

# London Borough of Hillingdon

## Statement of Accounts for the year to 31 March 2015



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# London Borough of Hillingdon

## Statement of Accounts for the year ended 31 March 2015

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# 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 2014/15, which provide a financial view of the Council's delivery of services to residents during the year and outlines the Council's financial standing at 31 March 2015.

The Council has continued to protect frontline services during 2014/15 in the face of on-going reductions in government support and increased demand for those services from a growing population. Strong financial management has been kept in meeting this challenge, with £12.8m savings delivered through the Council's Business Improvement Delivery (BID) Programme, enabling resources to be invested in services valued by local residents.

The continued investment in services can be seen in the maintenance of weekly refuse and recycling collections, extended opening hours for the busiest of the Council's refurbished libraries, opening of Bessingby and Deane Park and Cowley bowls clubs and an on-going programme of investment in local highways, with 202 roads resurfaced in 2014/15. We continue to be recognised for our outstanding open spaces, remaining the local authority with the highest number of Green Flags in the UK, with six new awards bringing our total to 34.

Continued investment in the Council's flagship school building programme has seen a further 630 new places delivered for September 2015 and 180 on-track for completion in September 2016, ensuring that every child in the borough has a school place as close to their home as possible. This brings the total number of new school places delivered to 5,655, with projects now underway to provide capacity within local Secondary Schools - including the major works commencing this summer at Northwood School.

A new supported housing development for adults with learning disabilities, complex needs and mental health issues opened at Swan House in West Drayton in August 2014, followed by the Queens Walk Resource Centre in South Ruislip in September 2014. Both projects demonstrate the Council's commitment to investment in social care provision, supporting independent living for the most vulnerable residents in modern facilities with the latest technology to support their development and keep them healthy.

Sound financial management remains at the heart of the Council's work to retain excellent services for residents, with balances growing to £40.4m over the past year and providing a resource to support maintenance of services in the face of continuing government funding reductions. This has been achieved while continuing the Council Tax Freeze during 2014/15 and into 2015/16 for all residents and until 2018/19 for the over 65's.

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 2015. The accounts are in the format for local authority accounts set by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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 125 to assist the understanding of the financial statements.

### **2.1 Statements within the accounts**

#### **The core accounting statements comprise:**

##### **Comprehensive Income and Expenditure Statement**

This reports the net cost for the year of all functions for which the Council is responsible and demonstrates how that cost has been financed from income from taxpayers and general government grants. The surplus or deficit on this account represents the amount by which income is greater than or less than expenditure.

The statement shows a surplus of £52.1 million (£60.9 million 2013/14) on the provision of services for 2014/15. Of this a deficit of £62.6 million relates to the General Fund and surplus of £114.7 million relates to the Housing Revenue Account.

There are various items that are accounted for through the Comprehensive Income and Expenditure Statement to comply with statutory accounting requirements such as depreciation, revaluation and impairment losses and losses on disposal; however these items are removed for the purposes of Council Tax setting. As a result these items of expenditure are reversed out of the General Fund Balance in the Movement on Reserves Statement.

##### **Movement in Reserves Statement**

This statement reconciles the outturn on the Comprehensive Income and Expenditure Statement to the balance on the General Fund, established by complying with relevant statutory provisions, showing the true economic cost of providing the Council's services. The statement splits the Council's reserves into usable and unusable balances, and shows movement to and from them during the year. Usable reserves are those that can be applied to fund expenditure or reduce local taxation. Unusable reserves are those balances over which the Council has no direct control, which arise from differences in accounting and statutory reporting requirements.

Usable reserves increased from £124.6 million in 2013/14 to £173.5 million in 2014/15. Within this movement there was an increase of £17.3 million in Usable Capital receipts from the sale of Council Dwellings through the right to buy scheme where the Council has retained receipts to replace the social housing on a 1 for 1 basis and a £13.4 million increase in the Major Repair reserve which can be used for capital works or paying debt relating to Council Dwellings. Unusable reserves decreased from £500.6 million in 2013/14 to £418.9 million in 2014/15 mainly due to the movement in valuation of the Council's pension fund liabilities.

To support the Movement in Reserves Statement, Note 1 to the accounts shows the Adjustments between Accounting Basis and Funding Basis under Regulations. This note reverses the items of income and expenditure that are required to be credited or charged to the Comprehensive Income and Expenditure Statement, that do not affect the General Fund balance for Council Tax purposes. Total adjustments for 2014/15 were £72.8 million within the General Fund. This adjusts the General Fund surplus in year to £10.1 million before the Council transferred money between reserves.

## **Balance Sheet**

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

The total net worth of the Council in 2014/15 was £592.4 million (£625.1 million 2013/14) largely constituting long term assets valued at £1,318.9 million, net pension liabilities of £485.2 million and long term borrowing of £311.4 million.

The Council maintains reserve balances to meet the cost of unforeseen demands or events and as a result keeps a minimum level of balances. As at 31 March 2015 the Council has £42.0 million General Fund balances and £27.8 million Earmarked Reserves held for specific purposes. Further details on earmarked reserves can be seen in note 2 to the accounts.

## **Cash Flow Statement**

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

There was an increase in cash and cash equivalents in 2014/15 of £31.5 million. This was made up of an increase in cash held of £1.6 million and an increase in cashable short term investments of £29.9 million.

## **Supplementary accounting statements comprise:**

### **Housing Revenue Account (HRA) Comprehensive Income and Expenditure Statement**

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

There was a surplus in 2014/15 on HRA services of £114.7 million (£61.2 million 2013/14). This includes a reversal of prior year impairment through valuations on Council Dwellings of £83.3 million.

### **Statement of Movement on the Housing Revenue Account Balance**

This shows how the HRA Income and Expenditure Statement surplus or deficit for the year reconciles to the movement on the Housing Revenue Account balance for the year. It shows income and expenditure that is credited or charged to the HRA balance by statute or non-statutory practices so as to reconcile to amounts to be charged to Housing tenants. For example revaluation gains and losses on Council Dwellings and gains/losses on disposal of asset are reversed.

The overall HRA surplus for the year, after adjustments made in the Statement of Movement on the HRA Balance, was £7.8 million in 2014/15 (£3.7 million 2013/14).

### **Collection Fund Revenue Account**

The Collection Fund is a separate account into which amounts raised from local taxation are paid through Council Tax and Business Rates, and from which payments are made to precepting authorities including the Council itself. An in-year deficit of £1.0 million is reported on Council Tax as a result of releasing £4.6 million of prior year surpluses to the Council and Greater London Authority, with a carried forward surplus of £4.7 million available for release to preceptors from 2015/16. An in-year deficit of £5.5 million is reported on Business Rates as a result of new properties at Heathrow Airport

being brought into the rating list slower than anticipated at the time of budget setting. The share of Collection Fund activity relating to the Council is reflected in the main statement of accounts, with the remainder being treated as agency activity on behalf of the Greater London Authority and Central Government. 78.8% of Council Tax and 30% of Business Rates activity relates to the London Borough of Hillingdon.

## **Pension Fund Accounts**

These show contributions to the Council's Pension Fund for employees during the year, together with pensions and other benefits paid from it, movements in investments during the year and the financial position of the Fund at the end of the year. These accounts do not include any liabilities relating to payment of pensions and benefits in future years.

## **This document also includes the following:**

### **Notes to the Accounts**

The notes provide further explanation of figures contained in the core and supplementary accounting statements.

### **Statement of Accounting Policies**

The accounts are produced in line with a set of policies and principles and can only be understood fully with awareness of these accounting policies.

### **Annual Governance Statement**

This statement is a report from the Leader of the Council and Chief Executive setting 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.

### **Glossary of Terms**

The Glossary provides a definition of key terms used to aid understanding the accounting statements.

## **2.2 Financial Performance**

The financial challenges facing the Council as a result of the Government's austerity programme and the wider economic environment continued through 2014/15 and will continue well into the future. Councils are continuing to see Central Government funding decline; however Hillingdon was able to successfully freeze Hillingdon's share of Council Tax for another year without impacting on front-line service to the public as well as managing significant increases in demand for those services.

This balancing of local demand for services and financial constraints has been successfully managed through the Council's Business Improvement Delivery (BID Transformation) Programme. This enabled delivery of the required £16.5 million savings to balance the budget while driving improvement in service quality across the Council.

Within the statement of accounts the Council has had to restate the comparator year for accounting policy changes to those published in 2013/14. These adjustments are due to changes in the regulatory environment in which the Council has to prepare its accounts rather than internal policy changes. The change is in relation to accounting for schools assets. Foundation schools and Voluntary Aided schools have historically been excluded from Council owed assets as they are an entity in their own right. Change in Accounting standards have meant that group accounting requirements for maintained schools have been reviewed as to their consolidation in the Council's single entity accounts. As a result the Council has considered the ownership of these assets and has brought all foundation school assets onto the balance sheet. Voluntary aided school assets are owned by the church and are continued to

be excluded. As a result the Council's net worth has increased by £61.6 million in the opening balance sheet position as at 31 March 2013 and minor adjustments have been made within the Comprehensive Income and Expenditure account and other notes; further details of the restatement changes can be seen on page 43 within this document.

In June 2010 Central Government gave schools across the country the opportunity to become academies. As a result many of the Council schools have converted since. The implications of this are the income and expenditure of the schools is no longer reported by the Council as the academy becomes independent and the school assets become those of the academy rather than the Council. During 2014/15 six schools became academies and were removed from the Council's long term assets; as a result £68.6 million of assets have been written out of the Comprehensive Income and Expenditure as loss on disposal. To date in 2015/16 there are two maintained school that have transferred to academy status and currently one more due to transfer in the 2015/16 financial year; the assets of these schools will be removed in the 2015/16 Statement of Accounts.

## 2.3 Revenue Budget

The Council's net revenue budget for 2014/15 totalled £212.2 million, excluding those services such as schools and housing benefit which are funded by specific funding streams. This net budget was supported by a combination of Central Government grant and locally raised Council Tax and Business Rates.

Throughout the year, monthly budget monitoring reports were reviewed by Cabinet, enabling corrective action to be taken in response to emerging pressures while continuing to deliver on the Council's priorities for residents. Strong financial management, coupled with the ambitious BID Transformation programme, delivered an under spend of £4.5 million against budget at outturn. The outturn position for the General Fund revenue budget is set out below:

<b>General Fund Services</b>	<b>Budget £'000</b>	<b>Outturn £'000</b>	<b>Variance £'000</b>
Administration	9,478	9,292	(186)
Finance	13,141	12,738	(403)
Residents Services	59,912	58,788	(1,124)
Adult Social Care	64,228	63,446	(782)
Children & Young People's Services	25,649	26,142	493
<b>Net Cost of Services</b>	<b>172,408</b>	<b>170,406</b>	<b>(2,002)</b>
Contingencies & Priority Growth	26,744	26,246	(498)
Financing Costs	9,774	8,488	(1,286)
Levies & other corporate budgets	3,262	3,234	(28)
Exceptional Items	0	(710)	(710)
<b>Total Net Expenditure</b>	<b>212,188</b>	<b>207,664</b>	<b>(4,524)</b>
Budget Requirement	(212,188)	(212,188)	0
<b>General Fund Surplus for 2014/15</b>	<b>0</b>	<b>(4,524)</b>	<b>(4,524)</b>

*Note: in accordance with local authority accounting practice, income and favourable variances in the table above, and elsewhere in these accounts are shown as bracketed figures.*

Details on how the General Fund outturn position for management decision making links through to the Comprehensive Income and Expenditure Statement surplus for the year, in accordance with accounting standards, can be seen in note 27 to the accounts.

Achievement of the surplus in 2014/15 was in part due to financing costs in relation to delaying borrowing for the Council's capital programme, favourable outturn against General Contingency, a good performance in recovery of overpaid housing benefits, closure of Victoria road civic Amenity site and a number of posts across directorates being held open.

An in-year surplus of £7,710k was reported on the Housing Revenue Accounts (HRA) this was due to less spend on planned maintenance, release of uncommitted contingency and a release of provisions for property dilapidations in the year. A total of 191 properties were sold in 2014/15 as part of the Right to Buy Government scheme.

Prudent management of the Council's finances to date has ensured the organisation is well placed to meet on-going challenges, with sufficient reserves available to meet risks arising into 2015/16 and beyond.

## **Capital Investment**

The Council's programme of capital investment for 2014/15 totalled £74.7 million (£91.2 million in 2013/14) and was funded from a range of sources. These included grants, contributions from revenue resources, proceeds from asset sales and prudential borrowing (details in note 37 to the accounts).

Investment during 2014/15 focused heavily on the Council's flagship programme of schools expansions to meet the increasing requirements of school places over the next few years.

## **Treasury Management**

The Council takes a very prudent strategy in investing its cash balances to ensure money is invested at a very low level of risk. The strategy for investing funds first considers the security of the deposit, the liquidity of investments and then the return on the investment. The economic environment has continued to be very tight with limited returns available on investments with the Bank of England base rate remaining at the historic low of 0.5% since March 2009. The Council sticks strictly to counterparties which have been agreed through the Treasury Management Strategy, which consist of other local authorities, instant access funds as well as institutions with a credit rating A- or above. Investment income returns for the year on internally managed cash yielded 0.57% (0.48% 2013/14), resulting in total investment income this year of £0.78 million.

During the year the Council utilised internal balances and no new borrowing was taken to fund capital expenditure. The Council's loan portfolio has average rate of 3.01%. The portfolio was reduced by £9.28 million with debt that matured naturally leaving a balance at year end of £326.9 million. The total interest paid over the year totalled £10.0 million.

There was no movement in terms of the unpaid investments with Icelandic bank Heritable and the balance remained at £0.8 million. Throughout the year legal proceedings were ongoing between Heritable and its parent LBI (formally Landsbanki Islands) in respect of certain claims made by LBI in Heritable's administration. Both parties have now reached a settlement. Further steps now need to be taken to bring the settlement in to effect which aims to deliver the best outcome for creditors.

## **Looking Ahead**

Looking forward the main challenge the Council faces financially is the development of further revenue savings of £9.9 million in 2015/16 on top of the £12.8 million delivered in 2014/15. The Council continues to operate within the constraints of the government deficit reduction programme and has seen a reduction of 37% (£58 million) in Central Government funding since 2010/11. In addition the Council is facing a broad range of demographic and service pressures impacting on finances which requires savings and efficiencies to protect services to residents. The Council's BID programme continues to drive the delivery of the required savings and good progress continues to be made.

In addition to the funding cuts from Central Government the Council has budgeted to deliver a freeze in the Hillingdon element of Council Tax for 2015/16, with a further freeze for the over 65's to 2018/19. The Council continues to achieve growth in the Council Tax base due to residential development in the borough, with expected growth in Council Tax revenues predicted in 2015/16.

With the introduction of the Business Rate Retention System from 2013/14 the Council benefits from sharing in economic development through retention of a proportion of growth in the Business Rates base; although limited to 15%. Strong growth in the Business Rate Base is projected for 2015/16, with the development of major sites across the Borough, which are expected to offset the underlying trend of falling rateable value seen since 2010.

From 2015/16 the Council will take on additional responsibilities within Adult Social Care as a result of the 2014 Care Act which introduces significant changes to Adult Social Care funding arrangements which include the introduction of a number of new duties that the Council will need to implement prior to 1 April 2016. The introduction of the Better Care Fund is expected to increase resources available to



the Council to support a sustainable health and social care system, providing better quality care and improved outcomes for health.

For 2015/16 the Council's capital programme includes a number of major schemes including a new theatre at St Andrews Park, a borough museum and a new youth centre. The Council are continuing to expand the number of school places across the borough to meet demand and are investing in sports clubs to encourage activity in the boroughs older population. Town centre and car park improvements, highways investment and environmental and recreational initiatives will also be invested in over the programme.

Despite the funding risks, the Councils aims to incorporate these strains with minimal impact on the delivery of front line services via transformation of service delivery, continuing to 'put our residents first'. The Council will continue to maintain balances and reserves well in excess of the minimum recommended level through prudent financial management to enable significant flexibility. This will provide a significant buffer over the medium term as there is forecast to be significant further cuts in Central Government funding.

### **3. 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 Corporate Director of Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts

#### **2. Corporate Director of Finance Responsibilities**

The Corporate Director of Finance is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (The Code).

In preparing this statement of accounts the Corporate Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Local Authority Code.

The Corporate Director of Finance 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. Corporate Director of Finance Approval of Accounts**

I certify that these accounts present a true and fair view of 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 2015 and its income and expenditure for the year then ended.

Paul Whaymand  
CORPORATE DIRECTOR OF FINANCE  
September 2015

#### **Audit Committee Certificate for the Approval of the Accounts**

I confirm that these accounts were considered and approved by the Audit Committee at the meeting held on 24 September 2015.

Signed on behalf of London Borough of Hillingdon  
CHAIRMAN (AUDIT COMMITTEE)  
24 September 2015

## **4. Independent Auditor's Report to the Members of the London Borough of Hillingdon**

### **Opinion on the Authority financial statements**

We have audited the financial statements of London Borough of Hillingdon for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement and the related notes 1 to 47, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and related notes 1 to 8, and Collection Fund and the related notes 1 to 3. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume 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 Corporate Director of Finance and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Corporate Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporate Director of Finance and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the London Borough of Hillingdon as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

### **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

## **Opinion on the pension fund financial statements**

We have audited the pension fund financial statements for the year ended 31 March 2015 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume 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 Corporate Director of Finance and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Corporate Director of Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Corporate Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and the amount and disposition of the fund's assets and liabilities as at 31 March 2015, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

## **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### ***Respective responsibilities of the Authority and the auditor***

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

### ***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, We are satisfied that, in all significant respects, *the London Borough of Hillingdon* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

## **Certificate**

We certify that we have completed the audit of the accounts of the London Borough of Hillingdon in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Heather Bygrave (Engagement lead)  
For and behalf of Deloitte LLP  
Appointed auditor, St Albans, UK  
September 2015

## 5. Statement of Accounting Policies

The Council is required to prepare an annual Statement of Accounts which summarises the Council's transactions for the 2014/15 financial year and its position as at the year-end of 31 March 2015. The Statement of Accounts must be prepared in accordance with proper accounting practices as per the Accounts and Audit Regulations 2011. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by periodic revaluation of certain categories of non-current assets and financial instruments. The accounts are prepared on an accruals and going concern basis.

### **CAPITAL**

#### **1. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others for administration purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

**Recognition:** All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis in the accounts, provided that the asset yields benefits to the Council for a period of more than one year and the cost of the item can be measured reliably. This excludes expenditure on routine repairs and maintenance of non-current assets that is charged direct to service revenue accounts when incurred.

**Measurement:** Assets are initially measured at cost, comprising:

- The purchase price;
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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). Property, Plant and Equipment are included in the balance sheet on the following basis:

- Infrastructure assets, community assets and assets under construction are included in the balance sheet at depreciated historical cost;
- Dwellings are carried at fair value, determined using the basis of existing use value for social housing;
- All other classes of asset shall be measured at fair value. For land, buildings and assets which are not held for the purpose of generating cash flows, the fair value represents the amount that would be paid for the asset in its existing use. Where there is no market-based evidence of fair value due to the specialised nature of the asset, the asset is valued at its depreciated replacement cost; and

- 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.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum assets are valued every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation loss previously charged to a service)

Where decreases in value are identified, the revaluation loss is accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains) with any excess written down against the relevant service line in the Comprehensive Income and Expenditure Statement.
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

A de minimis value of £10,000 has been set for capital purchases. This limit also applies to valuations. De minimis expenditure is charged to revenue but, where permissible and appropriate, it is financed as though it were capital expenditure.

The Council only includes maintained schools in its asset register and only where it owns or controls the assets. Academies are external to Local authorities and are not included. The Council does not own or control Voluntary Aided school assets as they are owned by the Diocese or Church of England and the value of these assets are not included in the Council's balance sheet.

**Impairment / Revaluation Loss:** An impairment review of all assets is undertaken at the end of each financial year. Losses arising from an impairment or revaluation loss are 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 in the Comprehensive Income and Expenditure Statement.

Where a revaluation loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

**Depreciation:** Depreciation is provided in the accounts in accordance with the International Accounting Standard (IAS) 16 and CIPFA guidelines. IAS 16 states that depreciation is to be provided on all Plant, Property and Equipment, other than for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). The depreciation policy is that:

Depreciation is calculated on a straight line method and is based on the following useful lives or approach unless specific information exists for an asset:



Infrastructure	40 years
Vehicles, Plant, Furniture & Equipment	3 to 30 years
Council Dwellings	Depreciated on straight line basis over useful life of 60 years
Other Land & Buildings	Useful life varies depending on the condition, type and usage of the asset, up to 60 years for buildings and infinite life for Land.
Surplus Assets	Useful life varies depending on the condition, type and usage of the asset
IT Equipment	5 -7 years
Intangible Assets	5 years

Where an item of Property, Plant and Equipment has major components with useful lives different to the main asset, and the cost of that component is material (20% or £250k), the asset is split into component parts and depreciated separately. Where component assets are replaced, the carrying value of the asset is reviewed with an estimate made on the carrying amount of the old component being replaced to be written out.

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.

Depreciation is charged annually and is charged in full in the year of disposal and not in the year of acquisition. Assets under construction do not incur depreciation until they are complete.

**Disposals:** When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction expected within the following year, rather than through its continuing use, it is reclassified as an Asset Held for Sale. There must be a management decision that the asset will be sold and it must be actively marketed. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Net loss on disposal of non-current assets line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed or decommissioned, any loss or profit on disposal is recognised on the face of the Comprehensive Income and Expenditure Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund or Housing Revenue Account Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current 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 General Fund Balance via the Movement in Reserves Statement.

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); 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 non-current assets with any loss charged to the HRA Comprehensive Income and Expenditure Statement. An adjustment is made to non-current assets for any change to this valuation at the time of actual disposal.

Deferred credits on the Balance Sheet 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 for spend on Plant, Property and Equipment, the income is credited to the Comprehensive Income and Expenditure Statement under Taxation and Non-Specific Grant Income. These are then transferred to the Capital Grants Unapplied Reserve if not used and the Capital Adjustment Account when applied. If the grants have a condition for repayment and remain unapplied at the end of the year, they are held on the Balance Sheet as creditors.

## 2. Heritage Assets

FRS30 Heritage Assets was adopted by the Council in 2011/12 resulting in Mayoral Regalia and the statue 'Anticipation' being brought onto the balance sheet.

Where there is an open market, such assets will be valued at market value; assets with no marketable value will be held at replacement cost.

Where it is impossible to establish a value by either of these methods, the Council will consider other valuation methodologies such as insurable value, otherwise the asset will be held at nil value but disclosed as a note to the accounts.

## 3. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events, such as software licences, are only recognised on the Balance Sheet when they are purchased or where internally developed and the Council can demonstrate:

- The technical feasibility of completing the asset;
- Its intention and the availability of adequate resources to complete the asset;
- Its ability to use or sell the asset;
- How the asset will generate future economic benefits or deliver service benefits; and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are included at historical cost and only re-valued in line with IAS 38, where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. Intangible assets are amortised over their useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Net loss on disposal of non-current assets line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### **4. Charges to Revenue for Non-Current Assets**

Service revenue accounts, support services and trading accounts are charged the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Impairment losses on tangible non-current assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off; and
- Amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by a revenue provision in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **5. Revenue Expenditure Funded from Capital Under Statute**

Revenue Expenditure funded from Capital under statute represents expenditure that may properly be capitalised, but which does not result in the creation of a non-current asset, for example housing association grants, capital expenditure on non maintained schools and housing improvement grants. Such expenditure is taken to service 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 Comprehensive Income and Expenditure Statement via the Movement in Reserves Statement so there is no impact on the level of Council Tax.

#### **6. Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are re-valued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### **7. Leases**

Assets are acquired under finance leases when the risks and rewards relating to the asset transfer to the Council. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have a legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### The Council as Lessee

#### Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the Property, Plant or Equipment – applied to write down the lease liability; and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual provision is made from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### The Council as Lessor

#### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Net loss on Disposal of non-current assets line in the Comprehensive Income and Expenditure Statement. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Unapplied Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the relevant service line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **REVENUE**

### **8. Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to or from the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- 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.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## **9. Acquisitions and Discontinued Operations**

There were no operations acquired or discontinued in the year to 31 March 2015.

In 2013/14 the Council acquired the operation of Public Health in the borough from 1 April 2013, where the function transferred from the NHS. This expanded the Council's role in improving the health of the local population and responsible for commissioning and collaborating on a range of public health services and for advising the commissioners of local NHS services. As a result of this there was a transfer of public health staff to provide this service and the government has provided additional funding to the Council in the form of a Public Health Grant.

## **10. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 working hours. Cash equivalents are investments that are held in instant access accounts, readily convertible to known amounts of cash with insignificant risk of change in value. Amounts held in fixed term deposits not accessible within 24 working hours are not classified as cash equivalents, but as short term investments.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

## **11. Changes in Accounting Policies and Estimates and Errors**

Changes in accounting policies are only made when required by proper accounting practices when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

There has been one change in accounting policy in 2014/15 which has resulted in a prior period adjustment to the comparator year of the accounting statements. The prior period adjustment is in relation to accounting for Foundation schools assets; as a result of the change the Council has prepared a third balance sheet for these amendments. The changes from the restatement of the accounts are documented in on page 43 to the accounts.

## **12. Employee Benefits**

### Benefits Payable during Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, flexi leave and non monetary benefits, where material, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. Any accrual made is required under statute to be reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary

redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Account when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

### Post Employment Benefits

The Council participates in four defined benefit pension schemes-

- The Teachers' Pension Scheme;
- The NHS Pension Scheme;
- The London Borough of Hillingdon Fund of the Local Government Pension Scheme (LGPS), administered locally by the Council; and
- The London Pension Fund Authority Pension Fund of the LGPS, which is a closed arrangement for former employees administered by the London Pension Fund Authority.

The accounts fully conform to the International Accounting Standard 19 (IAS 19) relating to pension fund liabilities. Both the Comprehensive Income and Expenditure Statement and the Balance Sheet reflect the effects of these requirements.

#### *Teachers' Pension Scheme*

- The teachers' scheme is unfunded and administered on behalf of the Department of Education (DfE) by Capita Hartshead. The pension cost charged to the accounts is the contribution rate set by the DfE on the basis of a notional fund. The arrangements for the teachers' scheme mean that the liabilities for the benefits cannot be identified specifically to the Council. As such the scheme is accounted for as if it were a defined contribution scheme and no liability for future payment has been recognised in the Council's Balance Sheet. The Education and Children's Services line in the Council's Comprehensive Income and Expenditure Statement is charged with the employers contributions made into this scheme.

#### *NHS Pensions Scheme*

- The NHS Pension Scheme is unfunded and is administered by NHS Business Services Authority. The arrangements for the NHS schemes mean that liabilities for the benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they are a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Public Health Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

#### *The Local Government Pension Scheme*

- The pension liabilities attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices.
- The pension fund assets attributable to the Council is included in the Balance Sheet at fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value

- The change in the net pensions liability is analysed into the following components:
- Service cost comprising:
  - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Net interest on the net defined benefit liability (asset), i.e. net interest expense for the authority - the change during the period in the net defined benefit liability (asset) that arises from the passage of time – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - The return on assets – excluding amounts included in net interest on the net defined benefit liability (asset) the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return– debited to the Pensions Reserve as other Comprehensive Income and Expenditure.
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to pension funds – cash paid as employer’s contribution to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### *Discretionary Benefits*

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued for in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **13. Long Term Contracts**

The Council has entered into a number of long term contracts that have commitments beyond the period of account. These are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year. Material future commitments are outlined in a note to the accounts.

### **14. Private Finance Initiative (PFI) Contract**

PFI and similar contracts are agreements to receive services, where responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.



The original recognition of these assets at fair value (based on the cost to purchase Property, Plant and Equipment) are balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as a finance lease)
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

## **15. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions where conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grant Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grant Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **16. Inventories and Work in Progress**

Inventories 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.

## **17. Overheads and Support Services**

The costs of overheads and support services are charged to those services that benefit from the supply or service in line with CIPFA recommended practice and the Service Reporting Code of Practice (SERCOP). The basis of allocation is aligned with relative usage. Allocations are not made in relation to Corporate and Democratic Core or Non-Distributed costs which are shown separately in the Comprehensive Income and Expenditure Statement.

## **18. 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.

## **19. Non-Distributed Costs**

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

## **20. 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; and
- A reliable estimate of the cost can be made.

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When a payment for expenditure against a provision is made, the expenditure is charged directly to that provision. All provisions are reviewed each year.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

## 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, required for future policy purposes or to cover contingencies, are treated as reserves. Transfers to and from reserves are distinguished from service expenditure. Expenditure is not charged directly to any reserve.

Revaluation Reserve	Records the accumulated gains on non-current assets held by the Council arising from increases in value. This value is offset by that part of depreciation relating to the revaluation for each asset. Impairments of non-current assets with a previous revaluation gain are written out to the revaluation reserve. This account replaced the Fixed Asset Restatement Account with effect from 1 <sup>st</sup> April 2007. It had a nil balance at 1 <sup>st</sup> April 2007
Capital Adjustment Account	Accumulates resources that have been set aside to finance capital expenditure offset by the write down of historical cost non-current 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).
Capital Receipts Reserve	Includes capital receipts that have not yet been used to finance capital expenditure or to repay debt
Capital Grants Unapplied Reserve	Capital grants which are unapplied and do not have a condition to repay the grant, are held in this reserve
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
Major Repairs Reserve	A requirement of the HRA resource accounting and holds depreciation charged to the HRA in excess of the major repairs allowance

## 21. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation the existence of which will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## 22. Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## 23. Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at their fair value. They are then carried at their amortised cost. Annual credits are made to the Comprehensive Income and Expenditure Statement for interest receivable and are based on the carrying amount of the asset multiplied by the effective 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 in the loan agreement is credited to the Comprehensive Income and Expenditure Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge is made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### Available-for-sale Financial Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective interest rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available for Sale Financial Instruments Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available for Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired due to a past event indicating that amounts due under the contract will not be made or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Financial guarantees entered into before 1 April 2006 are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

Financial assets and liabilities are set-off against each other where the Council has a legally enforceable right to set-off and it intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

## **24. Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement 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. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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 according to the loan agreement is charged to the Comprehensive Income and Expenditure Statement. However, any stock issued by the Council is carried at a lower amortised cost than the outstanding principal and interest is charged at a marginally higher effective rate of interest than the rate payable to stockholders as a material amount of costs incurred in its issue is being financed over the life of the stock.

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## 25. 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) **Equal Instalment of Principal (EIP) Loans** - where an equal instalment of principal based on the life of the loan is repaid every six months. Interest is paid every six months based on the outstanding balance. The accrued interest is shown as part of the carrying value of the loan on the Balance Sheet.

(c) **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 without penalty. 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.

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.

## 26. Minimum Revenue Provision

The Council has to make an annual provision for the repayment of borrowing. For all borrowing prior to 1 April 2009 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 the asset to which the borrowing is applied.

## 27. Collection Fund

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and national non-domestic rates (NNDR). The key features relevant to accounting for Collection Fund activity in the core financial statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes income on behalf of the major preceptors and itself.
- While the income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.

As the collection of Council Tax and NNDR Income is in substance an agency arrangement, cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will therefore be a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from Council Taxpayers and local Business Ratepayers.

## 28. 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 statement whether of a capital or revenue nature only to the extent that it is irrecoverable.

## 29. Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## 30. Exceptional 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 Statement if required to give a fair presentation of the accounts.

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 Comprehensive Income and Expenditure Statement for the current period.

## 31. Assumptions Made About Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet as at 31 March 2015 for which there is significant risks of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets.  Assets are subject to a 5 year rolling valuation and assumptions are made by the specialist valuer regarding	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge would increase by £2.1m for every year that useful lives had reduced.  A fall in value of the Council's assets would impact on the net worth of the Council, however would not impact on the

	market indicators and other data available to assess an asset's value.	Council's usable balances. Fluctuations in the value of assets will not correlate with normal market conditions; however a 1% movement in asset values would move the Council's balance sheet position by £13.1m.
Provisions	Provisions are defined as probable future liabilities based on past events and there are therefore inherent uncertainties related to provisions that have been made and the amounts set aside.	If future liabilities exceed the amounts set aside, the additional amounts would have to be met from the Council's revenue account.
Arrears	Provisions have been made for debt owed to the Council for which payment may not be received. The Council reviews its basis for calculating doubtful debts making the current levels appropriate. However, particularly in the current economic climate, it is not certain that allowances made would be sufficient.	Any deterioration in the collection rates may lead to a larger number of debtors not being able to pay the Council than already provided for. These would have to be written off to reduce the balance of outstanding debt and be charged to the Comprehensive Income and Expenditure Statement.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. The actuaries review the assumptions triennially and changes are adjusted for in the accounts. Sensitivity analysis is represented in note 47 to the accounts on page 90.

### 32. Carbon Reduction Commitment (CRC)

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme has moved into the first year of phase 2 which commenced in April 2014 and runs until March 2019. The authority is required to purchase allowances, either prospectively or retrospectively and surrender them, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

### 33. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2015 for 2014/15). Disclosure requirements are expected to be included in a subsequent edition of the Code.



The following accounting policy changes are not yet reflected in the Councils accounts and are unexpected to have a material impact on the 2014/15 accounts were they to be applied.

- IFRS 13 Fair Value Measurement (May 2011)
- IFRIC 21 Levies
- Annual Improvements to IFRSs 2011–2013 Cycle
  - IFRS 1: Meaning of effective IFRSs;
  - IFRS 3: Scope exceptions for joint ventures;
  - IFRS 13: Scope of paragraph 52 (portfolio exception); and
  - IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property

# 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 International Financial Reporting Standards (IFRS) as defined by 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 the Accounts and Audit Regulations 2011. They summarise the overall financial position of the Council and in particular include the following:

## **Comprehensive Income and Expenditure Statement (page 35)**

This statement 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.

## **Balance Sheet (page 36)**

This sets out the assets and liabilities of the Council as at 31 March 2015, but excludes the assets and liabilities of pension and trust funds.

## **Movement in Reserves Statement (page 37)**

This statement sets out the reserves held by the Council, split into usable and unusable reserves, and shows how they have moved during the year.

## **Cash Flow Statement (page 39)**

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

# Comprehensive Income and Expenditure Statement

This statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

			Restated **			
31 March 2015			31 March 2014			
Note	Expenditure £000's	Income £000's	Net Expenditure £000's	Expenditure £000's	Income £000's	Net Expenditure £000's
<b>EXPENDITURE ON SERVICES</b>						
	10,605	(3,866)	6,739	9,585	(3,898)	5,687
	21,351	(3,291)	18,060	24,264	(3,178)	21,086
	30,895	(8,607)	22,288	37,373	(8,754)	28,619
	9,805	(5,796)	4,009	5,324	(4,328)	996
	258,796	(174,209)	84,587	243,912	(179,572)	64,340
	30,948	(10,674)	20,274	30,564	(9,104)	21,460
	(49,591)	(63,288)	(112,879)	(2,001)	(61,289)	(63,290)
	168,238	(155,998)	12,240	171,430	(156,172)	15,258
	90,273	(20,014)	70,259	86,954	(18,877)	68,077
	13,725	(15,885)	(2,160)	13,332	(15,622)	(2,290)
	7,833	(476)	7,357	8,399	(702)	7,697
	(1,010)	(426)	(1,436)	4,138	(3,786)	352
	<b>591,868</b>	<b>(462,530)</b>	<b>129,338</b>	<b>633,274</b>	<b>(465,282)</b>	<b>167,992</b>
4	1,711	0	1,711	1,591	0	1,591
	57,296	0	57,296	11,791	0	11,791
5	27,068	(1,109)	25,959	27,842	(1,131)	26,711
6	0	(266,379)	(266,379)	0	(269,003)	(269,003)
	<b>86,075</b>	<b>(267,488)</b>	<b>(181,413)</b>	<b>41,224</b>	<b>(270,134)</b>	<b>(228,910)</b>
	<b>677,943</b>	<b>(730,018)</b>	<b>(52,075)</b>	<b>674,498</b>	<b>(735,416)</b>	<b>(60,918)</b>
23			(6,053)			1,288
46			90,907			(7,969)
23			(23)			15
			<b>32,756</b>			<b>(67,584)</b>

\* Loss on disposal on non-current assets: The net loss on disposal of fixed assets is mainly attributable to the transfer of LEA maintained schools to academy status.

\*\* Restatement - see note 3

# Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held.

Reserves are reported in two categories:

The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and requirement to maintain any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).

The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and

	Note	Restated	Restated *
		31 March 2014	31 March 2013
		£000's	£000's
Property, Plant & Equipment	7	1,297,402	1,225,008
Heritage Assets	10	501	501
Intangible Assets	11	289	570
Investment Properties	12	5,731	5,806
Long Term Investments	13	7,510	1,732
Long Term Debtors	16	7,514	405
<b>LONG TERM ASSETS</b>		<b>1,318,947</b>	<b>1,234,022</b>
Inventories	14	355	255
Short Term Debtors	15	39,761	22,930
Short Term Investments	13	48,856	33,293
Cash and Cash Equivalents	19	80,499	71,972
Assets Held for Sale	20	3,585	11,539
Current Intangible Assets	21	605	0
<b>CURRENT ASSETS</b>		<b>173,661</b>	<b>139,989</b>
Short Term Provisions	22	(3,299)	(2,231)
Short Term Borrowing	13	(13,634)	(11,791)
Short Term Creditors	17	(69,695)	(69,698)
<b>CURRENT LIABILITIES</b>		<b>(86,628)</b>	<b>(83,720)</b>
Long Term Provisions	22	(2,144)	(5,149)
Deferred Credits		(49)	(87)
Long Term Borrowing	13	(311,392)	(332,895)
Long Term Creditors	18	(3,293)	(3,897)
Capital Grant Receipts in Advance	36	(9,595)	(14,980)
Deferred Liabilities	38	(1,953)	(2,473)
Net Liabilities Related to Defined Benefit Pension Schemes	46	(485,178)	(373,262)
<b>LONG TERM LIABILITIES</b>		<b>(813,604)</b>	<b>(732,743)</b>
<b>NET ASSETS</b>		<b>592,376</b>	<b>557,548</b>
Usable Reserves		173,461	99,502
Unusable Reserves	23	418,915	458,046
<b>TOTAL RESERVES</b>		<b>592,376</b>	<b>557,548</b>

Paul Whaymand  
Corporate Director of Finance  
September 2015

\* Restatement -see note 3

# Movement in Reserves Statement

This statement shows movement in the year on different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net increase /decrease before transfers to earmarked reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

Notes	General Fund Balance £000's	Schools Reserves £000's	Earmarked Reserves £000's	Housing Revenue Account £000's	Major Repairs Reserve £000's	Capital Grants Unapplied Reserve £000's	Capital Receipts Reserve £000's	Total Usable Reserves £000's	Revaluation reserve £000's	Capital Adjustment Account £000's	Financial Instruments Adjustment Account £000's	Pensions Reserve £000's	Collection Fund Adjustment Account £000's	Accumulated Absences Account £000's	Available for Sale Financial instruments £000's	Total Unusable Reserves £000's	Total Council Reserves £000's
<b>Balance at 31 March 2014 Restated</b>	<b>36,569</b>	<b>17,669</b>	<b>22,050</b>	<b>22,820</b>	<b>11,379</b>	<b>1,327</b>	<b>12,767</b>	<b>124,581</b>	<b>56,381</b>	<b>827,776</b>	<b>(355)</b>	<b>(381,940)</b>	<b>4,020</b>	<b>(5,362)</b>	<b>31</b>	<b>500,551</b>	<b>625,132</b>
Surplus/(Deficit) on provision of services	(62,668)	0	0	114,743	0	0	0	<b>52,075</b>	0	0	0	0	0	0	0	0	<b>52,075</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	<b>0</b>	6,053	0	0	(90,907)	0	0	23	<b>(84,831)</b>	<b>(84,831)</b>
Total Comprehensive Income and Expenditure	(62,668)	0	0	114,743	0	0	0	<b>52,075</b>	<b>6,053</b>	<b>0</b>	<b>0</b>	<b>(90,907)</b>	<b>0</b>	<b>0</b>	<b>23</b>	<b>(84,831)</b>	<b>(32,756)</b>
Adjustments between accounting basis & funding basis under regulations	72,796	0	0	(101,160)	7,521	385	17,263	<b>(3,195)</b>	<b>0</b>	<b>16,591</b>	<b>12</b>	<b>(12,331)</b>	<b>(2,397)</b>	<b>1,320</b>	<b>0</b>	<b>3,195</b>	<b>0</b>
Net increase/(decrease) before transfers to Earmarked Reserves	10,128	0	0	13,583	7,521	385	17,263	<b>48,880</b>	6,053	16,591	12	(103,238)	(2,397)	1,320	23	<b>(81,636)</b>	<b>(32,756)</b>
Transfers (from)/to Earmarked Reserves	(4,713)	(1,063)	5,729	(5,827)	5,874	0	0	<b>0</b>	<b>(3,433)</b>	<b>3,433</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Increase/(Decrease) in Year	5,415	(1,063)	5,729	7,756	13,395	385	17,263	<b>48,880</b>	<b>2,620</b>	<b>20,024</b>	<b>12</b>	<b>(103,238)</b>	<b>(2,397)</b>	<b>1,320</b>	<b>23</b>	<b>(81,636)</b>	<b>(32,756)</b>
<b>Balance at 31 March 2015</b>	<b>41,984</b>	<b>16,606</b>	<b>27,779</b>	<b>30,576</b>	<b>24,774</b>	<b>1,712</b>	<b>30,030</b>	<b>173,461</b>	<b>59,001</b>	<b>847,800</b>	<b>(343)</b>	<b>(485,178)</b>	<b>1,623</b>	<b>(4,042)</b>	<b>54</b>	<b>418,915</b>	<b>592,376</b>

# Movement in Reserves Statement

This statement shows movement in the year on different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

Notes	General Fund Balance £000's	Schools Reserves £000's	Earmarked Reserves £000's	Housing Revenue Account £000's	Major Repairs Reserve £000's	Capital Grants Unapplied Reserve £000's	Capital Receipts Reserve £000's	Total Usable Reserves £000's	Revaluation reserve £000's	Capital Adjustment Account £000's	Financial Instruments Adjustment Account £000's	Pensions Reserve £000's	Collection Fund Adjustment Account £000's	Accumulated Absences Account £000's	Available for Sale Financial instruments £000's	Unusable Reserves £000's	Total Council Reserves £000's
<b>Balance at 31 March 2013</b>	<b>32,767</b>	<b>14,950</b>	<b>11,134</b>	<b>19,089</b>	<b>1,123</b>	<b>17,156</b>	<b>3,283</b>	<b>99,502</b>	<b>59,624</b>	<b>775,111</b>	<b>(367)</b>	<b>(373,262)</b>	<b>2,853</b>	<b>(5,959)</b>	<b>46</b>	<b>458,046</b>	<b>557,548</b>
Surplus/(Deficit) on provision of services	(316)	0	0	61,234	0	0	0	<b>60,918</b>	0	0	0	0	0	0	0	<b>0</b>	<b>60,918</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	<b>0</b>	(1,288)	0	0	7,969	0	0	(15)	<b>6,666</b>	<b>6,666</b>
Total Comprehensive Income and Expenditure (restated)	(316)	0	0	61,234	0	0	0	<b>60,918</b>	(1,288)	0	0	7,969	0	0	(15)	<b>6,666</b>	<b>67,584</b>
Adjustments between accounting basis & funding basis under regulations (restated)	18,422	0	0	(53,422)	5,506	(15,829)	9,484	<b>(35,839)</b>	0	50,710	12	(16,647)	1,167	597	0	<b>35,839</b>	<b>0</b>
Net increase/(decrease) before transfers to Earmarked Reserves	18,106	0	0	7,812	5,506	(15,829)	9,484	25,079	(1,288)	50,710	12	(8,678)	1,167	597	(15)	<b>42,505</b>	<b>67,584</b>
Transfers (from)/to Earmarked Reserves	(14,304)	2,719	10,916	(4,081)	4,750	0	0	<b>0</b>	(1,955)	1,955	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Increase/(Decrease) in Year	3,802	2,719	10,916	3,731	10,256	(15,829)	9,484	<b>25,079</b>	(3,243)	52,665	12	(8,678)	1,167	597	(15)	<b>42,505</b>	<b>67,584</b>
																	<b>0</b>
<b>Balance at 31 March 2014</b>	<b>36,569</b>	<b>17,669</b>	<b>22,050</b>	<b>22,820</b>	<b>11,379</b>	<b>1,327</b>	<b>12,767</b>	<b>124,581</b>	<b>56,381</b>	<b>827,776</b>	<b>(355)</b>	<b>(381,940)</b>	<b>4,020</b>	<b>(5,362)</b>	<b>31</b>	<b>500,551</b>	<b>625,132</b>

# Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

	Note	2014/15 £000's	2013/14 £000's
<b>Net (surplus) on the provision of services</b>	24	(52,075)	(60,918)
<b>Adjust net (surplus) on the provision of services for non cash movements</b>	24	(67,328)	(50,530)
<b>Adjust for items in the net deficit on the provision of services that are investing or financing activities</b>	24	70,275	56,609
<b>Net cash flows from operating activities</b>	24	(49,128)	(54,839)
<b>Net cash flows from investing activities</b>	25	1,244	52,894
<b>Net cash flows from financing activities</b>	26	16,339	24,963
<b>(Increase)/Decrease in cash and cash equivalents</b>		<b>(31,545)</b>	<b>23,018</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>(48,954)</b>	<b>(71,972)</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(80,499)</b>	<b>(48,954)</b>

# Notes to Main Financial Statements

## 1. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2014/15	General Fund Balance £000's	Housing Revenue Account £000's	MRR £000's	Capital Grants Unapplied Reserve £000's	Capital Receipts Reserve £000's	Usable Reserves £000's	Capital Adjustment Account £000's	Financial Instruments Adjustment Account £000's	Pensions Reserve £000's	Collection Fund Adjustment Account £000's	Accumulated Absences Account £000's	Unusable Reserves £000's
Amortisation of intangible assets	(499)		(2)			(501)	501					501
Depreciation and impairment of non current assets	(40,288)	83,295	(9,816)			33,191	(33,191)					(33,191)
Statutory provision for the financing of capital investment	7,034	8,259				15,293	(15,293)					(15,293)
Revenue expenditure funded from capital under statute	(10,548)					(10,548)	10,548					10,548
Capital grants and contributions applied	52,071			(385)		51,686	(51,686)					(51,686)
Capital expenditure charged in year to the General Fund balance	454		2,297			2,751	(2,751)					(2,751)
Use of Capital Receipts Reserve to finance new capital expenditure					6,616	6,616	(6,616)					(6,616)
Amounts written off on disposal of non current assets	(67,616)	10,320			(24,960)	(82,256)	82,256					82,256
Finance Lease Principal	261					261	(261)					(261)
Gain/Loss Investment Property	98					98	(98)					(98)
Transfer from capital receipts reserve to meet payments to the housing capital receipts pool	(1,081)				1,081	0						0
Premiums and discounts	(10)	22				12		(12)				(12)
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(32,389)	(2,325)				(34,714)			34,714			34,714
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	20,884	1,499				22,383		(22,383)				(22,383)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2,397)					(2,397)				2,397		2,397
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,230	90				1,320					(1,320)	(1,320)
<b>Total Adjustments</b>	<b>(72,796)</b>	<b>101,160</b>	<b>(7,521)</b>	<b>(385)</b>	<b>(17,263)</b>	<b>3,195</b>	<b>(16,591)</b>	<b>(12)</b>	<b>12,331</b>	<b>2,397</b>	<b>(1,320)</b>	<b>(3,195)</b>



# Notes to Main Financial Statements

## 1. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2013/14	General Fund Balance £000's	Housing Revenue Account £000's	MRR £000's	Capital Grants Unapplied Reserve £000's	Capital Receipts Reserve £000's	Usable Reserves £000's	Capital Adjustment Account £000's	Financial Instruments Adjustment Account £000's	Pensions Reserve £000's	Collection Fund Adjustment Account £000's	Accumulated Absences Account £000's	Unusable Reserves £000's
Amortisation of intangible assets	(332)					(332)	332					332
Depreciation and impairment of non current assets	(33,934)	37,946	(9,492)			(5,480)	5,480					5,480
Statutory provision for the financing of capital investment	4,701	9,854				14,555	(14,555)					(14,555)
Revenue expenditure funded from capital under statute	(9,471)					(9,471)	9,471					9,471
Capital grants and contributions applied	51,568	103		15,829		67,500	(67,500)					(67,500)
Capital expenditure charged in year to the General Fund balance	1,999		3,986			5,985	(5,985)					(5,985)
Use of Capital Receipts Reserve to finance new capital expenditure					8,922	8,922	(8,922)					(8,922)
Amounts written off on disposal of non current assets	(17,364)	5,580			(19,359)	(31,143)	31,143					31,143
Finance Lease Principal	263					263	(263)					(263)
Gain/Loss Investment Property	(89)					(89)	89					89
Other Income						0						0
Transfer from capital receipts reserve to meet payments to the housing capital receipts pool	(953)				953	0						0
Premiums and discounts	(23)	35				12		(12)				(12)
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(41,325)	(96)				(41,421)			41,421			41,421
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	24,774					24,774			(24,774)			(24,774)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,167					1,167				(1,167)		(1,167)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	597					597					(597)	(597)
<b>Total Adjustments</b>	<b>(18,422)</b>	<b>53,422</b>	<b>(5,506)</b>	<b>15,829</b>	<b>(9,484)</b>	<b>35,839</b>	<b>(50,710)</b>	<b>(12)</b>	<b>16,647</b>	<b>(1,167)</b>	<b>(597)</b>	<b>(35,839)</b>

# Notes to Main Financial Statements

## 2. EARMARKED RESERVE TRANSFERS

	31 March 2015 £000's	Transfers Out 2014/15 £000's	Transfers In 2014/15 £000's	31 March 2014 £000's	Restated Transfers Out 2013/14 £000's	Restated Transfers In 2013/14 £000's	31 March 2013 £000's
<b>Earmarked Reserves:</b>							
Grants Unapplied	6,005	(2,809)	2,327	6,487	(640)	4,261	2,866
Member Initiatives	11,135	(1,758)	4,576	8,317	(2,175)	8,359	2,133
Other Reserves	7,068	(2,647)	4,258	5,457	(2,028)	2,698	4,787
Public Health Reserve	2,453	0	1,169	1,284	(1,720)	3,004	0
Parking Revenue Account / New Roads & Street Works Reserve	633	0	174	459	(174)	0	633
Barnhill PFI	485	0	485	0	0	0	0
HRA - Earmarked Reserve	0	(46)	0	46	(669)	0	715
<b>Total Earmarked Reserves</b>	<b>27,779</b>	<b>(7,260)</b>	<b>12,989</b>	<b>22,050</b>	<b>(7,406)</b>	<b>18,322</b>	<b>11,134</b>

### Specific Reserves

**Grants Unapplied** - Funds set aside from specific revenue grants to support future investment in services, which will be drawn down as required to support on-going projects. Balances at 31 March 2015 include monies in respect of the Education Services Grant, Troubled Families Grant and Local Waste Collection Grant alongside a range of other smaller sums.

**Member Initiatives** - Funds set aside to support delivery of specific local initiatives, including the freeze on Council Tax for over 65s, Hillingdon Improvement Programme and Leader's Initiatives amongst other balances. These monies are expected to be drawn down over the life of these initiatives.

**Other Reserves** - Funds set aside to manage cyclical or irregular expenditure, including the Corporate Insurance Reserve, Elections Reserve and provision for costs of service transformation amongst other balances. Funds will be drawn down as required to fund specific costs.

**Public Health Reserve** - A reserve required under statute to earmark any accounting under spend on Public Health activities transferred into the Council from the National Health Service from 1 April 2013. Monies set aside include funds to meet outstanding commitments from 2014/15 and manage any risks associated with the new service.

**Parking Revenue Account / New Roads & Street Works Reserve** - A statutory reserve earmarking monies primarily raised from on-street parking operations to support related investment in local infrastructure, further details on these operations are set out in note 29.

**Barnhill PFI** - Lifecycle cost fund for PFI school Barnhill Academy

**HRA Earmarked Reserve** - Monies specifically earmarked for projects within the Housing Revenue Account.

# Notes to Main Financial Statements

## 3. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICES AND ESTIMATES

Prior period adjustments have been made to the Councils 2014/15 published financial statements in relation to the following:

### Accounting for Schools Non-Current Assets

In 2014/15 the CIPFA code of Practice incorporated new accounting standards on group accounts and consolidation which have resulted in a change in the consolidation of schools in the Local Authority accounts. All maintained schools as defined under the Schools and Standards Framework Act 1998 are considered to be entities controlled by the Council. As a result all income expenditure, assets and liabilities relating to maintained schools are consolidated in the Councils single entity financial statements.

An assessment has been undertaken to establish which school assets and liabilities need to be brought on balance sheet and has resulted in a restatement of accounts to represent the value of ten Foundation school land and buildings. Voluntary Aided schools have remained off balance sheet as in prior years as the assets are owned and controlled by the Diocese of Westminster and the Church of England. Income, expenditure and current assets for all maintained schools have historically been included in the statements so there is no restatement in this respect. Academies are not maintained schools and continue to be excluded from the Councils Accounts. The Council's Core Statements and relevant notes have been restated to reflect these changes.

### Restatement of Comprehensive Income and Expenditure Statement

	Net Expenditure 2013/14		
	Published 2013/14 £000's	Restatement £000's	Restated 2013/14 £000's
<b>EXPENDITURE ON SERVICES</b>			
Education and Children's Services	64,979	(639)	64,340
<b>TOTAL COST OF SERVICES</b>	<b>168,631</b>	<b>(639)</b>	<b>167,992</b>
<b>(SURPLUS)/DEFICIT ON PROVISION OF SERVICES</b>	<b>(60,279)</b>	<b>(639)</b>	<b>(60,918)</b>
<b>EXPENDITURE</b>	<b>(66,945)</b>	<b>(639)</b>	<b>(67,584)</b>

### Restatement of Balance Sheet

	Published 31 March 2014 £000's	Restatement £000's	Restated 31 March 2014 £000's
Property, Plant & Equipment	1,215,961	62,210	1,278,171
<b>LONG TERM ASSETS</b>	<b>1,230,164</b>	<b>62,210</b>	<b>1,292,374</b>
<b>NET ASSETS</b>	<b>562,922</b>	<b>62,210</b>	<b>625,132</b>
Usable Reserves	124,581		124,581
Unusable Reserves	438,341	62,210	500,551
<b>TOTAL RESERVES</b>	<b>562,922</b>	<b>62,210</b>	<b>625,132</b>

# Notes to Main Financial Statements

## 3. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICES AND ESTIMATES

### Restatement of Movement in Reserves Statement

General Fund Balance 2013/14		
Published 2013/14 £000's	Restatement £000's	Restated 2013/14 £000's
Opening Balance	32,767	32,767
Surplus on provision of services	(955)	639
Other Comprehensive Income and Expenditure	0	0
Adjustments between accounting basis & funding basis	19,061	(639)
Transfers to/from Reserves	(14,304)	(14,304)
<b>Total Reserve Balances</b>	<b>36,569</b>	<b>0</b>

Capital Adjustment Account 2013/14		
Published 2013/14 £000's	Restatement £000's	Restated 2013/14 £000's
Opening Balance	713,540	61,571
Surplus on provision of services	0	0
Other Comprehensive Income and Expenditure	0	0
Adjustments between accounting basis & funding basis	50,071	639
Transfers to/from Reserves	1,955	1,955
<b>Total Reserve Balances</b>	<b>765,566</b>	<b>62,210</b>

### Restatement of Cash Flow Statement

	Published 2013/14 £000's	Restatement £000's	Restated 2013/14 £000's
Net (surplus) on the provision of services	(60,279)	(639)	(60,918)
Adjust net surplus on the provision of services for non cash movements	(51,169)	639	(50,530)
Adjust for items in the net deficit on the provision of services that are investing or financing activities	56,609		56,609
Net cash flows from operating activities	(54,839)	0	(54,839)
Net cash flows from investing activities	52,894		52,894
Net cash flows from financing activities	24,963		24,963
Decrease in cash and cash equivalents	<b>23,018</b>	<b>0</b>	<b>23,018</b>
Cash and cash equivalents at the beginning of the reporting period	<b>(71,972)</b>		<b>(71,972)</b>
Cash and cash equivalents at the end of the reporting period	<b>(48,954)</b>	<b>0</b>	<b>(48,954)</b>

# Notes to Main Financial Statements

## 4. OTHER OPERATING EXPENDITURE

	2014/15 £000's	2013/14 £000's
Payments to Government Housing Capital Receipts Pool	1,081	953
Precepts and Levies	630	638
<b>Total</b>	<b>1,711</b>	<b>1,591</b>

## 5. NET FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2014/15 £000's	2013/14 £000's
Interest payable and similar charges	10,876	11,153
Interest receivable	(1,011)	(1,124)
Net interest on the net defined benefit liability	16,192	16,600
Changes in the fair value of investment properties	(98)	89
Other income	0	(7)
<b>Total</b>	<b>25,959</b>	<b>26,711</b>

## 6. TAXATION AND NON-SPECIFIC GRANT INCOME

	2014/15 £000's	2013/14 £000's
Council Tax Income	(102,209)	(99,355)
Non-Domestic Rates Income	(103,815)	(99,010)
Non-Domestic Rates Tariff payable to Central Government	61,728	58,027
Non-Domestic Rates Levy (receivable)/payable to Central Government	(31)	113
Non-Ringfenced Government Grants	(69,980)	(77,106)
Capital Grants & Contributions	(52,072)	(51,672)
<b>Total</b>	<b>(266,379)</b>	<b>(269,003)</b>

# Notes to Main Financial Statements

## 7. MOVEMENT OF PROPERTY, PLANT & EQUIPMENT 2014/15

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total Plant, Property & Equipment
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation as at 1 April 2014	557,215	541,076	45,660	237,256	14,554	20,747	14,149	1,430,657
Additions	3,519	25,473	9,730	8,782	0	16,331	0	63,835
Revaluation (decreases)/increases recognised in Revaluation Reserve	26	2,533	(98)	0	0	0	(232)	2,229
Revaluation (decreases)/increases recognised in Surplus/Deficit on the Provision of Services	48,861	(30,590)	0	0	0	0	(1,831)	16,440
Derecognition - Disposals	(10,811)	(61,096)	(2,188)	0	0	(17,745)	(82)	(91,922)
Derecognition - Other	0	0	(1,786)	0	0	0	0	(1,786)
Assets reclassified within Property Plant and Equipment	0	5,509	3,993	0	0	(12,785)	3,283	0
Assets reclassified (to) & from Held for Sale & Investment Properties	0	(349)	0	0	0	(261)	(2,655)	(3,265)
Other Movements in Cost Valuation	0	0	0	0	0	0	0	0
<b>Cost of Valuation as at 31 March 2015</b>	<b>598,810</b>	<b>482,556</b>	<b>55,311</b>	<b>246,038</b>	<b>14,554</b>	<b>6,287</b>	<b>12,632</b>	<b>1,416,188</b>
Accumulated Depreciation & Impairment at 1 April 2014	(25,684)	(28,978)	(10,261)	(87,099)	(460)	0	(4)	(152,486)
Depreciation charge for 2014/15	(9,431)	(16,285)	(4,008)	(5,914)	0	0	(28)	(35,666)
Depreciation written out to Revaluation Reserve	19	3,706	98	0	0	0	1	3,824
Depreciation written out to Surplus/Deficit on Services	34,434	17,981	0	0	0	0	0	52,415
Derecognition - Disposals	662	10,561	115	0	0	0	0	11,338
Derecognition - Other	0	0	1,786	0	0	0	0	1,786
Assets reclassified within Property Plant and Equipment	0	50	0	0	0	0	(50)	0
Assets reclassified (to) & from Held for Sale & Investment Properties	0	3	0	0	0	0	0	3
Accumulated Depreciation & Impairment at 31 March 2015	0	(12,962)	(12,270)	(93,013)	(460)	0	(81)	(118,786)
<b>Balance Sheet amount 1 April 2014</b>	<b>531,531</b>	<b>512,098</b>	<b>35,399</b>	<b>150,157</b>	<b>14,094</b>	<b>20,747</b>	<b>14,145</b>	<b>1,278,171</b>
<b>Balance Sheet amount 31 March 2015</b>	<b>598,810</b>	<b>469,594</b>	<b>43,041</b>	<b>153,025</b>	<b>14,094</b>	<b>6,287</b>	<b>12,551</b>	<b>1,297,402</b>
<b>Nature of asset holding</b>								
Owned	598,810	469,594	42,757	153,025	14,094	6,287	12,551	1,297,118
Finance Lease	0	0	284	0	0	0	0	284
<b>Balance Sheet amount 31 March 2015</b>	<b>598,810</b>	<b>469,594</b>	<b>43,041</b>	<b>153,025</b>	<b>14,094</b>	<b>6,287</b>	<b>12,551</b>	<b>1,297,402</b>

NB: Of the £80.6m written out for disposals, £68.6m relates to community schools converting to academy status.

# Notes to Main Financial Statements

## 7. MOVEMENT OF PROPERTY, PLANT & EQUIPMENT 2013/14

	Council Dwellings £000's	Other Land & Buildings £000's	Vehicles, Plant & Equipment £000's	Infrastructure Assets £000's	Community Assets £000's	Assets Under Construction £000's	Surplus Assets £000's	Total Plant, Property & Equipment £000's
Cost or Valuation as at 1 April 2013	523,000	546,347	57,886	227,033	9,973	9,770	10,863	1,384,872
Additions	1,839	40,259	17,684	10,223	47	11,039	155	81,246
Revaluation (decreases)/increases recognised in Revaluation Reserve	0	(1,927)	0	0	0	0	(181)	(2,108)
Revaluation (decreases)/increases recognised in Surplus/Deficit on the Provision of Services	37,946	(14,106)	0	0	(8)	0	(25)	23,807
Derecognition - Disposals	(5,530)	(23,283)	(111)	0	(22)	(643)	0	(29,589)
Derecognition - Other	(40)	(302)	(29,808)	0	0	0	(227)	(30,377)
Assets reclassified within Property Plant and Equipment	0	(5,912)	9	0	4,564	1,412	(73)	0
Assets reclassified (to) & from Held for Sale & Investment Properties	0	0	0	0	0	(831)	3,637	2,806
Other Movements in Cost Valuation	0	0	0	0	0	0	0	0
<b>Cost of Valuation as at 31 March 2014</b>	<b>557,215</b>	<b>541,076</b>	<b>45,660</b>	<b>237,256</b>	<b>14,554</b>	<b>20,747</b>	<b>14,149</b>	<b>1,430,657</b>
Accumulated Depreciation & Impairment at 1 April 2013	(17,118)	(23,809)	(37,220)	(81,467)	0	0	(250)	(159,864)
Depreciation charge for 2013/14	(8,875)	(14,679)	(2,936)	(5,632)	0	0	(180)	(32,302)
Depreciation written out to Revaluation Reserve	0	779	0	0	0	0	26	805
Depreciation written out to Surplus/Deficit on Services	0	3,006	0	0	0	0	9	3,015
Derecognition - Disposals	269	4,993	57	0	0	0	0	5,319
Derecognition - Other	40	302	29,808	0	0	0	227	30,377
Assets reclassified within Property Plant and Equipment	0	430	30	0	(460)	0	0	0
Assets reclassified (to) & from Held for Sale & Investment	0	0	0	0	0	0	164	164
Accumulated Depreciation & Impairment at 31 March 2014	<b>(25,684)</b>	<b>(28,978)</b>	<b>(10,261)</b>	<b>(87,099)</b>	<b>(460)</b>	<b>0</b>	<b>(4)</b>	<b>(152,486)</b>
<b>Balance Sheet amount 1 April 2013</b>	<b>505,882</b>	<b>522,538</b>	<b>20,666</b>	<b>145,566</b>	<b>9,973</b>	<b>9,770</b>	<b>10,613</b>	<b>1,225,008</b>
<b>Balance Sheet amount 31 March 2014</b>	<b>531,531</b>	<b>512,098</b>	<b>35,399</b>	<b>150,157</b>	<b>14,094</b>	<b>20,747</b>	<b>14,145</b>	<b>1,278,171</b>
<b>Nature of asset holding</b>								
Owned	531,531	512,098	35,100	150,157	14,094	20,747	14,145	1,277,872
Finance Lease	0	0	299	0	0	0	0	299
<b>Balance Sheet amount 31 March 2014</b>	<b>531,531</b>	<b>512,098</b>	<b>35,399</b>	<b>150,157</b>	<b>14,094</b>	<b>20,747</b>	<b>14,145</b>	<b>1,278,171</b>

NB: Of the £24.3m written out for disposals, £18.2m relates to community schools converting to academy status.

# Notes to Main Financial Statements

## 8. REVALUATION LOSSES/GAINS RECOGNISED IN COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

During 2014/15, the Council has recognised total revaluation losses of £23,930k (£12,847k in 2013/14), which were fully charged to the relevant service lines in the Comprehensive Income and Expenditure Statement. The Council recognised valuation gains of £92,787k (£39,580 in 2013/14) representing the reversal of previously recognised losses, mainly on council dwellings. These entries were then reversed through the Movement in Reserves Statement to mitigate any impact on General Fund and Housing Revenue Account Balances.

## 9. COMMITMENTS UNDER CAPITAL CONTRACTS

As at March 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment during 2015/16 and future years budgeted to cost £15,279k. Similar commitments at 31 March 2014 were £40,433k. The major commitments are:

Scheme	31 March 2015 £000's	31 March 2014 £000's
Queenswalk Development	0	1,469
Schools Expansions Programme	7,853	35,019
New Vehicles	1,475	477
Other Capital Projects	5,951	3,468
	<b>15,279</b>	<b>40,433</b>

## 10. HERITAGE ASSETS

At 31 March 2015 the Council held Civic Regalia and a statue 'Anticipation' that were insured for £501k. As neither a current market valuation, nor a replacement cost are available, this insurance value has been used as the basis for valuation. In addition the Council holds an 18th Century stable block within the grounds of Cranford Park alongside a collection of antique farm equipment. These are insured through the Council's general insurance scheme but do not hold specific valuations, are non-realizable and therefore are not included on the Council's balance sheet.

	Non Current	
	31 March 2015 £000's	31 March 2014 £000's
Balance at start of year	501	501
Increase/(Decrease) in value	0	0
Balance at end of year	<b>501</b>	<b>501</b>



# Notes to Main Financial Statements

## 11. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets are all purchased software licences as opposed to internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The current useful lives assigned to all software is 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis, to the following service headings:

	2014/15 £000's	2013/14 £000's
<b>Service</b>		
Central Services to the Public	143	163
Culture and Related Services	30	14
Environmental and Regulatory Services	94	45
Planning Services	25	12
Education and Children's Services	57	28
Highways and Transport Services	60	28
Local Authority Housing (HRA)	2	0
Other Housing Services	5	2
Adult Social Care	20	9
Public Health	50	24
Corporate and Democratic Core	15	7
<b>Total</b>	<b>501</b>	<b>332</b>

The movement on Intangible Asset balances during the year is as follows:

	2014/15 £000's	2013/14 £000's
<b>Software</b>		
Gross carrying amounts	2,469	2,631
Accumulated amortisation	(1,960)	(2,061)
<b>Net carrying amount at the start of the year</b>	<b>509</b>	<b>570</b>
Purchases	281	271
Gross Book Value Derecognition Other as fully depreciated	(673)	(433)
Amortisation Derecognition Other	673	433
Amortisation for the period	(501)	(332)
<b>Net carrying amount at end of year</b>	<b>289</b>	<b>509</b>
<b>Comprising</b>		
Gross carrying amounts	2,077	2,469
Accumulated amortisation	(1,788)	(1,960)
<b>Total</b>	<b>289</b>	<b>509</b>

## 12. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement

	2014/15 £000's	2013/14 £000's
Rental income from investment property	(433)	(438)
Direct operating expenses arising from investment property	58	41
<b>Net gain</b>	<b>(375)</b>	<b>(397)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment properties.

The following table summarises the movement in the fair value of investment properties over the year:

	2014/15 £000's	2013/14 £000's
Opening Balance	5,717	5,806
Net gain/(loss) from fair value adjustments	98	(89)
Disposals	(14)	0
Transfers (to)/from Property, Plant and Equipment	(70)	0
<b>Closing Balance</b>	<b>5,731</b>	<b>5,717</b>

# Notes to Main Financial Statements

## 13. FINANCIAL INSTRUMENT BALANCES

		Current		Long-Term		Total	
Note		31 March £000's	31 March £000's	31 March £000's	31 March £000's	31 March £000's	31 March £000's
<b>Investments and Cash Equivalents</b>							
	Loans and receivables	48,856	55,101	7,455	7,001	56,311	62,102
	Loans and receivables - shown as cash equivalents	69,464	39,505	0	0	69,464	39,505
	Available-for-sale financial assets	0	0	55	92	55	92
	<b>Total investments</b>	<b>118,320</b>	<b>94,606</b>	<b>7,510</b>	<b>7,093</b>	<b>125,830</b>	<b>101,699</b>
<b>Trade Debtors</b>							
	Financial assets carried at contract amounts	8,379	6,502	0	38	8,379	6,540
	<b>Total included in Trade Debtors</b>	<b>8,379</b>	<b>6,502</b>	<b>0</b>	<b>38</b>	<b>8,379</b>	<b>6,540</b>
<b>Borrowings</b>							
	Financial liabilities at amortised cost	(13,634)	(10,705)	(311,392)	(323,643)	(325,026)	(334,348)
	<b>Total included in borrowings</b>	<b>(13,634)</b>	<b>(10,705)</b>	<b>(311,392)</b>	<b>(323,643)</b>	<b>(325,026)</b>	<b>(334,348)</b>
<b>Other Long-Term Liabilities</b>							
	PFI and finance lease liabilities	(259)	(260)	(1,953)	(2,211)	(2,212)	(2,471)
	<b>Total Other Long-Term Liabilities</b>	<b>(259)</b>	<b>(260)</b>	<b>(1,953)</b>	<b>(2,211)</b>	<b>(2,212)</b>	<b>(2,471)</b>
<b>Trade Creditors</b>							
	Financial liabilities carried at contract amount	(21,934)	(27,925)	0	0	(21,934)	(27,925)
	<b>Total Trade Creditors</b>	<b>(21,934)</b>	<b>(27,925)</b>	<b>0</b>	<b>0</b>	<b>(21,934)</b>	<b>(27,925)</b>

# Notes to Main Financial Statements

## INCOME, EXPENSE, GAINS AND LOSSES

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

	2014/15				2013/14			
	Financial Liabilities measured at amortised £000's	Financial Assets: Loans and Receivables £000's	Financial Assets: Available for Sale £000's	Total £000's	Financial Liabilities measured at amortised £000's	Financial Assets: Loans and Receivables £000's	Financial Assets: Available for Sale £000's	Total £000's
Interest Expense	9,987	0	0	9,987	10,205	0	0	10,205
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>9,987</b>	<b>0</b>	<b>0</b>	<b>9,987</b>	<b>10,205</b>	<b>0</b>	<b>0</b>	<b>10,205</b>
Interest Income	0	(603)	(174)	(777)	0	(486)	(143)	(629)
Notional Icelandic Interest	0	(6)	0	(6)	0	(173)	0	(173)
(Gain) on Derecognition	0	0	(2)	(2)	0	(168)	0	(168)
Impairment Adjustment	0	0	0	0	0	(137)	0	(137)
<b>Services</b>	<b>0</b>	<b>(609)</b>	<b>(176)</b>	<b>(785)</b>	<b>0</b>	<b>(964)</b>	<b>(143)</b>	<b>(1,107)</b>
(Gains) / Loss on Revaluation	0	0	(23)	(23)	0	0	15	15
<b>(Surplus)/Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and</b>	<b>0</b>	<b>0</b>	<b>(23)</b>	<b>(23)</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>15</b>
PFI Interest	806	0	0	806	868	0	0	868
Other	83	(228)	0	(145)	80	(17)	0	63
<b>Net Loss/(Gain) for the year</b>	<b>10,876</b>	<b>(837)</b>	<b>(199)</b>	<b>9,840</b>	<b>11,153</b>	<b>(981)</b>	<b>(128)</b>	<b>10,044</b>

# Notes to Main Financial Statements

## FAIR VALUES OF ASSETS AND LIABILITIES

Financial liabilities, financial assets represented by loans, receivables, long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming the transaction were 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. The fair value of a financial instrument on initial recognition is generally the transaction price.

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 instrument. This provides an estimate of the value of payments in the future in today's terms.

## FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31 March 2015		31 March 2014	
	Carrying amount £000's	Fair value £000's	Carrying amount £000's	Fair value £000's
PWLB (Maturity Fixed)	(142,480)	(158,030)	(144,494)	(139,891)
PWLB (Maturity Variable)	(40,003)	(39,862)	(40,003)	(39,864)
PWLB (EIP Fixed)	(86,428)	(88,614)	(92,231)	(85,573)
PWLB (EIP Variable)	(7,503)	(7,480)	(9,003)	(8,975)
Market	(48,612)	(75,518)	(48,617)	(60,075)
<b>Total Financial Liabilities</b>	<b>(325,026)</b>	<b>(369,504)</b>	<b>(334,348)</b>	<b>(334,378)</b>
PFI/Finance Lease	(2,212)	(2,039)	(2,471)	(2,149)
Creditors	(21,934)	(21,934)	(27,925)	(27,925)

The fair value of PWLB and Market liabilities is higher than the carrying amount because the Council's debt portfolio includes a number of loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. Overall there is a notional future loss (based on economic conditions at 31 March 2015) arising from a commitment to pay interest to lenders above current market rates.

## Financial Liabilities 2014/15

### - Public Works Loan Board (PWLB)

The rate at which new borrowing could be undertaken has been used as the discount factor for all PWLB borrowing. This approach has been applied to maintain consistency with discount factor proxies used for other types of fair value calculations. The PWLB Certainty New Loan Rate is used to calculate the notional interest gain/loss that will accrue if the council keeps the loan until maturity.

### - Market

Requests were made directly for market loan fair values, however this information is not available in all cases, hence a consistent methodology was applied to all market loans. The fair values of long-term "Lender's Option Borrower's Option" (LOBO) loans have been calculated by discounting the contractual cash flows over the whole life of the instrument at the appropriate interest rate SWAP rate and adding the value of the embedded options. The Lender's options to propose an increase to the interest rate on the loan have been valued according to Bloomberg's proprietary model for Bermudan cancellable swaps. The Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

### - Creditors

The fair value of trade payables is taken to be the invoiced or billed amount.

### - PFI/Finance Lease

The fair value of finance lease liabilities and of PFI scheme liabilities have been calculated by discounting the principal payments at the appropriate AA corporate bond yield.

# Notes to Main Financial Statements

## Financial Assets 2014/15

The Council's current portfolio of investments may include instruments where the calculation of fair value replicates the carrying amount on the balance sheet.

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

- Short-Term - Maturities within 12 months

Following IFRS Code of Practice guidance for instruments that mature within 12 months (short term) the carrying amount is assumed to approximate fair value. However tradeable instruments maturing within 12 months have been updated to show their fair value.

- Impaired Investments

When assessing an impairment, identifying or estimating the recoverable amount or fair value is fundamental. Impairments have been calculated with reference to CIPFA guidance (LAAP Bulletin 82 updates). By applying this to the amortised value of the investment the resulting balance is assumed to be the fair value.

- Long-Term Investments

The fair value is calculated based on an equivalent SWAP rate.

- Long-Term Available for Sale Investments

Available for sale assets and liabilities are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

- Debtors

The fair value of trade receivables is taken to be the invoiced or billed amount.

## FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31 March 2015		31 March 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000's	£000's
Short-Term	118,320	118,320	94,606	94,607
Long-Term	7,455	7,479	7,001	7,016
Long-Term Available for Sale	55	55	92	92
Debtors	8,379	8,379	6,540	6,540
<b>Total Financial Assets</b>	<b>134,209</b>	<b>134,233</b>	<b>108,239</b>	<b>108,255</b>

## Offsetting Financial Assets and Liabilities

The Council had no financial assets or liabilities subject to an enforceable master arrangement or similar agreement.

## ICELANDIC IMPAIRMENTS

### HERITABLE BANK

Heritable Bank is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. At the commencement of 2014/15 the Council had a balance of unpaid deposits with Heritable Bank of £0.8m. Due to ongoing legal action between Heritable and its parent LBI no dividend was received from the administrators during the year. This dispute was not settled and the matter is due to be concluded during 2015/16. To date, dividends received total £14,188k which represents 94.02% of the claim value. The deposits show an impairment of 5% reflecting current market recovery expectations.

Impairments are calculated using a discounted cash flow calculation with interest credited back each year until the relevant banks' books are closed. In accordance with accounting policies £6k of notional interest in relation to Heritable was credited to the Comprehensive Income and Expenditure Statement during 2014/15.

# Notes to Main Financial Statements

## 14. INVENTORIES

	Consumable Stores		Maintenance Materials		Total	
	2014/15 £000's	2013/14 £000's	2014/15 £000's	2013/14 £000's	2014/15 £000's	2013/14 £000's
Balance outstanding at start of year	58	91	287	164	345	255
Purchases	1,028	1,075	691	842	1,719	1,917
Recognised as expense in year	(1,024)	(1,108)	(685)	(719)	(1,709)	(1,827)
Balance outstanding at year-end	<b>62</b>	<b>58</b>	<b>293</b>	<b>287</b>	<b>355</b>	<b>345</b>

## 15. SHORT TERM DEBTORS

	31 March 2015 £000's	31 March 2014 £000's
Central Government bodies	10,237	6,951
Allowance for Impairment	(89)	0
<b>Central Government Bodies net of Impairment</b>	<b>10,148</b>	<b>6,951</b>
Other local authorities	2,141	2,315
Allowance for Impairment	(59)	0
<b>Other local authorities</b>	<b>2,082</b>	<b>2,315</b>
NHS bodies	1,603	464
Allowance for Impairment	(34)	(169)
<b>NHS bodies</b>	<b>1,569</b>	<b>295</b>
Housing rents	2,194	2,660
Allowance for Impairment	(1,806)	(1,831)
<b>Housing rents net of Impairment</b>	<b>388</b>	<b>829</b>
Council taxpayers	13,148	11,930
Allowance for Impairment	(7,461)	(7,205)
<b>Council taxpayers net of Impairment</b>	<b>5,687</b>	<b>4,725</b>
Non-domestic rate payers	3,780	2,233
Allowance for Impairment	(1,139)	(996)
<b>Non-domestic rate payers net of Impairment</b>	<b>2,641</b>	<b>1,237</b>
Other entities and individuals	32,456	25,238
Allowance for Impairment	(15,638)	(13,360)
<b>Other entities and individuals net of Impairment</b>	<b>16,818</b>	<b>11,878</b>
Total Debtors	65,987	51,791
Less: Provision for doubtful debts	(26,226)	(23,561)
	<b>39,761</b>	<b>28,230</b>

## 16. LONG TERM DEBTORS

	31 March 2015 £000's	New Advances £000's	Repayments £000's	31 March 2014 £000's
Housing advances & associations	7	0	1	8
Sale of Council houses	49	0	32	81
Long term payments in advance	9	0	28	37
Other loans & advances	246	0	11	257
Developer Contributions	7,203	7,203	0	0
	<b>7,514</b>	<b>7,203</b>	<b>72</b>	<b>383</b>

# Notes to Main Financial Statements

## 17.SHORT-TERM CREDITORS

	31 March 2015 £000's	31 March 2014 £000's
Council Taxpayers	(3,611)	(3,580)
Central Government Departments	(9,449)	(6,647)
NHS Bodies	(3,260)	(2,333)
Housing Rents	(666)	(669)
Non-Domestic Ratepayers	(2,901)	(2,094)
Other Local Authorities	(4,420)	(4,340)
Sundry Creditors	(45,388)	(42,725)
	<b>(69,695)</b>	<b>(62,388)</b>

## 18.LONG-TERM CREDITORS

Long Term Creditors consist of balances held under Section 106 and 278 Agreements and deposits which would become repayable after more than 1 year. These amount to £3,293k at 31 March 2015 (£2,898k at 31 March 2014).

## 19. CASH AND CASH EQUIVALENTS

The balance of cash and cash equivalents is made up of the following elements:

	31 March 2015 £000's	31 March 2014 £000's
Cash held by the Council	11,035	9,449
Liquid deposits	69,464	39,505
<b>Total Cash and Cash Equivalents</b>	<b>80,499</b>	<b>48,954</b>

## 20. ASSETS HELD FOR SALE

At 31 March 2015 the Council held £3,585k (£1,911k at 31 March 2014) of non-current assets which were available for immediate disposal and being actively marketed. It is expected that the carrying value of these assets will be recovered through proceeds of sale rather than through continuing use.

	31 March 2015 £000's	31 March 2014 £000's
Balance outstanding at start of year	1,911	11,539
Assets newly classified as held for sale	3,332	(2,970)
Revaluation gains	0	16
Assets sold	(1,658)	(6,872)
Other movements	0	198
	<b>3,585</b>	<b>1,911</b>

## 21. CURRENT INTANGIBLE ASSETS

At 31 March 2015 the Council held £605k (none at 31 March 2014) of current intangible assets through pre-purchase of carbon emission allowances as part of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme.

# Notes to Main Financial Statements

## 22. PROVISIONS

	1 April 2014	Additional provisions made in 2014/15	Amounts used in 2014/15	Unused amounts reversed in 2014/15	31 March 2015	Short-Term Provisions	Long-Term Provisions
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Housing Repairs Claim	564	0	0	(331)	233	233	0
CRC Allowance Purchase	352	204	(345)	(7)	204	204	0
Dilapidation Provision	1,295	419	(377)	(410)	927	514	413
Non Domestic Rates Appeal Losses	1,289	0	(865)	0	424	424	0
Ordinary Residency Disputes	0	225	0	0	225	225	0
Personal Searches	140	0	0	0	140	140	0
Insurance Provision	3,675	909	(1,181)	(486)	2,917	1,216	1,701
MMI	131	0	(101)	0	30	0	30
Section 117 Mental Health Act	179	0	0	(75)	104	104	0
Other Provisions	0	239	0	0	239	239	0
<b>Total Provisions</b>	<b>7,625</b>	<b>1,996</b>	<b>(2,869)</b>	<b>(1,309)</b>	<b>5,443</b>	<b>3,299</b>	<b>2,144</b>

### Housing Repairs Claim

Outstanding legal claim relating to Housing Repairs Contracts. This provision has been partially settled and is expected to be settled in full in 2015/16.

### CRC Allowance Purchase

The 2014/15 financial year was the fourth year for which there is an obligation to purchase and surrender Carbon Reduction Commitment (CRC) Allowances in relation to carbon dioxide emissions. The Council pre-purchased a number of allowances in advance at the start of 2014/15 which the Council will then be required to surrender to the scheme by the last working day in July 2015, in proportion to their reported emissions for the preceding scheme year. The obligation to transfer the allowances to the scheme is represented as a provision in the accounts to comply with accounting standards. The pre-purchased allowances are accounted for as intangible current assets.



# Notes to Main Financial Statements

## 22. PROVISIONS (Continued)

### Non Domestic Rates Appeal Losses

See note 3 to the Collection Fund Accounts on page 98. The Collection Fund Share represents the Council's 30% obligation in relation to appeals over the rateable value of properties from NNDR purposes.

### Ordinary Residency Disputes

There are a small number of cases within Adult Social Care where the Ordinary Residence is in dispute with another local authority and determination from the Secretary of State is being sort. If it is determined the Ordinary Residence for these cases in within the London Borough of Hillingdon then we will have to pay for the backed dated costs of the placements. This provision is based on paying for the placements from the date the cases were originally referred to the Social Work teams.

### Dilapidation Provision

The Council is contractually obliged to fund dilapidation costs on a number of leased properties. During the year a number of claims were settled below the initial claim figures. The impact of these settlements more than offset new claims, reducing the overall provision total to £927k. Works are expected to be carried out during 2015/16 and in future years.

### Personal Searches

Following an earlier decision by the Information Commissioner that the information provided on local authority personal searches consisted of 'environmental information' and that the Council is not entitled to charge for it. Provision was made towards the possible costs of claims for refunds on personal property search charges where the Council has no authority to charge. The provision is for the final settlement of claims.

### Insurance

The Council has external insurance and liability indemnity to protect against major risks associated with items such as buildings and motor vehicles. The excess levels are as follows:

1. Property - £100k for combined risks
2. Liability - £250k
3. Motor Vehicles - £100k

The Council self funds claims which fall under the excess thresholds. The insurance fund provision is to provide for outstanding claims against the Council as at 31 March 2015.

An exercise to determine long and short term provisions was carried out during 2014-15. Currently the ratio is 70% short term and 30% long term.

### Municipal Mutual Insurance (MMI)

MMI ceased trading in 1992 and since that time have only been dealing with claims relating to their period of trading, using existing reserves to pay for claims with the hope of achieving a solvent run off. In November 2012, it was deemed that this would not be possible and MMI went to the Scheme Administrator, Ernst & Young, to determine the likely outstanding liability for Incurred But Not Reported (IBNR) claims and to then impose a levy on Scheme Creditors to ensure sufficient funds to cover this. The levy was set at 15% and payment was requested and made in January 2014. In addition, for all claims received after the 1st January 2014, LBH are required to pay 15% of settlement payments and solicitors costs. As such, an estimation has been undertaken of all outstanding claims, to determine their potential liability and the provision has been reduced to this level. This is monitored each year and the provision is adjusted in line with outstanding claims. There is no certainty on when claims/costs will be incurred.

### Section 117 Mental Health Act

A provision has been made to accommodate possible contribution payment claims by clients who were sectioned under the S117 of the Mental Health Act. This provision has been reduced reflecting the increasingly historic nature if these potential claims. There is no certainty on when claims/costs will be incurred.

### Other Provisions

The other Provisions represent amounts set aside to meet potential future liabilities; this includes associated legal costs.

# Notes to Main Financial Statements

## 23. UNUSABLE RESERVES

These are reserves which do not relate directly to in-year Income and Expenditure and are thus classed as 'Unusable' under the Code.

## CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, being the date that the Revaluation Reserve was created to hold such gains.

	2014/15		2013/14	
	£000's	£000's	£000's	£000's
<b>Balance at 1 April</b>		<b>827,776</b>		<b>775,111</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
- Charges for depreciation and impairment of non-current assets	(35,666)		(32,302)	
- Revaluation gains/(losses) on Property, Plant and Equipment	68,857		26,822	
- Amortisation of intangible assets	(501)		(332)	
- Revenue expenditure funded from capital under statute	(10,548)		(9,471)	
- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(82,256)	(60,114)	(31,143)	(46,426)
Adjusting amounts written out of the Revaluation Reserve		3,433		1,955
Net written out amount of the cost of non-current assets consumed in the year		(56,681)		(44,471)
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	6,616		8,922	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	51,573		51,671	
- Application of grants to capital financing from the Capital Grants Unapplied Account	113		15,829	
- Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	15,293		14,555	
- Finance Lease Principal	261		263	
- Capital expenditure charged against the General Fund and HRA balances	2,751	76,607	5,985	97,225
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure		98		(89)
<b>Balance at 31 March</b>		<b>847,800</b>		<b>827,776</b>

# Notes to Main Financial Statements

## FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains in accordance with statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

	2014/15 £000's	2013/14 £000's
<b>Balance at 1 April</b>	(355)	(367)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	98	98
Proportion of discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(86)	(86)
<b>Balance at 31 March</b>	<b>(343)</b>	<b>(355)</b>

## COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rate income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Non-Domestic Rates payers compared with the statutory arrangements for paying amounts across to the General Fund from the Collection Fund.

The movement in the Collection Fund Adjustment Accounts is represented by a deficit of £735k for Council Tax and a deficit of £1,662k for Non-Domestic Rates.

	31 March 2015 £000's	31 March 2014 £000's
<b>Balance at 1 April</b>	4,020	2,853
Amount by which Council Tax and Non-Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(2,397)	1,167
<b>Balance at 31 March</b>	<b>1,623</b>	<b>4,020</b>

# Notes to Main Financial Statements

## REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed and the gains are realised

The Reserve contains only revaluations gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2014/15		2013/14	
	£000's	£000's	£000's	£000's
<b>Balance at 1 April</b>		<b>56,381</b>		<b>59,624</b>
Upward revaluation of assets				
- Land & Buildings	7,365		3,132	
- Council Dwellings	45		0	
- Assets held for sale	0	7,410	16	3,148
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services				
- Land & Buildings	(1,126)		(4,281)	
- Surplus Assets	(231)	(1,357)	(155)	(4,436)
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>6,053</b>		<b>(1,288)</b>
Difference between fair value depreciation and historical cost depreciation				
- Land & Buildings	(1,463)		(1,446)	
- Surplus Assets	(13)		(23)	
- Assets under construction	0	(1,476)	(5)	(1,474)
Accumulated gains on assets sold or scrapped				
- Assets held for sale	(210)		(358)	
- Land & Buildings	(1,747)		(116)	
- Community	0	(1,957)	(7)	(481)
<b>Amount written off to the Capital Adjustment Account</b>		<b>(3,433)</b>		<b>(1,955)</b>
<b>Balance at 31 March</b>		<b>59,001</b>		<b>56,381</b>

# Notes to Main Financial Statements

## PENSIONS RESERVE

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet these costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pension for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2014/15 £000's	2013/14 £000's
<b>Balance at 1 April</b>	<b>(381,940)</b>	<b>(373,262)</b>
Actuarial gains/(losses) on pensions assets and liabilities	(90,907)	7,969
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(34,714)	(41,421)
Employer's pension contributions and direct payments to pensioners payable in the year	22,383	24,774
<b>Balance at 31 March</b>	<b>(485,178)</b>	<b>(381,940)</b>

## ACCUMULATED ABSENCES ACCOUNT

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2014/15 £000's	2013/14 £000's
<b>Balance at 1 April</b>	<b>(5,362)</b>	<b>(5,959)</b>
Settlement or cancellation of accrual made at the end of the preceding year	5,362	5,959
Amounts accrued at the end of the current year	(4,042)	(5,362)
<b>Balance at 31 March</b>	<b>(4,042)</b>	<b>(5,362)</b>

# Notes to Main Financial Statements

## AVAILABLE FOR SALE FINANCIAL INSTRUMENTS RESERVE

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The value has increased due to upward valuations of the financial assets.

	2014/15 £000's	2013/14 £000's
<b>Balance as at 1 April</b>	<b>31</b>	<b>46</b>
Change in Fair Value in year	23	(15)
<b>Balance as at 31 March</b>	<b>54</b>	<b>31</b>

## 24. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2014/15 £000's	2013/14 £000's
<b>(Surplus)/Deficit on the provision of services</b>	<b>(52,075)</b>	<b>(60,918)</b>
Depreciation and impairment of non-current assets	33,191	(5,480)
Amortisation of intangible fixed assets	(501)	(332)
Revenue Expenditure Funded from Capital under Statute	(10,548)	(9,471)
Pension Fund adjustments	(12,331)	(16,551)
(Increase) in impairment for provision for bad debts	(2,665)	(2,138)
(Increase)/Decrease in creditors	(7,702)	8,309
Increase/(Decrease) in debtors	21,327	7,416
Increase/(Decrease) in inventories	10	90
Carrying amount of non-current assets sold	(82,256)	(31,143)
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(5,853)	(1,230)
<b>Total adjusting items</b>	<b>(67,328)</b>	<b>(50,530)</b>
<b>Adjustments for items included in the net Surplus or Deficit on the Provision of Services that are investing or financing activities</b>		
Proceeds from the disposal of plant, property and equipment, investment property and intangible assets	24,960	19,360
Capital Grants and other contributions credited to Surplus or Deficit on the Provision of Services	52,071	51,671
Billing Authorities - Council Tax and NNDR adjustments	(6,756)	(14,422)
<b>Total included elsewhere on Cash Flow Statement</b>	<b>70,275</b>	<b>56,609</b>
<b>Net cash flows from operating activities</b>	<b>(49,128)</b>	<b>(54,839)</b>

### Interest received, interest paid and dividends received

	2014/15 £000's	2013/14 £000's
Interest paid	(10,876)	(11,153)
Interest received	1,011	1,124

# Notes to Main Financial Statements

## 25. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2014/15 £000's	2013/14 £000's
<b>Cash Outflows</b>		
Purchase of property, plant and equipment	64,116	81,715
Other payments for investing activities	10,548	9,471
	<b>74,664</b>	<b>91,186</b>
<b>Cash Inflows</b>		
Sale of property, plant and equipment	(24,960)	(19,360)
Capital grants received	(39,007)	(41,447)
Other receipts from investing activities	(3,625)	(4,654)
	<b>(67,592)</b>	<b>(65,461)</b>
<b>Net Cash Outflow</b>	<b>7,072</b>	<b>25,725</b>
Net (Decrease)/Increase in Short-Term Investments	(6,245)	21,808
Net Increase/(Decrease) in Long-Term Investments	417	5,361
<b>Net cash flows from investing activities</b>	<b>1,244</b>	<b>52,894</b>

## 26. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2014/15 £000's	2013/14 £000's
<b>Cash Outflows</b>		
Repayments of amounts borrowed	9,322	10,278
Capital element of finance lease rental and on-balance sheet PFI payments	261	263
<b>Cash Inflows</b>		
Billing Authorities - Council Tax and NNDR adjustments	6,756	14,422
<b>Net cash flows from financing activities</b>	<b>16,339</b>	<b>24,963</b>

# Notes to Main Financial Statements

## 27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SERCOP). However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in year

This note details a reconciliation between service income and expenditure as reported by Hillingdon Council's internal management structure and the Service Reporting structure.

## SERVICE INFORMATION 2014/15 RECORDED IN OUTTURN REPORT

	Administration Finance & Corporate Items	Residents Services	Adult Social Care	Children & Young People's Services	Total General Fund	Housing Revenue Account	Schools Budget	Parking Revenue Account	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Expenditure	179,633	115,499	89,712	36,440	421,284	55,532	137,974	3,866	618,656
Income	(157,603)	(56,711)	(26,266)	(10,298)	(250,878)	(63,288)	(138,276)	(4,040)	(456,482)
<b>Directorate Operating Budgets</b>	<b>22,030</b>	<b>58,788</b>	<b>63,446</b>	<b>26,142</b>	<b>170,406</b>	<b>(7,756)</b>	<b>(302)</b>	<b>(174)</b>	<b>162,174</b>
Corporate Operating Budgets	11,722	0	0	0	11,722	0	0	0	11,722
Development & Risk Contingency	2,400	3,186	14,489	4,165	24,240	0	0	0	24,240
Priority Growth	2,006	0	0	0	2,006	0	0	0	2,006
Exceptional Items	(710)	0	0	0	(710)	0	0	0	(710)
Budget Requirement	(212,188)	0	0	0	(212,188)	0	0	0	(212,188)
<b>Management Outturn</b>	<b>(174,740)</b>	<b>61,974</b>	<b>77,935</b>	<b>30,307</b>	<b>(4,524)</b>	<b>(7,756)</b>	<b>(302)</b>	<b>(174)</b>	<b>(12,756)</b>

## Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

<b>Cost of Services in Service Analysis (above)</b>	<b>£000's</b> <b>(12,756)</b>	
Notional accounting charges not reported to management	20,949	Notional accounting charges, primarily in respect of Depreciation, which are not chargeable to the Council Taxpayer under Statute are excluded from the management outturn.
Amounts reported to management not included in Comprehensive Income and Expenditure net cost of services	121,145	The Code of Practice requires certain items to be shown below the Net Cost of Services in the Comprehensive Income and Expenditure Statement or within the Movement in Reserves Statement which are included within the Outturn report. This adjustment also reversed out all intercompany transactions through corporate recharging which cannot be shown in the Comprehensive Income and Expenditure Statement.
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>129,338</b>	



# Notes to Main Financial Statements

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

2014/15

## Reconciliation to Subjective Analysis

Service Analysis	Notional Accounting Charges not reported to management	Amounts reported to management not included in Comprehensive Income and Expenditure net cost of services	Net Cost of Services	Below Net Cost of Services	Total	
£000's	£000's	£000's	£000's	£000's	£000's	
Fees, charges & other service income	(271,596)	0	140,533	(131,063)	0	(131,063)
Interest and investment income	(1,003)	0	996	(7)	(1,011)	(1,018)
Income from Council Tax and Non-Domestic Rates	(146,724)	0	146,724	0	(144,327)	(144,327)
Government Grant and Contributions	(414,568)	0	0	(414,568)	(122,052)	(536,620)
<b>Total Income</b>	<b>(833,891)</b>	<b>0</b>	<b>288,253</b>	<b>(545,638)</b>	<b>(267,390)</b>	<b>(813,028)</b>
Employee expenses	217,792	(11,011)	0	206,781	0	206,781
Other service expenses	568,710	(10,548)	(142,293)	415,869	0	415,869
Depreciation, amortisation & impairment	9,818	42,508	0	52,326	(98)	52,228
Interest payments	24,196	0	(24,196)	0	27,068	27,068
Precepts & Levies	619	0	(619)	0	630	630
Payments to Housing Cap Receipts Pool	0	0	0	0	1,081	1,081
(Gain) or Loss on Disposal of Non Current Assets	0	0	0	0	57,296	57,296
<b>Total operating expenses</b>	<b>821,135</b>	<b>20,949</b>	<b>(167,108)</b>	<b>674,976</b>	<b>85,977</b>	<b>760,953</b>
<b>(Surplus)/Deficit on the provision of services</b>	<b>(12,756)</b>	<b>20,949</b>	<b>121,145</b>	<b>129,338</b>	<b>(181,413)</b>	<b>(52,075)</b>

# Notes to Main Financial Statements

## SERVICE INFORMATION 2013/14 RECORDED IN OUTTURN REPORT

	Administration Finance & Corporate Items £000's	Residents Services £000's	Adult Social Care £000's	Children & Young People's Services £000's	Total General Fund £000's	Housing Revenue Account £000's	Schools Budget £000's	Parking Revenue Account £000's	Total £000's
Expenditure	177,924	138,668	72,235	33,485	422,312	52,596	142,970	3,878	621,756
Income	(156,098)	(71,805)	(13,939)	(10,120)	(251,962)	(56,328)	(146,042)	(3,726)	(458,058)
<b>Directorate Operating Budget</b>	<b>21,826</b>	<b>66,863</b>	<b>58,296</b>	<b>23,365</b>	<b>170,350</b>	<b>(3,732)</b>	<b>(3,072)</b>	<b>152</b>	<b>163,698</b>
Corporate Operating Budgets	15,803	0	0	0	15,803	0	0	0	15,803
Development & Risk Contingen	1,400	4,877	10,402	1,898	18,577	0	0	0	18,577
Priority Growth	1,530	0	0	0	1,530	0	0	0	1,530
Exceptional Items	(1,457)	0	0	(200)	(1,657)	0	0	0	(1,657)
Budget Requirement	(211,648)	0	0	0	(211,648)	0	0	0	(211,648)
<b>Management Outturn</b>	<b>(172,546)</b>	<b>71,740</b>	<b>68,698</b>	<b>25,063</b>	<b>(7,045)</b>	<b>(3,732)</b>	<b>(3,072)</b>	<b>152</b>	<b>(13,697)</b>

## Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

<b>Cost of Services in Service Analysis (above)</b>	<b>£000's</b>	
	<b>(13,697)</b>	
Notional accounting charges not reported to management	(36,073)	Notional accounting charges, primarily in respect of Depreciation, which are not chargeable to the Council Taxpayer under Statute are excluded from the management outturn.
Amounts reported to management not included in Comprehensive Income and Expenditure net cost of services	217,762	The Code of Practice requires certain items to be shown below the Net Cost of Services in the Comprehensive Income and Expenditure Statement or within the Movement in Reserves Statement which are included within the Outturn report. This adjustment also reversed out all intercompany transactions through corporate recharging which cannot be shown in the Comprehensive Income and Expenditure Statement.
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>167,992</b>	

# Notes to Main Financial Statements

2013/14

## Reconciliation to Subjective Analysis

	Service Analysis	Notional Accounting Charges not reported to management	Amounts reported to management not included in Comprehensive Income and Expenditure net cost of	Net Cost of Services	Below Net Cost of Services	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Fees, charges & other service income	(258,139)	0	139,655	(118,484)	(7)	(118,491)
Interest and investment income	(2,424)	0	2,424	0	(1,124)	(1,124)
Income from council tax	(139,787)	(438)	140,225	0	(140,225)	(140,225)
Government Grant and Contributions	(423,904)	0	77,106	(346,798)	(128,778)	(475,576)
<b>Total Income</b>	<b>(824,254)</b>	<b>(438)</b>	<b>359,410</b>	<b>(465,282)</b>	<b>(270,134)</b>	<b>(735,416)</b>
Employee expenses	234,757	(49)	(9,367)	225,341	16,600	241,941
Other service expenses	553,372	489	(5,257)	548,604	0	548,604
Depreciation, amortisation & impairment	9,492	(35,834)	(114,329)	(140,671)	89	(140,582)
Interest payments	12,298	(241)	(12,057)	0	11,153	11,153
Precepts & Levies	638	0	(638)	0	638	638
Payments to Housing Cap Receipts Pool	0	0	0	0	953	953
Loss/(Gain) on Disposal of Non Current Assets	0	0	0	0	11,791	11,791
<b>Total operating expenses</b>	<b>810,557</b>	<b>(35,635)</b>	<b>(141,648)</b>	<b>633,274</b>	<b>41,224</b>	<b>674,498</b>
<b>(Surplus)/Deficit on the provision of services</b>	<b>(13,697)</b>	<b>(36,073)</b>	<b>217,762</b>	<b>167,992</b>	<b>(228,910)</b>	<b>(60,918)</b>

# Notes to Main Financial Statements

## 28. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to audit of the Statement of Accounts, certification of grant claims and statutory inspections provided by the Council's external auditors:

	2014/15 £000's	2013/14 £000's
Fees payable in regard to external audit services carried out by the appointed auditor	210	211
Fees payable for the certification of grant claims and returns	66	39
<b>Total External Audit costs</b>	<b>276</b>	<b>250</b>

**Non Audit Fees** - The Council did not incur any non audit costs during 2014/15. In 2013/14 the council incurred non audit costs of £145k from Deloitte Real Estate (formerly Drivers Jonas Deloitte), a division forming part of Deloitte LLP, the Council's external auditors. Previously this was in respect of project management, employers agent, quantity surveying and design monitoring services associated with the Council's Primary School Capital Programme.

## 29. PARKING REVENUE ACCOUNT

The Parking Revenue Account is maintained in accordance with Section 55 of the Road Traffic Regulation Act 1984 which provides that a London Borough Council must keep an account of the income and expenditure in respect of parking places on the highway and sets out how any deficit must be treated and limitations on the use of any surplus.

	2014/15 £000's	2013/14 £000's
Income	(4,040)	(3,726)
Expenditure	3,022	2,941
<b>(Surplus)/ Deficit</b>	<b>(1,018)</b>	<b>(785)</b>
Contribution to transport services	844	937
<b>Total (Surplus)/ Deficit</b>	<b>(174)</b>	<b>152</b>

## 30. MEMBER ALLOWANCES

The Council paid the following amounts to members during the year.

	2014/15 £000's	2013/14 £000's
Salaries & Allowances	1,319	1,260
<b>Total</b>	<b>1,319</b>	<b>1,260</b>

Further details on Members' allowances on website.

## 31. POOLED BUDGETS

A section 75 agreement is in operation between London Borough of Hillingdon and Hillingdon Clinical Commissioning Group (HCCG) 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 2014-15 this service provided support to approximately 538 clients at a gross cost of £32,596k which included approximately 22 HCCG clients for which the council received £2,707k.

A further section 75 agreement is in operation between London Borough of Hillingdon (LBH) and Hillingdon Clinical Commissioning Group (HCCG) in respect of Community Equipment Services. This S75 agreement started on 1st April 2010. This is operating as a Pooled Budget with LBH and HCCG sharing the cost of the service for 2014/15 on a 50:50 basis. The service is to provide community equipment to assist residents with daily living tasks. The net Pooled Budget expenditure for 2014/15 was £1,339k of which was split equally between LBH & HCCG at £669.5k each.

The introduction of the Better Care Fund from 1 April 2015 is expected to support a sustainable health and social care system providing better quality care and improved outcomes for health. A total of £17,991k is available for Hillingdon from a national pooled budget of £3,800m; this replaces a range of existing funding streams for both the Council and local Clinical Commissioning Group (CCG). The better Care fund plan sets out this funding as £10,032k in support of CCG commissioned activity and £7,959k to protect Social Care.

# Notes to Main Financial Statements

## 32. 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.

### Central Government

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 (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 36.

### London Housing Consortium

The Council, in partnership with other councils and housing associations, participates in the London Housing Consortium (LHC). The LHC provides specialist architectural services and bulk procurement arrangements for the public sector.

### West London Waste Authority

West London Waste Authority is a statutory waste disposal authority created in 1986 with membership of the London Borough of Hillingdon and five other London Boroughs. It is primarily funded by a levy paid by each of the six participating councils. The amount contributed for 2014/15 is included under the heading Precepts and Levies below.

### The Pension Fund

The London Borough of Hillingdon Pension Fund is considered a related party. The employer's contribution to the Pension Fund in 2014/15 was £20,827k (£20,733k 2013/14). A precept of £349k was paid to the London Pension Fund Authority in 2014/15 (£350k in 2013/14).

### Members and Chief Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2014/15 is shown in Note 30.

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 IAS 24 - 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. There were no material outstanding balances at year end.

Organisation	Name	Payment
Central & North West London NHS Foundation Trust	Councillor Nick Denys	2,461,671.31
Central Middlesex Skills Development Centre	Councillor Tony Burles	625,932.00
Hillingdon Carers	Councillor Judith Cooper	354,228.39
Hillingdon Carers	Councillor Becky Haggart	354,228.39
Hagam	Councillor Jane Palmer	296,147.62
Carers Trust Hillingdon	Councillor Judith Cooper	279,475.75
Hillingdon & Ealing Citizens Advice	Councillor Tony Burles	217,290.49
Ruislip & Northwood Old Folks Assoc	Councillor Catherine Dann	124,400.00
Groundwork South Trust Ltd	Councillor George Cooper	110,147.51
Hillingdon Outdoor Activities Centre	Councillor Henry Higgins	88,561.00
Hillingdon Aids Response Trust	Councillor Peter Curling	68,916.67
Hillingdon Aids Response Trust	Councillor Scott Seaman-Digby	68,916.67
Hillingdon Aids Response Trust	Councillor David Simmonds	68,916.67
Hillingdon Assoc Of Voluntary Serv.	Councillor Judith Cooper	57,000.00
Relate London NW Family Mediation	Councillor Tony Burles	15,140.00
Hillingdon Law Centre	Councillor Janet Gardner	9,595.44
Ruislip Woods Trust	Councillor John Morgan	6,810.66
Yiewsley & West Drayton Community Assoc	Councillor Dominic Gilham	5,490.00
Yiewsley & West Drayton Community Assoc	Councillor Ian Edwards	5,490.00

# Notes to Main Financial Statements

## 32. RELATED PARTY TRANSACTIONS (Continued)

### Precepts/Levies

In 2014/15 the following precepts and levies are considered related party transactions:

	2014/15 £000s	2013/14 £000s
Business Rate Retention - DCLG	224,130	210,678
Business Rate Retention - GLA	70,323	66,265
Greater London Authority Precept	27,012	26,744
Greater London Authority Crossrail	12,726	12,289
West London Waste Authority Levy	10,244	10,419
TFL Concessionary Fares	8,040	7,699
Lee Valley Regional Park Authority	281	287
Environment Agency	206	205

## 33. OFFICER EMOLUMENTS

The number of employees in 2014/15 whose remuneration, excluding pension contributions, was £50k or more, are detailed below in bands of £5k. The bandings only include the remuneration of senior employees that have not been disclosed separately. The number of employees included in the totals that exceeded the £50k threshold due to lump sum termination payments are indicated in brackets. These employees left the employment of the Council during the financial year.

Remuneration Band	LBH EMPLOYEES (Excluding Senior Employees)				SCHOOL EMPLOYEES			
	2014/15		2013/14		2014/15		2013/14	
	Total	Due to Lump Sum	Total	Due to Lump Sum	Total	Due to Lump Sum	Total	Due to Lump Sum
£50,000 - £54,999	49	(4)	55	(2)	48	(1)	52	0
£55,000 - £59,999	29	(5)	24	(1)	14	(1)	19	0
£60,000 - £64,999	8	(1)	17	(3)	12	0	23	0
£65,000 - £69,999	9	(1)	9	(1)	19	0	16	0
£70,000 - £74,999	5	0	5	0	16	0	18	0
£75,000 - £79,999	3	(1)	4	0	12	0	6	0
£80,000 - £84,999	1	0	5	0	5	0	6	0
£85,000 - £89,999	4	0	1	0	1	0	1	0
£90,000 - £94,999	0	0	1	0	1	0	1	0
£95,000 - £99,999	0	0	1	0	1	0	1	0
£100,000 - £104,999	0	0	0	0	2	(1)	1	0
£105,000 - £109,999	0	0	0	0	0	0	0	0
£110,000 - £114,999	0	0	1	0	0	0	0	0
£115,000 - £119,999	0	0	0	0	1	(1)	0	0
	<b>108</b>	<b>(12)</b>	123	(7)	<b>132</b>	<b>(4)</b>	144	0

### Disclosure of Remuneration for Senior Employees (Schools):-

Details of school employees in the above table earning over £100,000 during 2014/15 is listed below.

Job Title	Pensionable Pay 2014/15	Pensionable Pay 2013/14	Due to Lump Sum
Headteacher - Harlington Community School	£103,614	£101,152	N
Headteacher - Minet Junior School	£116,573	£61,923	Y
Headteacher - William Byrd School	£104,104	£72,669	Y

# Notes to Main Financial Statements

## Disclosure of Remuneration for Senior Employees (LBH):-

The following disclosure sets out remuneration for staff included in tiers 1 and 2 of the Council's management structure for 2014/15.

Group	Job Title		2014/15			
			Pensionable Pay	Compensation for loss of employment	EER's pension Contributions	Total
<b>Administration</b>	Chief Executive and Corporate Director of Administration (F Beasley)		£202,343	£0	£42,694	£245,037
	Head of Democratic Services		£97,044	£0	£20,476	£117,520
	Head of Human Resources		£101,850	£0	£21,490	£123,340
	Head of Legal Services		£118,150	£0	£24,930	£143,080
	Head of Policy & Partnerships		£84,317	£0	£17,791	£102,108
<b>Finance</b>	Corporate Director of Finance (P Whaymand)		£156,133	£0	£32,944	£189,077
	Deputy Director of Corporate Finance and Head of Operational Finance		£99,633	£0	£21,022	£120,655
	Deputy Director of Strategic Finance		£98,743	£0	£20,835	£119,578
	Head of Corporate Procurement & Commissioning, Acting Deputy Director Development & Assets	1	£106,410	£0	£22,453	£128,863
	Head of Internal Audit		£78,027	£0	£0	£78,027
	Head of Revenue and Benefits		£78,902	£0	£16,648	£95,550
<b>Residents Services</b>	Deputy Chief Executive and Corporate Director of Residents Services (J Palmer)		£196,044	£0	£0	£196,044
	Deputy Director Residents Services		£124,303	£0	£26,228	£150,531
	Deputy Director Policy, Highways and Community Engagement		£125,204	£0	£26,418	£151,622
	Deputy Director Asset Management		£108,944	£0	£22,987	£131,931
	Head of Communications		£79,675	£0	£16,811	£96,486
	Head of Policy and Standards - Education, Housing & Public Health	2	£83,476	£0	£17,613	£101,089
	Head of Business and Technical Support	3	£57,136	£0	£12,056	£69,192
	Head of Green Spaces, Sport, and Culture	2	£73,205	£0	£15,446	£88,651
	Head of Planning and Enforcement		£112,012	£0	£23,634	£135,646
	Interim Head of Estates and Tenancy Management	4	£68,813	£0	£14,519	£83,332
	Interim Director of Public Health		£96,013	£0	£13,442	£109,455
ICT Service Manager		£80,647	£0	£17,017	£97,664	
<b>Adult Social Care</b>	Director of Adults Services and Interim Director of Children and Young People's Service	5	£135,678	£0	£28,628	£164,306
	Better Care Fund Programme Manager	6	£57,998	£0	£12,238	£70,236
	Head of Early Intervention & Prevention		£67,265	£0	£14,193	£81,458
	Head of Disability Services		£83,038	£0	£17,521	£100,560
	Head of Adults Safeguarding, Quality Partnership		£75,344	£0	£15,856	£91,200
<b>Childrens and Young Person's Service</b>	Head of Early Intervention		£76,681	£0	£16,180	£92,861
<b>Leavers</b>	Deputy Director ICT, Highways and Business Services (S Palmer)	7	£107,055	£72,680	£0	£179,735
	Interim Head of Education, Policy and Standards	8	£39,278	£67,265	£8,288	£114,832
	Head of Housing	9	£75,212	£18,638	£19,802	£113,652
	Director of Children and Young Person's Service	10	£56,342	£37,955	£11,888	£106,185

1 - Employee in dual post from 13 October 2014

2 - New post created, employee in post from 1 January 2015

3 - Employee in post from 1 January 2015

4 - New post created, employee in post from 1 November 2014

5 - Employee in dual post from 29 August 2014

6 - New post created, employee in post from 15 September 2014

7 - Employment ended 31 January 2015

8 - Employment ended 31 July 2014

9 - Employment ended 05 February 2015

10 - Employment ended 12 September 2014

# Notes to Main Financial Statements

## Disclosure of Remuneration for Senior Employees (LBH):-

The following disclosure sets out remuneration for staff included in tiers 1 and 2 of the Council's management structure for 2013/14

Group	Job Title		2013/14			
			Pensionable Pay	Compensation for loss of employment	EER's pension Contributions	Total
Administration	Chief Executive and Corporate Director of Administration (F Beasley)		£185,796	£0	£39,203	£224,999
	Head of Corporate Communications		£77,220	£0	£16,403	£93,623
	Head of Democratic Services		£96,582	£0	£20,379	£116,961
	Head of Human Resources		£99,137	£0	£20,918	£120,055
	Head of Legal Services		£115,025	£0	£24,270	£139,295
	Head of Policy Performance & Partnerships		£82,358	£0	£17,378	£99,736
Finance	Corporate Director of Finance (P Whaymand)		£142,914	£0	£30,155	£173,069
	Deputy Director of Corporate Finance and Head of Operational Finance		£94,489	£0	£19,937	£114,426
	Deputy Director of Strategic Finance		£94,711	£0	£19,984	£114,695
	Head of Internal Audit	1	£56,723	£0	£0	£56,723
	Head of Procurement		£90,911	£0	£19,237	£110,148
	Head of Revenue and Benefits		£76,970	£0	£16,241	£93,211
Residents Services	Deputy Chief Executive and Corporate Director of Residents Services (J Palmer)		£178,884	£0	£0	£178,884
	Deputy Director Public Safety		£119,237	£0	£25,159	£144,396
	Deputy Director ICT, Highways and Business Services		£128,466	£0	£27,106	£155,572
	Deputy Director Environmental Policy and Community Engagement		£121,135	£0	£25,559	£146,694
	Deputy Director Asset Management		£100,004	£0	£21,101	£121,105
	Interim Director of Public Health	2	£94,595	£0	£13,243	£107,838
	Interim Head of Education, Policy and Standards		£109,865	£0	£23,181	£133,046
	Head of Planning, Green Spaces and Culture		£107,377	£0	£22,657	£130,034
Head of Housing		£123,825	£0	£26,127	£149,952	
Adult Social Care	Director Adult Social Care	3	£92,965	£0	£18,578	£111,543
	Head of Early Intervention & Prevention	6	£16,587	£0	£3,500	£20,087
	Head of Disability Services	7	£14,037	£0	£2,962	£16,999
	Head of Adults Safeguarding Quality Partnership	8	£18,551	£0	£3,914	£22,465
Children and Young People's Services	Director of Children and Young People's Service		£124,299	£0	£26,227	£150,526
	Head of Early Intervention		£74,458	£0	£15,711	£90,169
Leavers	Head of Childrens Safeguarding	9	£59,836	£0	£12,625	£72,461
	Finance Manager SC&H	4	£44,282	£46,277	£5,955	£96,514
	Corporate Director SC&H (L Sanders)	5	£37,453	£124,955	£7,903	£170,311

- 1 - Employment commenced 1 July 2013
- 2 - Employment commenced 1 April 2013
- 3 - Employment commenced 11 July 2013
- 4 - Employment ended 31 July 2013
- 5 - Employment ended 30 June 2013

- 6 - New post created, employee in post from 1 January 2014
- 7 - New post created, employment commenced 30 January 2014
- 8 - New post created, employee in post from 7 December 2013
- 9 - Employment ended 23 February 2014



# Notes to Main Financial Statements

## 34. EXIT PACKAGES

The number of exit packages that have been agreed by the Council during the year are listed below. These packages include redundancy costs, pension contributions in terms of added years remuneration, ex gratia payments and other departure costs. The Council does not award added years pension contributions but pension strain is incurred where a pension is taken early without actuarial reduction and is a cost to the Council, not a direct payment to the employee.

LBH EMPLOYEES						
Exit Package Cost Band (including special payments and Pension Strain Costs)	2014/15 No. of LBH Employees with Exit Packages	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Exit Payments to Employees	Pension Strain Costs	Total Exit Package Cost
	Number	Number	Number	£000's	£000's	£000's
£0 - £20,000	37	0	37	324	65	389
£20,001 - £40,000	15	0	15	346	80	426
£40,001 - £80,000	4	0	4	140	104	244
Over £80,001	4	0	4	140	460	600
	<b>60</b>	<b>0</b>	<b>60</b>	<b>950</b>	<b>709</b>	<b>1,659</b>

LBH EMPLOYEES						
Exit Package Cost Band (including special payments)	2013/14 No. of LBH Employees with Exit Packages	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Exit Payments to Employees	Pension Strain Costs	Total Exit Package Cost
	Number	Number	Number	£000's	£000's	£000's
£0 - £20,000	75	0	75	543	69	612
£20,001 - £40,000	21	0	21	480	127	607
£40,001 - £60,000	4	0	4	108	112	220
£60,001 - £80,000	6	0	6	113	316	429
£80,001 - £100,000	0	0	0	0	0	0
£100,001 - £150,000	2	0	2	41	216	257
	<b>108</b>	<b>0</b>	<b>108</b>	<b>1,285</b>	<b>840</b>	<b>2,125</b>

SCHOOL EMPLOYEES						
Exit Package Cost Band (including special payments)	2014/15 No. of Schools Employees with Exit Packages	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Exit Payments to Employees	Pension Strain Costs	Total Exit Package Cost
	Number	Number	Number	£000's	£000's	£000's
£0 - £20,000	6	1	5	47	0	47
£20,001 - £40,000	2	0	2	53	0	53
£40,001 - £60,000	2	0	2	100	0	100
	<b>10</b>	<b>1</b>	<b>9</b>	<b>200</b>	<b>0</b>	<b>200</b>

SCHOOL EMPLOYEES						
Exit Package Cost Band (including special payments)	2013/14 No. of Schools Employees with Exit Packages	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Exit Payments to Employees	Pension Strain Costs	Total Exit Package Cost
	Number	Number	Number	£000's	£000's	£000's
£0 - £20,000	21	7	14	123	7	130
£20,001 - £40,000	4	1	3	103	12	115
£40,001 - £60,000	0	0	0	0	0	0
	<b>25</b>	<b>8</b>	<b>17</b>	<b>226</b>	<b>19</b>	<b>245</b>

# Notes to Main Financial Statements

## 35. DEDICATED SCHOOLS GRANT

The Dedicated Schools Grant has been credited to Education and Children's Services in the Comprehensive Income and Expenditure Statement.

The Council's expenditure on schools is funded by grant monies provided by the Department for Education through the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budgets as defined in the School and Early Years Finance (England) Regulations 2012. The Schools Budget includes elements for a restricted range of services provided on an council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of the DSG receivable for 2014/15 are as follows:

<b>Schools Budget Funded by Dedicated Schools Grant</b>			
	<b>Central Expenditure £000's</b>	<b>Individual Schools Budget £000's</b>	<b>Total £000's</b>
Final DSG for 2014/15 before academy recoupment			238,892
Academy figure recouped for 2014/15			(100,616)
Total DSG after academy recoupment for 2014/15			138,276
Brought-forward from 2014/15			3,781
Carry-forward to 2015/16 agreed in advance			(2,487)
Agreed initial budgeted distribution in 2013/14	23,577	115,993	139,570
In year adjustments	8,015	(8,015)	0
Final budgeted distribution for 2014/15	<b>31,592</b>	<b>107,978</b>	<b>139,570</b>
Less actual central expenditure	29,996		29,996
Less actual ISB deployed to schools		107,978	107,978
Plus Local Authority contribution for 2013/14	0	0	0
Carry-forward to 2015/16	<b>(1,596)</b>	<b>0</b>	<b>(1,596)</b>

# Notes to Main Financial Statements

## 36. GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

	2014/15 £000's	2013/14 £000's
<b>Revenue Grant Income Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	52,018	62,007
Education Services Grant	3,392	3,712
Adoption Reform Grant	310	880
Council Tax Freeze Grant	1,138	1,119
Housing & Council Tax Support Subsidy Admin Grant	0	2,069
Housing Benefit Subsidy Admin Grant	1,641	0
Local Council Tax Support Admin Subsidy	350	0
New Homes Bonus	6,928	5,673
Other Grants	4,203	1,646
<b>Total Non-Specific Revenue Grants</b>	<b>69,980</b>	<b>77,106</b>
<b>Revenue Grant Income Credited to Services</b>		
<u>Department for Education</u>		
Dedicated Schools Grant (DSG)	138,284	145,533
Pupil Premium	6,846	5,357
Sixth Form & Adult Learning Grants	2,546	3,013
Universal Infant Free School Meals Grant	1,693	0
<u>Department for Communities and Local Government:</u>		
Troubled Families Grant	100	100
NNDR cost of collection	596	598
Preventing Homelessness	5	0
<u>Department of Health</u>		
Public Health Grant	15,712	15,281
Section 256 Agreement Funding	4,772	3,726
<u>Arts Council</u>		
Music Education Hub	337	331
<u>Department for Work and Pensions:</u>		
Housing & Council Tax Benefit Subsidy	150,458	147,825
<u>Home Office:</u>		
Asylum Funding	5,057	5,463
Other Grants	18,182	19,571
<b>Total Grants Credited to Services</b>	<b>344,588</b>	<b>346,798</b>
<b>Total Revenue Grant Income</b>	<b>414,568</b>	<b>423,904</b>

NB: The Housing & Council Tax Support Subsidy Admin Grant received in 2013/14 was replaced with two grants - the Housing Benefit Subsidy Admin Grant and the Local Council Tax Support Admin Subsidy

# Notes to Main Financial Statements

	2014/15 £000's	2013/14 £000's
<b>Capital Grant Income credited to the Comprehensive</b>		
Disabled Facilities Grant	1,645	1,627
Sports England Grant	0	25
Education Funding Agency	33,277	32,208
Transport for London	2,983	4,121
West London Housing Grant	50	75
HCA Empty Homes Grant	722	0
HRA Pipeline Grant	0	103
Outer London Fund	300	1,955
DH Community Capacity	571	560
EA Capital Waste Grant	0	250
DCLG Food Collection Grant	0	260
DECC Fund	0	100
DH Dementia Friendly Grant	0	94
Environment Agency Mitigation Work	0	175
<b>Total Capital Grant Income</b>	<b>39,548</b>	<b>41,553</b>
Schools Capital Contributions	2,791	1,509
S106 Contributions	8,920	8,228
Other Capital Contributions	812	381
<b>Total Capital Grants and Contributions Received</b>	<b>52,071</b>	<b>51,671</b>

Of the capital grant income applied to the Comprehensive income and expenditure account within Taxation and Non Specific Grant income £39,050k was used to fund the capital programme, and £498k has been transferred to the Capital Grants Unapplied Reserve for future use.

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the awarding body should condition for use fail to be met. Revenue grants with these conditions are included within Creditors under the amounts owed to Government Departments. The balances for Capital grants at the year-end are as follows:

	2014/15 £000's	2013/14 £000's
<b>Capital Grant &amp; Contribution Receipts in Advance</b>		
EFA Capital Grants	736	1,360
S106	8,859	8,926
Other	0	6
<b>Total Capital Grant &amp; Contribution Receipts in Advance</b>	<b>9,595</b>	<b>10,292</b>

# Notes to Main Financial Statements

## 37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in this note.

	2014/15 £000's	2013/14 £000's
<b>Opening Capital Financing Requirement</b>	402,916	408,955
<b>Capital investment</b>		
Property, Plant and Equipment	63,835	81,444
Intangible Assets	281	271
Revenue Expenditure Funded from Capital Under Statute	10,548	9,471
<b>Sources of finance</b>		
Capital Receipts	(6,617)	(8,922)
Government Grants and other Contributions	(51,686)	(71,485)
<b>Sums set aside from revenue:</b>		
Direct Revenue Contributions	(2,751)	(1,999)
Minimum Revenue Provision (MRP) / Loans Fund Principal	(15,293)	(14,555)
Other Revenue Provision	(272)	(264)
<b>Closing Capital Financing Requirement</b>	<b>400,961</b>	<b>402,916</b>
<b>Explanation of movements in year</b>		
(Decrease)/Increase in underlying need to borrow :		
- unsupported by Government financial assistance	(13,601)	(8,779)
<b>(Decrease)/Increase in Capital Financing Requirement</b>	<b>(1,955)</b>	<b>(6,039)</b>

The Capital Financing Requirement (CFR) is a measure of the Council's underlying need to borrow for capital purposes. It does not represent the Council's actual borrowing which is determined following consideration of other balances such as reserves, provisions, working capital and timing differences of cash inflows and outflows.

# Notes to Main Financial Statements

## 38. LEASES

In financial years prior to 2014/15 the Council acquired a number of vehicles, a private finance initiative (PFI) school and a contract for superloos under finance leases with the risks and rewards associated with ownership of such assets having transferred to the Council. Assets acquired under finance leases are carried as Property, Plant and Equipment in the Balance Sheet.

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the asset and finance costs that will be payable by the Council in future years whilst the liability remains outstanding.

A number of vehicles are also held under operating leases, for which regular rental payments are made but the risks and rewards of ownership of such asset do not lie with the Council.

The future payments relating to both finance and operating leases held by the Council are made up of the following amounts:

### Finance Leases - Lessee (including PFI)

Plant, Property and Equipment Outstanding obligations on 31 March	Finance Lease Liabilities		Minimum Lease Payments	
	2014/15 £000's	2013/14 £000's	2014/15 £000's	2013/14 £000's
Within 1 year (held in current liabilities)	259	260	1,068	1,139
2 - 5 years	1,004	1,010	3,437	3,778
More than 5 years	949	1,201	1,786	2,513
Total costs payable in future years	1,953	2,211	5,223	6,291
<b>Total future lease payments</b>	<b>2,212</b>	<b>2,471</b>	<b>6,291</b>	<b>7,430</b>

### Operating Leases - Lessee

Plant, Property and Equipment Outstanding obligations on 31 March	Operating Lease	
	2014/15 £000's	2013/14 £000's
Within 1 year	514	253
2 - 5 years	949	278
<b>Total future lease payments</b>	<b>1,463</b>	<b>531</b>

Operating Lease obligations include commitments held by Hillingdon maintained Schools as well as those held by the Council. Operating lease expenditure of £233k (£342k 13/14) is included within Cost of Services in the Comprehensive Income and Expenditure Statement.

During 2014/15 the Council introduced a new private sector leasing scheme to assist in the ongoing housing of homeless clients. The scheme involves the Council paying guaranteed monthly rent in advance to a private landlord in exchange for the use of their property as temporary accommodation.

### Operating Leases - Lessor

The council leases out property under operating leases for the following purposes:

- for the provision of community services, such a sports facilities and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable leases in future years are:

Future Minimum Lease Payments:	Operating Lease	
	2014/15 £000's	2013/14 £000's
Within 1 year	1,106	1,161
2 - 5 years	3,328	3,555
More than 5 years	9,884	10,145
<b>Total future lease payments</b>	<b>14,318</b>	<b>14,861</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

# Notes to Main Financial Statements

## 39. LONG TERM CONTRACTS AND PRIVATE FINANCE INITIATIVE

The Council has entered into a number of Long Term Contracts, committing itself to revenue expenditure over future years. Contracts which have fixed annual sums over £1,000k and over 4 years in length are disclosed below:

Supplier	Expenditure Reason £000's	Contract Value Per Annum £000's	Contract Dates	
			Start	Expire
Mitie Property Services	Facilities Management Services	2,850	01/11/2008	31/10/2015

**Mitie Property Services** - The Council has entered into a Facilities Management contract with Mitie for the provision of cleaning, caretaking, and building maintenance for certain Council properties.

The following Long Term Contracts are not fixed in nature, however the annual sum for 2014/15 was over £1,000k:

**Northgate Information Solutions**  
**Liberata UK Ltd**

### Private Finance Initiative (PFI)

In December 1998 the Council entered into a 25 year contract with a private sector partner, Jarvis (Barnhill) Limited, to build and provide facilities management at Barnhill Community High School under a private finance initiative (PFI) arrangement. The school opened in September 1999. In 2010 the parent company Jarvis PLC went into administration and management of the facility was transferred to Johnson Workplace Management Ltd without impacting the day to day operation of the school. In August 2013 Johnson Workplace Management Ltd were acquired by Bellrock Facilities Management who are now responsible for the management of the contract. In 2014/15 the Council paid principal of £245k, interest of £806k and service charges of £2,057k. Current forecasts of future payments, assuming satisfactory performance over the remaining 10 years of the contract, are set out below. As payments to the contractor are index linked, these figures are based on current indexation rates and may vary if rates alter.

	Payment for Services £000's	Reimbursement of Capital Expenditure £000's	Interest £000's	Total £000's
Within 1 year (2015/16)	2,190	241	739	3,170
2 - 5 years	10,207	927	2,188	13,322
More than 5 years	12,950	760	704	14,414
<b>Total</b>	<b>25,347</b>	<b>1,928</b>	<b>3,631</b>	<b>30,906</b>

Barnhill Community High School transferred to academy status resulting in the removal of the property from the Council's asset register, however the liability will remain in place until it is extinguished in 2023/24. The Council will have no responsibility after this date.

The charge for the current year was £245k matching the principal repayment. The outstanding liability of the capital value at 31 March 2015 is £1,928k, of this £241k is due within a year and therefore included in creditors and the remaining £1,687k is shown as a deferred liability.

# Notes to Main Financial Statements

## 40. CONTINGENT LIABILITIES AND ASSETS

### Contracts

There are possible legal proceedings being threatened regarding an alleged breach of contract. The claim could amount to £250k but is denied and will be defended.

The Council was successfully involved in an employment tribunal appeal which found in favour of the council however it is possible the claimant may seek to appeal this decision. The claim could amount of £232k however will be defended.

There are legal proceedings in relation to breach of Public Contract Regulations, this claim is being defended. The claim could amount to £1,600k.

## 41. EVENTS AFTER THE BALANCE SHEET DATE

Following the approval of applications for academy status, two schools have become academies during 2015/16 and one further school is planned for transfer during the year. It is possible other schools will also convert within the financial year. Under academy status, the existing maintained schools would no longer form part of the Council's accounts and hence will result in significant movements in income, expenditure, schools reserves and current assets from those included in the 2014/15 Statement of Accounts. Net book value of £4,508k relating to school buildings of the known transferred schools will be removed from the Council's long term assets for the 2015/16 accounts.

On the 26th August 2015 the Council received information in relation to the Heritable Bank Icelandic Investment which returned further dividends in excess of that included in the Statement of Accounts. The company was placed in administration on 7 October 2008 and at the beginning of 2014/15 the Council had a balance of unpaid deposits of £0.8m. The Council had previously received 94.02% of the original investment claim value; however due to ongoing legal matters the Council impaired the total original investment by 5% based on market recovery expectations. The Council received the payment of £0.6m on 27th August 2015 which results in receipts of 98.00% of the original claim, 3% higher than expected. The 2014/15 accounts have not been changed to reflect this additional income however the 2015/16 accounts will take this into account.

## 42. SUMMARY OF TREASURY MANAGEMENT POLICY

The Council defines its treasury management activities as the management of the organisation's investments and cash flows, its banking, money market and capital market transactions, the effective control of risks associated with those activities to achieve optimum performance consistent with those risks.

The successful identification, monitoring and control of risks are the prime criteria by which the effectiveness of its treasury management activities will be measured. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives.

The Council's underlying need to borrow for capital purposes is measured by reference to the Capital Financing Requirement which represents the cumulative capital expenditure of the council that has not been financed from internal resources (see note 37).

The Council maintains a flexible policy regarding debt rescheduling and the market is continuously monitored for opportunities to redeem or restructure debt.

The Council's policy is to invest its surplus funds prudently and the investment priorities are: security of invested capital, liquidity of the invested capital and an optimum yield which is commensurate with security and liquidity. The speculative procedure of borrowing purely in order to invest is unlawful.



# Notes to Main Financial Statements

## 43. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with the Revised Prudential Code of Capital Finance for Local Authorities.

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with CLG Investment Guidance for Local Authorities. This guidance emphasises that priority be given to security and liquidity rather than yield. The Council's strategy together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The Council's activities exposes it to a variety of financial risks:

- credit risk - the possibility that other parties might fail to pay amounts due to the Council.
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised as outlined in the Annual Investment Strategy, which states that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Standard & Poor's (S&P) and Moody's Ratings Services. The Annual Investment Strategy also sets maximum sums that can be invested with any financial institution. The credit criteria applicable during 2014/15 in respect of financial assets held by the Council are as detailed below:

Long term minimum: A- (Fitch); A3 (Moody's); A- (S&P)

The Council also considers other information such as corporate developments, market sentiment towards investment counterparties and other sources of intelligence before making deposits.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare, but possible, for such entities to be unable to meet their commitments. The risk of non-recovery applies to all of the Council's deposits.

# Notes to Main Financial Statements

The table below summarises the amortised value of the Council's investment portfolio at 31 March 2015, and demonstrates that all investments were made in line with the Council's approved credit rating criterion.

Outstanding Investments as at 31 March 2015							
	Fitch Rating or lowest equivalent at time of Deposit	Fitch Rating or lowest equivalent 31 March 2015	Maturity of Investments				Total
			0-3 Months	3-6 Months	6-12 Months	Over 12 Months	
Fixed Term Deposits			£000's	£000's	£000's	£000's	£000's
<b>UK Banks &amp; Building Societies</b>							
Barclays Bank plc (CD)	A	A	0	5,838	0	0	5,838
Leeds Building Society	A-	A	1,001	0	0	0	1,001
Nationwide Building Society	A	A	4,030	0	0	0	4,030
Standard Chartered Bank (CD)	AA-	AA-	5,017	0	0	0	5,017
<b>Sub-Total</b>			<b>10,048</b>	<b>5,838</b>	<b>0</b>	<b>0</b>	<b>15,886</b>
<b>Icelandic Banks</b>							
Heritable Bank	A	In default/Credit Rating Withdrawn	0	0	151	0	151
<b>Sub-Total</b>			<b>0</b>	<b>0</b>	<b>151</b>	<b>0</b>	<b>151</b>
<b>Government &amp; Local Authorities</b>							
Aberdeen CC	AA+	AA+	0	5,003	0	0	5,003
Blaenau Gwent CBC	AA+	AA+	0	0	0	2,420	2,420
Broxtowe BC	AA+	AA+	0	2,000	0	0	2,000
Lancashire CC	AA	AA	0	0	10,004	5,035	15,039
Monmouthshire CC	AA+	AA+	5,010	0	0	0	5,010
Moray Council	AA+	AA+	0	0	2,016	0	2,016
Plymouth City CC	AA+	AA+	5,002	0	0	0	5,002
Wolverhampton Council	AA+	AA+	0	7,067	0	0	7,067
<b>Sub-Total</b>			<b>10,012</b>	<b>14,070</b>	<b>12,020</b>	<b>7,455</b>	<b>43,557</b>
<b>Total</b>			<b>20,060</b>	<b>19,908</b>	<b>12,171</b>	<b>7,455</b>	<b>59,594</b>
<b>Instant Access Accounts</b>							
<b>UK Banks &amp; Building Societies</b>							
HSBC Evergreen Notice Account	AA-	AA-	7,004	0	0	0	7,004
Bank of Scotland Call Account	A	A	3,624	0	0	0	3,624
Santander UK plc Call Account	A	A	5,838	0	0	0	5,838
<b>Sub-Total</b>			<b>16,466</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,466</b>
<b>Overseas Banks</b>							
Svenska Handelsbanken	AA-	AA-	5,604	0	0	0	5,604
<b>Sub-Total</b>			<b>5,604</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,604</b>
<b>Money Market Funds</b>							
All funds held explicit money market fund equivalent ratings of AAA, with at least one of the rating agencies			44,111	0	0	0	44,111
<b>Sub-Total</b>			<b>44,111</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,111</b>
<b>Total</b>			<b>66,181</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>66,181</b>
<b>Total Investments</b>			<b>86,241</b>	<b>19,908</b>	<b>12,171</b>	<b>7,455</b>	<b>125,775</b>

The information above provides both current and at time of deposit credit ratings of institutions and durations of outstanding investments held by the Council. At the time investments were placed, the credit rating criteria were met. The disclosures above are given at their amortised value. Please note that for instant access accounts, the credit ratings at 31/03/2015 are the same as for when deposits are made due the ability to deposit or make withdrawals on a daily basis.

## Credit Rating Definitions

Long Term	Money Market Funds
AAA	Fitch: AAAmmf : Extremely strong capacity to achieve fund's investment objective of preserving principal and providing shareholder liquidity through limiting credit, market, and liquidity risk.
AA	
A	Moody's: Aaa Money Market Funds are judged to be of an investment quality similar to Aaa-rated fixed income obligations.
BBB	
BB	S&P: AAAM has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market and/or liquidity risks.
B	
CCC	
CC	
D	

# Notes to Main Financial Statements

## Aged Analysis of other Financial Instruments

Other Financial Instruments	Not Overdue £000's	Past Due				Total £000's
		1-3 Months £000's	3-6 Months £000's	6-12 Months £000's	Over 12 Months £000's	
Available for Sale	55	0	0	0	0	55
<b>Total</b>	<b>55</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>55</b>

Trade Debtors of £8,379k are accounted for inclusive of Provision for doubtful debt where there is a risk of non payments.

## Borrowing

The policy on borrowing is to spread exposure between Public Works Loans Board (PWLB) and market sources. This enables the Council to avail itself of rescheduling facilities offered by PWLB and also to obtain favourable rates, when offered by the market.

	31 March 2015			31 March 2014		
	PWLB £000's	Market £000's	Total £000's	PWLB £000's	Market £000's	Total £000's
Nominal Value	278,949	48,000	<b>326,949</b>	288,227	48,000	<b>336,227</b>
Premium	(3,279)	0	<b>(3,279)</b>	(3,306)	0	<b>(3,306)</b>
Accrued Interest	744	612	<b>1,356</b>	810	617	<b>1,427</b>
Amortised Value	276,414	48,612	<b>325,026</b>	285,731	48,617	<b>334,348</b>

## 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 daily functions or disrupt these from being carried out in the most cost effective manner. To prevent or minimise this risk, the Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements occur, the Council has ready access to borrowings from money markets and the PWLB. There is no significant risk that the Council will be unable to raise finance to meet its commitments.

Instead the risk to which the Council is exposed is 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. The policy on debt redemption is to maintain a fairly stable fall out of debt required to be refinanced each year. To achieve this, targets are set within the Treasury Management Strategy which limit the maximum amount of debt maturities within specific time periods. This spreads the risk of interest rate exposure so all debt is not subject to renewal at the same time. The maturity analysis of financial liabilities is as follows:

	Limit for Debt Maturity	Actual % Debt Maturity 31 March 2015	31 March 2015 £000's	31 March 2014 £000's
Less than 1 year	25%	4.20%	13,634	10,705
Between 1 and less than 2 years	25%	2.24%	7,277	12,278
Between 2 and less than 5 years	50%	10.63%	34,556	41,833
Between 5 and less than 10 years	75%	28.20%	91,667	91,667
Between 10 and less than 20 years	100%	18.46%	60,000	60,000
Between 20 and less than 30 years	100%	13.71%	44,571	44,571
Between 30 and less than 40 years	100%	1.54%	5,000	5,000
Between 40 and less than 50 years	100%	6.25%	20,321	20,294
Over 50 years	100%	14.77%	48,000	48,000
<b>Total</b>			<b>325,026</b>	<b>334,348</b>

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

# Notes to Main Financial Statements

## Market Risk

Interest Rate Risk: The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 50% on external debt that can be subject to variable interest rates. This strategy is periodically reviewed and adapted to reflect changing economic circumstances in light of actual movements in interest rates. Investments are also subject to movements in interest rates. As investments are made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk is balanced against actions taken to mitigate credit risk.

Movements in interest rates can impact the Council in several ways. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

If interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000's
Increase in interest payable on variable rate borrowings	485
Increase in interest receivable on variable rate investments	(1,354)
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>(869)</b>
Share of overall impact credited to the HRA	(375)
Decrease in fair value of fixed rate deposits (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(89)
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(28,652)

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the "Fair Value" disclosure note.

**Price Risk:** The Council does not generally invest in equity shares or bonds but it does hold historic balances in its accounts. The Council is consequently exposed to losses arising from movements in the prices of these shares and bonds. As these holdings have arisen from a donation, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

The £55k holdings are all classified as 'Available for Sale' and it is expected will not be voluntarily disposed, hence all movements in price will be shown in the Available for Sale Reserve with no impact on gains and losses recognised in Other Comprehensive Income and Expenditure.

**Foreign Exchange Risk:** All the financial assets and liabilities are denominated in GBP and thus have no exposure to loss arising from movements in exchange rates.

## Financial Liabilities

The majority of borrowing made by the Council is sourced from the PWLB. (As at 31 March 2015 £231,449k was at fixed rates and £47,500k at variable rates). 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. Borrowing at variable rates currently allows the Council to source debt at levels which are considerably lower than fixed rate debt. Sourcing debt from the PWLB allows the Council to reschedule or prematurely redeem debt and the portfolio is continually monitored to take advantage of opportunities that may present themselves periodically to reduce overall costs.

# Notes to Main Financial Statements

£48,000k of debt is held in "Lenders Option Borrowers Option" (LOBO) market loans. 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. Over the next three years loans totalling £13,000k, £14,000k and £5,000k respectively are scheduled for rate change options.

In order to minimise debt costs the Council did not take any new borrowing during 2014/15, instead utilising internal resources to finance its long term borrowing requirement. No debt was prematurely redeemed but naturally maturing debt of £9,278k reduced the loan portfolio during 2014/15.

## Financial Assets

The Council had a weighted average balance of investments (excluding unpaid Icelandic deposits) for 2014/15 of £135,634k. Throughout the year deposits were placed in instant access accounts and in fixed term deposits with varying maturity periods. This approach aimed to match investment maturities with expected expenditure and so spread interest rate risk. At year end there were two long term deposits outstanding totalling £7.4m. The term remaining on all other deposits was less than one year and therefore classified as variable.

## 44. TRUST FUNDS

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

	31 March 2015 £000's	31 March 2014 £000's
Education trusts - providing academic prizes	4	4
Library trusts - purchase of library books	14	11
Total	18	15

## 45. PENSION SCHEMES

### Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits that include retirement pensions, dependent pensions, death grants and lump sum payments. Although these benefits will not actually be payable until employees retire, the Council's commitment to make future payments needs to be disclosed as the future entitlement is earned.

The Council participates in four defined benefit pension schemes; two funds of the Local Government Pension Scheme (LGPS), the Teachers' Pension Scheme and the NHS Pension Scheme. Accounting for the Teachers' Pension Scheme and NHS scheme varies from that of the LGPS and is expanded upon further within this note.

The two LGPS scheme funds are:

- London Borough of Hillingdon (LBH) Pension Fund of the LGPS for employees, administered locally by the Council.
- London Pension Fund Authority (LPFA) Pension Fund of the LGPS, which is a closed arrangement for former employees administered by the London Pension Fund Authority.

For the London Borough of Hillingdon LGPS, contributions are made at a level intended to balance the pensions liabilities with investment assets. The adequacy of the funds' contributions and investments to resource future liabilities is reviewed tri-annually by actuaries appointed by the Council. Contribution rates are then set to meet the overall liabilities of the fund under Pension Fund Regulations. During 2014/15 employer's contribution rate was 21.1%. Employees contributed at variable rates between 5.5% and 12.5% of pensionable salary. The employer's contribution rate set for 2015/16 is 22.1% with any pension strain costs being directly attributable to the service area, as was the case in 2014/15.

The London Pension Fund Authority (LPFA) Pension Scheme has been combined with London Borough of Hillingdon Pension Fund in the figures within this note as it is a closed non contributing fund for a number of former employees.

# Notes to Main Financial Statements

## Defined Contribution Pension Schemes

### Teachers Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme. This fund is administered by the Department for Education and provides teachers with defined benefits upon their retirement. The Council contributes towards the pensions by making payments to the fund based on a percentage of members' pensionable salaries. The employer's contribution rate for 2014/15 was 14.1% (14.1% in 2013/14). The total contribution to the fund by the Council in 2014/15 was £6,291k (£6,874k in 2013/14), of this amount £526k was outstanding at 31 March 2015 (£576k at 31 March 2014). The employer rate for Teachers Pension contribution will increase to 16.48% on 1 September 2015, which will have a direct impact on the amount contributed to the fund, although the final figure will be subject to adjustment resulting from school academy transfers.

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 council 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. There were no lump sums awarded in 2014/15, 2013/14 or 2012/13, and £849k paid in respect of on-going payments in 2014/15 (£861k in 2013/14).

### NHS Pension Scheme

The Health and Social Care Act 2012, makes provision for the transfer of public health services and staff from primary care trusts (PCTs) to local authorities. As a result of this transfer, the London Borough of Hillingdon is responsible for deduction of pension contributions, both employees and employers from transferred staff. These contributions are forwarded on directly to the National Health Service Pension Scheme. The National Health Service Pension Scheme is unfunded and administered by National Health Service Business Services Authority (NHSBSA). However, it is not possible for the Council 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 pension cost charged to the accounts is the contribution rate set by the NHSBSA. In 2014/15 LB Hillingdon paid a total of £87,747 to the NHS Pension Scheme, representing 14% of pensionable pay. Contributions to the fund are expected to remain unchanged for 2015/16.

## Transactions 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 of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2015 £000's	31 March 2014 £000's	31 March 2015 £000's	31 March 2014 £000's	31 March 2015 £000's	31 March 2014 £000's
<b>Comprehensive Income and Expenditure Statement</b>						
<b>Cost of Services:</b>						
Service Cost	18,522	24,821	0	0	18,522	24,821
<b>Total Net Cost Of Services</b>	<b>18,522</b>	<b>24,821</b>	<b>0</b>	<b>0</b>	<b>18,522</b>	<b>24,821</b>
<b>Financing and Investment and Expenditure</b>						
Interest Cost on Defined Benefit Obligation	44,817	45,971	180	71	44,997	46,042
Interest Income and Return on Plan Assets	(28,653)	(29,359)	(152)	(83)	(28,805)	(29,442)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>16,164</b>	<b>16,612</b>	<b>28</b>	<b>(12)</b>	<b>16,192</b>	<b>16,600</b>
<b>Amounts to be met from Government Grants and Local Taxation</b>						
Movement on pension reserve	<b>34,686</b>	<b>41,433</b>	<b>28</b>	<b>(12)</b>	<b>34,714</b>	<b>41,421</b>
<b>Actual amount charged against council tax for pensions in the year</b>						
Employer's contributions payable to scheme	20,073	22,506	0	0	20,073	22,506
Administration Costs	0	0	(4)	(4)	(4)	(4)
Contributions in respect of unfunded benefits	2,310	2,267	4	5	2,314	2,272
	<b>22,383</b>	<b>24,773</b>	<b>0</b>	<b>1</b>	<b>22,383</b>	<b>24,774</b>

# Notes to Main Financial Statements

In addition the Comprehensive Income and Expenditure Statement included an actuarial loss of £90,907k in 2014/15 (£7,969k gain in 2013/14). The cumulative amount of actuarial losses recognised in the Comprehensive Income and Expenditure Statement since 2004/05 is £415,768k.

The Council expects to make payments of £21,728k (£20,827k in 2014/15) in respect of contributions to the LBH Pension Fund during the financial year 2015/16.

## 46. PENSION SCHEMES BALANCE SHEET DISCLOSURES

### Reconciliation of present value of scheme liabilities

	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2015 £000's	31 March 2014 £000's	31 March 2015 £000's	31 March 2014 £000's	31 March 2015 £000's	31 March 2014 £000's
<b>Opening Benefit Obligation</b>	1,051,794	1,026,344	5,254	5,763	1,057,048	1,032,107
Current Service Cost	21,690	25,812	0	0	21,690	25,812
Interest on defined liability	44,817	45,971	180	71	44,997	46,042
Contributions by Members	6,338	6,857	0	0	6,338	6,857
Remeasurement (gains) and losses:						
Actuarial losses/(gains) arising from changes in demographic assumptions	0	12,127	0	(81)	0	12,046
Actuarial losses/(gains) arising from changes in financial assumptions	146,026	(17,253)	301	(822)	146,327	(18,075)
Other	(9,141)	(9,208)	0	929	(9,141)	(8,279)
Past Service Cost including Curtailments	302	533	0	0	302	533
Liabilities Extinguished on Settlements	(4,587)	(2,110)	0	0	(4,587)	(2,110)
Estimated Unfunded Benefits Paid	(2,310)	(2,267)	(4)	(5)	(2,314)	(2,272)
Estimated Benefits Paid	(36,217)	(35,012)	(530)	(601)	(36,747)	(35,613)
<b>Closing Defined Benefit Obligation</b>	<b>1,218,712</b>	<b>1,051,794</b>	<b>5,201</b>	<b>5,254</b>	<b>1,223,913</b>	<b>1,057,048</b>

### Reconciliation of fair value of scheme assets

	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2015 £000's	31 March 2014 £000's	31 March 2015 £000's	31 March 2014 £000's	31 March 2015 £000's	31 March 2014 £000's
<b>Opening Fair Value of Employer Assets</b>	672,603	656,243	2,505	2,602	675,108	658,845
Interest Income on Plan Assets	28,653	29,359	152	83	28,805	29,442
Contributions by Members	6,338	6,857	0	0	6,338	6,857
Contributions by the Employer	20,073	22,506	0	0	20,073	22,506
Contributions in respect of Unfunded Benefits	2,310	2,267	4	5	2,314	2,272
Remeasurement (gains) and losses:						
The return on plan assets, excluding the amount in the net interest expense	46,279	(6,764)	0	425	46,279	(6,339)
Assets Distributed on Settlements	(1,117)	(586)	0	0	(1,117)	(586)
Administration Expenses	0	0	(4)	(4)	(4)	(4)
Estimated Unfunded Benefits Paid	(2,310)	(2,267)	0	0	(2,310)	(2,267)
Estimated Benefits Paid	(36,217)	(35,012)	(534)	(606)	(36,751)	(35,618)
<b>Closing Fair Value of Employer Assets</b>	<b>736,612</b>	<b>672,603</b>	<b>2,123</b>	<b>2,505</b>	<b>738,735</b>	<b>675,108</b>

For the LBH the return on scheme assets is estimated based on the actual fund returns and index returns where necessary. The LPFA is determined by setting the expected return equal to the discount rate.

# Notes to Main Financial Statements

## Pension Scheme assets comprised

		LBH Pension Fund				LPFA Pension Fund				Total	
		Quoted Prices in Active Markets 14/15 £000's	Quoted Prices not in Active Markets 14/15 £000's	Quoted Prices in Active Markets 13/14 £000's	Quoted Prices not in Active Markets 13/14 £000's	Quoted Prices in Active Markets 14/15 £000's	Quoted Prices not in Active Markets 14/15 £000's	Quoted Prices in Active Markets 13/14 £000's	Quoted Prices not in Active Markets 13/14 £000's	31 March 2015 £000's	31 March 2014 £000's
Equity Instruments	Consumer	21,911		26,921		178		263		22,089	27,184
	Manufacturing	31,344		34,606		79		86		31,423	34,692
	Energy & Utilities	25,483		31,865		11		39		25,494	31,904
	Financial Institutions	41,247		41,927		59		94		41,306	42,021
	Health & Care	7,885		9,591		0		0		7,885	9,591
	Information Technology	9,162		8,374		34		60		9,196	8,434
	Other	5,775		13,183		68		122		5,843	13,305
	Debt Securities	UK Government	16,506		28,143						16,506
	Other	0		5,884						0	5,884
Private Equity	All		34,166		34,566		161		170	34,327	34,736
Real Estate			75,686		46,758		59		66	75,745	46,824
Investment Funds & Unit Trusts	Equities	283,693	0	244,398	0	17	15	31	2	283,725	244,431
	Bonds	65,138	0	83,011	0	347	47	270	306	65,532	83,587
	Hedge Funds	0	1,153	0	0	0	100	4	13	1,253	17
	Commodities	0	2,333	0	1,635	0	0	0	0	2,333	1,635
	Infrastructure	0	7,461	0	5,009	6	98	7	81	7,565	5,097
	Other	0	38,599	0	22,561	104	244	62	501	38,947	23,124
Derivatives		46,275	0	16,579	1,552	0	(4)	0	8	46,271	18,139
Liability Driven Investments		0	0	0	0	0	159	0	154	159	154
Target Returns		0	0	0	0	74	0	82	0	74	82
Commodities		0	0	0	0	6	13	20	7	19	27
Cash & Cash Equivalents		22,795		16,040		248		57		23,043	16,097
		<b>577,214</b>	<b>159,398</b>	<b>560,522</b>	<b>112,081</b>	<b>1,231</b>	<b>892</b>	<b>1,197</b>	<b>1,308</b>	<b>738,735</b>	<b>675,108</b>



# Notes to Main Financial Statements

## Pensions Assets and Liabilities recognised in the Balance Sheet

	2014/15 £000's	2013/14 £000's	2012/13 £000's	2011/12 £000's	2010/11 £000's
<b>Present value of liabilities:</b>					
LBH	(1,218,712)	(1,051,794)	(1,026,344)	(895,278)	(820,944)
LPFA	(5,201)	(5,254)	(5,763)	(5,749)	(5,946)
<b>Fair Value of Assets:</b>					
LBH	736,612	672,603	656,243	584,868	575,064
LPFA	2,123	2,505	2,602	2,960	3,380
<b>Deficit in the scheme:</b>					
LBH	(482,100)	(379,191)	(370,101)	(310,410)	(245,880)
LPFA	(3,078)	(2,749)	(3,161)	(2,789)	(2,566)
<b>Total</b>	<b>(485,178)</b>	<b>(381,940)</b>	<b>(373,262)</b>	<b>(313,199)</b>	<b>(248,446)</b>

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £1,224m is offset by the scheme assets of £739m to give the net pension liability of £485m as disclosed on the balance sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council 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.

## 47. 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. The scheme liabilities for both LBH and LPFA have been assessed by their appointed actuary, estimates for the LBH scheme being based on the latest full valuation of the scheme as at 31 March 2013. The appointed actuary for LBH is Hymans Robertson LLP and for LPFA is Barnett Waddingham.

	LBH Pension Fund		LPFA Pension Fund	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
<u>Financial Assumptions: (% p.a.)</u>				
Pension Increase Rate	2.4%	2.8%	1.9%	2.4%
Salary Increase Rate	3.3%	3.6%	3.7%	4.2%
Discount Rate	3.2%	4.3%	2.4%	3.6%
<u>Mortality Assumptions:</u>				
Longevity at 65 for current pensioners:				
- Men	22.7	22.7	22.2	22.1
- Women	24.7	24.7	25.2	25.1
Longevity at 65 for future pensioners:				
- Men	24.3	24.3	24.5	24.4
- Women	26.9	26.9	27.4	27.3
Take-up of option to convert annual pension to tax free lump sum pre-April 2008	65%	65%	50%	50%
Take-up of option to convert annual pension to tax free lump sum post-April 2008	85%	85%	0%	0%

# Notes to Main Financial Statements

## Sensitivity Analysis

The estimation of the defined benefit obligation is sensitive to principal actuarial assumptions used to measure the scheme. The sensitivity analyses below have been based on reasonably possible changes of assumptions occurring at the end of the reporting period and assumes all other assumptions remain constant. For example the assumptions in longevity assume that life expectancy increases or decreases. The estimations on sensitivity analysis have followed the accounting policies of the scheme. The methods and types of estimations in sensitivity analysis have not changed from those in the previous period.

	LBH Pension Fund		LPFA Pension Fund	
	% Increase to Employer Liability	£000's Increase to Employer Liability	% Increase to Employer Liability	£000's Increase to Employer Liability
<b>Changes in Assumptions as at 31 March 2015</b>				
0.5% Decrease in Real Discount Rate	9%	115,407	4%	225
1 Year Increase in Member Life Expectancy	3%	36,561	3%	176
0.5% Increase in the Salary Increase Rate	2%	29,427	0%	0
0.5% Increase in the Pension Increase Rate	7%	84,260	4%	225

## Scheme and Impact on the Authorities cash flows

The LBH Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the pensions committee of the Council. Policy is determined in accordance with the Pension Fund Regulations. The principle risks to the council in relation to the scheme are the longevity assumptions, statutory changes to the scheme, inflation and performance of the funds investment assets. These risks are mitigated to an extent by the statutory requirements to charge amounts required by statute as described in the accounting policies note to the General Fund and Housing Revenue Account.

The Objectives of the LBH LGPS Pension fund are to keep employer's contributions at a rate which is as constant as possible. The Council's Pension Fund undergoes a triennial valuation to set the contribution rates of the all the employers in the scheme to achieve a funding level of 100% over the next 25 years. A new contribution rate has been set over the last triennial valuation period to cover contribution rates of the Council for three years from April 2014, so this should minimise disruption in cash flow impacts of the Council.

The weighted average duration of the defined benefit obligation for scheme members is 17.2 years as established in the triennial valuation dated 31 March 2013.

Further information about the LBH pension Fund can be seen in the Pension Fund accounts and in the Pension Fund annual report.

# Other Financial Statements

## **The Housing Revenue Account (HRA) (page 92)**

There is a statutory duty to account separately for local authority housing provision. The HRA Income and Expenditure Statement shows further detail of the Income and Expenditure on HRA services included in the whole authority Comprehensive Income and Expenditure Statement. 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 Collection Fund Account (page 96)**

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 Council.

## **Pension Fund Accounts (page 99)**

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 - Comprehensive Income And Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Council's charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Balance.

Notes	31 March 2015 £000's	31 March 2014 £000's
<b>Expenditure</b>		
Repairs and maintenance	8,062	10,160
Supervision and management	15,799	15,670
Rents, rates, taxes & other charges	25	37
Increase in provision for bad debts	0	587
Depreciation of non current assets	9,818	9,492
Impairment or Reversal of previous impairment / revaluation loss	(83,295)	(37,946)
	<b>(49,591)</b>	<b>(2,000)</b>
<b>Income</b>		
Gross dwelling rents	(57,105)	(55,264)
Gross non dwelling rents	(1,211)	(1,064)
Charges for services and facilities	(3,426)	(3,455)
Contributions towards expenditure	(1,547)	(1,506)
	<b>(63,289)</b>	<b>(61,289)</b>
<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	(112,880)	(63,289)
HRA Services share of Corporate and Democratic Core	651	722
<b>Net Cost of HRA services</b>	<b>(112,229)</b>	<b>(62,567)</b>
(Gain) on sale of HRA non current assets	(10,321)	(5,572)
Other HRA income	0	(7)
Interest payable and similar charges	8,225	7,281
Interest & Investment income	(418)	(266)
Capital Grant Income	0	(103)
<b>(Surplus)/Deficit for the year on HRA services</b>	<b>(114,743)</b>	<b>(61,234)</b>

# Movement on the HRA Balance

	2014/15 £000's	2013/14 £000's
HRA Balance brought forward	(22,820)	(19,089)
<b>(Surplus)/Deficit for the year on HRA services</b>	<b>(114,743)</b>	<b>(61,234)</b>
<b>Additional amount required by statute or non-statutory proper practices to be debited or credited to the General Fund balance for the year.</b>		
Gain/(Loss) on sale of HRA non current assets	10,320	5,580
Capital Grant Income	0	103
Premium on early redemption of HRA debt	22	35
HRA share of contributions to or from the Pension Reserve	(826)	(96)
Revaluation of Non Current Assets	83,295	37,946
Annual Leave Accrual Adjustment	89	0
Provision for repayment of debt	8,259	9,854
<b>Net Increase before transfer to reserves</b>	<b>(13,584)</b>	<b>(7,812)</b>
Transfer to Major Repairs Reserve	5,874	4,750
Released from Earmarked Reserves	(46)	(669)
<b>Increase in year on HRA</b>	<b>(7,756)</b>	<b>(3,731)</b>
<b>Balance on HRA at the end of the current reporting period</b>	<b>(30,576)</b>	<b>(22,820)</b>
<b>HRA Balances</b>		
Major Repairs Reserves	(24,774)	(11,379)
HRA Share of Earmarked Reserves	0	(46)
<b>Total HRA Balances</b>	<b>(55,350)</b>	<b>(34,245)</b>

# Notes to Housing Revenue Account

## 1. HOUSING STOCK

The Council was responsible at 31st March 2015 for managing dwellings.

The stock was as follows:

	<b>Total Properties 31 March 2015</b>	<b>Total Properties 31 March 2014</b>
1 Bed Properties	3,580	3,621
2 Bed Properties	3,537	3,616
3 Bed Properties	2,735	2,799
4 Bed plus Properties	232	242
<b>Total</b>	<b>10,084</b>	<b>10,278</b>

## 2. VALUE OF HRA ASSETS

	<b>Net Book Value 31 March 2015 £000's</b>	<b>Net Book Value 31 March 2014 £000's</b>
Council dwellings	598,810	531,531
Other land & buildings	914	834
Vehicle, plant & equipment	5,048	4,990
Surplus Assets	355	0
Intangible Asset	9	11
Investment Properties	0	70
<b>Total</b>	<b>605,136</b>	<b>537,436</b>

The vacant possession value of dwellings within the authority's HRA as at 31 March 2015 was £2,395m, this differs from the balance sheet value of £599m which is based on the economic use value of social housing. The difference of £1,796m between these two figures shows the economic cost of providing housing at social rents over 30 year cycle compared to open market rents.

## 3. DEPRECIATION

Depreciation charged in year to the HRA

	<b>Depreciation 2014/15 £000's</b>	<b>Depreciation 2013/14 £000's</b>
Council dwellings	(9,430)	(8,875)
Other land & buildings	(14)	(405)
Intangibles	(2)	0
Vehicle, plant & equipment	(372)	(212)
<b>Total</b>	<b>(9,818)</b>	<b>(9,492)</b>

# Notes to Housing Revenue Account

## 4. CAPITAL EXPENDITURE

Capital Expenditure on HRA council dwellings during 2014/15 totalled £3.972m. This was financed by:

	31 March 2015 £000's	31 March 2014 £000's
Revenue Contribution	2,296	3,986
Capital Receipts	1,676	0
Other Contributions	0	103
	<b>3,972</b>	<b>4,089</b>

Capital receipts from the sale of HRA RTB properties during 2014/15 totalled £19,527k of which £1,081k was paid to Central Government under the pooling arrangements, with £18,446k remaining with the Council.

## 5. RENT ARREARS

At 31 March 2015 the gross HRA rent arrears amounted to £3,564k (£3,544k in 2013/14).

## 6. BAD DEBT PROVISION

The provision for bad debts on all HRA debts as at 31 March 2015 was £2,260k (£2,623k in 2013/14). In the year, £363k of debts were written off.

## 7. MAJOR REPAIRS RESERVE

HRA resource accounting requires the maintenance of a Major Repairs Reserve (MRR) and holds depreciation charged to the HRA and revenue contribution to capital expenditure of HRA. The movements on this reserve are shown below.

	2014/15 £000's	2013/14 £000's
Balance as at 1 April	11,379	1,123
Depreciation transferred to reserve	9,818	9,492
Transfer to MRR	5,874	4,750
Capital programme funding	(2,297)	(3,986)
	<b>24,774</b>	<b>11,379</b>

The £24.7m held in this reserve will be used to finance capital expenditure on dwellings.

## 8. CONTRIBUTIONS TO PENSION RESERVE

The cost of employer's pension contributions in the HRA Income and Expenditure is reported in-line with IAS 19, which requires the current service cost, rather than the actual employer's contribution, be recognised. The HRA reduction for 2014/15 was £46.4k.

# Collection Fund Account

The Collection Fund is an agent's statement that reflects the statutory obligation for the Council, as a billing authority, to maintain a separate Collection. This statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non Domestic Rates.

## Council Tax

	Notes	31 March 2015 £000's	31 March 2014 £000's
Council Tax Income		(129,980)	(127,018)
Contribution towards previous years' estimated Council Tax (Surplus) / Deficit	1	4,593	606
Write-offs Uncollectable Council Tax Debt		190	194
Write-back Uncollectable Council Tax Debt		(16)	(354)
Provision for Doubtful Council Tax Debts		208	773
London Borough of Hillingdon Council Tax Precept	1	99,327	97,321
Greater London Authority Council Tax Precept	1	26,686	26,496
<b>Council Tax (Surplus) / Deficit for the Year</b>		<b>1,008</b>	<b>(1,982)</b>
Opening Council Tax (Surplus) / Deficit Balance		(5,669)	(3,687)
Council Tax (Surplus) / Deficit for the Year		1,008	(1,982)
		<b>(4,661)</b>	<b>(5,669)</b>

## National Non-Domestic Rates (NNDR) & Business Rate Supplement (BRS)

	Notes	31 March 2015 £000's	31 March 2014 £000's
National Non-Domestic Rates Income		(344,956)	(336,269)
Business Rate Supplement Income		(12,745)	(12,901)
Write-offs Uncollectable NNDR Debt		1,143	2,627
Write-back Uncollectable NNDR Debt		(447)	(517)
Provision for Doubtful NNDR Debts		287	(393)
Provision/(Release of Provision) for Backdated Appeal Losses	3	(2,884)	4,295
London Borough of Hillingdon Share NNDR Income	2	105,485	99,397
Greater London Authority Share NNDR Income	2	70,323	66,265
Central Government Share NNDR Income	2	175,808	165,662
Transitional Payment Protection Receivable		183	(349)
Payment to Greater London Authority in respect of BRS Income		12,726	12,879
NNDR Cost of Collection Allowance		596	598
BRS Cost of Collection Allowance		19	22
<b>NNDR (Surplus) / Deficit for the Year</b>		<b>5,538</b>	<b>1,316</b>
Opening NNDR (Surplus) / Deficit Balance		1,316	0
NNDR (Surplus) / Deficit for the Year		5,538	1,316
<b>Brought Forward NNDR (Surplus) / Deficit Balance</b>		<b>6,854</b>	<b>1,316</b>



# Collection Fund Account

## 1. Calculation of the Council Tax Base and 2014/15 Council Tax Revenues

The Council Tax Base is based upon the number of dwellings within the borough, analysed by valuation band and adjusted for reductions in expected tax yield arising from discounts, exemptions and the Council Tax Support Scheme. The Council Tax Base is set annually in advance of budget setting, with the 2014/15 base agreed by full Council on 16 January 2014.

Band	Estimated Number of Properties	Discounts & Exemptions	Council Tax Support Scheme	Net Estimated Number of Properties	Band D Equivalent Ratio	Band D Equivalent 2014/15	Band D Equivalent 2013/14	
A	880	(203)	(198)	479	6/9	319	315	
B	5,768	(1,244)	(1,362)	3,162	7/9	2,459	2,403	
C	23,660	(3,407)	(4,620)	15,633	8/9	13,896	13,417	
D	45,152	(4,021)	(6,094)	35,037	9/9	35,037	34,275	
E	18,180	(1,604)	(1,084)	15,492	11/9	18,935	18,468	
F	9,589	(814)	(275)	8,500	13/9	12,278	12,193	
G	4,915	(722)	(74)	4,119	15/9	6,865	6,685	
H	391	(26)	(5)	360	18/9	720	706	
<b>Total</b>	<b>108,535</b>	<b>(12,041)</b>	<b>(13,712)</b>	<b>82,782</b>		<b>90,509</b>	<b>88,462</b>	
						Adjustment for Non-collection	(1,810)	(1,769)
						Ministry of Defence Contribution	550	753
						<b>Council Tax Base</b>	<b>89,249</b>	<b>87,446</b>
						London Borough of Hillingdon Band D Council Tax (£)	1,113	1,113
						Greater London Authority Band D Council Tax (£)	299	303
						<b>Total Band D Council Tax (£)</b>	<b>1,412</b>	<b>1,416</b>
						<b>Demand on Collection Fund (£'000)</b>	<b>126,013</b>	<b>123,817</b>

Annual precepts levied upon the Collection Fund Account in respect of Council Tax by the Council and Greater London Authority are derived from the Council Tax Base and the Band D Council Tax charge approved for the financial year. The following table analyses all Council Tax activity within the Collection Fund between the major preceptors, with the Council's own activity reflected in the main statement of accounts.

	Balance 31 March 2014 £000's	2014/15 Precept £000's	Release of Prior Year Estimated Surplus £000's	2014/15 Council Tax Revenues £000's	2014/15 Deficit £000's	Balance 31 March 2015 £000's
London Borough of Hillingdon	(4,407)	99,327	3,610	(102,202)	735	(3,672)
Greater London Authority	(1,262)	26,686	983	(27,396)	273	(989)
<b>Grand Total</b>	<b>(5,669)</b>	<b>126,013</b>	<b>4,593</b>	<b>(129,598)</b>	<b>1,008</b>	<b>(4,661)</b>

# Collection Fund Account

## 2. National Non-Domestic Rating Income & Business Rate Retention System

National Non-Domestic Rates are levied on the basis of the Valuation Office Agency's assessment of the Rateable Value of a non-domestic property. As at 31 March 2014 the aggregate Rateable Value across the 8,120 hereditaments within the borough totalled £789,480k, with rates payable determined by the National Non-Domestic multiplier which is set annual by Central Government. For 2014/15 the standard multiplier was 48.2p in the pound and for small businesses 47.1p in the pound.

The Business Rate Retention System requires that locally raised income is shared between the Council (30%), the Greater London Authority (20%) and Central Government (50%) as detailed in the table below. The Council's own share of these revenues are reflected in the main statement of accounts.

	Balance 31 March 2014 £000's	2014/15 Budgeted Share of Income £000's	Release of Prior Year Estimated Surplus £000's	2014/15 Non- Domestic Rates Revenues £000's	2014/15 Deficit £000's	Balance 31 March 2015 £000's
London Borough of Hillingdon	387	105,485	0	(103,823)	1,662	2,049
Greater London Authority	267	70,323	0	(69,216)	1,107	1,374
Central Government	662	175,808	0	(173,039)	2,769	3,431
<b>Grand Total</b>	<b>1,316</b>	<b>351,616</b>	<b>0</b>	<b>(346,078)</b>	<b>5,538</b>	<b>6,854</b>

## 3. Provision for losses on Non-Domestic Rating Income due to back-dated appeals

Non-Domestic Ratepayers are able to challenge the Valuation Office Agency's assessment of the Rateable Value for their property, which if successful will result in a reduction in future payments and in some cases a refund of previously levied rates. 841 such appeals relating to 736 separate hereditaments were outstanding with the Valuation Office Agency as at the 31 March 2015. Given the inherent uncertainty around the financial impact of such appeals, a provision of £1,411k has been established on the basis of past experience of appeals. This represents a reduction from the provision of £4,295k held for this risk at 31 March 2014.

# Pension Fund Accounts and Net Asset Statement

	Notes	31 March 2015 £000's	Restated 31 March 2014 £000's
Contributions	5	37,383	35,099
Transfers In from other pension funds	6	1,164	750
Less: Benefits	7	(34,448)	(34,748)
Less: Leavers	8	(1,365)	(2,890)
Less: Management expenses	9	(6,834)	(5,981)
<b>Net additions/(withdrawals) from dealings with members</b>		<b>(4,100)</b>	<b>(7,770)</b>
Investment income	10	16,887	15,546
Profit and losses on disposal of investments and changes in value of investments	11	62,982	35,715
Taxes on income		(5)	(7)
<b>Net return on investments</b>		<b>79,864</b>	<b>51,254</b>
<b>Net Increase in the fund during the year</b>		<b>75,764</b>	<b>43,484</b>
<b>Net Assets at start of year</b>		<b>726,536</b>	<b>683,052</b>
<b>Net Assets at end of year</b>		<b>802,300</b>	<b>726,536</b>

		31 March 2015 £000's	31 March 2014 £000's
Investment Assets	11	800,969	725,110
Investment Liabilities	12	(1,209)	(649)
Current Assets	13	3,191	2,802
Current Liabilities	14	(651)	(727)
<b>TOTAL NET ASSETS</b>		<b>802,300</b>	<b>726,536</b>

The Pension Fund Accounts summarise the transactions of the scheme and shows the net assets at the disposal of 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 shown in the actuarial statement included in the Pension Fund Annual Report and these accounts should be read in conjunction with this.

Paul Whaymand  
Corporate Director of Finance  
September 2015

# Notes To Pension Fund Accounts

## 1. DESCRIPTION OF FUND

The London Borough of Hillingdon Pension Fund ("the fund") is part of the Local Government Pension Scheme and is administered by London Borough of Hillingdon. The Council is the reporting entity for this pension fund. The following description of the fund is a summary only. For more details, reference should be made to the London Borough of Hillingdon Pension Fund Annual Report 2014/15 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

a) General: The fund is governed by the Superannuation Act 1972 and administered in accordance with the following secondary legislation:

- the LGPS (Miscellaneous Amendments) Regulations 2014
- the LGPS (Administration) Regulations 2008 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009 (as amended).

It is a contributory career average revalued earnings (CARE) scheme administered by London Borough of Hillingdon to provide pensions and other benefits for pensionable employees of the London Borough of Hillingdon and a range of other scheduled and admitted bodies within the borough.

b) Membership: Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. But since 1 February 2013 all new employees of the Council are automatically enrolled, with the option to opt out of the scheme within three months of auto enrolment.

### FUND OPERATION AND MEMBERSHIP

The Local Government Pension Scheme is a defined benefit scheme, administered under the provisions of the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Miscellaneous Amendments) Regulations 2014 to provide benefits for members and retired members. The benefits include a pension payable to former members and their dependents and an automatic lump sum retirement allowance (for any member with service pre 1 April 2008). The scheme is administered by CAPITA Employee Benefits, on behalf of the Council and the fund is a separate entity from the Council and its accounts and balance sheet are separate financial statements.

The fund is financed by contributions from the Employers, Pension Fund members and by income from the fund's investments. The Pension Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. The contributions from the London Borough of Hillingdon and other participating employers are set through the triennial actuarial valuation at a rate sufficient to meet the long-term liabilities of the fund.

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

#### Admitted Bodies:

Genuine Dining Ltd	Mitie Cleaning
Greenwich Leisure	Mitie FM
Heathrow Travel Care	Stag Security Services
Hillingdon & Ealing Citizens Advice	

#### Scheduled Bodies:

Barnhill Academy	Nanak Sar Primary School
Belmore Academy	Northwood Academy
Bishop Ramsey Academy	Pinkwell School - New in 2014/15
Bishopshalt Academy	Pentland Field School - New in 2014/15
Charville Academy	Queensmead Academy
Coteford Academy	Rosedale Hewens Academy
Cranford Park Academy	Ruislip High School - New in 2014/15
Douay Martyrs Academy	Ryefield Primary School - New in 2014/15
Eden Academy	Stockley Academy
Guru Nanak Sikh Academy	Swakeleys Academy
Harefield Academy	Willows Academy
Haydon Academy	Uxbridge College
Hillingdon Primary School - New in 2014/15	Uxbridge Academy
John Locke Academy - New in 2014/15	Vyners Academy
Lake Farm Park Federation - New in 2014/15	Wood End Academy
LBDS Frays Academy Trust	
London Housing Consortium	

# Notes To Pension Fund Accounts

## 1. DESCRIPTION OF FUND. (CONTINUED)

As at 31 March 2015 there were 8,046 active employees contributing to the fund, with 6,051 in receipt of benefit and 6,278 entitled to deferred benefits.

London Borough of Hillingdon Pension Fund	31 March 2015	31 March 2014
Number of employers with active members	40	33
<b>Number of employees in scheme</b>		
London Borough of Hillingdon	5,809	6,002
Other employers	2,237	1,522
<b>Total</b>	<b>8,046</b>	<b>7,524</b>
<b>Number of Pensioners</b>		
London Borough of Hillingdon	5,541	5,505
Other employers	510	498
<b>Total</b>	<b>6,051</b>	<b>6,003</b>
<b>Deferred pensioners</b>		
London Borough of Hillingdon	4,927	4,980
Other employers	1,351	1,331
<b>Total</b>	<b>6,278</b>	<b>6,311</b>

The pension fund investments are managed externally by fund managers: Adams Street Partners, AEW UK, Barings Asset Management (Defunded 31 October 2014) GMO Investments, JP Morgan Asset Management, Kempen International Investments, LGT Capital Partners, Macquarie Investments, Newton Asset Management, Permira LLP, Ruffer LLP, State Street Global Advisors and UBS Global Asset Management. In addition there is one direct investment in a pooled fund vehicle

The fund is overseen by the Pensions Committee, which is a committee of London Borough of Hillingdon, the administering authority. The performance of the fund managers is monitored by the Pensions Committee that consisted of the following members in 2014/15:

### Pensions Committee

Cllr Philip Corthorne (Chairman)	Cllr Tony Eginton
Cllr Michael Markham (Vice-Chairman)	Cllr Beulah East
Cllr David Simmonds	Cllr John Morse
Cllr Raymond Graham	Mr Andrew Scott (Active Scheme Member Representative) (Non Voting)
Cllr Richard Mills	Mr John Holroyd (Pensioner/Deferred Scheme Member Representative) (Non Voting)

### Pensions Board

From 01 April 2015, a local Pensions Board has been created.

## 2. BASIS OF PREPARATION

The accounts have been compiled in accordance to the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and underpinned by Local Government Pension Scheme (Management & Investments of Funds) Regulations 2009 (as amended). The accounting policies have been drawn up in line with recommended accounting principles as specified in the Code of Practice on Local Authority Accounting and disclosed below.

## 3. ACCOUNTING POLICIES

a) Accounts Preparation - The accounts have been prepared in accordance with the recommendations of CIPFA 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 for on a cash basis. Group transfers are accounted for under the agreement which they are made.

# Notes To Pension Fund Accounts

## 3. ACCOUNTING POLICIES (CONTINUED)

c) Valuation of assets - Market-quoted investments: Equities are valued at bid market prices available on the final day of the accounting period. Fixed income securities including short-term instruments are priced based on evaluated prices provided by independent pricing services. For pooled funds, if bid prices are provided by the fund administrators then these are used, otherwise 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. Unquoted investments for private placements and infrastructure are priced using discounted cash flow methodology. All assets are disclosed in the financial statements at their fair value.

d) Foreign currency translation of assets and liabilities and forward foreign exchange contracts 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 Fund 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 Net Assets Statement date.

i) Contributions - are accounted for in the period in which they fall due. Normal contributions received during the year are 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 - 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.

### Critical Judgements and Uncertainties

m) Unquoted private equity investments - Fair value of private equity investments are highly subjective in nature. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by investment managers using IFRS fair value principles and guidelines set out by the International Private Equity and Venture Capital Association (IPEV), which the British Venture Capital Association is a founding member. The Value of unquoted private equities at 31 March 2015 was £35,275k (£37,146k at 31 March 2014).

n) Assumptions made about the future and other major sources of estimation uncertainty - The Statement of Accounts contains estimated figures that are based on assumptions made by the fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the net assets statement at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines or commensurate overseas equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £35,757k. There is a risk that this investment may be under- or overstated in the accounts.

# Notes To Pension Fund Accounts

## 4. PRIOR PERIOD ADJUSTMENTS AND CHANGES IN ACCOUNTING POLICIES

Prior period adjustments have been made to the Pension Fund 2014/15 published financial statements in relation to the following:

### Accounting for Scheme Management Expenses

In 2014/15 CIPFA, through the Code of Practise on Local Authority Accounting in the United Kingdom introduced the financial accounting framework to ensure all costs associated with the management of LGPS assets are captured and reflected in the financial statement in one form or another (through either the fund accounts or changes in values in the net assets statement). The main drivers of the changes by the framework were the needs for comparable data, consistency of reported costs and transparency of costs reporting across all LGPS funds. To this end, three cost categories, Investment Management Expenses, Oversight and Governance and Pension Administration were introduced.

One of the main requirements of the revised code of practise in relation to fund expenses is the reporting of pooled fund expenses. Practitioners are expected to disclose all expenses incurred both at partnership and fund of funds level. This prompted the need to seek information from all pooled fund managers engaged by the fund in relation to total fees and expenses charged to the fund at both levels and comparative figures for prior year was requested for completeness. The information received indicated fees and expenses for both private Equity managers engaged by the London Borough of Hillingdon Pension Fund were understated for prior year (2013/14), hence the relevant restatements were made to the fund accounts and notes to both comply with the three new management expenses categories and provide comparative figures for prior year.

### Restatement of Pension Fund Accounts

	Published 31 March 2014 £000's	Restatement £000's	Restated 31 March 2014 £000's
Contributions	35,099		35,099
Transfers In from other pension funds	750		750
Less: Benefits	(34,748)		(34,748)
Less: Leavers	(2,890)		(2,890)
Less: Administrative expenses	(610)	610	
Less: Management expenses		(5,981)	(5,981)
<b>Net additions/(withdrawals) from dealings with members</b>	<b>(2,399)</b>	<b>(5,371)</b>	<b>(7,770)</b>
Investment income	15,546		15,546
Profit and losses on disposal of investments and changes in value of investments	34,113	1,602	35,715
Taxes on income	(7)		(7)
Investment management expenses	(3,769)	3,769	
<b>Net return on investments</b>	<b>45,883</b>	<b>5,371</b>	<b>51,254</b>
<b>Net Increase in the fund during the year</b>	<b>43,484</b>	<b>0</b>	<b>43,484</b>
<b>Net Assets at start of year</b>	<b>683,052</b>		<b>683,052</b>
<b>Net Assets at end of year</b>	<b>726,536</b>		<b>726,536</b>

# Notes To Pension Fund Accounts

## 5. CONTRIBUTIONS

	31 March 2015 £000's	31 March 2014 £000's
<b>Employers</b>		
Normal	23,621	21,098
Deficit funding	4,576	5,160
<b>Members</b>		
Normal	8,410	8,133
Additional contributions	776	708
	<b>37,383</b>	<b>35,099</b>

Deficit Funding:- At the actuarial valuation on 31 March 2013 the fund was 72% funded, with the remaining 28% deficit to be recovered over a period of 25 years with a common contribution rate of 28.7%.

### Schedule of contributions by body

	31 March 2015 £000's	31 March 2014 £000's
<b>Employers</b>		
LB Hillingdon	20,827	20,733
Scheduled Bodies	7,081	5,250
Admitted Bodies	289	275
<b>Members</b>		
LB Hillingdon	7,151	6,983
Scheduled Bodies	1,938	1,765
Admitted Bodies	97	93
	<b>37,383</b>	<b>35,099</b>

## 6. TRANSFERS IN

	31 March 2015 £000's	31 March 2014 £000's
Individual transfers in from other schemes	1,164	750

## 7. BENEFITS

	31 March 2015 £000's	31 March 2014 £000's
Pensions	(29,862)	(28,114)
Commutations and lump sum retirement benefits	(4,521)	(6,105)
Lump sum death benefits	(65)	(529)
	<b>(34,448)</b>	<b>(34,748)</b>

### Schedule of benefits by employer

	31 March 2015 £000's	31 March 2014 £000's
LB Hillingdon	(33,985)	(34,205)
Scheduled Bodies	(416)	(450)
Admitted Bodies	(47)	(93)
	<b>(34,448)</b>	<b>(34,748)</b>



# Notes To Pension Fund Accounts

## 8. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	31 March 2015 £000's	31 March 2014 £000's
Individual transfers out to other schemes	1,365	2,890
	<b>1,365</b>	<b>2,890</b>

## 9. MANAGEMENT EXPENSES

The administering authority incurred costs in managing the fund for the period ending 31 March 2015 as follows:

	31 March 2015 £000's	Restated 31 March 2014 £000's
Administrative Costs	534	525
Investment Management Expenses	5,995	5,242
Oversight and Governance	305	214
	<b>6,834</b>	<b>5,981</b>

The above analysis of the costs of managing the London Borough of Hillingdon Pension Fund has been prepared in accordance with the CIPFA guidance on LGPS management costs.

## 10. INVESTMENT INCOME

	31 March 2015 £000's	31 March 2014 £000's
Dividends from equities	6,672	6,668
Income from fixed interest Securities	107	40
Income from index-linked securities	205	334
Income from pooled investment vehicles	1,833	1,818
Interest on cash deposits	83	157
Other (for example from stock lending or underwriting)	7,987	6,529
	<b>16,887</b>	<b>15,546</b>

## 11. INVESTMENT ASSETS

	Value 1 April 2014 £000's	Purchases at cost £000's	Sales proceeds £000's	Change in market value £000's	Value 31 March 2015 £000's
Equities	148,058	29,090	(44,510)	3,684	136,322
Index-linked securities	41,191	36,172	(21,355)	8,826	64,834
Pooled investment vehicles	516,357	130,560	(124,264)	47,380	570,033
	<b>705,606</b>	<b>195,822</b>	<b>(190,129)</b>	<b>59,890</b>	<b>771,189</b>
Other investment balances	1,131			4,130	913
Fund managers' cash	18,373			(1,038)	28,867
<b>Total Investment Assets</b>	<b>725,110</b>			<b>62,982</b>	<b>800,969</b>

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. The carrying amount of all assets is quoted at fair value.

Transaction costs are included in the cost of purchases and sale proceeds. These include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £218k (£539k in 2013/14). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

# Notes To Pension Fund Accounts

## 11. INVESTMENT ASSETS (CONTINUED)

### Investment Assets and Liabilities by Fund Manager

Fund Manager	Market Value 31 March 2015 £000's	Market Value 31 March 2014 £000's Restated
Adams Street Partners	22,988	21,199
AEW UK	24,623	0
Barings Global Asset Management (Defunded 31 October 2014)	0	63,046
GMO	65,729	0
JP Morgan Asset Management	38,447	77,397
Kempen International Investments	87,276	77,307
LGT Capital Partners	12,769	15,945
M&G Investments	32,965	25,822
Macquarie Infrastructure	13,886	5,270
Newton Asset Management	27,173	23,618
Permira Credit Solutions	4,029	0
Ruffer LLP	94,758	84,447
State Street Global Advisors	161,566	143,802
UBS Global Asset Management (Equities)	104,844	115,829
UBS Global Asset Management (Property)	64,119	54,368
UBS TAA	31,742	12,768
Other*	12,846	3,643
<b>Total</b>	<b>799,760</b>	<b>724,461</b>

\* Other includes pending trades, accrued income and cash held in Custody accounts, independent of Fund managers not mandated to hold cash.

### Forward Foreign Exchange Contracts

Counterparty and Currency	Bought £000's	Sold £000's	Unrealised Change £000's	Trade Date	Settle Date
Northern Trust GBP - JPY	11,410	(11,496)	(86)	13/01/2015	17/04/2015
Northern Trust JPY - GBP	2,485	(2,482)	3	22/01/2015	17/04/2015
Northern Trust JPY - GBP	3,352	(3,368)	(16)	30/01/2015	17/04/2015
Northern Trust JPY - GBP	4,349	(4,383)	(34)	02/02/2015	17/04/2015
Northern Trust GBP - JPY	1,546	(1,582)	(36)	16/02/2015	17/04/2015
Northern Trust GBP - USD	20,492	(21,044)	(552)	11/02/2015	15/05/2015
Northern Trust GBP - USD	461	(478)	(17)	02/03/2015	15/05/2015
Northern Trust GBP - EUR	2,216	(2,224)	(8)	09/03/2015	12/06/2015
<b>Total unrealised gains</b>	<b>46,311</b>	<b>(47,057)</b>	<b>(746)</b>		

As at 31 March 2015 eight forward foreign exchange contracts were in place for £47,057k with unrealised loss of £746k. The objective of these contracts is to offset exposure to changes and fluctuations in currency exchange rates with the goal of minimising exposure to unwanted risk. Any gain or loss in the contract will be offset by an equivalent movement in the underlying asset value if converted into sterling.

### Investment Assets by Asset Class

	31 March 2015 £000's	31 March 2014 £000's
<b>Equities</b>		
UK quoted	108,883	121,335
Overseas quoted	27,439	26,723
	<b>136,322</b>	<b>148,058</b>
<b>Index Linked Securities</b>		
UK Public Sector quoted	17,642	14,006
Overseas Public Sector Quoted	47,192	21,357
	<b>64,834</b>	<b>35,363</b>
<b>Pooled Investment Vehicles</b>		
UK Managed funds - other	351,510	364,199
UK Unit Trusts - property	87,738	50,427
Overseas Unit Trusts - other	95,028	70,413
Private Equity	35,757	37,146
	<b>570,033</b>	<b>522,185</b>
<b>Other Investment balances</b>		
Forward foreign exchange unrealised gain	0	288
Amount due from brokers	3	0
Outstanding dividend entitlements and recoverable withholding tax	910	843
	<b>913</b>	<b>1,131</b>
<b>Cash deposits</b>		
Sterling	28,867	18,373
	<b>28,867</b>	<b>18,373</b>
	<b>800,969</b>	<b>725,110</b>

NB: There are no investments that are more than 5% of the Net Asset Value

# Notes To Pension Fund Accounts

## 11. INVESTMENT ASSETS (CONTINUED)

### AVC Investments

Additional voluntary contributions paid by scheme members are not included in the accounts in accordance with Regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998. The additional voluntary contributions are paid by scheme members directly to Prudential Assurance Company, which manage these monies independently of the fund and, as determined by the fund actuary, do not form part of the fund valuation.

According to information provided by Prudential, the fund's AVC provider, value of assets under management as at 31 March 2015 was £6,488k and as at 31 March 2014 £6,444k (2013/14 restated to include bonus of £1,410k). Any transfer of additional contributions into the fund during the year are included in the employee contributions value as detailed in note 5.

## 12. INVESTMENT LIABILITIES

	31 March 2015 £000's	31 March 2014 £000's
Amount outstanding to brokers	(463)	(649)
Forward foreign exchange unrealised loss	(746)	0
	<b>(1,209)</b>	<b>(649)</b>

## 13. CURRENT ASSETS

	31 March 2015 £000's	31 March 2014 £000's
Employers' contributions due	391	197
Employees' contributions due	111	65
Debtor: London Borough of Hillingdon	0	266
Debtor: Other Entities	0	7
Cash balances	2,689	2,267
	<b>3,191</b>	<b>2,802</b>

NB: The current assets all relate to amounts due from local government bodies with the exception of cash balances which is held with bodies external to government.

## 14. CURRENT LIABILITIES

	31 March 2015 £000's	31 March 2014 £000's
Creditor: Other Entities	(394)	(721)
Creditor: London Borough of Hillingdon	(257)	(6)
	<b>(651)</b>	<b>(727)</b>

NB: The total of £394k other entities is due to bodies external to government, namely investment managers.

# Notes To Pension Fund Accounts

## 15. FINANCIAL INSTRUMENTS

### a) Classification of Financial Instruments

	31 March 2015 £000's	31 March 2014 £000's
<b>Financial Assets</b>		
Fixed Interest Securities	57,833	35,363
Equities	136,322	148,058
Pooled Investments	439,607	429,343
Pooled Property Investments	87,743	50,427
Private Equity/Infrastructure	49,684	42,415
Derivative Contracts	0	288
Cash	28,867	18,373
Debtors	913	843
	<b>800,969</b>	<b>725,110</b>
<b>Financial Liabilities</b>		
Derivative Contracts	(746)	0
Creditors	(463)	(649)
	<b>(1,209)</b>	<b>(649)</b>
	<b>799,760</b>	<b>724,461</b>

### b) Net Gains and Losses on Financial Instruments

	31 March 2015 £000's	Restated 31 March 2014 £000's
<b>Financial Assets</b>		
Fair Value through profit and loss	63,742	35,427
<b>Financial Liabilities</b>		
Fair Value through profit and loss	(746)	288
	<b>62,996</b>	<b>35,715</b>

### c) Fair Value of Financial Instruments and liabilities

	31 March 2015 Fair Value £000's	31 March 2015 Carrying Value £000's	31 March 2014 Fair Value £000's	31 March 2014 Carrying Value £000's
<b>Financial Assets</b>				
Fair Value through profit and loss	771,189	771,189	705,606	705,606
Loans and receivables	29,780	29,780	19,504	19,504
<b>Total Financial assets</b>	<b>800,969</b>	<b>800,969</b>	<b>725,110</b>	<b>725,110</b>
<b>Financial Liabilities</b>				
Fair Value through profit and loss	(1,209)	(1,209)	(649)	(649)
Loans and receivables	0	0	0	0
<b>Total Financial Liabilities</b>	<b>(1,209)</b>	<b>(1,209)</b>	<b>(649)</b>	<b>(649)</b>

# Notes To Pension Fund Accounts

## 15. FINANCIAL INSTRUMENTS (CONTINUED)

### d) Valuation of financial instruments carried at fair value

Values as at 31 March 2015	Quoted	Using Observable	With Significant	Totals
	Market Price	Inputs	unobservable inputs	
	Level 1	Level 2	Level 3	
	£000's	£000's	£000's	£000's
Financial assets at fair value through profit and loss	596,838	87,716	86,635	771,189
Loans and Receivables	16,183	8,527	5,070	29,780
<b>Total Financial Assets</b>	<b>613,021</b>	<b>96,243</b>	<b>91,705</b>	<b>800,969</b>
<b>Financial Liabilities</b>				
Financial Liabilities at fair value through profit and loss	(1,209)	0	0	(1,209)
<b>Total Financial Liabilities</b>	<b>(1,209)</b>	<b>0</b>	<b>0</b>	<b>(1,209)</b>
<b>Net Financial Assets</b>	<b>611,812</b>	<b>96,243</b>	<b>91,705</b>	<b>799,760</b>

Values as at 31 March 2014	Quoted	Using Observable	With Significant	Totals
	Market Price	Inputs	unobservable inputs	
	Level 1	Level 2	Level 3	
	£000's	£000's	£000's	£000's
Financial assets at fair value through profit and loss	586,941	50,427	68,238	705,606
Loans and Receivables	12,316	3,940	3,248	19,504
<b>Total Financial Assets</b>	<b>599,257</b>	<b>54,367</b>	<b>71,486</b>	<b>725,110</b>
<b>Financial Liabilities</b>				
Financial Liabilities at fair value through profit and loss	(649)	0	0	(649)
<b>Total Financial Liabilities</b>	<b>(649)</b>	<b>0</b>	<b>0</b>	<b>(649)</b>
<b>Net Financial Assets</b>	<b>598,608</b>	<b>54,367</b>	<b>71,486</b>	<b>724,461</b>

## 16. PRIVATE EQUITY VALUATIONS

The Investment Sub Committee (ISC) undertook a review of the valuation processes for the Private Equity funds managed by Adams Street Partners and LGT Partners on behalf of the London Borough of Hillingdon Pension Fund and considered their valuation processes adopted for illiquid markets. The ISC were assured that the valuation processes are rigorous and result in valuations that, within materiality, represents fair value at the reporting date.

## 17. NATURE & EXTENT OF EXPOSURE TO RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Risk and risk management

The fund's primary long-term risk is that the fund's assets will fall short of its liabilities. Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency and interest rate risks) and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows.

Responsibility for the fund's risk management strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

**Market risk** - The risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. To mitigate against market risk the Pension Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories. The management of the assets are placed with a number of fund managers with different performance targets and investment strategies. Each Fund manager is expected to maintain a diversified portfolio in each asset class. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to Pensions Committee where they are monitored and reviewed.

# Notes To Pension Fund Accounts

## 17. NATURE & EXTENT OF EXPOSURE TO RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Other price risk - Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instruments or its issuer or factors affecting all such instruments in the market. The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the fund investment strategy statement.

### Other price risk - Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, the fund has determined that the following movements in market price risk are reasonably possible for the 2014/15 reporting period.

Asset Type	Potential market movements (+/-)
UK quoted equities	10.20%
Overseas quoted equities	7.93%
UK Public Sector quoted Index-Linked Securities	8.26%
Overseas Public Sector quoted Index-Linked Securities	8.26%
Corporate Bonds	4.10%
UK Managed funds - other	10.20%
UK Unit Trusts - property	3.16%
Overseas Unit Trusts - other	7.93%
Private Equity/Infrastructure	4.57%

The potential price changes disclosed above are broadly consistent with a one-third standard deviation movement in the value of the assets. The analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows:

# Notes To Pension Fund Accounts

## 17. NATURE & EXTENT OF EXPOSURE TO RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Asset type	Value as at	Percentage Change	Value on Increase	Value on Decrease
	31 March 2015			
	£000's	%	£000's	£000's
<b>Cash and Cash equivalents</b>	28,867	0.01	29,156	28,578
<b>Investment Assets</b>				
UK quoted equities	108,883	10.20	119,989	97,777
Overseas quoted equities	27,439	7.93	29,615	25,263
UK Public Sector quoted Index-Linked Securities	17,642	8.26	19,099	16,185
Overseas Public Sector quoted Index-Linked Securities	47,192	8.26	51,090	43,294
UK Managed funds - Equities	101,728	10.20	112,104	91,352
UK Managed funds - Bonds	67,314	4.10	70,074	64,554
UK Unit Trusts - property	87,738	3.16	90,511	84,965
Overseas Unit Trusts - Equities	223,217	7.93	240,918	205,516
Overseas Unit Trusts - Bonds	40,352	4.10	42,006	38,698
Private Equity/Infrastructure	49,684	4.57	51,955	47,413
Net Derivative assets	(746)	0.00	(746)	(746)
Investment income due	910	0.00	910	910
Amounts receivable for sales	3	0.00	3	3
Amounts payable for purchases	(463)	0.00	(463)	(463)
<b>Total Assets Available to pay benefits</b>	<b>799,760</b>		<b>856,221</b>	<b>743,299</b>

Asset type	Value as at	Percentage Change	Value on Increase	Value on Decrease
	31 March 2014			
	£000's	%	£000's	£000's
<b>Cash and Cash equivalents</b>	18,373	0.00	18,373	18,373
<b>Investment Assets</b>				
UK quoted equities	121,335	11.73	135,568	107,102
Overseas quoted equities	26,723	9.97	29,387	24,059
UK Public Sector quoted Index-Linked Securities	14,006	6.73	14,949	13,063
Overseas Public Sector quoted Index-Linked Securities	21,357	6.73	22,794	19,920
UK Managed funds - Equities	155,020	11.73	173,204	136,836
UK Managed funds - Bonds	68,407	4.11	71,219	65,595
UK Unit Trusts - property	50,427	2.38	51,627	49,227
Overseas Unit Trusts - Equities	136,622	9.97	150,243	123,001
Overseas Unit Trusts - Bonds	69,294	4.11	72,142	66,446
Private Equity/Infrastructure	42,415	5.41	44,711	40,121
Net Derivative assets	288	0.00	288	288
Investment income due	843	0.00	843	843
Amounts receivable for sales	0	0.00	0	0
Amounts payable for purchases	(649)	0.00	(649)	(649)
<b>Total Assets Available to pay benefits</b>	<b>724,461</b>		<b>784,698</b>	<b>664,225</b>

# Notes To Pension Fund Accounts

## 17. NATURE & EXTENT OF EXPOSURE TO RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

**Interest Rate Risk** is the risk to which the Pension Fund is exposed to changes in interest rates and relates to its holdings in bonds and cash. Based on interest received on fixed interest securities, cash balances and cash and cash equivalents.

The fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

<b>Asset Type</b>	<b>31 March 2015 £000's</b>	<b>31 March 2014 £000's</b>
Cash	28,867	18,373
Fixed Interest Securities	172,500	173,064
<b>Total</b>	<b>201,367</b>	<b>191,437</b>

**Interest rate risk sensitivity analysis** - The fund recognises that interest rates can vary and can affect both income to the fund and the value of net assets available to pay benefits. A 100 basis points (1%) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

<b>Asset Type</b>	<b>Carrying amount 31 March 2015</b>	<b>Change in the net assets available to pay benefits</b>	
		<b>1%</b>	<b>-1%</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Cash	28,867	289	(289)
Fixed Interest Securities	172,500	1,725	(1,725)
<b>Total change in assets available</b>	<b>201,367</b>	<b>2,014</b>	<b>(2,014)</b>

<b>Asset Type</b>	<b>Carrying amount as 31 March 2014</b>	<b>Change in the net assets available to pay benefits</b>	
		<b>1%</b>	<b>-1%</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Cash	18,373	184	(184)
Fixed Interest Securities	173,064	1,730	(1,730)
<b>Total change in assets available</b>	<b>191,437</b>	<b>1,914</b>	<b>(1,914)</b>

Currency Risk is the risk to which the Pension fund is exposed to fluctuations in foreign currency exchange rates.

The Pension Fund has the ability to set up a passive currency hedge where these risks are perceived to be adverse. As at 31 March 2015 the Fund had no currency hedge in place for those managers who do not hedge their own portfolios. The following table summarises the fund's currency exposure as at 31 March 2015 and as at the previous period ending 31 March 2014.



# Notes To Pension Fund Accounts

## 17. NATURE & EXTENT OF EXPOSURE TO RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

### Currency exposure by asset type

	Asset value 31 March 2015	Asset value 31 March 2014
	£000's	£000's
Overseas quoted Securities	36,181	26,723
Overseas Corporate Bonds	31,869	69,294
Overseas Index-linked Bonds	40,191	21,357
Overseas managed funds	228,144	136,622
Private Equity/Infrastructure	49,684	42,415
	<b>386,069</b>	<b>296,411</b>

**Currency risk sensitivity analysis** - Following analysis of historical data in consultation with WM Company, the funds data provider. The Fund considers the likely volatility associated with foreign exchange rate movements to be 6.03%, based on the data provided by WM. A 6.03% fluctuation in the currency is considered reasonable based on WM's analysis of historical movements in month end exchange rates over a rolling twelve month period. This analysis assumes that all variables, in particular interest rates, remain constant. A 6.03% strengthening/weakening of the pound against various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

### Currency exposure by asset type

	Asset value 31 March 2015	Change in the net assets available to pay benefits	
		+6.03%	-6.03%
	£000's	£000's	£000's
Overseas quoted Securities	36,181	38,363	33,999
Overseas Corporate Bonds	31,869	33,791	29,947
Overseas Index-linked Bonds	40,191	42,615	37,767
Overseas managed funds	228,144	241,901	214,387
Private Equity/Infrastructure	49,684	52,680	46,688
	<b>386,069</b>	<b>409,349</b>	<b>362,789</b>

### Currency exposure by asset type

	Asset value 31 March 2014	Change in the net assets available to pay benefits	
		+4.32%	-4.32%
	£000's	£000's	£000's
Overseas quoted Securities	26,723	27,877	25,569
Overseas Corporate Bonds	69,294	72,288	66,300
Overseas Index-linked Bonds	21,357	22,280	20,434
Overseas managed funds	136,622	142,524	130,720
Private Equity/Infrastructure	42,415	44,247	40,583
	<b>296,411</b>	<b>309,216</b>	<b>283,606</b>

# Notes To Pension Fund Accounts

## 17. NATURE & EXTENT OF EXPOSURE TO RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

**Credit Risk** - The risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation.

The Pension Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivative position, where the risk equates to the net market value of a positive derivative position. Credit risk can be minimised through careful selection of high quality counterparties, brokers and financial institutions. The Pension Fund is also exposed to credit risk through Securities Lending, Forward Currency Contracts and its daily treasury activities. The Securities Lending programme is run by the Fund's custodian Northern Trust who assign four different risk management oversight committees to control counterparty risk, collateral risk and the overall securities lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending on the type of transaction. To further mitigate risks, the collateral held on behalf of the Pension Fund is ring fenced from Northern Trust. Securities lending is capped by investment regulations and statutory limits are in place to ensure no more than 25% of eligible assets can be on loan at any one time.

Forward Currency Contracts are with Northern Trust which holds a strong Standard & Poors credit rating of AA-. Their financial stability across a wide array of market and economic cycles is demonstrated by the fact that they have held this rating for the past twenty years. Their continued balance sheet strength and ratings outlook reflects the diversity of business, consistent financial performance and conservative approach. Their credit rating is regularly monitored along with market indicators and media coverage to ensure their credit worthiness is maintained.

The prime objective of the pension fund treasury management activity is the security of principal sums invested. As such it will take a prudent approach to organisations employed as the banker and deposit taker. The Pension Fund will ensure it has adequate but not excessive cash resources in order to meet its objectives. The bank accounts are held with HSBC which holds a AA- long term credit rating (or equivalent) and Natwest (A-) across three rating agencies and they maintain their status as well capitalised and strong financial organisations. Deposits are placed in the AAAM rated Northern Trust Money Market Fund ring fenced from the administering company. Credit ratings, market indicators and media coverage are monitored to ensure credit worthiness is maintained. The fund's cash holding under its treasury management arrangements at 31 March 2015 was £2,689k (31 March 2014: £2,267k) and this was held with the following institutions.

Summary	Rating	Balances as at 31 March 2015 £000's	Rating	Balances as at 31 March 2014 £000's
<b>Money market funds</b>				
Northern Trust Global Sterling Fund A	AAAm	1,700	AAAm	200
<b>Bank current accounts</b>				
Natwest (Capita)	A-	838	A-	949
HSBC Plc	AA-	151	AA-	1,118
<b>Total</b>		<b>2,689</b>		<b>2,267</b>

**Liquidity Risk** - The risk the Pension Fund will have difficulties in paying its financial obligations when they fall due.

The Pension Funds holds a working cash balance in its own bank accounts (HSBC and Natwest - Capita) and Money Market Fund to which it has instant access to cover the payment of benefits and other lump sum payments (£2,689k). At an investment level the fund holds a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As at the 31 March 2015 these assets totalled £596,838k, with a further £28,867k held in cash by fund managers.

# Notes To Pension Fund Accounts

## 18. ACTUARIAL POSITION

The Fund's actuary, Hymans Robertson, carried out the latest triennial actuarial valuation of the fund as at 31 March 2013. On the basis of the assumptions adopted, the valuation showed that the value of the fund represented 72% of the fund's accrued liabilities at the valuation date. The total net assets of the fund at 31 March 2013 was £683,052k. The value of the deficit at that date was £266,000k.

The valuation exercise resulted in the revision of employers' contribution rates set to recover the deficiency over a period of 25 years. The total common contribution rate is 28.7% for the period of 1 April 2014 to 31 March 2017.

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

Price Inflation (CPI) - 2.50%

Funding Basis Discount Rate - 4.60%

Pay Increases - 3.30%

## 19. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

Following the introduction of IFRS the fund is now required under IAS 26 to disclose the actuarial present value of promised retirement benefits. The calculation of this disclosed amount must be determined in accordance with IAS 19. The general financial assumptions used in preparing the IAS26 valuation are summarised below:

Description	31 March 2015 % P.a.	31 March 2014 % P.a.
Inflation /Pensions Increase Rate	2.4%	2.8%
*Salary Increase Rate	3.3%	3.6%
Discount Rate	3.2%	4.3%

\*Salary increase are assumed to be 1% p.a. until 31 March 2015 reverting to long term assumption shown thereafter

An IAS 26 valuation was carried out for the fund as at 31 March 2015 by Hymans Robertson LLP with the following results:

Description	31 March 2015 £000's	31 March 2014 £000's
Present Value of Promised Retirement Benefits	1,308,000	1,102,000
Assets	802,485	726,536
Deficit	505,515	375,464

These figures are presented for the purposes of IAS 26 only. They are not relevant for the calculations undertaken for funding purposes or other statutory purposes under UK pensions legislation. This item is not recognised in the Net Asset Statement, hence is considered not to be in opposition to the assertion included in the Net asset Statement surrounding future liabilities of the fund.

## 20. RELATED PARTY TRANSACTIONS

It is required under IAS 24 "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 (4) to the Pension Fund accounts.

No senior officers or Pension committee member had any interest with any related parties to the pension fund.

# Notes To Pension Fund Accounts

## 20. RELATED PARTY TRANSACTIONS (CONTINUED)

### Governance

There were two members of the pension fund committee who were deferred members of the pension fund. These members are Cllr Philip Corthorne (Chairman) and Cllr David Simmonds. Each member is required to declare their interest at each meeting.

### Key management personnel

Two key employees of the London Borough of Hillingdon hold key positions in the financial management of the London Borough of Hillingdon Pension Fund. These employees and their financial relationship with the fund (expressed as cash-equivalent transfer values) are set out below:

	Accrued pension 31 March 2015 £000's	Accrued pension 31 March 2014 £000's
Corporate Director of Finance	1,241	1,128
Deputy Director - Strategic Finance	741	672

## 21. 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 2015, securities worth £12,588k were on loan by Northern Trust from our portfolio and collateral worth £13,757k was held within the pool including Hillingdon. In the same period, a net income of £24k was received.

## 22. 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](http://www.hillingdon.gov.uk) and included in the Annual Report.

## 23. BULK TRANSFER

There were no bulk transfers into or out of the Fund during the financial year 2014/15.

## 24. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) as at 31 March 2015 totalled £56,975k (31 March 2014: £61,506k). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the Private Equity, M&G, Infrastructure, secondary property (AEW) and Credit solutions (Permira) parts of the portfolio. The amounts called by these funds vary both in size and timing over a period of between four and six years from the date of each original

## 25. CONTINGENT ASSETS

Three admitted body employers in the London Borough of Hillingdon Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in event of employer default.

## 26. POST BALANCE SHEET EVENTS

No Post Balance Sheet events to report for 2014/15

# London Borough of Hillingdon

## Annual Governance Statement 2014/15

### 1 Scope of Responsibility

The London Borough of Hillingdon (LBH) 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. LBH 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, LBH is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions that include arrangements for the management of risk.

LBH follows an approach to corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework '*Delivering Good Governance in Local Government*'. The authority's constitution is on its website at [www.Hillingdon.gov.uk](http://www.Hillingdon.gov.uk). This statement explains how the authority has met the requirements of Regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement.

### 2 The Purpose of the Governance Framework

The governance framework comprises the systems, processes, 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 LBH'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 LBH for the year ended 31 March 2015 and up to the date of approval of the 2014/15 Statement of Accounts.

### 3 The Governance Framework

LBH 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.

- 1 **The London Borough of Hillingdon's Constitution**, 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. The constitution is regularly reviewed at full Council meetings and also more comprehensively on an annual basis at each AGM, as required.
- 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. There is an ethical framework governing the conduct of members and co-opted members, introduced by the Localism Act 2011, which came into force on 1<sup>st</sup> July 2012. The

## 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.

**ACCUMULATED ABSENCES ACCOUNT** - Absorbs the differences arising from the statutory requirement to neutralise the impact on the General Fund Balance of accruing for compensated absences earned but not taken in year.

**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.

**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**, **NON CURRENT ASSET**, **INFRASTRUCTURE ASSETS** and **ASSETS HELD FOR SALE**.

**ASSETS HELD FOR SALE** - Assets that are being actively marketed for sale and are expected to be sold within the next financial year.

**BAD DEBT PROVISION** - Amounts 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.

**CASH EQUIVALENT** - Amounts held as short term deposits which are readily convertible into cash.

**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 Council'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.

**CREDITORS / PAYABLES** - Amounts owed by the authority for goods and services received where payment has not been made at the date of the balance sheet.

**CREDIT RISK** - Risk that other parties might fail to pay amounts due to the council

**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.

**DEBTORS / RECEIVABLES** - 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.

**GENERAL FUND RESERVE** - amounts remaining unspent on revenue account after taking account of all expenditure and income for the year. The General Fund 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 an entity 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.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)** - Statutory guidelines by which the accounts have to be prepared, implemented for the first time in the 2010/11 accounts.

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

**INVESTMENT PROPERTIES** - Assets held solely for capital appreciation or to earn rental and not to meet service objectives.

**INVESTMENTS** - Short-term investments are those maturing within one year if the balance sheet date, any investments maturing more than one year after the balance sheet date are treated as long-term investments.

**LOANS AND RECEIVABLES** - Financial assets (excluding derivatives) that have fixed or determinate payments and that are not quoted in any 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.

**LIQUIDITY RISK** - The risk that the council might not have funds available to meet its commitments to make payments.

**MARKET RISK** - The risk that the council will loss out financially as a result in market factors such as interest rates or stock market movements.

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

**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.

**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** - Expected increases 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** - Material adjustments applicable to prior years arising from changes in accounting policies or to correct 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** - Relationships 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 1<sup>st</sup> 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.

**SERCOP** - Service Reporting Code of Practice which defines what items consist within total cost and defines the service allocation within the Comprehensive Income and Expenditure Statement

**SOLACE** - Society of Local Authority Chief Executives

**SPECIFIC GRANTS** - These are grants paid by various government departments outside the main formula. They include ring-fenced grants and specific formula grants. Specific grants can only be spent within the service in which they are intended.

**SURPLUS ASSETS** - Assets which are no longer in use by the Authority but which are not being actively marketed and are not expected to be sold within the next financial year.

**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.

**USABLE RESERVES** - Balances held by the Council which can be used to meet service expenditure.

**UNUSABLE RESERVES** - Balances held by the Council which cannot be used to meet service expenditure

**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** - Cost of work done on an uncompleted project at the balance sheet date.

**YIELD** - The amount of cash (in percentage terms) for the return on investing activities

governance arrangements for Hillingdon comprise:

- A structure of the Leader of the Council, a Cabinet and Policy Overview and Scrutiny Committees;
  - A Corporate Management Team;
  - Senior Management Teams;
  - The Audit Committee, led by an independent chairman; and
  - Standards Committee and a Code of Conduct for Members and Co-opted Members.
- 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. This is regularly updated to reflect changes to Cabinet Member portfolio responsibilities in line with business priorities and Director's responsibilities. Executive decision-making is transparent and undertaken in accordance with regulations and the law, with flexibility for urgent decisions. Cabinet meetings are open to the public and media to attend and report on.
- 4 Part 2, articles 6 and 8 (including Part 4,E) set out how the Council's non-executive decisions by Members are taken. **Policy Overview and Scrutiny Committees** undertake regular monitoring of services, performance and the budget and an annual programme of major Member-led service reviews involving witness testimony aimed at influencing executive policy. Statutory scrutiny of health and police bodies is undertaken annually. Regulatory decisions on planning, licensing and related matters are undertaken judiciously by experienced and trained Elected Councillors, in accordance with the Council's high ethical standards. A Major Applications Planning Committee established in 2013 has strengthened the way the Council determines major developments and commercial/ business applications.
- 5 Part 2, article 8 also sets out how the Authority works with its partners in Hillingdon through the **Health and Wellbeing Board**, which is chaired by the Leader of the Council and meets the requirements of the Health and Social Care Act 2012. The Health and Wellbeing Board seeks to improve the quality of life of the local population and provide high-level collaboration between the Council, NHS and other agencies to develop and oversee the strategy and commissioning of local health services.
- 6 Part 3 of the Constitution sets out the '**Scheme of Delegations to Officers**'. This governs the responsibility allocated to officers of LBH to perform the authority's activities. These include the Chief Executive, Borough Solicitor and Head of Democratic Services and the schemes are updated when required to reflect the changes to Director's responsibilities in line with business priorities. Within this, each Directorate has individual Schemes of Delegations, setting out how Directors' responsibilities are sub-delegated.
- 7 Part 5 of the Constitution sets out formal '**Codes of Conduct**' governing the behaviour and actions of all elected Council members and Council officers. A 'Code of Conduct for Members and Co-opted Members' was adopted in July 2012. The code requires that councillors conduct themselves appropriately to fulfil their duties and that any allegations of misconduct are investigated. There is a separate 'Code of Conduct for Employees', which applies to all Council officers and is part of their contract of employment. The authority regularly reviews the code and guidance to ensure these requirements reflect changes to the Council structure. A revised Code of Conduct for Officers and Protocol for Member / Officer Relations were approved by full Council in February 2015.
- 8 The Council, as opposed to adopting a Code of Corporate Governance, ensures that Hillingdon's governance structure, decision making process and areas of responsibility are covered in the Council's Constitution and Schemes of Delegation.
- 9 **A Member training programme** is devised for each municipal year. Training for all Members on the revised Code of Conduct took place after the local elections (May 2014), delivered by

the Borough Solicitor and Head of Democratic Services. Complaints about alleged breaches of the Code are handled in accordance with the requirements of the Localism Act 2011. A Whips Protocol has been introduced as part of the new framework and complainants are now expected to use it first, with complaints only to be escalated to the Monitoring Officer and Standards Committee if they cannot be resolved through this process. The Council has also put in place an induction and training programme for Members along with specific training on scrutiny, planning and licensing rules. Specific training for members of the Audit Committee is planned to be addressed during 2015/16.

- 10 **Member 'Register of Interests'** records the interests of elected members of the London Borough of Hillingdon. There is a separate 'Related Parties' register that all members and relevant senior officers are required to complete each year declaring the relationship and nature of any related party transactions, which the authority has entered into.
- 11 **A Member / Officer Protocol** to govern and regulate the relationship between the London Borough of Hillingdon's elected members and appointed officers is in place. This has been developed in consultation with the political leadership, all Council members and relevant senior officers. It was revised and re-adopted by Council in February 2015.
- 12 **A formal whistleblowing policy**, which sets out how the Council complies with the Public Interest Disclosure Act 1998, 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. An Internal Audit assurance review in September 2014 identified some areas requiring improvements relating to the process surrounding the recording of whistleblowing allegations to ensure the right officers are promptly notified and sufficient records are maintained. Work is ongoing to strengthen arrangements in this area.
- 13 **The London Borough of Hillingdon** has set out its vision of 'Putting Our Residents First' and established four priority themes for delivering efficient, effective and value for money services. The priority themes are; 'Our People, 'Our Heritage, 'Our Environment' and 'Sound Financial Management'. The delivery of these priorities will be achieved through a combination of strategic management programmes, which include: the Hillingdon Improvement Programme, Business Improvement Delivery programme and the financial and service planning process (Medium Term Financial Forecast).
- 14 **The Hillingdon Improvement Programme (HIP)** is Hillingdon's strategic improvement programme which aims to deliver excellence as set out in the Council vision – 'Putting Our Residents First'. The HIP Vision is to build a more customer focused organisation, to modernise business processes and to free up resources to provide improved services for our residents. HIP has helped to change the culture of the organisation and to improve the services delivered to residents. This can be evidenced through the high satisfaction rates received from residents about customer care, waste and recycling services, libraries, our primary and secondary schools and how well they feel informed, through regular feedback. HIP is consistently trying to improve Hillingdon by continuing to deliver a range of innovative projects, drive forward major cultural change and enhance Hillingdon's reputation. The programme is led by the Leader of the Council, and the Chief Executive and Corporate Director for Administration is the Programme Director. Cabinet members and directors are also responsible for specific HIP projects.
- 15 **The Business Improvement Delivery (BID)** programme is a key part of HIP and has been designed to fundamentally transform the way the Council operates. Through the programme, savings of £12.8 million were delivered in 2014/15 taking total savings over the last five years to over £80 million. The BID programme delivery and expenditure is overseen by the Leader of the Council, and the Deputy Chief Executive and Corporate Director of Residents Services.
- 16 **The Medium Term Financial Forecast (MTFF)** process is the system of service, financial

and annual budget planning. This runs from the preceding March to February with a robust challenge process involving Members and Corporate Directors. Monthly reports on key financial issues are produced and communicated through the finance management team.

- 17 **Hillingdon Partners** aims to bring together the local public, private, voluntary and community sector organisations to improve the quality of life for all those who live in, work in and visit Hillingdon. The Partnership works to promote the interests of Hillingdon beyond the borough's boundaries with external organisations, regional bodies and central government. The Partnership has agreed 9 priority areas for the focus of its work, with actions to address local priorities delivered through theme groups.
- 18 **A Joint Strategic Needs Assessment (JSNA)** outlines the current and future health and wellbeing needs of the population over the short-term (three to five years) and informs service planning, commissioning strategies and links to strategic plans such as Hillingdon's Joint Health and Wellbeing Strategy. The JSNA is 'live' and can be accessed via the Council's website and as such is updated throughout the year rather than refreshed annually.
- 19 **An Independently Chaired Audit Committee** operates to oversee financial reporting, provide 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 generally consistent with CIPFA's 'Audit Committees – Practical Guidance for Local Authorities 2005. During 2014/15, the Audit Committee continued to function effectively, whilst a replacement Chairman was appointed.
- 20 The **Performance Management Framework** is a Council-wide framework requiring service areas and teams to set annual plans, targets, identify risk and report performance against Council priorities. Performance is monitored on a regular basis through a combination of reporting against service targets and performance scorecards, the results of which are regularly presented to Senior Management Teams and reported quarterly to the Corporate Management Team. An Internal Audit of the Performance Management Framework is due to be carried out in 2015/16 including a review of the effectiveness of the PADA process.
- 21 The London Borough of Hillingdon has established an effective **risk management system**, including:
  - **A corporate risk management framework** outlining the, roles, responsibilities and processes for capturing, reporting and taking action to mitigate key corporate and group risks. The Corporate and Group Risk Registers enable the identification, quantification and management of strategic risks to delivering the Council's objectives. Group Risk Registers are updated quarterly, reviewed by each Senior Management Team and the most significant risks are elevated to the Corporate Risk Register. The Council's Risk Management framework is reviewed annually. During 2014/15 Internal Audit highlighted a number of areas for further improvement including a gap in the identification of lower level, operational risks, that may not be considered as much of a high priority as the group and strategic risks.
  - **A Corporate Risk Management Group (CRMG)**, chaired by the Corporate Director of Finance, reviews the Corporate and Group Risk Registers on a quarterly basis and advises the Cabinet and Corporate Management Team on the significant risks. The risk reports are presented to the Audit Committee in the following quarter. Where appropriate, the Medium Term Financial Forecast (MTFF) embraces the potential financial impact of significant risks.
  - **Risk management training** is available via an e-learning training package and accessible for all staff and forms part of the induction programme for specific new staff. Options for wider training for senior managers in the areas of risk will be considered during 2015/16.

- 22 The Council acknowledges that there is a need for robust and effective risk management processes and procedures that will help to mitigate against the potential increases in insurance costs as a result of the hardening of the insurance market. Awareness within services of insurance risks and improving performance as a result of claims will be revisited as part of the tendering of a new insurance services contract during 2015.
- 23 **Occupational Health and Safety Services** provide advice and support to the Corporate Safety Forum, Group Health and Safety Advisors and managers regarding health and safety issues. The Corporate Safety Forum assists in ensuring a consistent approach to health and safety management is adopted throughout the Council. It reviews health and safety performance across the Council and discusses matters of topical and strategic interest that have corporate health and safety consequences.
- 24 A Council-wide officer group, the **Hillingdon Information Assurance Group (HIAG)**, chaired by the Senior Information Risk Owner on behalf of the Corporate Management Team, meets every two months to review progress on the agreed information governance work plan. Policies, procedures and guidelines for staff are updated regularly, data protection training has been rolled out to staff, briefings have been delivered to Elected Members and where identified, learning from cases has been implemented.
- 25 The London Borough of Hillingdon has an **Anti-Fraud and Anti-Corruption Strategy** approved by Cabinet and made available to all staff, although this is need of some updating. It is underpinned 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 the Whistleblowing Policy. Work is underway to implement a new Anti-Fraud and Anti-Corruption Strategy by December 2015, which will help ensure that all staff are made aware of their responsibilities and the procedures for reporting fraud or corruption.
- 26 **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 specific to each Group is available on the Hillingdon's internal web pages: 'Horizon'.
- 27 The London Borough of Hillingdon **monitors legislative changes**, considers implications and opportunities and ensures that the authority is substantially compliant with laws and regulations. The Policy Team leads on briefing the Corporate Management Team on upcoming changes and agreeing actions, reporting to Cabinet on specific issues as required. Legal Services review Member and Cabinet decisions for legal compliance.
- 28 **Hillingdon's training and development programme** enables staff and senior officers to access and complete a wide range of learning and development opportunities through the internal Learning & Development pages on 'Horizon' to ensure they have the skills, knowledge & behaviours to deliver the Council's priorities. This includes induction programmes, e-learning packages and a range of vocational development courses under the Qualifications and Credit Framework. In addition, the Hillingdon Academy is now well established as a leadership programme aimed at providing the Council's future leaders. The Council also offers staff the opportunity to achieve professional qualifications and meet their continuing professional development (CPD) requirements.
- 29 The **Performance and Development Appraisal (PADA)** process requires all officers and senior managers to record employee's key objectives and tasks, set targets for when these must be delivered and identify staff learning and development needs. There are competency frameworks for staff, managers, senior officers and Directors, with descriptors outlining the performance that is expected at each level. Performance reviews are required to be completed on a bi-annual basis against the relevant competency framework and PADA guidance is available to support both staff and managers through the process. A planned

Internal Audit review in 2015/16 will consider the links between learning and development needs identified in the PADA and the delivery of training to staff.

- 30 Hillingdon has a set of **consultation/engagement standards** that demonstrate a commitment for building strong relationships with residents, visitors and businesses throughout the borough. The standards set out Hillingdon's commitment to engage, consult and respond to the views of local communities. The standards also support Hillingdon's commitment to transparency and the need for sharing information with residents. Resident and stakeholder feedback supports and informs corporate intelligence, which drives business planning, policy and decision making including commissioning and procurement of services. An annual customer engagement plan is in place covering all Council services to align customer engagement to support the delivery of Council priorities.
- 31 **Hillingdon's Pride of Place** initiative encourages residents to contribute their ideas on neighbourhood improvements so that they can feel PROUD to live in Hillingdon. The aim is to raise civic pride by showing how residents can make a real difference and contribute directly to a range of activities and specific projects to improve their local area. The initiative brings together other successful programmes such as 'Street Champions' and 'Chrysalis', and gives residents the opportunity to meet informally with their ward councillors and discuss improvements directly with Council officers through a variety of community engagement events across the borough.
- 32 The Council has in place a well-established **Petition Scheme**, including e-Petitions. This is widely used by people in the borough to submit their views on local matters directly to decision-makers. The scheme was reviewed and revised by the Council in May 2013.

#### 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 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 internal control systems have been in place for the financial year ended 31 March 2015 and, except where identified in sections 3 and 5, the management and control systems are operating effectively in accordance with good practice.

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

- 1 A comprehensive annual programme of scrutiny and review by the Policy Overview and Scrutiny Committees and the Audit Committee.
- 2 The role and responsibilities of the Corporate Director of Finance, detailed in the Finance Schemes of Delegation. As a key member of the Corporate Management Team leadership, his role is to act as, and exercise the functions of, the "Chief Finance Officer" meaning the officer designated under section 151 of the Local Government Act 1972. As such he is actively involved in all material business decisions to safeguard public money and sound financial management on behalf of the authority.
- 3 The work of the external auditors (Deloitte) as reported in their Annual Audit Letter.
- 4 The work of the Internal Audit service, which develops its annual work plan after an assessment of risk. The Head of Internal Audit reported quarterly during the year to both the Corporate Management Team and the Audit Committee and has provided a reasonable level of assurance on the internal control environment in 2014/15.



- 5 Assurance Statements were received from all Deputy Directors and Heads of Service covering the financial year 2014/15. Statements provide confirmation that the control environment is operating effectively to safeguard the delivery of services and that control issues other than those identified in Section 5 have been raised and are being dealt with appropriately.
- 6 The London Borough of Hillingdon has continued to maintain effective financial management throughout the financial year, with unallocated reserves increasing to £40.4 million by 31 March 2015.
- 7 The London Borough of Hillingdon has a clear commitment to a capable and fit for purpose procurement function. Working to a Category Management approach, Procurement ensures a best value approach to expenditure commitment. By engaging with groups, Procurement supports the delivery of financial and service level requirements to meet the wider corporate objectives with a 'Resident First' approach.

## 5 Significant Governance Issues

The London Borough of Hillingdon has implemented a range of improvement actions, as part of its overall continuous improvement programme, to strengthen governance arrangements and control systems.

All internal control issues reported in the 2013/14 AGS and in previous years have been resolved, except that:

5.1 The historical weaknesses in the monitoring and control of some construction projects led to new processes and procedures, including 'Gateway Sign Offs' being implemented with guidance from Internal Audit. This has been reflected across all Asset Management functions including Housing and Facilities Management. The restructure of Asset Management is underway.

5.2 The inadequate controls in place to scrutinise elements of the servicing and boiler replacement programme of works for HRA properties are being addressed during the Asset Management restructure. Poor practice is being addressed with a new approach to the boiler servicing/replacement programme and ongoing monitoring now in place.

5.3 Systems and processes are being developed to bring improved value for money, probity and transparency, and better control of resources in Housing Repairs. This work continues and additional changes will be implemented to further increase productivity, value for money and to enhance customer service.

5.4 Good progress has been made in improving services following the Ofsted Inspection in December 2013. Service planning now embeds all actions in the "getting to good" plan with new approaches and stronger management of services leading to improvement, e.g. in reductions of social worker caseloads. Regular reporting to senior management and through overview and scrutiny ensures that this work remains a high priority and focus of attention across the Authority.

5.5 Following an Internal Audit assurance review which was published in May 2014, a number of control issues were identified with regards the data reporting and accuracy of housing rent arrears during 2013/14. Significant delays were also highlighted in the setting up of some rent accounts. The Internal Audit follow up review in March 2015 concluded that work is ongoing to strengthen controls in this area.

Following a review of the effectiveness of the system of internal control, the following governance issues have been identified in 2014/15:

5.6 There is a need for a stronger, school-led, school improvement approach in Hillingdon. There

are currently 20 schools out of 97 Hillingdon schools (including special schools and Academy schools) judged by Ofsted as “requiring improvement”. The Council is working closely with all schools to ensure all children in Hillingdon receive a “good” or better education by undertaking targeted reviews of schools, issuing warning notices to community schools which are a cause for concern, notifying the Regional Schools Commissioner and Ofsted where the Local Authority has concerns about an Academy School and undertaking thematic audits to share common themes for further improvement. A programme of follow-up, targeted reviews to check the progress community schools have made to address concerns is being undertaken to ensure schools improve.

5.7 An Internal Audit assurance report on the Council's Corporate Anti-Fraud and Anti-Corruption arrangements identified a number of governance issues requiring improvement. Positive action has been proposed by senior management and work is ongoing to strengthen the Council's arrangements in this area.

5.8 Effective information governance remains a high priority for the local authority. Whilst, there have been a small number of Data Protection breaches during 2014/15 these have been quickly identified and addressed in line with expected procedures. During 2014/15, a programme of refresher data protection training has been rolled out to staff to ensure standards in information governance remain high and key policies and guidelines have been reviewed. An Internal Audit assurance review has identified further work to be undertaken during 2015/16 to embed the principles of data protection.

5.9 The Council continues to operate in an environment of declining financial support from government while managing increasing demand for a broad range of services, which in the absence of any response would result in a rising annual deficit that would reach £63m by 2020/21. In response the Council continues to review and transform services to drive improvement and efficiency through initiatives such as the successful BID programme, which is on-track to bridge the budget gap by delivering £10m savings in 2015/16. This proven approach is set to be continued beyond 2015/16, enabling the Council to continue to 'put residents first' in challenging financial conditions.

Fran Beasley  
Chief Executive  
xx September 2015

Cllr Ray Puddifoot MBE  
Leader of the Council  
xx September 2015