL INCOME		822,002	3,649	825,651	843,392	11,596	854,988
Surplus/(Deficit) for Year		14,461	(431,182)	(416,721)	50,884	(415,139)	(364,255)

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 (2007/08) and Deloitte LLP (2008/09) provided external audit services to the Council. During 2008/09 the Council incurred the following fees relating to external audit and inspection.

	2008/09 £000's	2007/08 £000's
External audit services carried out by the appointed auditor	396	439
Statutory inspection audit	27	69
Grant claims and returns	90	136
Total External Audit costs	513	644

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:

	2008/09 £000's	2007/08 £000's
Corporate Communications: Salaries	734	621
Other Costs	161	114
Staff recruitment	1,187	1,187
Net expenditure on 'Hillingdon People'	93	56
Total Publicity Costs	2,175	1,978

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 in respect of these was 255k in 2008/09 (316k in 2007/08). The income and expenditure in respect of these services are 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 through 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.

Activities on the two elements are required to be accounted separately.

Schools Budget Funded by Dedicated Schools Grant			
	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2008/09	13,083	152,245	165,328
Brought forward from 2007/08	1,380	0	1,380
Agreed budget distribution in 2008/09	14,463	152,245	166,708
Actual Central expenditure for the year	12,706	0	12,706
Actual ISB deployed to schools	0	152,245	152,245
Carry forward to 2009/10	1,757	0	1,757

8.GENERAL GOVERNMENT GRANTS

	2008/09 Total £000's	2007/08 Total £000's
Revenue Support Grant	9,929	10,732
Area Based Grant	10,754	0
Business Growth Initiative Grant (LABGI)	828	1,426
	21,511	12,158

Notes to Main Financial Statements

9. 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 three years of the contract is £13,528k.
- b. In 2008/09 the Council entered into seven years facilities Management Contract with Dalkia for the provision of cleaning, caretaking and building maintenance for certain Council properties. The estimated gross value for the remaining six years of the contract is £25,800k.
- c. Private Finance Initiative (PFI)

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. In 2008/09 the Council paid principal of £270k and interest of £1,123k. The Council is due to pay the following amounts over the remaining 15 years of the contract:

	Principal £000's	Interest £000's	Total £000's
Within 1 year (2009/10)	266	1,079	1,345
2 - 5 years	1,021	3,807	4,828
6 - 10 years	1,188	3,312	4,500
11 - 15 years	986	1,125	2,111
Total	3,461	9,323	12,784

The net present value of outstanding contract payments to be made over the remaining 15 years of the contract, assuming satisfactory performance, totals £25,389k. 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 £2,592k. The outstanding liability of the capital value at 31 March 2009 is £3,461k, of this £266k is due within a year and therefore included in creditors and the remaining £3,195k is shown as a deferred liability.

In accounting for this transaction the Council has to apply IFRIC 12 (Service Concession Arrangements), 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.

Notes to Main Financial Statements

10. FINANCE AND OPERATING LEASES

Vehicles, Plant and Equipment

Outstanding obligations on 31 March

Within 1 year (2009/10)

2 - 5 years

More than 5 years

	Finance Lease		Operating Lease	
	2008/09 £000's	2007/08 £000's	2008/09 £000's	2007/08 £000's
	371	495	275	239
	230	601	496	556
	0	0	21	165
	601	1,096	792	960
Number of Vehicles	49	64	29	32

During 2008/09 the Council made finance lease payments of £528.6k. This was charged to the Income and Expenditure Account as £33.7k finance costs (interest) and £494.9k relating to the write-down of obligations to the lessor. Depreciation of £494.9k, equal to the write-down of obligation, is charged to the service. The net book value of the leases has been included in fixed assets.

Payments relating to operating leases cover the period of rental and are charged to the Income and Expenditure Account. During 2008/09 payments of £250.5k were made for operating leases.

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 one year of the contract is £198k. The finance lease payments for 2008/09 amounted to £1,085k. This was separated between write-down of obligations of £975k and finance costs of £111k. Depreciation of £975k, 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 fixed assets. The outstanding liability for the capital value of these leases at 31 March 2009 is £187k. This is due within one year and therefore included in creditors.

11. AGENCY SERVICES

The Council provides agency services through the London Airport Health Control to British Airports Authority. The cost of this service in 2008/09 was £2,707k (£2,409k in 2007/08) which is fully reimbursable and is not included in the Income and Expenditure Account.

12. OFFICER EMOLUMENTS

The number of employees in 2008/09 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.

LBH EMPLOYEES

Remuneration Band	2008/09 Number of employees		2007/08 Number of employees	
	Total	Due to Lump Sum	Total	Due to Lump Sum
£50,000 - £59,999	90	(2)	75	0
£60,000 - £69,999	30	(3)	29	0
£70,000 - £79,999	17	(1)	12	(1)
£80,000 - £89,999	15	0	7	0
£90,000 - £99,999	5	0	5	(1)
£100,000 - £109,999	1	0	4	0
£110,000 - £119,999	3	0	5	0
£120,000 - £129,999	3	0	1	0
£130,000 - £139,999	2	0	3	0
£140,000 - £149,999	1	0	0	0
£150,000 - £159,999	0	0	0	0
£160,000 - £169,999	0	0	1	0
£170,000 - £179,999	1	0	0	0
	168	(6)	142	(2)

The 2007/08 figures have been adjusted to remove seven LHC employees that were incorrectly included.

Notes to Main Financial Statements

SCHOOL EMPLOYEES

Remuneration Band	2008/09			2007/08		
	Number of School employees			Number of School employees		
	Total	Due to Lump	Sum	Total	Due to Lump	Sum
£50,000 - £59,999	43		0	42		0
£60,000 - £69,999	32		0	30		0
£70,000 - £79,999	8		0	5		0
£80,000 - £89,999	3		0	3		0
£90,000 - £99,999	1		0	1		0
	87		0	81		0

13.MEMBER ALLOWANCES

During 2008/09 the total allowances paid to Members was £1,508k (£1,487k 2007/08)

14.RELATED PARTY TRANSACTIONS

The Council is required to disclose any material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Government Grants

Central government has effective control over the general operations of the council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg housing benefits). Details of grants from government departments are set out in note 56 on page 61.

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 2008/09 was £16,895k (£14,721k 2007/08). A precept of £0.4m was paid to the London Pension Fund Authority in 2008/09.

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 £
GRUNDON WASTE MANAGEMENT LTD	Cllr Janet Duncan	766,650
HILLINGDON CARERS	Cllr John Major	626,020
HILLINGDON & EALING CITIZENS ADVICE	Cllr George Cooper Cllr Judith Cooper	369,073
HILLINGDON ASSOCIATION OF VOLUNTARY SERVICES	Cllr John Major Cllr Geoff Courtenay	327,702
DASH	Cllr Paul Harmsworth	298,485
GROUNDWORK THAMES VALLEY	Cllr George Cooper Cllr Judith Cooper	139,210
HILLINGDON CROSSROADS	Cllr John Major	88,863
NOTRAG	Cllr Anita MacDonald	60,000
UXBRIDGE OLD PEOPLES WELFARE ASSOC	Cllr Geoff Courtenay	20,215
HILLINGDON ASIAN WOMAN'S GROUP	Cllr Lynne Allen	15,900
HILLINGDON NARROWBOATS ASSOC	Cllr Graham Horn Cllr Geoff Courtenay	14,813
FASSNIDGE MEMORIAL TRUST	Cllr David Yarrow Cllr Andrew Retter	10,200

Cllr Janet Duncan had a close relative/member of household in receipt of income from a company, Grundons, that contracts with the Council. Contract payments totalled £766,650 in 2008/09.

In addition, the Council paid grants and services to voluntary organisations in which ten members had an interest.

Hillingdon Homes Ltd

During 2008/09 payments totalling £36m were made to Hillingdon Homes Ltd, a subsidiary of the Council.

Cllr Geoff Courtney, Cllr Peter Kemp, Cllr Elizabeth Kemp, Cllr Andrew Retter and Cllr Anthony Way have been on the board of Hillingdon Homes Ltd during 2008/09.

Precepts/Levies

In 2008/09 the following precepts and levies are considered related party transactions:

Greater London Authority Precept	£29,780k	Environment Agency	£194k
West London Waste Authority Levy	£6,000k	Lee Valley Regional Park Authority	£293k

During 2008/09 Cllr Andrew Retter held a position of influence in West London Waste Authority, which received a levy from the Council.

Notes to Main Financial Statements

15.MOVEMENT OF FIXED ASSETS 2008/09

<u>Operational Assets</u>	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Gross book value as at 1 April 2008	792,130	601,416	35,038	200,145	12,427	1,641,156
Additions	11,477	10,412	3,265	6,164	2,355	33,673
Disposals	(1,838)	(1,000)	0	0	0	(2,838)
Reclassifications	1,254	(1,320)	36	0	(36)	(66)
Revaluations	59	12,652	0	0	211	12,922
Impairments	(70,222)	(9,739)	0	(89)	(31)	(80,081)
Gross book value as at 31 March 2009	732,860	612,421	38,339	206,220	14,926	1,604,766
Depreciation						
Accumulated at 1 April 2008	(25,785)	(49,429)	(24,469)	(55,101)	0	(154,784)
Charge for 2008/09	(8,599)	(8,108)	(3,573)	(5,001)	0	(25,281)
Disposals	248	32	0	0	0	280
Reclassifications	(51)	130	0	0	0	79
Revaluations	12	4,420	0	2	0	4,434
Accumulated at 31 March 2009	(34,175)	(52,955)	(28,042)	(60,100)	0	(175,272)
Balance Sheet amount 1 April 2008	766,345	551,987	10,569	145,044	12,427	1,486,372
Balance Sheet amount 31 March 2009	698,685	559,466	10,297	146,120	14,926	1,429,494
Nature of asset holding						
Owned	698,498	555,423	9,696	146,120	14,926	1,424,663
Finance Lease	187	583	601	0	0	1,371
PFI	0	3,460	0	0	0	3,460
Balance Sheet amount 31 March 2009	698,685	559,466	10,297	146,120	14,926	1,429,494

<u>Non-Operational Assets</u>	Investment Properties	Assets Under Construction	Surplus Assets	Total
	£000's	£000's	£000's	£000's
Gross book value as at 1 April 2008	10,672	10,122	7,339	28,133
Additions	0	18,574	0	18,574
Disposals	(1,817)	0	(375)	(2,192)
Reclassifications	212	(146)	0	66
Revaluations	2,013	0	475	2,488
Impairments	(87)	0	(20)	(107)
Gross book value as at 31 March 2009	10,993	28,550	7,419	46,962
Depreciation				
Accumulated at 1 April 2008	0	0	(38)	(38)
Charge for 2008/09	0	0	(19)	(19)
Disposals	0	0	6	6
Reclassifications	(65)	0	(14)	(79)
Revaluations	65	0	36	101
Accumulated at 31 March 2009	0	0	(29)	(29)
Balance Sheet amount 1 April 2008	10,672	10,122	7,301	28,095
Balance Sheet amount 31 March 2009	10,993	28,550	7,390	46,933
Nature of asset holding				
Owned	10,993	28,550	7,390	46,933
Balance Sheet amount 31 March 2009	10,993	28,550	7,390	46,933

Notes to Main Financial Statements

16. INTANGIBLE ASSETS

Software

Opening Net Book Value
Additions
Amortisation
Closing Net Book Value

2008/09 £000's	2007/08 £000's
1,682	1,535
116	485
(355)	(338)
1,443	1,682

Software licences costing £116k were purchased in 2008/09. The cost is being written down over five years on a straight line basis.

17. STATEMENT OF SOURCES OF FINANCE

Capital expenditure of £70,134k was incurred in 2008/09 on Council assets and third party assets as revenue expenditure funded from capital under statute. Expenditure on the Council's 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 and the principal element of finance lease payments incurred during the year.

Opening Capital Financing Requirement

Capital investment

Intangible Assets
Operational assets
Non-operational assets
Revenue Expenditure funded from Capital under statute

Sources of finance

Capital receipts
Government grants and other contributions
Revenue provision

Closing Capital Financing Requirement

Explanation of movements in year

Increase in underlying need to borrow :

- supported by Government financial assistance
- unsupported by Government financial assistance

Increase/(Decrease) in Capital Financing Requirement

2008/09 £000's	2007/08 £000's
181,613	182,262
116	485
33,673	47,565
18,574	5,749
17,772	14,267
(3,439)	(29,789)
(43,759)	(28,521)
(9,243)	(10,405)
195,307	181,613
0	0
13,694	(648)
13,694	(648)

Notes to Main Financial Statements

18. DEPRECIATION

Depreciation is charged on all fixed assets other than non-depreciable land, investment properties, assets under construction and community assets. 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	- 5 years
Intangible Assets	- 5 years.

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 2008 by the Estate and Valuation service of the authority. Revaluations are made on a rolling five year period. The only external valuation included is of Council dwellings which were 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 Institution 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 2008 and March 2009. Full details of the basis of valuation for each asset category is provided in statement of accounting policies (page 17).

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Non-operational Assets	Total
	£000's	£000's	£000's	£000's	£000's
Value at historical cost	0	0	10,297	0	10,297
Valued at current value in:					
2008/2009	698,685	559,466	0	46,932	1,305,083
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

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	2008/09	2007/08
	£000s	£000s
2008/09		36,358
2009/10	32,221	16,920
2010/11	6,413	5,054
2011/12	4,581	
	43,215	58,332

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 March 2009	Number as at 31 March 2008
Council Dwellings	10,557	10,715
Operational Buildings		
Cemeteries (Buildings only)	5	5
Crematoria (Buildings only)	1	1
Depots and workshops	11	10
Golf courses	4	4
Libraries	17	17
Nurseries and playgroups	14	14
Office buildings	9	11
Other buildings	149	147
Residential homes and day centres	36	36
Schools	51	52
Sports centres and swimming pools	10	11
Tenanted farms	9	9
Operational Equipment		
Vehicles	85	103
CCTV	160	144
Computer terminals	3,338	3,702
Heavy plant	4	4
Infrastructure Assets		
Highways (kilometres)	666	675
Bridges	296	296
Community Assets		
Allotments	35	35
Cemeteries and crematorium - Land only	9	10
Historic buildings	1	1
Parks & open spaces - Area (Hectares)	1,091	1,053
Car Parks	22	23
Investment Properties	79	75
Land awaiting development	8	9
Surplus Assets	19	12

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

22. AVAILABLE FOR SALE FINANCIAL INSTRUMENTS RESERVE

The Council holds a number of assets within Long Term Investments which are classified as Available For Sale. The fair value of these assets are shown in the Balance Sheet with any movement in their fair value being held in the Available for Sale Reserve.

	2008/09 £000s
Balance as at 1st April 2008	0
Change in Fair Value in year	15
Balance as at 31st March 2009	15

Notes to Main Financial Statements

23. REVALUATION RESERVE

	2008/09 £000's
Balance as at 1st April 2008	26,153
Net movements in year	(7,997)
Balance as at 31st March 2009	18,156

24. CAPITAL ADJUSTMENT ACCOUNT

	2008/09 £000's	2008/09 £000's Total
Opening Balance		1,182,303
Capital receipts -applied for capital financing		19,797
-applied to reduce indebtedness		(16,357)
Adjustment for finance lease principal	1,739	
Voluntary revenue provision	0	1,739
Capital financing - revenue		3,955
Write down of revenue expenditure funded from capital under statute		(17,772)
Government grants written down		20,876
Minimum Revenue Provision (less General Fund Depreciation)		
General Fund MRP		3,543
less: -Depreciation charged to General Fund	(16,680)	
-HRA Depreciation greater than MRA	(1,350)	(18,030)
Fixed Asset movements		
Disposals	(3,781)	
Impairments	(52,012)	
Revaluations Written Out	(1,197)	(56,990)
Closing Balance		1,123,064

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) is set aside from local taxation to meet the redemption of external debt. In 2008/09 MRP of £3,543k had to be financed from Council Tax.

Notes to Main Financial Statements

25.USABLE CAPITAL RECEIPTS RESERVE

		£000's
	Balance as at 1st April 2008	379
	Capital receipts received in year	4,959
		5,338
LESS:		
	Pooled capital receipts	(890)
	Capital receipts used for financing	(3,439)
	Balance as at 31st March 2009	1,009

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.LONG TERM DEBTORS

	31 March 2009 £000's	New Advances £000's	Repayments £000's	1 April 2008 £000's
Housing advances & associations	22	0	(1)	23
Sale of Council houses	176	0	(22)	198
Other loans & advances	226	0	(197)	423
	424	0	(220)	644

27.STOCKS AND WORK IN PROGRESS

	At 31 March 2009 £000's	At 31 March 2008 £000's
Stocks:		
Building maintenance/highways	262	137
Printing & stationery	7	23
Other stocks	6	14
	275	174
Work In Progress:		
Other rechargeable works	(142)	(27)
	133	147

28.DEBTORS

	At 31 March 2009 £000's	At 31 March 2008 £000's
Government departments	17,973	20,727
Other public bodies	1,240	5,316
Hillingdon Homes Ltd	2,966	1,549
Housing rents	5,076	6,890
Non-domestic ratepayers	7,128	15,766
Council taxpayers	12,119	13,340
Sundry debtors	20,741	30,166
Car & other loans	176	65
	67,419	93,819
Less: Provision for doubtful debts	(23,615)	(33,701)
	43,804	60,118

Notes to Main Financial Statements

29.CREDITORS

	At 31 March 2009 £000's	At 31 March 2008 £000's
Government departments	25,620	27,191
Non-domestic rates pool	22,614	0
Other public bodies	8,388	4,156
Hillingdon Homes Ltd	2,200	(33)
Sundry creditors	46,226	51,773
Non-domestic ratepayers	5,693	5,656
Council taxpayers & Collection Fund deficit	4,342	3,746
	115,083	92,489

30.FINANCIAL INSTRUMENT BALANCES

	Long-Term		Current		Total	
	31st March 2009 £000s	31st March 2008 £000s	31st March 2009 £000s	31st March 2008 £000s	31st March 2009 £000s	31st March 2008 £000s
Borrowings						
Financial liabilities at nominal cost	197,949	217,970	21	4,920	197,970	222,890
Premium	(3,423)	(3,443)	0	0	(3,423)	(3,443)
Accrued interest	0	2,424	2,033	8	2,033	2,432
Financial liabilities at amortised cost	194,526	216,951	2,054	4,928	196,580	221,879
Total borrowings	194,526	216,951	2,054	4,928	196,580	221,879
Investments						
Loans and receivables at nominal	2,000	4,000	93,000	91,700	95,000	95,700
Impairment	0	0	(5,616)	0	(5,616)	0
Accrued Interest	0	36	1,464	2,103	1,464	2,139
Loans and receivables at amortised cost	2,000	4,036	88,848	93,803	90,848	97,839
Available-for-sale financial assets	75	76	0	0	75	76
Cash in hand	0	0	18,433	14,455	18,433	14,455
Total investments	2,075	4,112	107,281	108,258	109,356	112,370

The above financial liabilities do not include finance 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.

Notes to Main Financial Statements

31.FINANCIAL INSTRUMENT GAINS/LOSSES

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

	Interest Payable & Similar Charges £000s	Interest & Investment Income £000s	Movement in Available for Sale £000	Total	
				2009 Total £000s	2008 Total £000s
Liabilities measured at amortised cost					
Interest expense	(9,357)	0	0	(9,357)	(9,635)
Losses on derecognition	(339)	0	0	(339)	0
Gains on derecognition	176	0	0	176	0
Interest payable and similar charges	(9,520)	0	0	(9,520)	(9,635)
Loans & Receivables					
Interest income	0	6,349	0	6,349	7,300
Impairment losses	(5,616)	0	0	(5,616)	0
Interest and investment income	(5,616)	6,349	0	733	7,300
Available for Sale					
Gains on revaluation	0	0	21	21	0
Losses on revaluation	0	0	(6)	(6)	0
Interest payable and similar charges	0	0	15	15	0
Net gain/(loss) for the year	(15,136)	6,349	15	(8,772)	(2,335)
Other	(4,382)	2,794		(1,588)	
Total Gains and Losses	(19,518)	9,143	15	(10,360)	(2,335)

Notes to Main Financial Statements

ICELANDIC IMPAIRMENTS

The Council has deposits of £20,000k with Heritable Bank (£15,000k) and Landsbanki (£5,000k). Authorities are required under FRS16 to make best estimates of any impairment of Financial Assets. Following the latest creditor progress reports issued by the administrators it is anticipated that the Council will recover approximately 80% of Heritable and 83% of Landsbanki deposits. Therefore a total impairment of £3,850k is expected.

Such impairments are calculated using a discounted cash flow calculation with interest credited back each year until the relevant banks' books are closed. For 2008/09 an impairment of £4,948k is included in the Income and Expenditure Account under Interest Payable and Other Charges and has been reversed out to the Financial Instrument Account in accordance with statutory regulation. This amount will be reduced to £3,850k in the years following the posting of interest credits to the Income and Expenditure account in accordance with accounting practices.

Heritable Bank

Heritable Bank is a UK registered bank under Scots law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 20 April 09 outlined that the return to creditors was projected to be 80p in the £ by the end of 2012 with the first dividend payment of 16.13p in the £ payable in the summer of 2009. The authority has recognised an impairment based on it recovering 80p in the £. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down towards the end of 2012. Hence, in calculating the impairment, the Authority has made the following assumptions regarding timing of recoveries:

July 2009 - 16.13%
December 2009 - 10.00%
July 2010 - 20.22%
July 2011 - 19.22%
July 2012 - 7.22%
July 2013 - 7.21%

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest accrued up to 6 October 2008.

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. The latest information provided by the resolution committee indicates that the best estimate payable to preferential claimants is 83%. The authority has therefore decided to recognise an impairment based on it recovering 83p in the £.

No information has been provided by the resolution committee about the timing of any payments to depositors. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, settlement in a single sum is unlikely. Therefore, in calculating the impairment, the authority has used the estimated repayment timetable for Heritable as a basis for its assumption about the timing of recoveries. It is therefore assumed that the repayment will be split roughly evenly between March 2010, December 2010, December 2011 and December 2012.

Under Icelandic Act No. 44/2009 claims should include interest up to the 22 April 2009. In cases where the maturity date is before the 22 April 2009, interest between the maturity date and the 22 April 2009 will be credited at a penalty rate. In the absence of clarity from the bank Winding-Up Committees about whether the UK or Icelandic penalty rate should apply, local authorities have been advised to apply the Icelandic penalty rate of 22%. Recoveries are expressed as a percentage of the authority's claim in the administration. These include interest accrued up to the original maturity dates of the three investments which were 20 October 2008 and 27 October 2008 and accrued interest at the penalty rate from maturity date to the 22 April 2009.

Notes to Main Financial Statements

32. FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

Fair Value 08/09

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price. In most cases, this amount will be the transaction price, e.g. the amount of a loan made or the price paid for a bond.

	31st March 2009		31st March 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000's	£000's	£000's	£000's
PWLB	147,588	146,163	172,858	167,604
Market	48,992	50,832	49,021	49,510
Financial liabilities	196,580	196,995	221,879	217,114

Financial Liabilities 08/09

- Method

The fair value of an instrument is determined by calculating the Net Present Value of future cashflows that are scheduled to take place over the remaining life of the loan. This provides an estimate of the value of payments in the future in today's terms.

- Public Works Loan Board (PWLB)

The new borrowing rate has been used as the discount factor for all PWLB borrowing. The new borrowing rate will calculate the notional interest gain/loss that will accrue if the authority keeps the loan until maturity.

- Market

Requests were made directly for market loan fair values. In the case where this information is not provided or not available from the counterparty, the fair value was calculated based on the nearest equivalent SWAP rates at the balance sheet date, sourced from Bloomberg. The SWAP rates are based on the Mid Rate for that day. It is assumed these provide a more accurate proxy than using PWLB rates as they are based on market rates and extend beyond the PWLB's 50-year limit.

33. FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31st March 2009		31st March 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000s	£'000s	£000's	£000's
Short Term	88,744	88,744	93,803	92,200
Long Term	2,104	2,164	4,036	4,024
Available for Sale	75	75	76	76
Financial Assets	90,923	90,983	97,915	96,300

Financial Assets 08/09

To ascertain fair values, financial assets have been divided into four categories:

- Maturities within 12 months

Following SORP guidance where instruments mature within 12 months, the carrying amount is assumed to approximate to the fair value.

Notes to Main Financial Statements

- Impaired Investments

When assessing an impairment, identifying or estimating the recoverable amount or fair value is the key task. Following CIPFA guidance (LAAP Bulletin 82) an impairment has been calculated. By applying this to the amortised value of the investment the resulting balance is assumed therefore to be the fair value.

- Available for Sale investments

Quoted market prices as at the 31st March 2009 have been applied as the fair value for available for sale assets. These assets are held in the balance sheet at their market price.

- Long Term Investments

The fair value has been based on the equivalent SWAP rate.

34.CREDIT RISK A

Credit and counterparty 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. As a holder of public funds, the Council recognises its prime responsibility is always to safeguard the principal of any sums which it invests. Consequently, it will optimise returns commensurate with the management of these associated risks.

The Council manages risk by developing a counterparty list with stringent safeguards and restrictions. These include the type of institutions that comprise the counterparty list, the maximum sum which can be deposited with each institution, the maximum length of time sums can be invested and also limits to avoid any over-exposure to one particular group. A range of knowledge and information is used to judge risk before compiling the counterparty list and making investment decisions and these are derived from such sources as the financial press, treasury advisers, rating agencies and market tracing etc. Investments are diversified across institutions to ensure an even spread of risk throughout the counterparty list. Information relating to the counterparties is constantly monitored and action taken should any institution fail to meet the minimum criteria.

Outstanding investments as at 31st March 2009							
	Fitch Rating	Maturity of investments					Total
		Unpaid Investments	1-3 Months	3-6 Months	6-12 Months	Over 12 Months	
		£000's	£000's	£000's	£000's	£000's	
Banks							
UK	AA- F1+ 1	0	15,500	7,000	15,300	2,000	39,800
Ireland	A- F1 1	0	4,000	0	0	0	4,000
Iceland		20,000	0	0	0	0	20,000
		20,000	19,500	7,000	15,300	2,000	63,800
Building Society	AA- F1+ 1	0	10,900	0	3,000	0	13,900
Money Market Funds	AAA	0	17,300	0	0	0	17,300
		20,000	47,700	7,000	18,300	2,000	95,000

The information above provides credit ratings of institutions and durations of outstanding investments held by the council.

Notes to Main Financial Statements

Credit Rating Definitions

The credit ratings provided show three indicators; the long term rating, short term rating and support rating.

Long Term		Short Term	
AAA	Highest credit quality	F1	Highest credit quality
AA	Very high credit quality	F2	Good credit quality
A	High credit quality	F3	Fair credit quality
BBB	Good credit quality	B	Speculative
BB	Speculative	C	High default risk
B	Highly speculative	RD	Defaulted on some financial commitments
CCC	Default possibility	D	Defaulted on all financial commitments
CC	Default imminent		
D	Defaulted		
Support			
		1	Extremely high probability of external support
		2	High probability of external support
		3	Moderate probability of support
		4	Limited probability of support
		5	Possible support but cannot be relied upon

35.CREDIT RISK B

The Policy on borrowing is to spread exposure between PWLB and market sources with a typical weighting towards the PWLB of 75%. This enables the Council to avail itself of the rescheduling facility offered by the PWLB and also to obtain the potentially favourable rates offered by the market.

Loans

	On 31 March 2009				On 31 March 2008			
	PWLB £000	Market £000	Other £000	Total £000	PWLB £000	Market £000	Other £000	Total £000
Nominal Value	149,600	48,000	370	197,970	174,500	48,000	390	222,890
Premium	(3,423)	0	0	(3,423)	(3,443)	0	0	(3,443)
Interest	1,411	618	4	2,033	1,801	626	5	2,432
Amortised Value	147,588	48,618	374	196,580	172,858	48,626	395	221,879

The table below relates to Refinancing risk. Further details of this can be found in Note 37 on page 51.

Less than 1 year	2,054	4,928
Between 1 and less than 2 years	3,023	21
Between 2 and less than 5 years	6,072	6,192
Between 5 and less than 10 years	17,139	10,347
Between 10 and less than 20 years	20,115	20,474
Between 20 and less than 30 years	25,000	35,444
Between 30 and less than 40 years	20,000	30,219
Between 40 and less than 50 years	55,177	60,625
Over 50 years	48,000	53,629
Total	196,580	221,879

Notes to Main Financial Statements

36. LIQUIDITY RISK

Liquidity risk is the risk that cash will 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 to the 'ebbs and flows' in income and expenditure and the resulting residual daily cash balances available for investment.

37. REFINANCING RISK

Refinancing risk is the risk that when loans or other forms of capital financing mature, 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 aims to have no more than 10% of loans maturing in any one year.

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 so 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.

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

38. MARKET RISK

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 has been budgeted. 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 investment and debt portfolios. Fixed and variable limits are published in the Annual Treasury Management Strategy Statement. This strategy is periodically reviewed during the year and adapted to reflect changing economic circumstances in the light of actual movements in interest rates.

Financial Liabilities

The majority of borrowing made by the Council is sourced from the PWLB at fixed rates (£149,600k as at 31 March 2009). Borrowing at fixed rates enables the Council to enjoy stability of costs in future years and helps improve budgetary processes. Fixed rates protect the Council from interest rate increases but in contrast exposes it to opportunity costs should rates fall. Despite being tied into fixed rates the Council is able to reschedule or prematurely redeem debt and as such continually monitors the portfolio to take advantage of opportunities that may present themselves periodically to reduce overall costs.

The balance of debt is mainly held in "Lenders Option Borrowers Option" (LOBO) market loans (£48,000k). These have been set to provide varying periods of fixed rate ranges with subsequent options for the lender to change this rate on agreed dates. A LOBO which falls within a year of an interest change date is classified as variable. Over the next three years loans totalling £14m, £10m and £9m respectively are scheduled for rate change options.

The Council had an average balance of loans during 2008/09 of £221,250k and across these loans the average rate paid was 4.24%. If there were a movement of 1% in the average rate payable the Council would be exposed to £2,200k movement in loan interest costs.

Financial Assets

The Council had an average balance of investments for 2008/09 of £132,700k. Within this figure a rolling balance of approximately £30,000k was required for day-to-day cash flow needs with the remainder being attributable to future capital expenditure requirements. Investments were made throughout the year with varying maturity periods, in most cases from one month up to one year, in a bid to match investment maturities with expected expenditure and to spread interest rate risk. Deposits up to one year in duration are classified as variable. The deposit total for investments longer than one year was £2,000k at 31 March 2009. The average rate of return achieved on investments throughout the year was 5.04%. If there were a movement of 1% in the rate received on average investment balances the Council would be exposed to a £1,300k movement on investment income.

Notes to Main Financial Statements

39.FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

The Financial Instrument Adjustment Account is an account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments. Amounts are released from this account each year and charged to the Income and Expenditure Account. The effect is to reduce the impact to the Council Tax payer in any one year.

	2008/09 £000's
Balance as at 1st April 2008	105
Net movements in year	(5,414)
Balance as at 31st March 2009	(5,309)

40.FUND BALANCES AND RESERVES

	At 31st March 2009 £000's	At 31st March 2008 £000's
General Fund :		
- Working balance	16,920	12,614
- Schools delegated funds	11,022	13,026
- Breakspear Crematorium	371	422
Earmarked Reserves		
- Parking fund	906	803
- New Road & Streetworks Act fund	190	294
- Elections	141	69
Collection Fund	(137)	(1,269)
Housing Revenue Account	4,561	5,039
	33,974	30,998

41.SPECIFIC RESERVES

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

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.

Notes to Main Financial Statements

42.ACCOUNTING FOR THE COLLECTION FUND BALANCE

The Collection Fund balance at 1 April 2008 had a deficit of £1,620k. An in-year surplus of £1,445k resulted in a remaining deficit balance at 31 March 2009 of £175k. 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 as follows:

	At 31st March 2009 £000's	At 31st March 2008 £000's
Fund Balances & Reserves	137	1,269
Creditor in respect of GLA share	38	351
	175	1,620

In the STRGL the movement on the Council's element of the collection fund deficit is shown separately.

43.EVENTS AFTER THE BALANCE SHEET DATE

Where an event occurs after the 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.

44.Section 75 AGREEMENT FOR LEARNING DISABILITY SERVICES

A section 75 agreement is in operation between London Borough of Hillingdon and Hillingdon Primary Care Trust in respect of Learning Disability Services and was effective from 1st April 2008. This is not operating as a Pooled Budget in that it clearly identifies the financial liabilities of the two partners on an individual client basis. The object of the agreement is to enable the effective commissioning of services for this client group thereby providing a seamless service to the individual. For 2008/09 this service provided support to approximately 650 clients at a gross cost of £32,000k which included approximately 110 PCT clients for which the Council received £9,500k.

45.LONDON HOUSING CONSORTIUM

The London Housing Consortium is a consortium comprising founder and full members which include the London Boroughs of Barnet, Brent, Camden, Ealing, Hackney, Haringey, Hillingdon, Islington, Lambeth and Tower Hamlets, Buckinghamshire County Council 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 9.1% of the voting rights. Revenue surpluses are shared between members on a formula basis. Copies of LHC's Statement of Accounts 2008/09 can be obtained from LHC, 464 Uxbridge Road, Hayes, Middlesex, UB4 0PT.

Notes to Main Financial Statements

46.PROVISIONS

	As at 31 March 2009	As at 31 March 2008
	£000's	£000's
Insurance	2,947	3,190
Equal pay - Back pay	234	234
Other	845	1,122
Total	4,026	4,546

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 was £100k in 2008/09 (£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 2009.

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.

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 £461k (£488k in 2007/08) 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 £385k (£635k in 2007/08) has been made to finance these costs.

Notes to Main Financial Statements

47. CONTINGENT LIABILITIES AND ASSETS

There is one significant legal action pending against the Council arising from the exercise, by the Council, of its statutory functions.

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 ensure an orderly settlement of outstanding claims. Under this arrangement the Council may be required to repay MMI part of any claim 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. Nevertheless at 31 March 2009, the sum potentially subject to 'clawback' was £2,356k (£2,351k as at 31 March 2008). Further claims totalling £43k were outstanding (£60k in 2007/08).

2. Persimmon Homes - In March 2007, Persimmon Homes purchased land at Hillingdon House Farm from the Council for £19,250k. A claim has been received for misrepresentation in relation to a DEFRA licence for an abattoir which Persimmon Homes state has resulted in a loss to them in excess of £1,000k. No claim has yet been received but the Council will be defending any such claim as it believes there is no liability.

48. ANALYSIS OF NET ASSETS EMPLOYED

	As at 31 March 2009 £000's	As at 31 March 2008 £000's
General fund	388,689	353,271
HRA	571,496	783,303
Total	960,185	1,136,574

49. TRUST FUNDS

The Council is responsible for a number of small trust funds which are not consolidated in the accounts. The Council administers the trusts 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 2009 £	As at 31 March 2008 £
Education trusts - providing academic prizes	3,885	3,811
Library trusts - purchase of library books	9,201	8,660
Total	13,086	12,471

Notes to Main Financial Statements

50.PENSION SCHEMES

Defined Benefit 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 funds of the Local Government Pension Scheme, which is a defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The two funds are:

- London Borough of Hillingdon Fund of the LGPS for employees, administered locally by the authority.
- London Pension Fund of the LGPS, which is a closed arrangement for former employees administered by the London Pension Fund authority.

Defined Contribution Pension schemes

Teachers employed by the authority are members of the Teachers' Pension Scheme. 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 employer's contribution rate was 14.1% (14.1% in 2007/08). The total contribution to the fund by the authority in 2008/09 was £8,600k (£8,400k in 2007/08).

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 2008/09 totalled £29k (£36k in 2007/08) and there are no on-going payments.

Change of accounting policy

Under the 2008 SORP the Council has adopted the amendment to FRS 17: Retirement benefits. As a result, quoted securities held as assets in the defined benefit scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31st March 2008 has been restated from £502,425k to £500,561k, a decrease of £1,864k, resulting in an increase to the pension deficit of £1,864k. Current and prior year deficits have been unaffected by this change.

Transaction relating to retirement benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

Notes to Main Financial Statements

	London Borough of Hillingdon Pension Fund		London Pension Fund Authority Pension Fund		Total
	31 March 2009 £000's	31 March 2008 £000's	31 March 2009 £000's	31 March 2008 £000's	31 March 2009 £000's
Net cost of services					
Current service costs	13,329	17,925	0	0	13,329
Past service costs	4,771	336	0	0	4,771
Settlements and curtailments	1,180	425	0	0	1,180
Total Net Cost Of Services	19,280	18,686	0	0	19,280
Net Operating Expenditure					
Interest costs	41,306	34,489	380	346	41,686
Expected return on assets in the scheme	(35,889)	(38,288)	(207)	(252)	(36,096)
Total Net Operating Expenditure	5,417	(3,799)	173	94	5,590
Amounts to be met from Government Grants and Local Taxation:					
Movement on pension reserve	24,697	14,887	173	94	24,870
Actual amount charged against council tax for pensions in the year:					
Employer's contributions payable to scheme	16,895	14,620	0	92	16,895
Contributions in respect of unfunded benefits	2,077	1,983	10	10	2,087

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £101,473k (£2,149k in 2007/08) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses since 2004/05 is £104,733k.

The Council expects to make payments of £20,338k in respect of contributions to the scheme during the financial year 2009/10.

51.PENSION SCHEMES BALANCE SHEET DISCLOSURES

Reconciliation of present value of scheme liabilities

	London Borough of Hillingdon Pension Fund		London Pension Fund Authority Pension Fund		Total
	31 March 2009 £000's	31 March 2008 £000's	31 March 2009 £000's	31 March 2008 £000's	31 March 2009 £000's
Opening Benefit Obligation	597,833	639,114	5,857	6,770	603,690
Current Service Cost	13,329	17,925	0	0	13,329
Interest Cost	41,306	34,489	380	346	41,686
Contributions by Members	6,760	5,909	0	0	6,760
Actuarial Gains	(53,816)	(74,866)	(134)	(527)	(53,950)
Past Service Costs	4,771	336	0	0	4,771
Losses on Curtailments	1,000	425	0	0	1,000
Liabilities Extinguished on Settlements	(2,488)	0	0	0	(2,488)
Liabilities Assumed in a Business Combination	29	0	0	0	29
Exchange Differences	0	0	0	0	0
Estimated Unfunded Benefits Paid	(2,077)	(1,983)	(10)	(10)	(2,087)
Estimated Benefits Paid	(22,329)	(23,516)	(693)	(722)	(23,022)
Closing Defined Benefit Obligation	584,318	597,833	5,400	5,857	589,718

Notes to Main Financial Statements

Reconciliation of fair value of scheme assets

	London Borough of Hillingdon Pension Fund		London Pension Fund Authority Pension Fund		Total
	31 March 2009 £000's	31 March 2008 £000's	31 March 2009 £000's	31 March 2008 £000's	31 March 2009 £000's
Opening Fair Value of Employer Assets	495,968	535,831	4,593	5,334	500,561
Expected Return on Assets	35,889	38,288	207	251	36,096
Contributions by Members	6,760	5,909	0	0	6,760
Contributions by the Employer	16,895	14,620	0	92	16,895
Contributions in respect of Unfunded Benefits	2,077	1,983	10	10	2,087
Actuarial Losses	(154,826)	(75,164)	(597)	(362)	(155,423)
Assets Distributed on Settlements	(2,675)	0	0	0	(2,675)
Assets Acquired in a Business Combination	36	0	0	0	36
Exchange Differences	0	0	0	0	0
Estimated Unfunded Benefits Paid	(2,077)	(1,983)	(10)	(10)	(2,087)
Estimated Benefits Paid	(22,329)	(23,516)	(693)	(722)	(23,022)
Closing Fair Value of Employer Assets	375,718	495,968	3,510	4,593	379,228

The expected return on scheme assets is determined by considering the expected returns available on the assets according to the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates on return experienced in the respective markets.

The actual loss on LBH scheme assets in the year was £119,669k (£28,378k return in 2007/08), the difference between this actual loss and the expected return on assets accounts for the majority of the actuarial loss shown above.

Scheme history

	2008/09	2007/08	2006/07	2005/06	2004/05
	£000's	£000's	£000's	£000's	£000's
Present value of liabilities:					
LBH	(584,318)	(597,833)	(639,114)	(637,931)	(537,900)
LPFA	(5,400)	(5,857)	(6,770)	(7,290)	(7,489)
Fair Value of Assets:					
LBH	375,718	495,968	535,831	502,015	403,502
LPFA	3,510	4,593	5,334	5,813	6,042
Surplus / (Deficit) in the scheme:					
LBH	(208,600)	(101,865)	(103,283)	(135,916)	(134,398)
LPFA	(1,890)	(1,264)	(1,436)	(1,477)	(1,447)
Total	(210,490)	(103,129)	(104,719)	(137,393)	(135,845)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £589,718k is offset by the scheme assets of £379,228k to give the net pension liability of £210,490k as disclosed on the balance sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains viable: the deficit on the LBH scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary, in addition to ongoing investment returns.

Notes to Main Financial Statements

52.PENSION SCHEMES BASIS OF ESTIMATION

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the LBH and LPFA scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the LBH scheme being based on the latest full valuation of the scheme as at 31st March 2007.

	London Borough of Hillingdon Pension Fund		London Pension Fund Authority Pension Fund	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008
<u>Financial Assumptions: (% p.a.)</u>				
Inflation/Pension Increase Rate	3.1%	3.6%	3.1%	3.6%
Salary Increase Rate	4.6%	5.1%	4.6%	5.1%
Expected Return on Assets	6.5%	7.2%	4.4%	4.9%
Discount Rate	6.9%	6.9%	6.9%	6.9%
<u>Expected Return on Assets by Category:</u>				
Cashflow Matching			4.2%	4.5%
Equities	7.0%	7.7%	7.0%	7.7%
Bonds	5.4%	5.7%		
Property	4.9%	5.7%		
Cash	4.0%	4.8%	4.0%	4.8%
<u>Mortality Assumptions:</u>				
Longevity at 65 for current pensioners:				
- Men	19.6	19.6	21	21
- Women	22.5	22.5	23.4	23.4
Longevity at 65 for future pensioners:				
- Men	20.7	20.7	22	22
- Women	23.6	23.6	24.2	24.2
Take-up of option to convert annual pension to tax free lump sum	50%	50%	68%	20%

The assets held by the schemes consist of the following categories, by proportion of total assets held:

	London Borough of Hillingdon Pension Fund		London Pension Fund Authority Pension Fund	
	31 March 2009	31 March 2008	31 March 2009	31 March 2008
Categories of assets held:				
Cashflow Matching	0%	0%	91%	86%
Equities	77%	76%	8%	12%
Bonds	12%	13%	0%	0%
Property	8%	8%	0%	0%
Cash	3%	3%	1%	2%

Notes to Main Financial Statements

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2009.

	2008/09	2007/08	2006/07	2005/06	2004/05
Difference					
LBH	(41.2%)	(15.2%)	0.2%	14.5%	4.0%
LPFA	(17.0%)	(7.9%)	0.0%	3.9%	0.6%
Experience gains and losses on liabilities:					
LBH	0.0%	2.2%	0.0%	(0.0%)	(2.8%)
LPFA	(0.3%)	(14.3%)	0.1%	(0.0%)	6.7%

53.RECONCILIATION OF REVENUE CASH FLOW

Note	Year ended 31st March 2009		Year ended 31st March 2008	
	£000's	£000's	£000's	£000's
General fund net surplus	(2,251)		(2,772)	
HRA deficit	478		339	
Collection Fund	(1,133)		334	
Total surplus		(2,906)		(2,099)
Add items not resulting in cashflow				
Minimum Revenue Provision	24	(3,543)		(4,432)
Voluntary Revenue Provision	24	(1,739)		(1,676)
Contributions from reserves	41	71		40
Provisions set aside in year	46	520		(1,204)
Write off of Premia		0		0
Other non cash items		10,495		(9,343)
		5,804		(16,615)
Movements in working capital				
Increase in creditors	55	(22,594)		(9,351)
Decrease in stocks & work in progress	55	(14)		(24)
Decrease in debtors	55	(16,314)		(5,760)
Decrease in long term debtors	26	(220)		(265)
		(39,142)		(15,400)
Items Classified elsewhere on Cashflow Statement				
Capital expenditure financed from revenue		(11,580)		(12,192)
Lease Payments		(2,345)		(2,049)
Capital Receipts in respect of the pool		1,343		5,421
Deduct interest received		7,031		7,326
Interest paid		(9,757)		(9,587)
		(15,308)		(11,081)
Revenue activities cash inflow		(51,552)		(45,195)

54.MOVEMENT IN LIQUID RESOURCES

	31st March 2009	31st March 2008	Movement 2008/09	Movement 2007/08
	£000's	£000's	£000's	£000's
Cash in hand	18,433	14,455	3,978	20,544

Notes to Main Financial Statements

55.MOVEMENT IN OTHER CURRENT ASSETS

	31st March 2009 £000's	31st March 2008 £000's	Movement 2008/09 £000's	Movement 2007/08 £000's
Debtors	43,804	60,118	(16,314)	(5,760)
Creditors	(115,083)	(92,489)	(22,594)	(9,351)
Stocks and work in progress	133	147	(14)	(24)
	(71,146)	(32,224)	(38,922)	(15,135)

56.ANALYSIS OF GOVERNMENT GRANTS

	31st March 2009 £000's	31st March 2008 £000's
Rent allowances	59,876	49,323
Council tax & housing benefits	34,991	35,112
Mandatory student awards	8	11
Schools standards fund	17,649	17,139
Homelessness	6,440	10,603
NNDR cost of collection	594	608
Refugee children	7,265	7,142
Adult asylum seekers	2,681	3,381
Other grants	69,649	66,694
	199,153	190,013

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

	2008/09 £000's	2007/08 £000's
Net Debt as at 1st April 2008	113,621	130,281
Net Debt as at 31st March 2009	89,299	114,694
	(24,322)	(15,587)
Represented by:		
Repayments of amount borrowed	(35,299)	(5,213)
New loans raised	10,000	0
	(25,299)	(5,213)
Decrease in short term deposits	4,955	10,170
Increase in cash	(3,978)	(20,544)
	(24,322)	(15,587)

58.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 63)

There is a statutory duty to account separately for local authority housing provision. The HRA Income and Expenditure Account shows in detail the Income and Expenditure on HRA services included in the whole authority Income and Expenditure Account. It includes the major elements of Council housing revenue expenditure on maintenance, administration, subsidy and capital financing costs and major income sources such as rents and other income.

The Collection Fund (page 66)

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 68)

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 77)

This fund is not included within the Council's Balance Sheet, but is maintained separately. The Council acts as the administrator for the London Borough of Hillingdon Fund of the Local Government Pension Scheme.

HRA - Income And Expenditure Account

	Notes	Year ended 31st March 2009 £000's	Year ended 31st March 2008 £000's
Income			
Gross dwelling rents		46,760	45,960
Gross non dwelling rents		1,804	1,760
Charges for services and facilities		3,198	1,982
Contributions towards expenditure		1,893	1,762
HRA subsidy receivable including MRA		0	0
		53,655	51,464
Expenditure			
Contribution to housing repairs		11,105	10,798
Supervision and management		16,192	15,962
Rents, rates,taxes & other charges		753	708
Increase / (Decrease) in provision for bad debts		534	(271)
Transfer of assumed surplus to DCLG	4	10,434	8,818
Debt management costs		55	33
Depreciation of fixed assets		8,974	9,282
		48,047	45,330
Net Cost of HRA Services per Authority Income & Expenditure		(5,608)	(6,134)
HRA Services share of Corporate and Democratic Core		186	182
Net Cost of HRA services		(5,422)	(5,952)
Impairment on HRA fixed assets		44,010	0
Gain on sale of HRA fixed assets		(26)	0
Interest payable and similar charges		2,952	2,811
HRA investment income		(63)	(81)
Deficit / (Surplus) for the year on HRA services		41,451	(3,222)

The Gross Dwelling Rents and Increase / (Decrease) in provision for bad debts for 2007/08 have been restated by £200k. This has no effect on the Net Cost of HRA Services for 2007/08.

Statement of Movement on the HRA Balance

	2008/09 £000's	2007/08 £000's
Deficit / (Surplus) for the year on HRA services	41,451	(3,222)
Additional amount required by statute or non-statutory proper practices to be debited or credited to the General Fund balance for the year.		
Gain on the sale of HRA Fixed Assets	26	0
HRA share of contributions to or from the Pension Reserve	(86)	(54)
Capital Expenditure funded by the HRA	3,473	4,251
Depreciation and Impairment on Fixed Assets	(45,360)	(1,520)
HRA Voluntary Revenue Provision	974	884
Decrease in HRA balance for the year	478	339
HRA Balance Brought forward	(5,039)	(5,378)
HRA Balance carried forward	(4,561)	(5,039)

Notes to Housing Revenue Account

1. HOUSING STOCK

The Council was responsible at 31 March 2008 for managing dwellings and hostels. The stock was as follows:

	Total at 31st March 2009	Total at 31st March 2008
1 Bed Properties	3,664	3,710
2 Bed Properties	3,734	3,772
3 Bed Properties	2,882	2,987
4 plus Bed Properties	218	188
Hostels	59	57
Total	10,557	10,714

2. VALUE OF HRA ASSETS

	Net Book Value at 31st March 2009 £000's	Net Book Value at 31st March 2008 £000's
Operational Assets		
Council dwellings	698,685	766,346
Other land & buildings	12,233	13,450
Community assets		
Vehicle, plant & equipment	462	441
Non-Operational Assets	70	70
Total	711,450	780,307

The vacant possession value of dwellings within the authority's HRA as at 31 March 2009 was £1,888 million. The difference of £1,189 million between this and the balance sheet value of £699 million is the economic cost of providing council housing at less than open market rents.

For 2008/09 depreciation of £8,599k in respect of Council dwellings, £276k in respect of other land and buildings and £100k in respect of vehicles, plant, furniture and equipment was charged to the HRA.

3. CAPITAL EXPENDITURE

Capital Expenditure on HRA council dwellings and other assets during 2008/09 totalled £11,862k. This was financed by:

	Total at 31st March 2009 £000's	Total at 31st March 2008 £000's
Revenue contribution	3,473	4,734
Major repairs allowance	7,624	7,761
Supported capital expenditure (capital)	0	12,125
Capital receipts	306	962
Other contributions	459	0
	11,862	25,582

Capital receipts from the sale of HRA properties during 2008/09 totalled £2,180k of which £890k was paid to Central Government under Pooling arrangements.

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 2008/09 it was based on the following:

	2008/09	2007/08
	£000's	£000's
Expenditure		
Management	6,399	6,289
Maintenance	11,605	11,758
Allowance for major repairs	7,624	7,761
Charges to capital	2,105	2,109
ALMO allowance	4,744	4,744
Other expenditure	1,091	1,059
Income		
Rent	(43,985)	(42,519)
Interest on receipts	(17)	(20)
Subsidy payable	(10,434)	(8,819)

5. RENT ARREARS

At 31 March 2009 the gross HRA rent arrears amounted to £4,300k of which £4,200k relates to dwellings and £100k to commercial rent.

6. BAD DEBT PROVISION

The provision for bad debts on all HRA debts as at 31 March 2009 was £2,030k. Of this £1,950k relates to dwellings and £80k 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.

	2008/09	2007/08
	£000's	£000's
Balance as at 1 April	0	0
Depreciation transferred to reserve	8,974	9,000
Amount used to finance capital expenditure	(7,624)	(7,761)
Transfer to the Capital Adjustment Account	(1,350)	(1,239)
	0	0

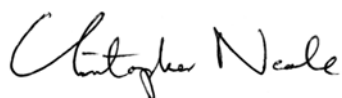
All the £7,624k used to finance capital expenditure was spent on dwellings

8. CONTRIBUTIONS TO PENSION RESERVE

To comply with FRS17 the HRA is charged additional pension costs, totalling £86k in 2008/09. However, in line with legislation, these costs are credited out through the pension reserve so only the pension fund contributions and discretionary benefits actually payable in the year are charged to rent payers.

Collection Fund Account

	Notes	Year ended 31 March 2009		Year ended 31 March 2008	
		£000's	£000's	£000's	£000's
Income					
Council tax			118,818		114,842
Transfers from general fund:					
Council tax benefits			19,297		18,435
Income collectable from business ratepayers			286,727		245,258
			<u>424,842</u>		<u>378,535</u>
Expenditure					
Precepts & demands:					
London Borough of Hillingdon		106,988		103,754	
Greater London Authority		29,784	136,772	29,179	132,933
Business rates:					
Cost of collection			594		608
Payment to national pool			286,134		244,649
Provision for doubtful debts			1,051		1,206
Towards previous years' estimated collection fund deficit			(1,154)		(437)
			<u>423,397</u>		<u>378,959</u>
(Surplus)/Deficit for the Year			(1,445)		424
COLLECTION FUND BALANCE					
Fund deficit at beginning of year			1,620		1,196
(Surplus)/Deficit for the year			(1,445)		424
Fund deficit at end of year:	3		<u>175</u>		<u>1,620</u>
Analysis of year end deficit:					
Council tax	3		175		1,620
Previous years' community charges			0		0
			<u>175</u>		<u>1,620</u>



Christopher Neale
Director of Finance & Resources
23 September 2009

Notes to Collection Fund Account

1. INCOME FROM NON-DOMESTIC RATES

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a national uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the National Non-Domestic Rate (NNDR) pool managed by central government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. The total non-domestic rateable value at 31 March 2009 was £703,021k. The National Non-Domestic multiplier for the year was 46.2p and 15.8p 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 2008/09	Band D Equivalent 2007/08
A	668	168	500	6/9	333	343
B	5,381	1,256	4,125	7/9	3,208	3,233
C	20,972	3,564	17,408	8/9	15,474	15,428
D	43,763	4,055	39,708	9/9	39,708	39,533
E	17,376	1,645	15,731	11/9	19,227	19,252
F	9,259	935	8,324	13/9	12,021	12,067
G	4,505	454	4,051	15/9	6,752	6,754
H	378	46	332	18/9	664	667
Total					97,387	97,277
Adjustment for non-collection					(1,255)	(1,254)
Council tax base					96,132	96,023

3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

The deficit of £175k 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.

4. WRITE-OFFS

	2008/09 £000s	2007/08 £000s
Council tax	1,339	2,439
NNDR	10,322	4,663
Community Charge	0	85
Total	11,661	7,187

Group Accounts

1. INTRODUCTION

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

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

Hillingdon Homes was set up to manage and maintain the housing stock of 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 on page 38.

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, expenditure, assets and liabilities are consolidated on a line-by-line basis to comply with FRS2.

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

Hillingdon Homes' financial year runs from 1 April 2008 to 31 March 2009, therefore no adjustments are required regarding the accounting year. Hillingdon Homes' statement of accounts were approved by the board on 29th July 2009 and audited by their appointed auditors KPMG. Copies of Hillingdon Homes Ltd 2008/09 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

Since 2005/6 Group Accounts have been produced in line with the requirements of the SORP: this has led to the following adjustments being made to the subsidiary's accounts:

- i. **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 for consolidation.

Tangible Fixed Assets

- ii. **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 revaluation reserve.
- iii. **Profit/loss on disposal of assets:** These are credited or debited to the group income and expenditure account. For 2008/09 the profit totalled £6k 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 2009 the net pension deficit in respect of Hillingdon Homes totalled £7,341k, which is included in the Group Balance Sheet.

Group Income and Expenditure Account

	Year ended 31 March 2009			Year ended 31 March 2008
	Expenditure	Income	Net Expenditure	Net Expenditure
	£000's	£000's	£000's	£000's
EXPENDITURE ON SERVICES				
Central services to the public	26,867	19,703	7,164	5,874
Cultural, environmental and planning services	58,112	16,942	41,170	37,427
Education and Children's Services	304,978	249,505	55,473	46,288
Highways, roads and transport services	24,015	6,592	17,423	19,109
Local authority housing (HRA)	93,893	54,581	39,312	(6,090)
Other housing services	142,468	133,094	9,374	5,400
Adult Social Care	93,595	27,608	65,987	65,767
Court and Probation services	181	8	173	162
Corporate and democratic core	11,999	3,692	8,307	8,101
Non distributed costs	7,529	1,141	6,388	2,226
NET COST OF SERVICES	763,637	512,866	250,771	184,264
Loss on sale of fixed assets	582	6	576	3,093
Precepts and levies	406	0	406	380
Net loss on trading undertakings	7,497	7,688	(191)	27
Interest payable	19,518	0	19,518	11,671
Contribution to housing pooled capital receipts	885	0	885	4,437
Interest and investment income	0	9,380	(9,380)	(8,036)
Other Income	0	494	(494)	0
Pension interest cost and expected return on pensions	5,590	0	5,590	(3,705)
Taxation of group	0	0	0	52
NET OPERATING EXPENDITURE	798,115	530,434	267,681	192,183
FINANCED BY:				
General Government Grants	0	21,511	(21,511)	(12,158)
Demand on the Collection Fund	0	106,988	(106,988)	(103,754)
Transfer to Collection Fund in respect of deficit	901	0	901	342
Non-domestic rate income	0	71,330	(71,330)	(63,948)
INCOME FROM GENERAL GRANTS & LOCAL TAXPAYERS			(198,928)	(179,518)
DEFICIT FOR THE YEAR			68,753	12,665

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

	2008/09 £000's	2007/08 £000's
Deficit on the authority's single entity Income & Expenditure Account for the year	68,031	13,229
Add: Deficit/(Surplus) arising from other entities included in the group accounts analysed into the amounts attributable to:		
- Subsidiary	722	(564)
Group Accounts deficit for the year	68,753	12,665

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.

	2008/09 £000's	2007/08 £000's
Net deficit for the year	68,753	12,665
Loss/(Gain) arising on revaluation of fixed assets	8,033	(50,346)
Actuarial Loss/(Gain) on pension assets and liabilities	107,927	(307)
Collection Fund (Surplus)/Deficit attributable to Hillingdon	(1,133)	333
Available for Sale Reserve	(15)	0
Other	0	130
Total Recognised gains and losses for the year	183,565	(37,525)

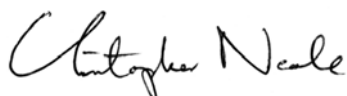
The STRGL figures for 31 March 2008 have been adjusted by £1,982k from those included in the Statement of Accounts for 2007/08 to accommodate the change in the basis of valuation of Pension Fund assets.

Group Balance Sheet

	Notes	At 31st March 2009		At 31st March 2008	
		£000's	£000's	£000's	£000's
FIXED ASSETS					
Intangible assets - Software Licenses			1,443		1,682
Operational Assets	2				
Council dwellings		698,685		766,345	
Other land and buildings		559,466		551,987	
Vehicles, plant and equipment		10,395		10,652	
Community assets		14,926		12,427	
Infrastructure assets		146,120	1,429,592	145,044	1,486,455
Non Operational Assets	2				
Investment Properties		10,993		10,672	
Assets under Construction		28,550		10,122	
Surplus Assets, held for disposal		7,390	46,933	7,301	28,095
LONG TERM INVESTMENTS			2,075		4,112
LONG TERM DEBTORS			424		674
TOTAL LONG TERM ASSETS			1,480,467		1,521,018
CURRENT ASSETS					
Stocks & works in progress		133		147	
Debtors and payments in advance	3	41,392		59,209	
Short term investments		88,848		93,803	
Cash in hand and at bank		22,280	152,653	19,582	172,741
CURRENT LIABILITIES					
Borrowing repayable on demand or within 12 months		(2,054)		(4,928)	
Creditors and receipts in advance	4	(115,530)		(95,445)	
Bank overdraft			(117,584)	0	(100,373)
TOTAL ASSETS LESS CURRENT LIABILITIES			1,515,536		1,593,386
Provisions of liabilities and charges	5		(4,342)		(4,813)
Deferred Credits			(165)		(187)
Borrowing repayable within a period in excess of 12 months			(194,526)		(216,951)
Government grants deferred account			(141,634)		(126,375)
Deferred liabilities			(3,424)		(4,248)
Liability related to defined benefit pension schemes			(217,831)		(103,632)
TOTAL ASSETS LESS LIABILITIES			953,614		1,137,180
Revaluation Reserve			18,156		26,153
Available for Sale Financial Instruments			15		0
Capital Adjustment Account			1,123,064		1,182,303
Financial Instruments Adjustment Account			(5,309)		105
Usable capital receipts reserve			1,009		378
Pension reserve			(217,831)		(103,632)
Equal pay back pay account			(234)		(234)
Fund balances and reserves	6		34,744		32,107
TOTAL NET WORTH			953,614		1,137,180

The Balance Sheet figures for 31 March 2008 have been adjusted from those included in the Statement of Accounts for 2007/08 to accommodate the change in the basis of valuation of Pension Fund assets.

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 & Resources

23 September 2009

Group Cash Flow Statement

	Note	Year ended 31 March 2009		Year ended 31 March 2008	
		£000's	£000's	£000's	£000's
REVENUE ACTIVITIES					
Expenditure					
Cash paid to and on behalf of employees		263,575		241,790	
Housing Benefit paid out		58,865		49,445	
RSG/NNDR payments payable to Secretary of State		263,520		192,526	
Precepts Paid		29,784		29,085	
Payment to the capital receipts pool		1,343		5,421	
Other operating cash payments		99,287	716,374	149,532	667,799
Income					
Rents (after rebates)		(27,657)		(26,558)	
Council Tax Income		(118,890)		(115,839)	
RSG/NNDR receipts payable by Secretary of State		(71,330)		(63,948)	
Non-domestic rate income		(215,572)		(190,270)	
Revenue Support Grant		(9,930)		(10,732)	
DWP grants for benefits		(126,525)		(124,581)	
Other government grants		(199,153)		(190,013)	
Cash received for goods & services		(3,719)		(866)	
Other operating cash receipts		6,224		9,813	
Other Revenue Activities			(766,552)	0	(712,994)
Revenue Activities Net Cash (Inflow) / Outflow	1		(50,178)		(45,195)
SERVICING OF FINANCE					
Expenditure					
Interest paid		9,757		9,588	
Interest element finance lease rental payments		606		475	
Income					
Interest received		(7,213)		(7,586)	
Servicing of Finance Net Cash Outflows			3,150		2,477
Taxation			0		52
CAPITAL ACTIVITIES					
Cash Outflows					
Purchase of fixed assets		51,266		53,835	
Purchase of long term investments		0		0	
Other capital cash payments		17,772	69,038	14,267	68,102
Cash Inflows					
Sale of fixed assets		(17,342)		(21,864)	
Capital grants received		(27,432)		(18,609)	
Other capital cash payments/income		(1,846)	(46,620)	(2,772)	(43,245)
Capital			22,418		24,857
Net cash outflow			(22,418)		(24,857)
Net Cash Inflow Before Financing/Management of Liquid Resources			(24,610)		(17,809)
Net increase in short term investments			(4,955)		(10,170)
FINANCING					
Cash Outflows					
Repayments of amounts borrowed		34,920		5,213	
Capital element of finance lease rental payments		1,947	36,867	2,049	7,262
Cash Inflows					
Long term loans raised			(10,000)		0
Short term loans raised			0		0
Increase in cash and cash equivalents			(2,698)		(20,717)

Notes to Group Accounts

1. RECONCILIATION OF REVENUE CASHFLOW

	Year ended 31st March 2009		Year ended 31st March 2008	
	£000's	£000's	£000's	£000's
General fund net surplus	(2,251)		(2,772)	
HRA Deficit	478		339	
Hillingdon Homes Ltd	6,234		(2,022)	
Collection Fund	(1,133)		334	
Total Surplus		3,328		(4,121)
Add items not resulting in cashflow				
Minimum revenue provision	(3,543)		(4,432)	
Voluntary Revenue Provision	(1,739)		(1,676)	
Contributions from reserves	71		40	
Provisions set aside in year	470		(1,253)	
Written off Premia	0		0	
Other non cash items	4,645	(96)	(8,065)	(15,386)
Movements in working capital				
Increase in creditors	(22,949)		(10,361)	
Decrease in stocks & work in progress	(14)		(24)	
Decrease in debtors	(14,983)		(5,288)	
Decrease in long term debtors	(250)	(38,196)	(265)	(15,938)
Items Classified elsewhere on Cashflow Statement				
Capital expenditure financed from revenue	(11,674)		(12,156)	
Lease Payments	(2,345)		(2,049)	
Capital Receipts in Respect of the Pool	1,349		5,421	
Deduct interest received	7,213		7,326	
Interest paid	(9,757)	(15,214)	(9,327)	(10,785)
Revenue activities net cash flow		(50,178)		(46,230)

2. MOVEMENT OF FIXED ASSETS 2008/09

Operational Assets

	LBH Council Dwellings	LBH Other Land & Buildings	LBH Vehicles & Equipment	HH Vehicles & 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 2008	792,130	601,416	35,038	304	200,145	12,427	1,641,460
Additions	11,477	10,412	3,265	93	6,164	2,355	33,766
Donations	0	0	0	0	0	0	0
Disposals	(1,838)	(1,000)	0	(51)	0	0	(2,889)
Reclassifications	1,254	(1,320)	36	0	0	(36)	(66)
Revaluations	59	12,652	0	0	0	211	12,922
Impairments	(70,222)	(9,739)	0	0	(89)	(31)	(80,081)
Gross book value as at 31 March 2009	732,860	612,421	38,339	346	206,220	14,926	1,605,112
Depreciation							
Accumulated at 1 April 2008	(25,785)	(49,429)	(24,469)	(221)	(55,101)	0	(155,005)
Charge for 2008/09	(8,599)	(8,108)	(3,573)	(78)	(5,001)	0	(25,359)
Disposals	248	32	0	51	0	0	331
Reclassifications	(51)	130	0	0	0	0	79
Revaluations	12	4,420	0	0	2	0	4,434
Accumulated at 31 March 2009	(34,175)	(52,955)	(28,042)	(248)	(60,100)	0	(175,520)
Balance Sheet amount 1 April 2008	766,345	551,987	10,569	83	145,044	12,427	1,486,455
Balance Sheet amount 31 March 2009	698,685	559,466	10,297	98	146,120	14,926	1,429,592
Nature of asset holding							
Owned	698,498	555,236	9,696	98	146,120	14,926	1,424,574
Finance Lease	187	770	601	0	0	0	1,558
PFI	0	3,460	0	0	0	0	3,460
Balance Sheet amount 31 March 2009	698,685	559,466	10,297	98	146,120	14,926	1,429,592

Notes to Group Balance Sheet

Non-Operational Assets

	LBH Investment Properties	LBH Assets Under Construction	LBH Surplus Assets	Group Total
	£000's	£000's	£000's	£000's
Gross book value as at 1 April 2008	10,672	10,122	7,339	28,133
Additions	0	18,574	0	18,574
Donations	0	0	0	0
Disposals	(1,817)	0	(375)	(2,192)
Reclassifications	212	(146)	0	66
Revaluations	2,013	0	475	2,488
Impairments	(87)	0	(20)	(107)
Gross book value as at 31 March 2009	10,993	28,550	7,419	46,962
Depreciation				
Accumulated at 1 April 2008	0	0	(38)	(38)
Charge for 2008/09	0	0	(19)	(19)
Disposals	0	0	6	6
Reclassifications	(65)	0	(14)	(79)
Revaluations	65	0	36	101
Accumulated at 31 March 2009	0	0	(29)	(29)
Balance Sheet amount 1 April 2008	10,672	10,122	7,301	28,095
Balance Sheet amount 31 March 2009	10,993	28,550	7,390	46,933
Nature of asset holding				
Owned	10,993	28,550	7,390	46,933
Finance Lease	0	0	0	0
PFI	0	0	0	0
Balance Sheet amount 31 March 2009	10,993	28,550	7,390	46,933

3. DEBTORS

	Total Group At 31st March 2009 £000's	Total Group At 31st March 2008 £000's
Government departments	17,973	19,740
Other public bodies	1,240	5,333
Intra-Group Debtors	4,777	1,549
Housing rents	5,076	6,890
Non-domestic ratepayers	7,128	15,766
Council taxpayers	12,119	13,340
Sundry debtors	20,796	31,163
Car & other loans	176	65
Other debtors & prepayments	499	221
Less: Intra group transactions	(4,777)	(1,126)
	65,007	92,941
Less: Provision for doubtful debts	(23,615)	(33,732)
	41,392	59,209

Notes to Group Balance Sheet

4. CREDITORS

	Total Group At 31st March 2009 £000's	Total Group At 31st March 2008 £000's
Government departments	25,620	27,191
NNDR Rates Pool	22,614	0
Other public bodies	8,391	4,085
Intra-Group Creditors	4,777	(33)
Sundry creditors	46,698	52,683
Non-domestic ratepayers	5,693	5,656
Council taxpayers & Collection fund Deficit	4,342	3,746
Accruals & others	2,172	1,390
Less: Intra group transactions	(4,777)	727
	115,530	95,445

5. PROVISIONS

In addition to the Council's provision detailed in Note 46, page 54, Hillingdon Homes Ltd has provided for insurance liabilities of £316k.

6. FUND BALANCES AND RESERVES

	At 31st March 2009 £000's	At 31st March 2008 £000's
General Fund :		
- Working balance	16,920	12,614
- Schools delegated funds	11,023	13,026
- Breakspear Crematorium	371	422
Earmarked Reserves:		
- Parking fund	906	803
- New Road & Streetworks Act fund	190	294
- Elections	141	69
Collection Fund	(137)	(1,269)
Housing Revenue Account	4,561	5,039
Hillingdon Homes	769	1,108
	34,744	32,106

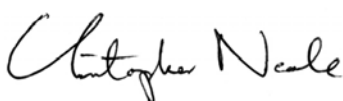
Pension Fund Accounts

FUND ACCOUNT	Notes	Year Ended 31 March 2009 £000's	Year Ended 31 March 2008 £000's
Contributions	3		
-From Employers		(19,291)	(17,384)
-From Employees		(7,911)	(6,896)
		(27,202)	(24,280)
Transfers In	4	(3,983)	(4,120)
Less: Benefits	5	25,689	24,887
Less: Leavers	6	2,924	2,544
Less: Administrative Expenses	7	547	648
Net Additions from dealings with members		(2,025)	(321)
Investment Income	8	(15,239)	(16,752)
Changes in market value of investments	9	139,734	48,910
Investment Management Expenses	11	2,145	2,686
Net Return on Investments		126,640	34,844
Net additions from dealings with members		(2,025)	(321)
Net Loss on Investments		126,640	34,844
Net Decrease in the fund during the year		124,615	34,523
Net Assets at start of year		542,045	576,568
Net Assets at end of year		417,430	542,045

NET ASSET STATEMENT

	31 March 2009	31 March 2008 <i>Restated</i>
Investment Assets	419,824	549,768
Investment Liabilities	(2,575)	(5,007)
Current Assets	2,105	141
Current Liabilities	(1,924)	(2,856)
TOTAL NET ASSETS	417,430	542,045

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the members. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position of the scheme, which does take account of such obligations, is dealt with in the actuarial statement included in the Annual Report and these accounts should be read in conjunction with it.



Christopher Neale
Director of Finance & Resources
 22 September 2009

Notes To Pension Fund Accounts

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, and with the guidelines set out in the Financial Reports of Pension Schemes Statement of Recommended Practice (Revised May 2007). The comparative figures for 2007/2008 have been restated to better reflect the requirements of the 2007 SORP.

2. ACCOUNTING POLICIES

a) **Accounts Preparation** - 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** - Equities and fixed income are valued at bid prices - where bid price is not available, the mid price is used. For pooled funds, if bid prices are provided by the fund administrators then these are used, if not usually the Net Asset Value is used. Private Equity is valued using the latest audited valuation from the Limited Partner/General Partner. This is adjusted for any capital calls/distributions that have taken place since the date of the statement.

d) **Foreign currency translation** of assets and liabilities are converted into sterling at the closing middle rates of exchange in the net assets statement. 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 cost 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.

i) **Contributions** - Contributions are accounted for in the period in which they fall due. Normal contributions received during the year have been in accordance with the rates and adjustments certificate.

j) **Benefits** - are accounted for in the period in which they fall due. All benefits are calculated in accordance with the statutory regulations in force at the relevant benefit date.

k) **Transfers** - Transfers are accounted for on a cash basis, as the amount payable or receivable by the scheme is not determined until payment is actually made and accepted by the recipient.

l) **Investment Income** - Dividends from quoted securities are accrued when the securities are quoted ex-dividend. Interest on cash deposits are accrued on daily basis.

FUND OPERATION AND MEMBERSHIP

This defined benefit scheme is administered under the provisions of the Local Government Pension Scheme

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

Admitted Bodies:

Central Parking Systems (CPS) (to 2 November 2008)
Dalkia Energy & Technical Services
Hillingdon & Ealing Citizens Advice
Mouchel (From 3 November 2008 to 1 February 2009)

Heathrow Travel Care
Yes Dining
Integrated Cleaning Management Ltd
Look Ahead Housing and Care

Notes To Pension Fund Accounts

Scheduled Bodies:

Harefield Academy
 Hillingdon Homes
 London Housing Consortium
 Stockley Academy
 Uxbridge College

As at 31 March 2009 there were 6,249 employees contributing to the fund, with 4,832 in receipt of benefit and 4,541 entitled to deferred benefits.

The pension fund investments are managed by seven fund managers: UBS Global Asset Management, Goldman Sachs Asset Management, SSgA, Capital International, Alliance Bernstein, Adam Street Partners and LGT Capital Partners. The performance of the fund managers is monitored by the Pensions Committee that consisted of the following members in 2008/09:

Cllr G Cooper
 Cllr P Corthorne (Chairman)
 Cllr M Cox
 Mr John Holroyd (Pensioner/Deferred Scheme Representative) (Non Voting)
 Mr Nicholas Manthorpe (Active Scheme Representative) (Non Voting)
 Mr J Thomas (UNISON) (Non Voting)

Cllr Paul Harmsworth
 Cllr M Markham
 Cllr J Duncan (April 2008 only)

3. CONTRIBUTIONS

	31 March 2009 £000's	31 March 2008 £000's
Employers		
Normal	15,240	13,582
Deficit Funding	4,051	3,802
Employees		
Normal	7,783	6,763
Additional Contributions	128	133
	27,202	24,280

Deficit Funding:- At the latest actuarial valuation (31 March 2007) the fund was 92% funded and it was agreed that the 8% deficit was to be recovered over a period of 25 years with a common contribution rate of 16.8%.

4. TRANSFERS IN

	31 March 2009 £000's	31 March 2008 £000's
Group transfers in from other schemes	35	0
Individual transfers in from other schemes	3,948	4,120
	3,983	4,120

5. BENEFITS

	31 March 2009 £000's	31 March 2008 £000's
Pensions	20,623	19,004
Commutations and lump sum retirement benefits	4,645	5,569
Lump sum death benefits	421	314
	25,689	24,887

Notes To Pension Fund Accounts

6. LEAVERS

	31 March 2009	31 March 2008
	£000's	£000's
Refunds of Contributions	4	7
State Scheme Premiums	1	6
Individual transfers out to other schemes	2,919	2,531
	2,924	2,544

7. ADMINISTRATIVE EXPENSES

	31 March 2009	31 March 2008
	£000's	£000's
Administration and processing	454	559
Audit Fee	38	19
Actuarial fees	55	70
	547	648

The audit fee for 2007/08 was accounted for as part of the administration costs

8. INVESTMENT INCOME

	31 March 2009	31 March 2008
	£000's	£000's
Interest from fixed interest securities	2,069	2,145
Dividends from equities	12,458	11,667
Income from index-linked securities	297	333
Income from pooled investment vehicles	2,254	1,468
Interest on cash deposits	487	679
Other (for example from stock lending or underwriting)	(2,326)	460
	15,239	16,752
Irrecoverable withholding tax	(196)	(218)
Total investment income	15,043	16,534

Other Income decreased in 2008/09 due to a large negative foreign exchange adjustment of £3,000k resulting from the move from UK to overseas equities.

Notes To Pension Fund Accounts

9. INVESTMENT ASSETS

	Value at 01 Apr 08	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 March 2009
Fixed interest securities	36,658	34,472	(29,819)	(5,437)	35,874
Equities	329,730	232,717	(199,436)	(160,628)	202,383
Index-linked securities	17,617	7,431	(8,780)	(239)	16,029
Pooled investment vehicles	145,924	6,631	(34,351)	26,570	144,774
	529,929	281,251	(272,386)	(139,734)	399,060
Other Investment balances	7,992				3,072
Fund Managers' Cash	11,846				17,692
Total Investment Assets	549,768				419,824

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 £648k (£745k in 2007/08). 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.

Fixed Interest Securities

UK Public Sector quoted	
UK Corporate quoted	
Overseas Public Sector quoted	
Overseas Corporate quoted	

31 March 2009 £000's	31 March 2008 £000's
12,879	12,030
9,055	7,465
2,176	4,189
11,764	12,974
35,874	36,658

Equities

UK quoted	
UK unquoted	
Overseas quoted	
Overseas unquoted	

103,495	169,096
	0
98,888	160,634
0	0
202,383	329,730

Index Linked Securities

UK public sector quoted	
UK corporate quoted	

15,645	17,212
384	405
16,029	17,617

Notes To Pension Fund Accounts

9. INVESTMENT ASSETS (Continued)

Pooled Investment Vehicles

UK Managed funds - other	
UK Unit Trusts - other	
UK Unit Trusts - property	
Overseas Managed Funds - other	
Overseas Unit Trusts - other	
Private Equity	

31 March 2009 £000's	31 March 2008 £000's
15,000	18,244
61,317	5,848
30,181	50,470
263	2,449
12,721	50,903
25,292	18,010
144,774	145,924

Cash deposits

Sterling

31 March 2009 £000's	31 March 2008 £000's
17,692	11,847
17,692	11,847

Other Investment balances

Forward FX Unrealised Loss	
Amount due from Brokers	
Outstanding dividend entitlements and recoverable withholding tax	

31 March 2009 £000's	31 March 2008 £000's
1	0
873	4,574
2,198	3,418
3,072	7,992

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.

10. INVESTMENT LIABILITIES

Amount Outstanding to Brokers

31 March 2009 £000's	31 March 2008 £000's
2,575	5,007
2,575	5,007

11. INVESTMENT MANAGEMENT EXPENSES

Administration, management and custody	
Performance measurement services	
Other advisory fee	

31 March 2009 £000's	31 March 2008 £000's
2,064	2,650
4	4
77	32
2,145	2,686

BORROWINGS

The Fund currently has no borrowings.

12. CURRENT ASSETS

Employers' contributions due	
Employee's contributions due	
Cash balances	

31 March 2009 £000's	31 March 2008 £000's
152	91
65	50
1,888	0
2,105	141

Notes To Pension Fund Accounts

13. CURRENT LIABILITIES

Accrued Expenses
Owed to London Borough of Hillingdon

31 March 2009 £000's	31 March 2008 £000's
663	1,348
1,261	1,508
1,924	2,856

14. ACTUARIAL POSITION

The Fund's actuary, Hymans Robertson, carried out the latest triennial 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 £577,000k. The value of the deficit at that date was £50,000k.

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%

15. RELATED PARTY TRANSACTIONS

It is required under Financial Reporting Standard 8 "Related Party Disclosures" that material transactions with related parties which are not disclosed elsewhere should be included in a note to the financial statements.

The London Borough of Hillingdon 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 2008/09 a charge of £650k (£578k in 2007/2008) was made for these services.

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

16. SECURITIES 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 31 March 2009, securities worth £49,000k were on loan by Northern Trust from our portfolio and collateral worth £911,000k was held within the pool including Hillingdon. In the same period, a net income of £162k was received.

17. STATEMENT OF INVESTMENT PRINCIPLES (SIP)

The SIP is reviewed annually and a current version is available on the Pensions Fund pages of the Council's web site: www.hillingdon.gov.uk

18. BULK TRANSFER

There was a bulk transfer in from the Teachers pension fund of £35k into the Pension Fund in 2008/09.

London Borough of Hillingdon

Annual Governance Statement 2008-09

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 2008-09 the code has been updated to ensure consistency against the principles of the CIPFA / SOLACE Framework '*Delivering Good Governance in Local Government*'. This statement explains how the authority 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.

2. 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 2009 and up to the date of approval of the Annual Report and Statement of Accounts.

3. 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 Hillingdon maintains effective internal controls and an effective governance system.

- 3.1. **The London Borough of Hillingdon's Constitution**, which sets out how the authority operates, how decisions are made, and the procedures that are followed to ensure that they are efficient, transparent and accountable to local people.
- 3.2. 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 Hillingdon comprise:-
 - A structure of the Leader of the council, cabinet and Policy Overview and scrutiny committees
 - A Corporate Management Team
 - An Operational Management Group
 - The Audit Committee, led by an independent chair
 - Standards Committee, led by an independent chair

- 3.3. Part 2, article 7 of the Constitution sets out the '**Cabinet Scheme of Delegations**'. This governs the allocation of responsibilities and the discharge of executive functions by the Leader, the Cabinet and individual Cabinet members.
- 3.4. Part 3 of the Constitution sets out the '**Scheme of Delegations to Officers**'. This governs the responsibility allocated to officers of the London Borough of Hillingdon to perform the authority's activities on behalf of the executive.
- 3.5. 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. There is also a separate Officers code, which applies to all employees and is part of their contract of employment. The London Borough of Hillingdon 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. From May 2008 all complaints against members of the council are handled by the Monitoring Officer and Standards Committee in accordance with the requirements of the Local Government and Public Involvement in Health Act 2007, the Standards Committee (in England) Regulations 2008 and guidance issued by the Standards Board for England.
- 3.6. **A Code of Corporate Governance** setting out the London Borough of Hillingdon's governance structure, decision-making process and areas of responsibility. Originally adopted in 2002, the code has been updated during 2008-09 to accurately reflect the authority's governance structure and corporate responsibilities. 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.
- 3.7. **A Members 'Register of Interests'** that records the interests of elected members of the London Borough of Hillingdon. There is a separate register that they are required to complete if they have an interest in a contract entered into by the authority.
- 3.8. **A Member / Officer Protocol** to govern and regulate the relationship between the London Borough of Hillingdon'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 authorities Annual General Meeting and has been communicated to all members and officers.
- 3.9. **A formal whistle-blowing policy**, which is based on the Public Interest Disclosure Act 1998. The policy allows council staff and contractors working for the authority to raise complaints regarding any behaviour or activity within the authority, 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.
- 3.10. **'Fast Forward to 2010'**, sets out the 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. The London Borough of Hillingdon has also published *'Fast forward to 2010: our progress in 2007-2008'*, which reports on performance and achievements over the last year and set out plans to improve services over the next three years.
- 3.11. **The Sustainable Community Strategy (SCS) 2008** sets out the Local Strategic Partnership aims and ambitions for the London Borough of Hillingdon over the next 10 years. It builds on the vision set out in the Community Strategy 2005-2015 to 'ensure Hillingdon is a pleasant and vibrant place to live and work, where every member of our community has access to excellent services and the opportunity to fulfil their potential'. Hillingdon Partners have overall responsibility for delivering the commitments made in the SCS through the Local Area Agreement 2008-2011 (LAA), which sets out the "delivery plan" for achieving many of the SCS priorities. While the SCS sets a 10-year vision, it will be reviewed every three years to ensure it reflects the changing circumstances of the borough.
- 3.12. The London Borough of Hillingdon has implemented a '**Partnership Governance Framework**' to establish clear procedures for managing the broad range of council partnerships. The framework allows consistent approaches to be applied for reviewing existing partnerships as well as considering new partnership arrangements. A partnerships database has been developed to record information about each partner and is updated bi-annually, the last update being conducted in December 2008. The framework ensures that the authority 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.
- 3.13. **An independent Audit Committee** that operates to oversee the financial reporting, provide an independent scrutiny of the financial and non-financial systems, and provide assurance on the effectiveness of risk management

procedures and the 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'.

- 3.14. **The Performance management system** under the remit of the Head of Organisational Development and Performance Improvement. Performance is monitored on a regular basis via Senior Management Teams and reported quarterly to the Corporate Management Team, Executive Briefing and Cabinet. The authority has a Data Quality Strategy in place, which along with the Performance Information Guidance, provides officers with a good basis on the issues surrounding data quality and its importance.
- 3.15. The London Borough of Hillingdon's performance management system has been extended to monitor the LAA, associated action plans and allow partners to directly import information. This system will be further strengthened in 2009-10 as the two databases will be linked for the monitoring of the Sustainable Community Strategy (SCS) by the LSP and the authority. A comprehensive report is provided to the LSP executive on performance against the LAA targets. In addition, the LSP has introduced a performance management group of data/performance leads across partnership to ensure that the details concerning data sharing, performance management and needs analysis are developed through the partnership
- 3.16. **The Hillingdon Improvement Programme (HIP)** is the council-wide transformational programme aimed at delivering a range of performance, organisational culture and process improvements. In 2008-09 HIP made a significant contribution in delivering substantial improvements to how the authority operates and the way services are delivered to achieve the Hillingdon's vision "to be a modern, well managed Council delivering excellent services". The programme is led by the Leader of the Council and the Deputy Chief Executive is the programme director. Cabinet Members and directors are also responsible for specific parts of HIP.
- 3.17. The London Borough of Hillingdon operates a system to monitor legislative changes and ensure that the authority is fully compliant with laws and regulations. In 2008-09 a programme of HIP 'bite-size' sessions delivered training to senior managers on processes and procedures such as procurement, and service and budget planning.
- 3.18. The London Borough of Hillingdon has established effective **risk management systems**, which include:-
- **A corporate risk management strategy** outlining the risk framework, roles and responsibilities and processes for capturing and reporting key corporate risks.
 - Team, service and corporate risk registers enable the identification, quantification and treatment of risks against Hillingdon's objectives. Group risk registers are regularly updated, reviewed at each Service Management Team and the most significant risks are elevated to the corporate risk register.
 - **A Corporate Risk Management Group (CRMG)** reviews the corporate register on a quarterly basis and advises the Corporate Management Team and Cabinet on the significant risks to be reviewed.
 - A clearly defined process for the management of partnership risks, which is outlined in the 'Partnerships Governance Framework'.
 - A programme of risk management training for both council members and officers to ensure the consistent practice of identifying and escalating risk. The London Borough of Hillingdon is implementing plans to develop e-learning risk modules for new starters, managers and members, which should be completed by the end of March 2010.
- 3.19. **The London Borough of Hillingdon has an Anti-Fraud and Corruption Strategy** approved by members and communicated to all staff, which links to its strategic objectives and describes outcomes against which to evaluate its effectiveness. It is supported by and refers to the full range of policies and procedures supporting corporate governance arrangements such as Codes of Conduct, Standing Orders, Register of interests and whistle-blowing. In addition, the authority has held a series of fraud awareness training sessions for managers running from January-March 2009. These will be extended into 2009-10.
- 3.20. **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 Hillingdon'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.
- 3.21. The London Borough of Hillingdon operates a sound system of **service, financial and annual budget planning**. This includes budget monitoring and a Medium Term Financial Forecast (MTFF) process and runs from the preceding summer to February with a robust challenge process involving members, the Director of Finance &

Resources and Corporate Directors. Monthly reports on key financial health indicators are produced and communicated through the finance management team.

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

- An established **member development service**, which allows councillors to access a range of training and development 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 internal website 'horizon'. 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 competency framework, which must be completed by all officers and senior managers. This records employees key objectives and tasks, and set targets for when these must be delivered. PADA guidance also includes an employee and senior manager competency framework.

3.23. **The Consultation Strategy** establishes the London Borough of Hillingdon's approach for building a strong relationship with residents, visitors and business throughout the borough. The strategy sets out the commitment to engage, consult and respond to the views and priorities of all communities in order to deliver its vision "to be a modern, well managed Council delivering excellent services". At the highest level, the strategy supports and informs operational decision making, including commissioning and procurement of services.

4. 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 2009 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 arm's length management organisation, Hillingdon Homes Ltd, which reported no significant internal control issues for the year ended 31 March 2009.

The review has been informed by a range of management information and improvement action, including:-

- 4.1. A comprehensive annual programme of scrutiny and review by the Policy Overview and scrutiny Committees and the Audit Committee.
- 4.2. The work of the external auditors as reported in their annual audit and inspection letter.
- 4.3. The work of Internal Audit service, 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 2008-09.
- 4.4. The submission of internal control assurance statements from all Service Directors and Heads of Service covering the financial year 2008-09. 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.
- 4.5. The London Borough of Hillingdon has continued to maintain its excellent track record of managing spending within budget, despite exceptional financial circumstances and unique nature of the risk environment within which the authority 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 London Borough of Hillingdon increased unallocated reserves, over the course of 2008-09, to £16.2 million by 31 March 2009.

- 4.6. The London Borough of Hillingdon has made a clear commitment to develop a capable, fit for purpose and sustainable corporate procurement function. A restructure of the service has led to a dedicated procurement resource that supports the deliverables and strategies of the six Council directorates. This activity is documented and progress is tracked through specific Procurement Delivery Plans for each directorate with Contract Review Boards managing delivery of these plans to ensure quality and value for money outcomes are achieved in the services and supplies that are tendered and managed. As the directorate strategy evolves the Procurement Delivery Plan will change to reflect this. Accordingly, all procurement activity is carried out in line with the Responsible Procurement Policy statement that outlines the London Borough of Hillingdon will procure goods and services in a sustainable, socially responsible and ethical manner.
- 4.7. During the 2008-09 Comprehensive Performance Assessment the London Borough of Hillingdon achieved three (out of four) for its use of resources - an improvement on the previous year. Hillingdon also maintained three (out of four) for Value for Money and an overall rating as a two star (out of four) authority with a direction of travel statement of 'improving well'.
- 4.8. The work of managers, 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 97% of council plan targets have been completed or are on target to be completed within the timescales identified.
- 4.9. Throughout 2008-09 the London Borough of Hillingdon has made substantial progress to improve existing and implement new procedures and protocols to strengthen governance arrangements, procedures and protocols. This includes:-
 - A review of the 'Scheme of Delegations' for each directorate
 - Data Quality Strategy
 - Planning Code of Conduct
 - ICT Code of Conduct
 - A comprehensive training for members in relation to the Members' Code of Conduct

5. 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 2007-08. The London Borough of Hillingdon has implemented a range of improvement action to strengthen governance arrangements and control systems. The following items provide an update on the issues originally reported in the Annual Governance Statement 2007-08:

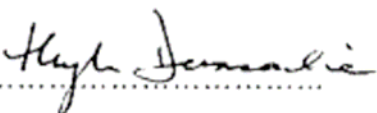
- 5.1. The London Borough of Hillingdon has conducted a review to ensure that policies and procedures are comprehensive and regularly updated in all service areas. Good practice has shown that service areas maintain a list of the policies and procedures in place, supporting compliance evidence and when these are scheduled for review. Where weaknesses in applying policies and procedures have been identified action has been taken to address this.
- 5.2. The Partnership Governance Framework has been reviewed, updated and approved by CMT in January 2009 and by the Cabinet Member for Improvement, Partnerships and Community Safety in April 2009. The annual Partnerships Governance report also included an update on compliance for partnerships identified as highly significant or of major significance.
- 5.3. The Risk Management system has been significantly improved throughout 2008-09. Hillingdon's Risk Management Strategy sets out the risk management process and places responsibility for managing risk as the duty of every member of staff and elected member. Group and corporate risk registers enable the identification, quantification and treatment of risks against council objectives and significant risks are reported to Cabinet, CMT and the Audit Committee.
- 5.4. An interim Fleet Manager was appointed towards the end of 2008 to address Fleet Management control weaknesses and implement improvement recommendations. Progress has been made to address all issues. However, as some actions remain outstanding the issue is therefore carried forward in 2008-9.
- 5.5. Payroll is now reconciled on a regular monthly basis. The key accounts are reconciled and hard copy files are kept and demonstrate a clear audit trail.

Following a review of the effectiveness of the system of internal control the following control issues have been identified in respect of 2008-09:

- 5.6. A follow up of the Fleet Management Audit in December 2008 identified eight recommendations still outstanding. As at April 2009 progress had been made to address all control issues and implement improvement action. Some actions still require full implementation and the authority is confident that these will be resolved by the summer 2009. We have commissioned a specialist review of this area by our insurers which will be undertaken in the second half of 2009-10.
- 5.7. Software problems within the HR system were identified, which has incorrectly calculated the leave carried over for part time staff at the end of March 2009. This has implications for the authority's accounts under International Financial Reporting Standards, as the authority needs to accrue for any leave it owes to staff for 2009-10 and will also have to produce comparative figures for 2008-09. Going forward an accurate figure is being obtained from the system to prevent unnecessary additional manual calculations.
- 5.8. During the 2009-10 audit programme, the audit of Hillingdon Grid for Learning which commenced in August 2009 revealed that procurement procedures in this area were not being complied with nor had been during 2008-09. Interim measures have been put in place to address the weaknesses, with a complete review of Procurement in this area being undertaken in co-operation with the central Procurement team. Once completed the outcome of the audit will form part of the Head of Audit's opinion for 2009-10.

The London Borough of Hillingdon will, over the coming year, take steps to address the above matters to further enhance our governance arrangements. The authority is 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 29/9/09

CLlr Ray Puddifoot
Leader of the Council

Signature  Date 29/09/09

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.

ACTUARY - An independent professional who advises on the financial position of the 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.

AMORTISED COST – The initial measurement will be at fair value, normally the amount of the originating transaction such as the receipt or loan advance less transaction costs. The effective interest rate is then calculated to the amount in the balance sheet at initial measurement. The result in the balance sheet carrying amount (the amortised cost) and a profile of interest charges that might be different from the amounts specified in the contract as being for interest and principal.

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.

BALANCES - Unallocated reserves held to resource unpredictable expenditure demands.

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

CAPITAL ADJUSTMENT ACCOUNT - The Capital Adjustment Account represents the balance of capital resources set aside to finance capital expenditure awaiting the consumption of those resources (i.e. depreciation or impairment).

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 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 that 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, which helps to fund local services.

CREDITOR – Amounts owed by the authority for goods and services received where payment has not been made at the date of the balance sheet.

CURRENT ASSET - An asset held, which will be consumed or cease to have value within the next financial year; examples are stocks and debtors.

CURRENT LIABILITY - An amount which will become payable or could be called in within the next accounting period; examples are creditors and cash overdrawn.

CURRENT SERVICE COST - The increase in the present value of Pension Fund Liabilities expected to arise from current year service.

DEBTOR – Amounts owed to the authority for goods and services provided but not received at the date of the balance sheet.

DEDICATED SCHOOLS GRANT - A specific grant for the funding of schools and which is ring fenced to the Schools Budget.

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 –Amounts set aside for a specific purpose or a particular service or type of expenditure.

EFFECTIVE INTEREST RATE – The rate of interest that will discount the estimated cash flows that take place over the life of the instrument.

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.

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 in the future 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.

LOANS AND RECEIVABLES – Financial assets (excluding derivatives) that have fixed or determinate payments and that are not quoted in any active market. Loans and receivables are carried at amortised cost. The income and expenditure account is charged with interest receivable, impairment losses and any gain or loss on “de-recognition”. Movements in fair value during the life of the asset are not recognised.

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.

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

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.

NON-DISTRIBUTABLE COST - These include overheads for which no user now benefits and should not be apportioned to services. Examples are spare computer capacity and empty offices. These also include pension costs in relation to scheme members' past service.

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 – Fixed 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 lease under which the asset can never become the property of the lessee.

OUTTURN - Actual income and expenditure for a financial year.

PAST SERVICE COST - The increase in present value of Pension Fund liabilities arising in the current year from previous years' service.

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.

PENSION INTEREST COSTS - The expected increase in present value of Pension Fund liabilities because benefits are due one year sooner.

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 charge made by one authority on another to finance its net 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.

PRUDENCE - The concept that revenue is not anticipated but is recognised only when realised in the form of cash or other assets and full and proper allowance is made for all known and foreseeable losses and liabilities.

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 authorities 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 or purchase of materials.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE – 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

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.

SPECIFIC GRANTS - These are grants paid by various government departments outside the main formula. They include ring-fenced grants and specific formula grants.

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

TAXBASE - The number of Band D equivalent properties in a local authority's area. An authority's tax base is taken into account when it calculates its council tax, and when central government calculates entitlement to Formula Grant.

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.

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.

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