

London Borough of Hillingdon

Statement of Accounts for the year to 31 March 2016

DRAFT



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London Borough of Hillingdon

Statement of Accounts for the year ended 31 March 2016

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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 2015/16, 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 2016.

The Council has continued to protect frontline services during 2015/16, despite on-going reductions in government funding and increasing demand for services in a growing borough. Strong financial management, evidenced by the successful delivery of £10m savings through the Council's Business Improvement Delivery (BID) Programme, has enabled resources to be invested in those services most valued by local people. This programme of efficiency savings has successfully delivered a seventh year of frozen Council Tax for all residents and a ninth for those over 65 in 2015/16.

In contrast to other local authorities, Hillingdon continues to maintain a full range of services, including weekly waste collection, burglar alarms for Older People and annual investment of £1m in local communities through the Chrysalis Programme. Continuing investment in parks and green spaces has secured 34 Green Flags for the borough in 2015/16 now up to 42, our highest ever and most in the UK. Furthermore, we have not only retained all libraries but are the only Council in the country to have refurbished or rebuilt these to provide first class facilities for residents.

The Council continues to deliver substantial capital investment, with the flagship £300m programme of school expansions successfully delivering a new three form of entry primary school for West Drayton in September 2015. This programme is set continue, with the Council's £35m investment in Northwood School set to provide 1,080 places from September 2017, with construction works now on site.

Alongside this investment in education, the Council has commenced a major programme of investment in local infrastructure - with projects covering Hayes Town Centre, Uxbridge High Street, Uxbridge Road Hayes, new transport interchanges in Hayes & Harlington and West Drayton, and the on-going Inspiring Shop fronts Programme in town centres across the borough.

Sound financial management remains at the heart of the Council's work to retain both a major programme of investment and excellent services for residents, with balances retained to support maintenance of services in the face of continuing government funding reductions. This track record of success continues into 2016/17, with an eighth successive year of Council Tax freezes for all residents and funding set aside to freeze Council Tax for the over 65s to 2019.

Councillor Ray Puddifoot
Leader of the Council

2. Narrative Report

This document sets out the annual accounts of the London Borough of Hillingdon for the year ended 31 March 2016. 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 report 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 128 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 £51.7 million (£52.1 million 2014/15) on the provision of services for 2015/16. Of this a deficit of £44.6 million relates to the General Fund and a surplus of £96.3 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 in 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 which 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 £173.5 million in 2014/15 to £179.7 million in 2015/16. Within this movement there was a £7.4 million increase in the Major Repairs Reserve which can be used for capital works or paying debt relating to Council Dwellings. Unusable reserves increased from £418.9 million in 2014/15 to £653.6 million in 2015/16 mainly due to the movement in valuation of the Council's pension fund liabilities and the movement in asset values to the Revaluation reserve.

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 2015/16 were £41.3 million within the General Fund. This adjusts the General Fund deficit in year to £3.3 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 2015/16 was £833.2 million (£592.4 million 2014/15) largely constituting long term assets valued at £1,438.2 million, net pension liabilities of £386.5 million and long-term borrowing of £304.1 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 2016 the Council has £41.0 million General Fund balances and £28.8 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 a decrease in cash and cash equivalents in 2015/16 of £36.9 million. This was made up of an increase in cash held of £2.6 million and a decrease in cashable short term investments of £39.5 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 2015/16 on HRA services of £96.3 million (£114.7 million 2014/15). This includes revaluation gains and losses which were reversals of prior year impairments through valuations on Council Dwellings of £64.3 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 the amounts 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 £3.4 million in 2015/16 (£7.8 million 2014/15).

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 £1.6 million is reported on Council Tax as a result of releasing £3.4 million of prior year surpluses to the Council and Greater London Authority, with a carried-forward surplus of £3.0 million available for release to preceptors from 2016/17. An in-year surplus of £0.6 million is reported on Business Rates after receiving confirmation of values for new properties at Heathrow Terminal 2. 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. 79% 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 members 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 2015/16 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 services 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 £10 million savings to balance the budget while driving improvement in service quality across the Council.

In June 2010 Central Government gave schools across the country the opportunity to become academies; as a result, many of the Council's schools have converted. The implications of this are that the Council no longer reports on the income and expenditure of the schools as academies are independent and the school assets become those of the academy rather than those of the Council. During 2015/16 three schools became academies and were removed from the Council's long-term assets; as a result £14.2 million of assets have been written out of the Comprehensive Income and Expenditure as loss on disposal. To date in 2016/17 there have been no transfers to academy status.

In addition to the transfer of Academy schools, the Council sold 130 Council Dwellings in 2015/16 under the Right-to-Buy Regulations, which resulted in a gain on sale of assets when comparing the sale

price to the Social Housing value in the Council's accounts. This offsets the loss on Academy transfers representing a net gain in the Comprehensive Income and Expenditure Statement.

2.3 Non Financial Performance

Hillingdon, the second largest of London's 33 boroughs, located 14 miles from central London and with Heathrow Airport within its boundary, is a gateway to the UK. Hillingdon has more Green Flags than any other local authority having the highest number of top quality parks and green spaces in the UK for the fourth year running. Hillingdon is where town and country meet, boasting 800 acres of woodland, country parks, fields and farms, several rivers and the Grand Union Canal. Hillingdon is also home to RAF Northolt airport as well as a number of historic landmarks including medieval churches, pubs linked to the English Civil War, and an underground operations room used during the Battle of Britain, which recently transferred to the Council's ownership, where in 1940 Winston Churchill proclaimed 'Never was so much owed by so many to so few'.

The Council has invested in a refurbishment programme of all its 17 libraries. Increased visitor numbers illustrate how residents are enjoying the upgraded facilities, extended opening hours, and wider range of services on offer. The borough also has some of the best sports and fitness facilities in London and town centres are receiving major investment. Hillingdon has a large selection of excellent primary and secondary schools, and has undertaken a flagship schools expansion programme. This programme has seen many of the boroughs primary schools rebuilt, as well as the new build of a number of schools, one of which is the new St Martin's CE Primary School which opened its doors to 90 pupils in September 2015. The expansion programme now moves onto the building and improvement of facilities within secondary schools.

As well as continuing to invest in current services, there are new incentives to support the health and wellbeing of residents of all ages. The Council will continue to defend residents and the environment against the potential damage caused by infrastructure projects such as HS2, and an expanded Heathrow. The Council continues to maintain free weekly recycling and waste collections and make improvements to the waste and recycling services available to residents, enabling Hillingdon to continue recycling record amounts of waste. In the last financial year, the council resurfaced more than 200 of the borough's roads and continues to ensure roads are maintained to the best possible condition. The borough has one of the lowest rates for unemployment in London, and Hillingdon is continuing to gain a strong reputation attracting investment and business growth.

2.3 Revenue Budget

The Council's net revenue budget for 2015/16 totalled £209 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, 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 £3.6 million against budget at outturn. The outturn position for the General Fund revenue budget is set out below:

General Fund Services	Budget £'000	Outturn £'000	Variance £'000
Administration	9,992	9,832	(160)
Finance	13,669	13,534	(135)
Residents Services	57,963	56,697	(1,266)
Social Care	107,784	105,909	(1,875)
Net Cost of Services	189,408	185,972	(3,436)
Contingencies & Priority Growth	12,788	15,859	3,071
Financing Costs	8,829	7,560	(1,269)
Levies & other corporate budgets	(1,513)	(1,782)	(269)
Housing Benefit Subsidy	(560)	(560)	0
Exceptional Items	0	(1,663)	(1,663)
Total Net Expenditure	208,952	205,386	(3,566)
Budget Requirement	(203,952)	(203,952)	0
General Fund Surplus for 2015/16	5,000	1,434	(3,566)

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 26 to the accounts.

Achievement of the surplus in 2015/16 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. In-year surplus includes the planned drawdown from general reserves of £5 million.

An in-year surplus of £3.4 million was reported on the Housing Revenue Account (HRA) due to reduced spending on planned maintenance, a release of uncommitted contingency and a release of provisions for property dilapidations in the year.

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 2016/17 and beyond.

Capital Investment

The Council's programme of capital investment for 2015/16 totalled £68.4 million (£74.7 million in 2014/15) and was funded from a range of sources. These sources of funding included grants, contributions from revenue resources, proceeds from asset sales and prudential borrowing (details in note 36 to the accounts).

Investment during 2015/16 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 adheres strictly to counterparties which have been agreed through the Treasury Management Strategy consisting of other local authorities, instant access funds and institutions with a credit rating BBB+ or above. Investment income returns for the year on internally managed cash yielded 0.57% (0.57% 2014/15), resulting in total investment income this year of £1.0 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 an average rate of 3.01%. The portfolio was reduced by

£12.3 million with debt that matured naturally leaving a nominal balance at year end of £314.7 million. The total interest paid over the year totalled £9.6 million.

At the beginning of 2015/16 the Council had unpaid investments of £0.8 million with Icelandic bank Heritable. In August 2015 a further dividend was received from the administrators of Heritable leaving a principal balance of £0.3 million.

Looking Ahead

Looking forward the main challenge the Council faces financially is the development of further revenue savings of £13.3 million in 2016/17, on top of the £10 million of savings for 2015/16. The Council continues to operate within the constraints of the government deficit reduction programme and has seen a reduction of 65% (£73 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 require 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 2016/17, 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 2016/17.

In 2016/17 the Council's Schools Expansion Programme remains at the centre of the Capital Programme, ensuring that sufficient school places are made available to meet rising demand throughout the borough. The Council is committed to ensuring there will be no reduction to service delivery, most fees and charges within the borough including parking will be frozen and there will be continued investment in facilities. Major schemes within the Capital Programme beyond the schools programme are the development of a new theatre, a borough museum, three youth centres and a playground renewal programme. Further initiatives over the programme in which there will be investment include town centre improvements, new street lighting and the introduction of CCTV at 'School Keep Clear' zones.

Despite the funding risks, the Council 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 flexibility. This will provide a significant buffer over the medium term as further cuts in Central Government funding are forecast.

Looking forward to the 2016/17 accounts there will be a material change in the way in which Highways Infrastructure assets will be valued and held in the Council's Balance sheet, due to a change in accounting standards. In this 2015/16 version of the Council's financial statements Highways Infrastructure is included as part of Property Plant and Equipment and shown within note 6 to the accounts. This asset class is held at Historic cost depreciated over 40 years. In 2016/17 the Council will revalue this class of assets to adjust the opening position in the accounts on 1 April 2016 to that of a replacement cost valuation. This asset class will also be represented on the face of the balance sheet rather than within Property, Plant and Equipment. This will materially change the face of the Council's Balance sheet and the net worth of the Council. As a result of this change the value of the Council's non-current assets will increase materially, as will the unusable reserves, as this increase in value will be reflected in the Revaluation Reserve. Current estimates suggest that as a result of this valuation, the non-current assets held by the Council could increase by £4 billion.

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 2015/16 ('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 United Kingdom ('the Code'), as at 31 March 2016 and its income and expenditure for the year then ended.

Paul Whaymand
CORPORATE DIRECTOR OF FINANCE
{Date} September 2016

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 {DATE}.

Signed on behalf of London Borough of Hillingdon
CHAIRMAN (AUDIT COMMITTEE)
{DATE}

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

Opinion on the Authority's financial statements

We have audited the financial statements of London Borough of Hillingdon for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority Movement in Reserves Statement;
- Authority Comprehensive Income and Expenditure Statement;
- Authority Balance Sheet;
- Authority Cash Flow Statement
- related notes 1 to 47; and
- the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement 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 2015/16.

This report is made solely to the members of London Borough of Hillingdon, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than London Borough of Hillingdon and the Authority's members 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 the Corporate Director of Finance Responsibilities set out on page 10, the Corporate Director of Finance is responsible for the preparation of the Statement of Accounts 2015/16, 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 2015/16, 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 Statement of Accounts 2015/16 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 London Borough of Hillingdon as at 31 March

2016 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 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 is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on London Borough of Hillingdon's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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 National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether London Borough of Hillingdon had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable

outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Borough of Hillingdon put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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 London Borough of Hillingdon 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 issued by the C&AG in November 2015, we are satisfied that, in all significant respects, 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 2016.

Pension Fund financial statements

On [date] we issued our opinion on the Pension Fund financial statements for the year ended 31 March 2016 included within the Statement of Accounts.

Certificate

We certify that we have completed the audit of the accounts of London Borough of Hillingdon in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Maria Grindley

for and on behalf of Ernst & Young LLP, Appointed Auditor

Reading

XX September 2016

Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 21. 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 2015/16.

This report is made solely to the members of London Borough of Hillingdon in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members 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 set out on page 10, 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 2015/16, 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 Statement of Accounts 2015/16 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 pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and the amount and disposition of the fund's assets and liabilities as at 31 March 2016; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Tim Sadler

Executive

Director

for and on behalf of Ernst & Young LLP

Southampton

XX September 2016

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5. Statement of Accounting Policies

The Council is required to prepare an annual Statement of Accounts which summarises the Council's transactions for the 2015/16 financial year and its position as at the year-end of 31 March 2016. The Statement of Accounts must be prepared in accordance with proper accounting practices as per the Accounts and Audit Regulations 2015. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16 (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 directly 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;
- Surplus assets and investment properties are measured at fair value, estimated at highest and best use from a market participants perspective;
- All other asset classes are measured at fair value in its existing use. 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;

- 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.

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 maximum useful life up to 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 years to 31 March 2016 or 31 March 2015.

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.

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, paid sick leave, other 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. Where an employee is subject to redeployment there is no commitment to termination of employment.

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 Pension 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 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 Council's 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 Council - 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

The Council has one PFI contract which relates to an Academy school. The asset is not recognised on the Council's Balance Sheet as it leased out to the Academy under a finance lease. The PFI liability continues to be recognised in the Council's accounts.

The amounts payable to the PFI operators each year are analysed into three 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.
- 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)

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 then transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area. CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue 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. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools’ assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools’ transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority. The non-current assets of Voluntary aided schools owned by faith organisations are found not to be controlled by the local authority and as such the assets are not held within the Councils balance sheet under Property, Plant and Equipment.

21. Fair Value

Fair value measurement is defined by IFRS13 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition is applied to all fair value measurement for non-operational property plant and equipment, investment property as well as for financial instruments. Operational property, plant and equipment continue to be valued in line with its existing use. Fair value assumes the transaction to sell the asset takes place in the principle market for the asset or liability or in the absence of the principle market in the most advantageous market. When measuring non-operational property, plant and equipment, the fair value at highest and best use is adopted. Valuation techniques maximise known data and minimise the use of estimates or unknowns. This takes into account three levels of valuation inputs

- Level 1 - Quoted prices
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability.

22. 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.

23. 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.

24. 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 of 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 st April 2007. It had a nil balance at 1 st 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

25. Financial Assets

The Council holds Financial Assets classified into two classes.

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market. They are accounted for using the amortised cost model.
- Available-for-sale assets – covers all other assets that do not meet the 'loans and receivables' criteria. They are accounted for using the fair value model

Loans and Receivables

The asset is maintained in the Balance Sheet at amortised cost.

- Initial measurement will be at fair value, normally the amount of the originating transaction, plus transaction costs where material. The effective interest rate is then calculated, the rate of interest that will discount the estimated cash flows that will take place over the life of the instrument. Annual income to the Comprehensive Income and Expenditure Statement are made for interest received and are based upon the carrying amount of the instrument, multiplied by the effective rate of interest for the instrument. The amount presented in the Balance Sheet is the outstanding principal receivable plus any accrued interest

Available-for-sale Financial Assets

The asset is maintained in the Balance Sheet at fair value:

- Initial measurement will be at fair value, normally the amount of the originating transaction, such as the payment for an equity share or the purchase of a bond, plus transaction costs where material. For assets with fixed or determinable payments, the effective interest rate is then calculated, the rate of interest that will discount the estimated cash flows that will take place over the life of the instrument to the amount in the Balance Sheet at initial measurement. This results in a carrying amount (the amortised cost) and an effective interest rate that might be different from those specified in the contract (although for most assets, such as loans at fixed interest or at variable rates linked to base rates, and without significant transaction costs, the two should be the same). The amortised cost is then used as the basis for calculating interest income and as a benchmark against which to assess the accounting treatment of movements in fair value. The asset carried in the Balance Sheet is then updated as fair value changes to measure available-for-sale financial assets.
- Interest/dividend income is recognised in the Comprehensive Income & Expenditure Statement. Gains and losses arising on movements in fair value are posted to Other Comprehensive Income and Expenditure, and the change in the amount of the investment in the Balance Sheet is matched with an entry in the Available-for-Sale Reserve.
- When the asset is derecognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure shall be transferred from the Available-for-Sale Reserve and recognised in the Comprehensive Income & Expenditure Statement.

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.

26. Financial Liabilities

The Council holds Financial Liabilities classified as Amortised Cost.

- Amortised Cost - contains all of an authority's financial liabilities that are not 'held for trading' or derivatives.

Financial Liabilities - Amortised Cost: The liability is maintained in the Balance Sheet at amortised cost: Initial measurement will be at fair value, normally the amount of the originating transaction, less transaction costs where material. The effective interest rate is then calculated, the rate of interest that

will discount the estimated cash flows that will take place over the life of the instrument. 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 amount presented in the Balance Sheet is the outstanding principal payable plus any accrued interest.

27. 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 Installment 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.

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.

28. Minimum Revenue Provision

Where the Council finances its capital programme through borrowing it must set aside resources annually through a Minimum Revenue Provision (MRP). This is within the revenue budget to repay the debt in later years. MRP will generally be charged over the useful life of the assets, beginning in the year after the asset becomes operational. In all cases we will consider the most prudent method of providing for debt repayment. The HRA makes a form of MRP to pay down its self-financing settlement debt over the 30 year business cycle on which the settlement is based as a provision for repayment of debt.

29. 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.

30. 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.

31. 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.

32. 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.

33. 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 2016 for which there is significant risks of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>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.</p> <p>Assets are subject to a 5 year rolling valuation and assumptions are made by the specialist valuer regarding market indicators and other data available to assess an asset's value.</p>	<p>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 £2.5m for every year that useful lives had reduced.</p> <p>A fall in value of the Council's Property, Plant and Equipment would impact on the net worth of the Council, however would not impact on the 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 £14.3m.</p>
Provisions	<p>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.</p>	<p>If future liabilities exceed the amounts set aside, the additional amounts would have to be met from the Council's revenue account.</p>
Arrears	<p>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.</p>	<p>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.</p>
Pensions Liability	<p>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.</p>	<p>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 89.</p>

34. Carbon Reduction Commitment (CRC)

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is in 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.

35. 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 2016 for 2015/16). Disclosure requirements are expected to be included in a subsequent edition of the Code.

The CIPFA Code of Practice on Transport Infrastructure Assets (the infrastructure code) implementation date is 1 April 2016. The code confirms there is no retrospective restatement required for the 2015/16 accounts and no third balance sheet in the 2016/17 accounts. The implementation of this code will require a restatement of the opening balance on the 1 April 2016. Under the infrastructure code transport infrastructure assets currently recognised within Property, Plant and Equipment at Historic cost will be valued as a separate asset class - Highways Network Asset - and will be valued at depreciated replacement cost. This is likely to result in a material revaluation gain due to the change in valuation methodology. If the changes had been implemented in 2015/16 based on current estimates the value of infrastructure assets would increase from £154 million to circa £4,262 million.

There have been a number of minor amendments to International Financial Reporting Standards, but these are not expected to have any material impact on the accounts.

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 the United Kingdom. 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 2015. 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 2016, 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.

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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.

		31 March 2016			31 March 2015		
		Expenditure	Income	Net	Expenditure	Income	Net
Note		£000's	£000's	Expenditure £000's	£000's	£000's	Expenditure £000's
EXPENDITURE ON SERVICES							
		9,433	(3,175)	6,258	10,605	(3,866)	6,739
		23,633	(3,080)	20,553	21,351	(3,291)	18,060
		36,516	(8,610)	27,906	30,895	(8,607)	22,288
		7,494	(6,998)	496	9,805	(5,796)	4,009
		256,719	(173,171)	83,548	258,796	(174,209)	84,587
		32,714	(9,688)	23,026	30,948	(10,674)	20,274
		(28,840)	(67,698)	(96,538)	(49,591)	(63,288)	(112,879)
		169,868	(157,760)	12,108	168,238	(155,998)	12,240
		100,092	(32,510)	67,582	90,273	(20,014)	70,259
		15,801	(16,814)	(1,013)	13,725	(15,885)	(2,160)
		5,512	(435)	5,077	7,833	(476)	7,357
		(1,538)	(49)	(1,587)	(1,010)	(426)	(1,436)
		627,404	(479,988)	147,416	591,868	(462,530)	129,338
		TOTAL COST OF SERVICES					
	3	1,763	0	1,763	1,711	0	1,711
		Other Operating Expenditure					
		Net loss on disposal of non-current assets					
		4,413	0	4,413	57,296	0	57,296
	4	26,050	(1,409)	24,641	27,068	(1,109)	25,959
		Net Financing and Investment Income and Expenditure					
	5	0	(229,956)	(229,956)	0	(266,379)	(266,379)
		Taxation and Non-Specific Grant Income					
		Corporate Amount					
		(SURPLUS)/DEFICIT ON PROVISION OF SERVICES					
		659,630	(711,353)	(51,723)	677,943	(730,018)	(52,075)
		(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets					
	22			(73,594)			(6,053)
		Actuarial loss/(gain) on pension assets and liabilities					
	45			(115,524)			90,907
		(Surplus)/Deficit on revaluation of available for sale financial assets					
	22			(31)			(23)
		TOTAL COMPREHENSIVE INCOME AND EXPENDITURE					
				(240,872)			32,756

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 funding basis under regulations'.

Note

		31 March 2016	31 March 2015
		£000's	£000's
Property, Plant & Equipment	6	1,425,203	1,297,402
Heritage Assets	9	501	501
Intangible Assets	10	469	289
Investment Properties	11	5,629	5,731
Long Term Investments	12	39	7,510
Long Term Debtors	15	6,340	7,514
LONG TERM ASSETS		1,438,181	1,318,947
Inventories	13	296	355
Short Term Debtors	14	45,454	39,761
Short Term Investments	12	100,249	48,856
Cash and Cash Equivalents	18	43,637	80,499
Assets Held for Sale	19	120	3,585
Current Intangible Assets	20	397	605
CURRENT ASSETS		190,153	173,661
Short Term Provisions	21	(5,030)	(3,299)
Short Term Borrowing	12	(8,515)	(13,634)
Short Term Creditors	16	(74,384)	(69,695)
CURRENT LIABILITIES		(87,929)	(86,628)
Long Term Provisions	21	(1,663)	(2,144)
Deferred Credits		(29)	(49)
Long Term Borrowing	12	(304,142)	(311,392)
Long Term Creditors	17	(4,034)	(3,293)
Capital Grant Receipts in Advance	35	(9,104)	(9,595)
Deferred Liabilities	37	(1,702)	(1,953)
Net Liabilities Related to Defined Benefit Pension Schemes	46	(386,483)	(485,178)
LONG TERM LIABILITIES		(707,157)	(813,604)
NET ASSETS		833,248	592,376
Usable Reserves		179,690	173,461
Unusable Reserves	22	653,558	418,915
TOTAL RESERVES		833,248	592,376

Paul Whaymand
Corporate Director of Finance
September 2016

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.

Note	General Fund Balance	Schools Reserves	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	Total Usable Reserves	Revaluation Reserve	Capital Adjustment Account	Financial Instruments Adjustment Account	Pensions Reserve	Collection Fund Adjustment Account	Accumulated Absences Account	Available for Sale Financial instruments	Total Unusable Reserves	Total Council Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 31 March 2015	41,984	16,606	27,779	30,576	24,774	1,712	30,030	173,461	59,001	847,800	(343)	(485,178)	1,623	(4,042)	54	418,915	592,376
Surplus/(Deficit) on provision of services	(44,573)	0	0	96,296	0	0	0	51,723	0	0	0	0	0	0	0	0	51,723
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	73,594	0	0	115,524	0	0	31	189,149	189,149
Total Comprehensive Income and Expenditure	(44,573)	0	0	96,296	0	0	0	51,723	73,594	0	0	115,524	0	0	31	189,149	240,872
Adjustments between accounting basis & funding basis under regulations	41,298	0	0	(92,928)	7,370	(40)	(1,194)	(45,494)	0	62,641	13	(16,829)	(1,115)	784	0	45,494	0
1 Net increase/(decrease) before transfers to Earmarked Reserves	(3,275)	0	0	3,368	7,370	(40)	(1,194)	6,229	73,594	62,641	13	98,695	(1,115)	784	31	234,643	240,872
Transfers (from)/to Earmarked Reserves	2,341	(3,325)	984	0	0	0	0	0	(1,810)	1,810						0	0
2 Increase/(Decrease) in Year	(934)	(3,325)	984	3,368	7,370	(40)	(1,194)	6,229	71,784	64,451	13	98,695	(1,115)	784	31	234,643	240,872
Balance at 31 March 2016	41,050	13,281	28,763	33,944	32,144	1,672	28,836	179,690	130,785	912,251	(330)	(386,483)	508	(3,258)	85	653,558	833,248

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.

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

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	2015/16 £000's	2014/15 £000's
Net (surplus) on the provision of services	23	(51,723)	(52,075)
Adjust net (surplus) on the provision of services for non cash movements	23	(45,134)	(67,328)
Adjust for items in the net deficit on the provision of services that are investing or financing activities	23	42,785	70,275
Net cash flows from operating activities	23	(54,072)	(49,128)
Net cash flows from investing activities	24	73,399	1,244
Net cash flows from financing activities	25	17,535	16,339
Decrease/(Increase) in cash and cash equivalents		36,862	(31,545)
Cash and cash equivalents at the beginning of the reporting period		(80,499)	(48,954)
Cash and cash equivalents at the end of the reporting period		(43,637)	(80,499)

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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.

2015/16	General Fund Balance £000's	Housing Revenue Account £000's	Major Repairs Reserve £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	(40)		(2)			(42)	42					42
Depreciation of non current assets	(20,649)		(11,268)			(31,917)	31,917					31,917
Revaluation and impairment of non current assets	(2,840)	64,287				61,447	(61,447)					(61,447)
Statutory provision for the financing of capital investment	6,523	8,549				15,072	(15,072)					(15,072)
Revenue expenditure funded from capital under statute	(20,185)					(20,185)	20,185					20,185
Capital grants and contributions applied	25,301			40		25,341	(25,341)					(25,341)
Capital expenditure charged in year to the General Fund balance	265	12,964	3,900			17,129	(17,129)					(17,129)
Use of Capital Receipts Reserve to finance new capital expenditure					22,442	22,442	(22,442)					(22,442)
Amounts written off on disposal of non current assets	(12,462)	8,050			(22,391)	(26,803)	26,803					26,803
Finance Lease Principal	259					259	(259)					(259)
Gain/Loss Investment Property	(102)					(102)	102					102
Transfer from capital receipts reserve to meet payments to the housing capital receipts pool	(1,143)				1,143	0						0
Premiums and discounts	(3)	16				13		(13)				(13)
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(38,346)	(2,268)				(40,614)			40,614			40,614
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	22,459	1,326				23,785			(23,785)			(23,785)
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	(1,115)					(1,115)				1,115		1,115
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	780	4				784					(784)	(784)
Total Adjustments	(41,298)	92,928	(7,370)	40	1,194	45,494	(62,641)	(13)	16,829	1,115	(784)	(45,494)

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.

2014/15	General Fund Balance £000's	Housing Revenue Account £000's	Major Repairs Reserve £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 revenue balances	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)
Other Income						0						0
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)
Total Adjustments	(72,796)	101,160	(7,521)	(385)	(17,263)	3,195	(16,591)	(12)	12,331	2,397	(1,320)	(3,195)

Notes to Main Financial Statements

2. EARMARKED RESERVE TRANSFERS

	31 March 2016 £000's	Transfers Out 2015/16 £000's	Transfers In 2015/16 £000's	31 March 2015 £000's	Transfers Out 2014/15 £000's	Transfers In 2014/15 £000's	31 March 2014 £000's
Earmarked Reserves:							
Grants Unapplied	2,912	(4,219)	1,126	6,005	(2,809)	2,327	6,487
Member Initiatives	13,167	(1,201)	3,233	11,135	(1,758)	4,576	8,317
Other Reserves	8,134	(2,667)	3,733	7,068	(2,647)	4,258	5,457
Public Health Reserve	2,611	0	158	2,453	0	1,169	1,284
Parking Revenue Account / New Roads & Street Works Reserve	1,235	0	602	633	0	174	459
Barnhill PFI	704	(168)	387	485	0	485	0
HRA - Earmarked Reserve	0	0	0	0	(46)	0	46
Total Earmarked Reserves	28,763	(8,255)	9,239	27,779	(7,260)	12,989	22,050

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 2016 include monies in respect of the Education Services 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, Highways maintenance 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 and manage any risks associated with the 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 28.

Barnhill PFI

Funds held to cover costs occurring over the lifecycle for the PFI school Barnhill Academy.

HRA Earmarked Reserve

Monies specifically earmarked for projects within the Housing Revenue Account.

Notes to Main Financial Statements

3. OTHER OPERATING EXPENDITURE

	2015/16 £000's	2014/15 £000's
Payments to Government Housing Capital Receipts Pool	1,143	1,081
Precepts and Levies	620	630
Total	1,763	1,711

4. NET FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2015/16 £000's	2014/15 £000's
Interest payable and similar charges	10,446	10,876
Interest receivable	(1,409)	(1,011)
Net interest on the net defined benefit liability	15,502	16,192
Changes in the fair value of investment properties	102	(98)
Total	24,641	25,959

5. TAXATION AND NON-SPECIFIC GRANT INCOME

	2015/16 £000's	2014/15 £000's
Council Tax Income	(102,907)	(102,209)
Non-Domestic Rates Income	(111,205)	(103,815)
Non-Domestic Rates Tariff payable to Central Government	60,288	61,728
Non-Domestic Rates Levy (receivable)/payable to Central Government	4,413	(31)
Non-Ringfenced Government Grants	(55,244)	(69,980)
Capital Grants & Contributions	(25,301)	(52,072)
Total	(229,956)	(266,379)

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Notes to Main Financial Statements

6. MOVEMENT OF PROPERTY, PLANT & EQUIPMENT 2015/16

	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 2015	598,810	482,556	55,311	246,038	14,554	6,287	12,632	1,416,188
Additions	3,721	1	4,763	7,573	0	10,813	0	26,871
Enhancements	4,241	10,072	982	0	0	5,837	0	21,132
Revaluation (decreases)/increases recognised in Revaluation Reserve	36,246	21,346	0	0	0	0	6,160	63,752
Revaluation (decreases)/increases recognised in Surplus/Deficit on the Provision of Services	55,583	(8,406)	0	0	0	0	516	47,693
Derecognition - Disposals	(8,493)	(4,796)	(234)	0	0	(10,020)	0	(23,543)
Derecognition - Other	0	0	(3,553)	0	0	0	0	(3,553)
Assets reclassified within Property Plant and Equipment	0	(5,175)	3,389	0	(1,030)	2,816	0	0
Assets reclassified (to) & from Held for Sale & Investment Properties	(120)	0	0	0	0	0	0	(120)
Other Movements in Cost Valuation	0	0	0	0	0	0	0	0
Cost or Valuation as at 31 March 2016	689,988	495,598	60,658	253,611	13,524	15,733	19,308	1,548,420
Accumulated Depreciation & Impairment at 1 April 2015	0	(12,962)	(12,270)	(93,013)	(460)	0	(81)	(118,786)
Depreciation charge for 2015/16	(10,816)	(10,418)	(4,512)	(6,133)	0	0	(38)	(31,917)
Depreciation written out to Revaluation Reserve	1,974	7,790	0	0	0	0	78	9,842
Depreciation written out to Surplus/Deficit on Services	8,842	4,872	0	0	0	0	40	13,754
Derecognition - Disposals	0	103	234	0	0	0	0	337
Derecognition - Other	0	0	3,553	0	0	0	0	3,553
Assets reclassified within Property Plant and Equipment	0	607	(549)	0	0	(58)	0	0
Assets reclassified (to) & from Held for Sale & Investment Properties	0	0	0	0	0	0	0	0
Accumulated Depreciation & Impairment at 31 March 2016	0	(10,008)	(13,544)	(99,146)	(460)	(58)	(1)	(123,217)
Balance Sheet amount 1 April 2015	598,810	469,594	43,041	153,025	14,094	6,287	12,551	1,297,402
Balance Sheet amount 31 March 2016	689,988	485,590	47,114	154,465	13,064	15,675	19,307	1,425,203
Nature of asset holding								
Owned	689,988	485,590	46,849	154,465	13,064	15,675	19,307	1,424,938
Finance Lease			265					265
Balance Sheet amount 31 March 2016	689,988	485,590	47,114	154,465	13,064	15,675	19,307	1,425,203

NB: Of the £23.2m written out for disposals, £14.2m relates to community schools converting to academy status.

Notes to Main Financial Statements

6. MOVEMENT OF PROPERTY, PLANT & EQUIPMENT 2014/15

	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 2014	557,215	541,076	45,660	237,256	14,554	20,747	14,149	1,430,657
Additions	0	702	4,726	8,782	0	2,041	0	16,251
Enhancements	3,519	24,771	5,004	0	0	14,290	0	47,584
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
Cost or Valuation as at 31 March 2015	598,810	482,556	55,311	246,038	14,554	6,287	12,632	1,416,188
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	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)
Balance Sheet amount 1 April 2014	531,531	512,098	35,399	150,157	14,094	20,747	14,145	1,278,171
Balance Sheet amount 31 March 2015	598,810	469,594	43,041	153,025	14,094	6,287	12,551	1,297,402
Nature of asset holding								
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
PFI	0	0	0	0	0	0	0	0
Balance Sheet amount 31 March 2015	598,810	469,594	43,041	153,025	14,094	6,287	12,551	1,297,402

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

The Council undertakes a rolling programme that ensures all of its Property, Plant and Equipment is carried at current value or fair value as prescribed in the Code of Practice and that every asset is valued at least every 5 years. During 2015/16 20% of the Council's General Fund assets were valued by external independent valuers Wilks Head & Eve LLP, while there was a full Housing Stock revaluation carried out as at 01/04/2015 on Council Dwellings by Jones Lang LaSalle Limited. Council Dwellings were also subject to a desktop review to bring the assets in line with 31/03/2016 market movements. Valuations are carried out in accordance with professional standards of the Royal Institution of Chartered Surveyors.

During 2015/16, the Council has recognised total revaluation losses of £18,449k (£23,930k in 2014/15) from downwards revaluations, which were fully charged to the relevant service lines in the Comprehensive Income and Expenditure Statement. The Council recognised valuation gains of £79,896k (£92,787k in 2014/15) 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.

Fair Value Hierarchy

Investment property and Surplus properties have been measured at Fair Value in accordance with IFRS13 Fair Value Measurement. In estimating the fair value the valuation has taken into account the highest and best use of the assets estimating the price at which an orderly transaction to sell the asset would take place under current market conditions. IFRS13 also seeks to increase consistency and comparability within the valuation process and categorises valuations under a fair value hierarchy which considers methodology of the valuation using levels of observable and unobservable inputs.

Property within the borough is actively purchased, sold or leased on the open market and there are a number of comparables. As such, the level of observable inputs are significant, leading to all properties being categorised as level 2 on the fair value hierarchy.

There have been no changes in asset methodology which resulted in moving asset fair values between levels on the fair value hierarchy during the year.

8. COMMITMENTS UNDER CAPITAL CONTRACTS

As at March 2016, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment during 2016/17 and future years budgeted to cost £23,124k. Similar commitments at 31 March 2015 were £15,279k. The major commitments are:

Scheme	31 March 2016 £000's	31 March 2015 £000's
Schools Expansions Programme	16,593	7,853
New Vehicles	142	1,475
Other Capital Projects	6,389	5,951
	23,124	15,279

9. HERITAGE ASSETS

At 31 March 2016 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.

Balance at start of year
Increase/(Decrease) in value
Balance at end of year

Non Current	
31 March 2016 £000's	31 March 2015 £000's
501	501
0	0
501	501

Notes to Main Financial Statements

10. 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:

	2015/16 £000's	2014/15 £000's
Service		
Central Services to the Public	2	143
Culture and Related Services	5	30
Environmental and Regulatory Services	4	94
Planning Services	1	25
Education and Children's Services	14	57
Highways and Transport Services	2	60
Local Authority Housing (HRA)	5	2
Other Housing Services	1	5
Adult Social Care	8	20
Public Health	0	50
Corporate and Democratic Core	0	15
Total	42	501

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

	2015/16 £000's	2014/15 £000's
Software		
Gross carrying amounts	2,077	2,469
Accumulated amortisation	(1,788)	(1,960)
Net carrying amount at the start of the year	289	509
Purchases	222	281
Gross Book Value Derecognition Other as fully depreciated	(1,785)	(673)
Amortisation Derecognition Other	1,785	673
Amortisation for the period	(42)	(501)
Net carrying amount at end of year	469	289
Comprising		
Gross carrying amounts	514	2077
Accumulated amortisation	(45)	(1,788)
Total	469	289

11. INVESTMENT PROPERTIES

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

	2015/16 £000's	2014/15 £000's
Rental income from investment property	(467)	(433)
Direct operating expenses arising from investment property	55	58
Net gain	(412)	(375)

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 Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2015/16 £000's	2014/15 £000's
Opening Balance	5,731	5,717
Net gain/(loss) from fair value adjustments	(102)	98
Disposals	0	(14)
Transfers (to)/from Property, Plant and Equipment	0	(70)
Closing Balance	5,629	5,731

Notes to Main Financial Statements

12. FINANCIAL INSTRUMENT BALANCES

		Current		Long-Term		Total	
Note		31 March 2016 £000's	31 March 2015 £000's	31 March 2016 £000's	31 March 2015 £000's	31 March 2016 £000's	31 March 2015 £000's
Investments and Cash Equivalents							
	Loans and receivables	87,096	48,856	0	7,455	87,096	56,311
	Loans and receivables - shown as cash equivalents	400	15,005	0	0	400	15,005
	Available-for-sale financial assets	13,153	0	39	0	13,192	0
	Available-for-sale financial assets - shown as cash equivalents	29,609	54,459	0	55	29,609	54,514
	Total investments	130,258	118,320	39	7,510	130,297	125,830
Trade Debtors							
	Financial assets carried at contract amounts	8,613	8,379	0	0	8,613	8,379
	Total included in Trade Debtors	8,613	8,379	0	0	8,613	8,379
Borrowings							
	Financial liabilities at amortised cost	(8,515)	(13,634)	(304,142)	(311,392)	(312,657)	(325,026)
	Total included in borrowings	(8,515)	(13,634)	(304,142)	(311,392)	(312,657)	(325,026)
Other Long-Term Liabilities							
	PFI and finance lease liabilities	(250)	(259)	(1,702)	(1,953)	(1,952)	(2,212)
	Total Other Long-Term Liabilities	(250)	(259)	(1,702)	(1,953)	(1,952)	(2,212)
Trade Creditors							
	Financial liabilities carried at contract amount	(27,409)	(21,934)	0	0	(27,409)	(21,934)
	Total Trade Creditors	(27,409)	(21,934)	0	0	(27,409)	(21,934)

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:

	2015/16				2014/15			
	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	9,626	0	0	9,626	9,987	0	0	9,987
Total Expense in Surplus or Deficit on the Provision of Services	9,626	0	0	9,626	9,987	0	0	9,987
Interest Income	0	(583)	(364)	(947)	0	(603)	(174)	(777)
Notional Icelandic Interest	0	0	0	0	0	(6)	0	(6)
(Gain) on Derecognition	0	(450)	(9)	(459)	0	0	(2)	(2)
Total Income in Surplus or Deficit on the Provision of Services	0	(1,033)	(373)	(1,406)	0	(609)	(176)	(785)
(Gains) / Loss on Revaluation	0	0	(31)	(31)	0	0	(23)	(23)
(Surplus)/Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure	0	0	(31)	(31)	0	0	(23)	(23)
PFI Interest	738	0	0	738	806	0	0	806
Other	82	(3)	0	79	83	(228)	0	(145)
Net Loss/(Gain) for the year	10,446	(1,036)	(404)	9,006	10,876	(837)	(199)	9,840

Notes to Main Financial Statements

FAIR VALUES OF ASSETS AND LIABILITIES

Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments. Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at the Balance Sheet date.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or other financial asset to another entity, or exchange a financial asset or liability with another entity under conditions which are potentially unfavourable to the Council.

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows 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 values shown in the tables below are split by their level in the fair value hierarchy:

Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices.

Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments.

Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

There were no transfers between levels during the year.

FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

Financial Liabilities Held at Amortised Cost	Fair Value	31 March 2016		31 March 2015	
		Carrying amount	Fair value	Carrying amount	Fair value
		£000's	£000's	£000's	£000's
PWLB Loans	2	(264,037)	(286,419)	(276,414)	(293,986)
LOBO Loans	2	(48,620)	(75,857)	(48,612)	(75,518)
Lease & PFI Liabilities	3	(1,952)	(4,896)	(2,212)	(5,910)
Trade Creditors	N/a	(27,409)	(27,409)	(21,934)	(21,934)
		(342,018)	(394,581)	(349,172)	(397,348)

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 2016) arising from a commitment to pay interest to lenders above current market rates.

The 2014/15 Fair Value of Lease & PFI Liabilities has been restated to reflect the same calculation methodology used in

Financial Liabilities

- Public Works Loan Board (PWLB)

Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.

- Lenders Option Borrowers Option (LOBO)

The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. 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 Creditors is assumed to approximate the carrying value.

- PFI/Finance Lease

The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.

Notes to Main Financial Statements

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

Financial assets classified as available for sale are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated calculating the net present value of the remaining contractual cash flows at the Balance Sheet date, using the following methods and assumptions:

Financial assets classified as loans and receivables are carried in the Balance Sheet at Amortised Cost.

Certificates of deposit and forward loan contracts have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.

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 tradable instruments maturing within 12 months have been updated to show their fair value.

FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	Fair Value	31 March 2016		31 March 2015	
		Carrying amount	Fair value	Carrying amount	Fair value
		£000's	£000's	£000's	£000's
Financial Assets Held at Fair Value					
Money Market Funds	1	30,109	30,109	43,604	43,604
Pooled Funds	1	10,046	10,046	0	0
Covered Bonds	2	2,607	2,607	0	0
Certificate of Deposit	2	0	0	10,855	10,855
Shares in Listed Companies	1	39	39	55	55
Financial Assets Held at Amortised Cost					
Long-Term Deposits	2	0	0	7,455	7,479
Short-Term Deposits & Deposit Accounts	N/A	87,096	87,096	48,856	48,857
Cash & Cash Equivalents	N/A	400	400	15,005	15,004
Trade Debtors	N/A	8,613	8,613	8,379	8,379
		138,910	138,910	134,209	134,233

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. Prior to the commencement of 2015/16 the Council had impaired its deposit with Heritable to 95% of the original holding, with a balance of 1% still to be received. In August 2015 a 4% dividend was received resulting 3% gain on the impaired value. This gain of £450k is shown in note 12 Financial Instruments - Income, Expense, Gains & Losses. The administration is still in process, however there is no further update currently available.

Notes to Main Financial Statements

13. INVENTORIES

	Consumable Stores		Maintenance Materials		Total	
	2015/16 £000's	2014/15 £000's	2015/16 £000's	2014/15 £000's	2015/16 £000's	2014/15 £000's
Balance outstanding at start of year	62	58	293	287	355	345
Purchases	895	1,028	613	691	1,508	1,719
Recognised as expense in year	(907)	(1,024)	(660)	(685)	(1,567)	(1,709)
Balance outstanding at year-end	50	62	246	293	296	355

14. SHORT TERM DEBTORS

	31 March 2016 £000's	31 March 2015 £000's
Central Government bodies	12,451	10,237
Allowance for Impairment	(19)	(89)
Central Government Bodies net of Impairment	12,432	10,148
Other local authorities	1,734	2,141
Allowance for Impairment	(6)	(59)
Other local authorities	1,728	2,082
NHS bodies	472	1,603
Allowance for Impairment	(53)	(34)
NHS bodies	419	1,569
Housing rents	2,899	2,194
Allowance for Impairment	(2,161)	(1,806)
Housing rents net of Impairment	738	388
Council Taxpayers	14,109	13,148
Allowance for Impairment	(8,186)	(7,461)
Council taxpayers net of Impairment	5,923	5,687
Non-domestic rate payers	5,580	3,780
Allowance for Impairment	(1,346)	(1,139)
Non-domestic rate payers net of Impairment	4,234	2,641
Other entities and individuals	36,916	32,456
Allowance for Impairment	(16,936)	(15,638)
Other entities and individuals net of Impairment	19,980	16,818
Total Debtors	74,161	65,987
Less: Provision for doubtful debts	(28,707)	(26,226)
	45,454	39,761

15. LONG TERM DEBTORS

	31 March 2016 £000's	New Debtors £000's	Repayments £000's	31 March 2015 £000's
Housing advances & associations	6	0	(1)	7
Sale of Council houses	29	0	(20)	49
Long term payments in advance	0	0	(9)	9
Other loans & advances	242	0	(4)	246
Developer Contributions	6,063	1,406	(2,546)	7,203
	6,340	1,406	(2,580)	7,514

Notes to Main Financial Statements

16.SHORT-TERM CREDITORS

	31 March 2016 £000's	31 March 2015 £000's
Council Taxpayers	(3,841)	(3,611)
Central Government Departments	(10,420)	(9,449)
NHS Bodies	(2,391)	(3,260)
Housing Rents	(666)	(666)
Non-Domestic Ratepayers	(2,150)	(2,901)
Other Local Authorities	(4,330)	(4,420)
Sundry Creditors	(50,586)	(45,388)
	(74,384)	(69,695)

17. 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 £4,034k at 31 March 2016 (£3,293k at 31 March 2015).

18. CASH AND CASH EQUIVALENTS

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

	31 March 2016 £000's	31 March 2015 £000's
Cash held by the Council	13,628	11,035
Liquid deposits	30,009	69,464
Total Cash and Cash Equivalents	43,637	80,499

19. ASSETS HELD FOR SALE

At 31 March 2016 the Council held £120k (£3,585k at 31 March 2015) 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 2016 £000's	31 March 2015 £000's
Balance outstanding at start of year	3,585	1,911
Assets newly classified as held for sale	120	3,332
Enhancements	11	0
Assets sold	(3,596)	(1,658)
	120	3,585

20. CURRENT INTANGIBLE ASSETS

At 31 March 2016 the Council held £397k (£605k at 31 March 2015) 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

21. PROVISIONS

	1 April 2015	Additional provisions made in 2015/16	Amounts used in 2015/16	Unused amounts reversed in 2015/16	31 March 2016	Short-Term Provisions	Long-Term Provisions
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Housing Repairs Claim	233	729	0	(233)	729	729	0
CRC Allowance Purchase	204	189	(204)	0	189	189	0
Dilapidation Provision	927	433	0	(404)	956	65	891
Non Domestic Rates Appeal Losses	424	1,095	(62)	(107)	1,350	1,350	0
Ordinary Residency Disputes	225	247	0	0	472	472	0
Personal Searches	140	0	0	(100)	40	40	0
Insurance Provision	2,917	863	(766)	(679)	2,335	1,634	701
MMI	30	96	(55)	0	71	0	71
Section 117 Mental Health	104	0	0	(104)	0	0	0
Other provisions	239	432	0	(120)	551	551	0
Total Provisions	5,443	4,084	(1,087)	(1,747)	6,693	5,030	1,663

Housing Repairs Claim

Outstanding legal costs relating to a Housing contract claim. This provision is expected to be settled in full during 2016/17.

CRC Allowance Purchase

The 2015/16 financial year was the fifth 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 2015/16 which the Council will then be required to surrender to the scheme by the last working day in July 2016, 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.

Non Domestic Rates Appeal Losses

See note 3 to the Collection Fund Accounts on page 97. 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 sought. If it is determined that the Ordinary Residence for these cases is within the London Borough of Hillingdon then we will have to pay for the back 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.

Notes to Main Financial Statements

21. PROVISIONS (Continued)

Dilapidation Provision

The Council is contractually obliged to fund dilapidation costs on a number of leased properties. During the year provisions were released through one reduced estimate and by a property transfer. The impact of these reductions were offset by new provisions and increased estimates elsewhere. Works are expected to be carried out during 2016/17 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 was adjusted to show the latest estimate following review exercise. 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 2016.

An exercise to determine long and short-term provisions was carried out and 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 01 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 of 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

22. UNUSABLE RESERVES

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.

	2015/16		2014/15	
	£000's	£000's	£000's	£000's
Balance at 1 April		847,800		827,776
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	(31,917)		(35,666)	
- Revaluation gains/(losses) on Property, Plant and Equipment	61,447		68,857	
- Amortisation of intangible assets	(42)		(501)	
- Revenue expenditure funded from capital under statute	(20,185)		(10,548)	
- 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	(26,803)	(17,500)	(82,256)	(60,114)
Adjusting amounts written out of the Revaluation Reserve		1,810		3,433
Net written out amount of the cost of non-current assets consumed in the year		(15,690)		(56,681)
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	22,442		6,616	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	25,301		51,573	
- Application of grants to capital financing from the Capital Grants Unapplied Account	40		113	
- Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	15,072		15,293	
- Finance Lease Principal	259		261	
- Capital expenditure charged against the General Fund and HRA balances	17,129	80,243	2,751	76,607
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(102)		98
Balance at 31 March		912,251		847,800

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.

Balance at 1 April

Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements

Proportion of discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements

Balance at 31 March

2015/16 £000's	2014/15 £000's
(343)	(355)
99	98
(86)	(86)
(330)	(343)

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 an in year surplus of £174k for Non-Domestic Rates and an in year deficit of £1,289k for Council Tax. The closing balance represents the combined surplus held within the Collection Fund.

Balance at 1 April

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

Balance at 31 March

31 March 2016 £000's	31 March 2015 £000's
1,623	4,020
(1,115)	(2,397)
508	1,623

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:

- revalued 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.

	2015/16		2014/15	
	£000's	£000's	£000's	£000's
Balance at 1 April		59,001		56,381
Upward revaluation of assets				
- Land & Buildings	35,860		7,365	
- Council Dwellings	38,220		45	
- Surplus Assets	6,320	80,400	0	7,410
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services				
- Land & Buildings	(6,723)		(1,126)	
- Surplus Assets	(83)	(6,806)	(231)	(1,357)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		73,594		6,053
Difference between fair value depreciation and historical cost depreciation				
- Land & Buildings	(1,416)		(1,463)	
- Surplus Assets	(14)		(13)	
- Council Dwellings	(1)	(1,431)	0	(1,476)
Accumulated gains on assets sold or scrapped				
- Assets held for sale			(210)	
- Land & Buildings	(112)		(1,747)	
- Council Dwellings	(267)	(379)	0	(1,957)
Amount written off to the Capital Adjustment Account		(1,810)		(3,433)
Balance at 31 March		130,785		59,001

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. Statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2015/16 £000's	2014/15 £000's
Balance at 1 April	(485,178)	(381,940)
Actuarial gains/(losses) on pensions assets and liabilities	115,524	(90,907)
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	(40,614)	(34,714)
Employer's pension contributions and direct payments to pensioners payable in the year	23,785	22,383
Balance at 31 March	(386,483)	(485,178)

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.

	2015/16 £000's	2014/15 £000's
Balance at 1 April	(4,042)	(5,362)
Settlement or cancellation of accrual made at the end of the preceding year	4,042	5,362
Amounts accrued at the end of the current year	(3,258)	(4,042)
Balance at 31 March	(3,258)	(4,042)

Notes to Main Financial Statements

AVAILABLE FOR SALE FINANCIAL INSTRUMENTS RESERVE

The Available for Sale Financial Instruments Reserve contains the gains made by the Council 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.

	2015/16 £000's	2014/15 £000's
Balance as at 1 April	54	31
Change in Fair Value in year	31	23
Balance as at 31 March	85	54

23. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2015/16 £000's	2014/15 £000's
(Surplus)/Deficit on the provision of services	(51,723)	(52,075)
Depreciation and impairment of non-current assets	29,530	33,191
Amortisation of intangible fixed assets	(42)	(501)
Revenue Expenditure Funded from Capital under Statute	(20,185)	(10,548)
Pension Fund adjustments	(16,829)	(12,331)
(Increase) in impairment for provision for bad debts	(2,481)	(2,665)
(Increase)/Decrease in creditors	(5,430)	(7,702)
Increase/(Decrease) in debtors	7,000	21,327
Increase/(Decrease) in inventories	(59)	10
Carrying amount of non-current assets sold	(26,803)	(82,256)
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(9,835)	(5,853)
Total adjusting items	(45,134)	(67,328)
Adjustments for items included in the net Surplus or Deficit on the Provision of Services that are investing or financing activities		
Proceeds from the disposal of plant, property and equipment, investment property and intangible assets	22,391	24,960
Capital Grants and other contributions credited to Surplus or Deficit on the Provision of Services	25,301	52,071
Billing Authorities - Council Tax and NNDR adjustments	(4,907)	(6,756)
Total included elsewhere on Cash Flow Statement	42,785	70,275
Net cash flows from operating activities	(54,072)	(49,128)

Interest received, interest paid and dividends received

	2015/16 £000's	2014/15 £000's
Interest paid	(10,446)	(10,876)
Interest received	1,409	1,011

Notes to Main Financial Statements

24. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2015/16 £000's	2014/15 £000's
Cash Outflows		
Purchase of property, plant and equipment	48,236	64,116
Other payments for investing activities	20,185	10,548
	68,421	74,664
Cash Inflows		
Sale of property, plant and equipment	(22,391)	(24,960)
Capital grants received	(14,186)	(39,007)
Other receipts from investing activities	(2,367)	(3,625)
	(38,944)	(67,592)
Net Cash Outflow	29,477	7,072
Net Increase/(Decrease) in Short-Term Investments	51,393	(6,245)
Net (Decrease)/Increase in Long-Term Investments	(7,471)	417
Net cash flows from investing activities	73,399	1,244

25. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2015/16 £000's	2014/15 £000's
Cash Outflows		
Repayments of amounts borrowed	12,369	9,322
Capital element of finance lease rental and on-balance sheet PFI payments	259	261
Cash Inflows		
Billing Authorities - Council Tax and NNDR adjustments	4,907	6,756
Net cash flows from financing activities	17,535	16,339

Notes to Main Financial Statements

26. 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:

- 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 whereas only the Minimum Revenue provision is included in the management outturn report.
- 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 in the management outturn report

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 2015/16 RECORDED IN OUTTURN REPORT

	Administration Finance & Corporate Items	Residents Services	Social Care	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
Expenditure	28,347	112,735	147,446	288,528	58,985	140,430	3,784	491,727
Income	(4,981)	(56,038)	(41,537)	(102,556)	(62,354)	(137,213)	(4,386)	(306,509)
Directorate Operating Budgets	23,366	56,697	105,909	185,972	(3,369)	3,217	(602)	185,218
Corporate Operating Budgets	5,218	0	0	5,218	0	0	0	5,218
Development & Risk Contingency	1,325	4,047	9,067	14,439	0	0	0	14,439
Priority Growth	1,420	0	0	1,420	0	0	0	1,420
Exceptional Items	(1,663)	0	0	(1,663)	0	0	0	(1,663)
Budget Requirement	(203,952)	0	0	(203,952)	0	0	0	(203,952)
Planned Reserve Drawdown	(5,000)	0	0	(5,000)	0	0	0	(5,000)
Management Outturn	(179,286)	60,744	114,976	(3,566)	(3,369)	3,217	(602)	(4,320)

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

Cost of Services in Service Analysis (above)	£000's (4,320)	
Notional accounting charges not reported to management	(22,137)	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	173,873	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 inter-company transactions through corporate recharging which cannot be shown in the Comprehensive Income and Expenditure Statement.
Cost of Services in Comprehensive Income and Expenditure Statement	147,416	

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.

2015/16

Reconciliation to Subjective Analysis

Fees, charges & other service income
Interest and investment income
Income from Council Tax and Non-Domestic Rates
Government Grant and Contributions

Total Income

Employee expenses
Other service expenses
Depreciation, amortisation & impairment
Interest payments
Precepts & Levies
Payments to Housing Cap Receipts Pool
(Gain) or Loss on Disposal of Non Current Assets

Total operating expenses

(Surplus)/Deficit on the provision of services

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
(128,518)	(1,274)	8,761	(121,031)	0	(121,031)
(538)	0	538	0	(1,409)	(1,409)
(150,026)	0	150,027	1	(149,411)	(149,410)
(411,728)	0	55,244	(356,484)	(80,545)	(437,029)
(690,810)	(1,274)	214,570	(477,514)	(231,365)	(708,879)
116,103	1,411	0	117,514	0	117,514
550,399	19,104	(32,599)	536,904	0	536,904
11,270	(40,758)	0	(29,488)	102	(29,386)
8,098	0	(8,098)	0	25,948	25,948
620	(620)	0	0	620	620
0	0	0	0	1,143	1,143
0	0	0	0	4,413	4,413
686,490	(20,863)	(40,697)	624,930	32,226	657,156
(4,320)	(22,137)	173,873	147,416	(199,139)	(51,723)

Notes to Main Financial Statements

SERVICE INFORMATION 2014/15 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	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)
Directorate Operating Budgets	22,030	58,788	63,446	26,142	170,406	(7,756)	(302)	(174)	162,174
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)
Management Outturn	(174,740)	61,974	77,935	30,307	(4,524)	(7,756)	(302)	(174)	(12,756)

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

Cost of Services in Service Analysis (above)

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 in Comprehensive Income and Expenditure Statement

£000's
(12,756)

20,949

121,145

129,338

Notional accounting charges, primarily in respect of depreciation, which are not chargeable to the Council Taxpayer under Statute are excluded from the management outturn.

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 inter-company transactions through corporate recharging which cannot be shown in the Comprehensive Income and Expenditure Statement.

Notes to Main Financial Statements

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	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	(146,724)	0	146,724	0	(144,327)	(144,327)
Government Grant and Contributions	(414,568)	0	0	(414,568)	(122,052)	(536,620)
Total Income	(833,891)	0	288,253	(545,638)	(267,390)	(813,028)
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
Loss/(Gain) on Disposal of Non Current Assets	0	0	0	0	57,296	57,296
Total operating expenses	821,135	20,949	(167,108)	674,976	85,977	760,953
(Surplus)/Deficit on the provision of services	(12,756)	20,949	121,145	129,338	(181,413)	(52,075)

Notes to Main Financial Statements

27. 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:

	2015/16 £000's	2014/15 £000's
Fees payable in regard to external audit services carried out by the appointed auditor	157	210
Fees payable for the certification of grant claims and returns	37	66
Total External Audit costs	194	276

The External audit was carried out by Ernst and Young in 2015/16 and Deloitte in 2014/15

Non Audit Fees - The Council did not incur any non audit costs during 2015/16 or in 2014/15 with Deloitte or Ernst and Young.

28. 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.

	2015/16 £000's	2014/15 £000's
Income	(4,386)	(4,040)
Expenditure	2,944	3,022
(Surplus)/ Deficit	(1,442)	(1,018)
Contribution to transport services	840	844
Total (Surplus)/ Deficit	(602)	(174)

29. MEMBER ALLOWANCES

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

	2015/16 £000's	2014/15 £000's
Salaries & Allowances	1,342	1,319
Total	1,342	1,319

Further details on Members' allowances on website.

30. 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 1 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 2015-16 this service provided support to approximately 507 clients at a gross cost of £33,061k which included approximately 26 HCCG clients for which the Council received £3,009k.

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 1 April 2010. This is operating as a Pooled Budget with LBH and HCCG sharing the cost of the service for 2015-16 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 2015-16 was £1,291k of which was split equally between LBH & HCCG at £645.5k each.

Better Care Fund Pooled Budget

The Better Care Fund Pooled Budget was set up during the 2015/16 financial year. The London Borough of Hillingdon and Hillingdon Clinical Commissioning Group have Pooled Funds to work on joint services for people aged 65+ across Hillingdon. The aims of the Pooled Budget are to reduce Emergency Hospital Admissions and Delayed Transfers of Care and to increase the effectiveness of the Reablement Service and improve the lives of people using the services. Under the terms of the Pooled Budget each party is responsible for risks associated with their own share of the Pooled Budget.

The table below sets out the allocation received by each party for inclusion in the Better Care Fund.

	2015/16 £000's
Government Allocation to CCG	(15,642)
Government Allocation to LBH	(2,349)
	(17,991)

This funding was then pooled and split out between the partners as set out below:

	2015/16 £000's
Hillingdon CCG	(10,032)
LB Hillingdon	(7,959)
	(17,991)

Notes to Main Financial Statements

31. 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 2015/16 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 2015/16 was £21,866k (£20,827k 2014/15). A precept of £346k was paid to the London Pension Fund Authority in 2015/16 (£349k in 2014/15).

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 2015/16 is shown in note 29.

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 and North West London NHS Foundation Trust	Councillor Nick Denys	3,311,647.12
Age UK	Councillor David Simmonds	748,085.66
Age UK	Councillor Ian Edwards	748,085.66
Hillingdon Carers	Councillor Becky Haggar	582,673.75
Hillingdon Carers	Councillor Beulah East	582,673.75
Hillingdon Carers	Councillor Judith Cooper	582,673.75
Central Middlesex Skills Development Centre	Councillor Tony Burles	367,933.20
Hillingdon Clinical Commissioning Group	Steve Hajioff (Director of Public Health)	325,589.67
Ruislip and Northwood Old Folks Association	Councillor Catherine Dann	130,677.06
Ruislip and Northwood Old Folks Association	Councillor Michael White	130,677.06
Hillingdon Aids Response Trust	Councillor Peter Curling	112,000.00
Groundwork South Trust Ltd	Councillor George Cooper	99,100.40
Hillingdon and Ealing Citizens Advice	Councillor Carol Melvin	87,543.00
Hillingdon and Ealing Citizens Advice	Councillor George Cooper	87,543.00
Hillingdon and Ealing Citizens Advice	Councillor John Riley	87,543.00
Hillingdon and Ealing Citizens Advice	Councillor Raymond Graham	87,543.00
Hillingdon and Ealing Citizens Advice	Councillor Tony Burles	87,543.00
Hillingdon Brain Tumour Group	Councillor Becky Haggar	25,000.00
Hillingdon Brain Tumour Group	Councillor Jane Palmer	25,000.00
Hillingdon Shopmobility	Councillor Beulah East	24,000.00
Hillingdon Shopmobility	Councillor John Hensley	24,000.00
Hillingdon Shopmobility	Councillor Teji Barnes	24,000.00
Relate London North West Family Mediation	Councillor Beulah East	15,130.00
Relate London North West Family Mediation	Councillor Tony Burles	15,130.00
Colne Valley CIC	Councillor George Cooper	15,000.00
Colne Valley CIC	Councillor Peter Davis	15,000.00
Community Cancer Centre	Councillor Becky Haggar	11,300.00
Uxbridge Forward Limited	Councillor Judith Cooper	10,150.00
Yiewsley and West Drayton Community Association	Councillor Shehryar Ahmad-Wallana	6,890.00
Friends of No 11 Group Operations Rooms	Councillor Ray Puddifoot	6,000.00

Notes to Main Financial Statements

31. RELATED PARTY TRANSACTIONS (Continued)

Precepts/Levies

In 2015/16 the following precepts and levies are considered related party transactions:

	2015/16 £000s	2014/15 £000s
Business Rate Retention - DCLG	219,003	224,130
Business Rate Retention - GLA	73,525	70,323
Greater London Authority Precept	27,417	27,012
Greater London Authority Crossrail	12,810	12,726
West London Waste Authority Levy	10,612	10,244
TFL Concessionary Fares	8,198	8,040
Lee Valley Regional Park Authority	274	281
Environment Agency	209	206

32. OFFICER EMOLUMENTS

The number of employees in 2015/16 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			
	2015/16		2014/15		2015/16		2014/15	
	Total	Due to Lump Sum	Total	Due to Lump Sum	Total	Due to Lump Sum	Total	Due to Lump Sum
£50,000 - £54,999	64	(3)	49	(4)	48	(1)	48	(1)
£55,000 - £59,999	27	(1)	29	(5)	23	0	14	(1)
£60,000 - £64,999	12	(2)	8	(1)	12	(1)	12	0
£65,000 - £69,999	2	0	9	(1)	17	0	19	0
£70,000 - £74,999	7	(1)	5	0	12	0	16	0
£75,000 - £79,999	3	(1)	3	(1)	11	0	12	0
£80,000 - £84,999	2	0	1	0	5	0	5	0
£85,000 - £89,999	2	0	4	0	4	0	1	0
£90,000 - £94,999	1	0	0	0	1	0	1	0
£95,000 - £99,999	1	0	0	0	1	0	1	0
£100,000 - £104,999	0	0	0	0	0	0	2	(1)
£105,000 - £109,999	0	0	0	0	1	0	0	0
£110,000 - £114,999	0	0	0	0	0	0	0	0
£115,000 - £119,999	0	0	0	0	0	0	1	(1)
	121	(8)	108	(12)	135	(2)	132	(4)

Disclosure of Remuneration for Senior Employees (Schools):-

Details of school employees in the above table earning over £100,000 during 2015/16 is listed below.

Job Title	Pensionable Pay 2015/16	Pensionable Pay 2014/15	Due to Lump Sum
Headteacher - Harlington Community School	£106,734	£103,614	N

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 2015/16.

Group	Job Title		2015/16			
			Pensionable Pay	Compensation for loss of employment	EER's pension Contributions	Total
Administration	Chief Executive and Corporate Director of Administration (F Beasley)		£198,571	£0	£43,874	£242,445
	Head of Democratic Services		£98,429	£0	£21,753	£120,182
	Head of Legal Services		£121,479	£0	£26,847	£148,326
	Head of Policy & Partnerships		£87,145	£0	£19,259	£106,404
Finance	Corporate Director of Finance (P Whaymand)		£153,568	£0	£19,758	£173,326
	Deputy Director Corporate Finance and Head of Operational Finance		£103,828	£0	£22,946	£126,774
	Deputy Director Strategic Finance		£93,334	£0	£20,558	£113,892
	Head of Business Assurance	1	£86,086	£0	£0	£86,086
	Head of Revenues & Benefits		£82,434	£0	£18,218	£100,652
Residents Services	Deputy Chief Executive and Corporate Director of Residents Services (J Palmer)		£192,084	£0	£0	£192,084
	Deputy Director Development & Assets, Head of Corporate Procurement & Commissioning	2	£129,242	£0	£28,562	£157,804
	Deputy Director ICT, Digital Strategy & Communication	3	£63,335	£0	£13,997	£77,332
	Deputy Director Planning, Transportation & Community Projects	4	£68,124	£0	£14,991	£83,115
	Deputy Director Residents Services		£129,785	£0	£28,682	£158,467
	Director of Public Health	5	£60,576	£0	£13,387	£73,963
	Head of Business & Technical Support		£80,439	£0	£17,741	£98,180
	Head of Business Improvement & HR	6	£131,125	£0	£28,958	£160,083
	Head of Estates & Tenancy Management		£78,544	£0	£17,246	£95,790
	Head of Green Spaces, Sport & Culture		£92,994	£0	£20,552	£113,546
	Head of Business Performance Policy & Standards		£98,411	£0	£21,749	£120,160
	Head of Planning & Enforcement		£106,211	£0	£23,473	£129,684
Head of Special Projects		£84,125	£0	£18,592	£102,717	
Social Care	Director of Adults Services and Interim Director of Children & Young People's Services		£145,213	£0	£32,092	£177,305
	Assistant Director Children's Services	7	£8,953	£0	£1,979	£10,932
	Head of Adult Early Intervention & Prevention		£70,317	£0	£15,540	£85,857
	Head of Adult Safeguarding, Quality Partnership		£78,509	£0	£17,350	£95,859
	Head of Children's Early Intervention		£90,971	£0	£20,086	£111,057
	Head of Children's Safeguarding & QA		£72,795	£0	£16,088	£88,883
Leavers	Head of Disability Services		£87,145	£0	£19,259	£106,404
	Deputy Director Asset Management	8	£77,143	£0	£9,726	£86,869
	Deputy Director Policy, Highways & Community Engagement	9	£25,904	£0	£5,691	£31,595
	Head of Communications	10	£13,477	£72,567	£2,979	£89,023

1. New post title from 1 December 2015
2. Employee in dual post from 14 October 2015
3. Employee in post from 28 September 2015
4. Employee in post from 1 September 2015
5. Employee in post from 8 April 2015

6. New post title from 1 August 2015
7. Employee in post from 1 March 2016
8. Employment ended 31 July 2015
9. Employment ended 12 June 2015
10. Employment ended 30 May 2015

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
Administration	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
Finance	Corporate Director of Finance (P Whaymand)		£156,133	£0	£32,944	£189,077
	Deputy Director Corporate Finance and Head of Operational Finance		£99,633	£0	£21,022	£120,655
	Deputy Director 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
Residents Services	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	
Adult Social Care	Director of Adults Services and Interim Director of Children and Young People's Service	5	£135,678	£0	£28,628	£164,306
	Head of Early Intervention & Prevention		£67,265	£0	£14,193	£81,458
	Head of Disability Services		£83,038	£0	£17,521	£100,559
	Head of Adults Safeguarding, Quality Partnership		£75,344	£0	£15,856	£91,200
Childrens and Young People's Service	Head of Early Intervention		£76,681	£0	£16,180	£92,861
Leavers	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	£114,831
	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 - Employment ended 31 January 2015

7 - Employment ended 31 July 2014

8 - Employment ended 5 February 2015

9 - Employment ended 12 September 2014

Notes to Main Financial Statements

33. 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 strain costs, 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)	2015/16 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	64	0	64	594	22	616
£20,001 - £40,000	21	0	21	436	131	567
£40,001 - £80,000	11	0	11	251	360	611
Over £80,001	5	0	5	152	469	621
	101	0	101	1,433	982	2,415

LBH EMPLOYEES						
Exit Package Cost Band (including special payments)	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 - £60,000	4	0	4	140	104	244
£60,001 - £80,000	4	0	4	140	460	600
	60	0	60	950	709	1,659

SCHOOL EMPLOYEES						
Exit Package Cost Band (including special payments)	2015/16 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	7	0	7	54	0	54
£20,001 - £40,000	0	0	0	0	0	0
£40,001 - £60,000	1	0	1	52	0	52
	8	0	8	106	0	106

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
	10	1	9	200	0	200

Notes to Main Financial Statements

34. 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 2014. The Schools Budget includes elements for a restricted range of services provided on a 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 2015/16 are as follows:

Schools Budget Funded by Dedicated Schools Grant			
	Central Expenditure £000's	Individual Schools Budget £000's	Total £000's
Final DSG for 2015/16 before academy recoupment			256,278
Academy figure recouped for 2015/16			(118,923)
Total DSG after academy recoupment for 2015/16			137,355
Brought-forward from 2014/15			4,083
Carry-forward to 2016/17 agreed in advance			(852)
Agreed initial budgeted distribution in 2015/16	35,389	105,197	140,586
In year adjustments	(533)	533	0
Final budgeted distribution for 2015/16	34,856	105,730	140,586
Less actual central expenditure	32,356		32,356
Less actual ISB deployed to schools		108,216	108,216
Plus Local Authority contribution for 2015/16	0	0	0
Carry-forward to 2016/17	(2,500)	2,486	(14)

Notes to Main Financial Statements

35. GRANT INCOME

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

	2015/16 £000's	2014/15 £000's
Revenue Grant Income Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	39,508	52,018
Education Services Grant	2,775	3,392
Council Tax Freeze Grant	1,149	1,138
Housing Benefit Administration Subsidy	1,310	1,641
Local Council Tax Support Administration Subsidy	316	350
New Homes Bonus	8,085	6,928
Other Grants	2,101	4,513
Total Non-Specific Revenue Grants	55,244	69,980
Revenue Grant Income Credited to Services		
<u>Department for Education</u>		
Dedicated Schools Grant (DSG)	137,355	138,284
Pupil Premium	6,507	6,846
Sixth Form & Adult Learning Grants	2,595	2,546
Universal Infant Free School Meals Grant	2,542	1,693
Private Finance Initiative	1,778	1,778
Adult & Community Learning	1,602	1,477
PE & Sports Grant	492	491
<u>Department for Communities and Local Government:</u>		
Troubled Families Grant	647	100
Business Rates Cost of Collection Allowances	586	596
<u>Department of Health</u>		
Public Health Grant	16,742	15,712
Better Care Fund	15,642	0
Care Act Implementation Grant	1,277	0
Independent Living Fund	429	0
Section 256 Agreement Funding	0	4,772
<u>Arts Council</u>		
Music Education Hub	441	337
<u>Department for Work and Pensions:</u>		
Housing Benefit Subsidy	150,213	150,458
Discretionary Housing Payments	673	977
<u>Home Office:</u>		
Asylum Funding	4,655	5,057
Other Grants	12,309	13,464
Total Grants Credited to Services	356,485	344,588
Total Revenue Grant Income	411,729	414,568

Notes to Main Financial Statements

Capital Grant Income credited to the Comprehensive Income and Expenditure Statement

	2015/16 £000's	2014/15 £000's
Disabled Facilities Grant	1,769	1,645
Education Funding Agency	10,105	33,277
Transport for London	3,576	2,983
West London Housing Grant	110	50
HCA Empty Homes Grant	0	722
Outer London Fund	0	300
DH Community Capacity	580	571
Total Capital Grant Income	16,140	39,548
Schools Capital Contributions	1,370	2,791
S106 Contributions	5,336	8,920
Community Infrastructure Levy	1,920	0
Other Capital Contributions	535	812
Total Capital Grants and Contributions Received	25,301	52,071

Of the capital grant income applied to the Comprehensive Income and Expenditure account within Taxation and Non Specific Grant income, £16,140k was used to fund the Capital Programme. An additional £40k was released from the Capital Grants Unapplied Reserve, applying total grant financing to the Capital Programme in 2015/16 of £16,180k.

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:

Capital Grant & Contribution Receipts in Advance

	2015/16 £000's	2014/15 £000's
EFA Capital Grants	458	736
S106	8,646	8,859
Total Capital Grant & Contribution Receipts in Advance	9,104	9,595

Notes to Main Financial Statements

36. 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.

	2015/16 £000's	2014/15 £000's
Opening Capital Financing Requirement	400,961	402,916
Capital investment		
Property, Plant and Equipment	48,013	63,835
Intangible Assets	222	281
Revenue Expenditure Funded from Capital under Statute	20,185	10,548
Sources of finance		
Capital receipts	(22,442)	(6,617)
Government grants and other contributions	(25,341)	(51,686)
Sums set aside from revenue:		
Direct revenue contributions	(17,129)	(2,751)
Minimum Revenue Provision (MRP) / loans fund principal	(15,072)	(15,293)
Other Revenue Provision	(265)	(272)
Closing Capital Financing Requirement	389,132	400,961
Explanation of movements in year		
(Decrease)/Increase in underlying need to borrow :		
- unsupported by Government financial assistance	(11,829)	(1,955)
(Decrease)/Increase in Capital Financing Requirement	(11,829)	(1,955)

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.

Note - The comparator for the movement in year has been updated from that published in the 2014/15 accounts to reflect the full movement in the CFR

Notes to Main Financial Statements

37. LEASES

In financial years prior to 2015/16 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	
	2015/16 £000's	2014/15 £000's	2015/16 £000's	2014/15 £000's
Within 1 year (held in current liabilities)	250	259	985	1,068
2 - 5 years	1,009	1,004	3,083	3,437
More than 5 years	693	949	1,155	1,786
Total costs payable in future years	1,702	1,953	4,238	5,223
Total future lease payments	1,952	2,212	5,223	6,291

Operating Leases - Lessee

Plant, Property and Equipment Outstanding obligations on 31 March	Operating Lease	
	2015/16 £000's	2014/15 £000's
Within 1 year	821	514
2 - 5 years	1,402	949
Total future lease payments	2,223	1,463

Operating Lease obligations include commitments held by Hillingdon maintained Schools as well as those held by the Council. Operating lease expenditure of £157k (£233k in 14/15) is included within Cost of Services in the Comprehensive Income and Expenditure Statement.

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	
	2015/16 £000's	2014/15 £000's
Within 1 year	890	1,106
2 - 5 years	2,762	3,328
More than 5 years	9,188	9,884
Total future lease payments	12,840	14,318

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

Notes to Main Financial Statements

38. 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. However there are no contracts which have fixed annual sums over £1,000k and are over 4 years in length.

The following Long Term Contract has a fixed element of £1,013k, but has a duration term of fewer than four years - 01/11/15 to 01/11/17:

- Mitie Property Services

The following Long Term Contract has a term longer than 4 years but is variable in nature.

- O'Hara Brothers Surfacing Ltd - 01/04/2014 to 31/03/2019

The following Long Term Contract has a term longer than 4 years and is fixed in nature but has annual sums lower than £1,000k.

- Northgate Information Solutions (ICT Managed Services) - Expires 31/05/2018.

The following Long Term Contract has a term in excess of 4 years and is fixed in nature with an initial annual sum in excess of £1,000k:

- Northgate Information Solutions (Revenues & Benefits) - 01/08/2015 to 31/07/2020

Year	Annual Cost £000's
2016/17	1,085
2017/18	914
2018/19	866
2019/20	850
2020/21	281

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 2015/16 the Council paid principal of £241k, interest of £739k and service charges of £2,154k. 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 (2016/17)	2,279	237	667	3,183
2 - 5 years	10,479	913	1,848	13,240
More than 5 years	9,572	537	377	10,486
Total	22,330	1,687	2,892	26,909

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 £241k matching the principal repayment. The outstanding liability of the capital value at 31 March 2016 is £1,687k, of this £237k is due within a year and therefore included in creditors and the remaining £1,450k is included as a Deferred Liability.

Notes to Main Financial Statements

39. CONTINGENT LIABILITIES AND ASSETS

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.

There are proceedings in relation to an employment tribunal, the claim could amount to £132k.

There are possible legal proceedings being threatened regarding an alleged misrepresentation. The claim could amount to £200k, to date no action has been received.

The Council have legal proceedings in relation to a claim for unpaid charges in a breach of contract case which could amount to £7.5m which is denied and defended with a counter claim by the Council.

The Council are investigating a potential liability relating to a recent legal case in relation to the 2006 Water Resale Order which could result in payments of up to £810k being returned to tenants. There are currently no claims against the Council in relation to this.

40. EVENTS AFTER THE BALANCE SHEET DATE

As at 31 March 2016 the Council held two LOBO loans with Barclays Bank PLC totalling £12 million. On 22 June 2016, Barclays Bank PLC wrote to the Council advising they had waived their right to change the applicable interest rate, changing their classification from LOBO to fixed-rate loans. This would have had no impact on the carrying amount in the balance sheet however, the fair value disclosure would have shown a reduction of £5.9 million (from £19.6 million to £13.7 million).

On the 23rd June 2016 the UK voted to leave the European Union (EU). This led to a new Prime Minister and Cabinet being appointed in 13th of July. Theresa May has committed to uphold the referendum decision, however it is unlikely that the lawful withdrawal from the EU through triggering of Article 50 of the Lisbon Treaty will commence until alternative trade agreements are made with key export markets.

The referendum result has no impact on the figures included within the Statement of Accounts as at the 31st March 2016, however this stage, any potential future impact on the UK economy is not fully known.

The London Borough of Hillingdon prides itself on having sound financial management, robust risk management procedures and the ability to operate both tactically and strategically to address any emerging issues. A proven track record of improving services to its residents and bolstering financial reserves shows the Council is well placed to deal with any consequences resulting from vote to leave the EU.

Most of the Council's Non Current Assets are held on an existing use basis with Council dwellings having the additional social housing reduction applied to their valuation. Whilst property prices are forecast to fall in the short term, the outcome in London is less certain due to the size of the market and demand. The Council's treasury investments are all sterling denominated and have little to no market exposure, and as such there should be no change in their fair value through exchange rate or market movements.

In terms of the Pension Fund, the Council's obligation is managed on a long-term basis and with a deficit recovery period of twenty five years, any short-term influences would be absorbed into the ongoing funding strategy. Risk mitigation is a primary driver in setting the Pension Fund's investment objectives, with currency and market movements being managed as part of the normal process. Initial impact on the Pension Fund has been positive with an upward movement in the value of the fund since the referendum decision.

41. AGENCY

Collection of Mayoral CIL

The Community Infrastructure Levy (CIL) is a planning charge, introduced by the Planning Act 2008, as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. The Levy was ratified on 29 February 2012 and applies to developments agreed after 1 April 2012. The CIL is charged on most developments in Central London and is charged at £35 per square metre in zone 2. The collection of the CIL is delegated to the relevant planning authority in each administrative area and the planning authority is able to retain 4% of the levy to cover the costs of administration and collection. Contributions of £4.14m have been received this year and £3.95m has been paid over to the charging authority (Transport for London). The balance of £0.17m has been retained by the Council to cover administrative expenses

Notes to Main Financial Statements

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 36).

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.

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 minimum long term credit criteria applicable during 2015/16 in respect of financial assets held by the Council are BBB+ (Fitch); Baa1 (Moody's); BBB+ (S&P) for UK counterparties, A+ (Fitch); A1 (Moody's); A+ (S&P) for Overseas counterparties and AA+ (Fitch); Aa1 (Moody's); AA+ (S&P) for non-UK sovereigns.

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.

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The table below summarises the amortised value of the Council's investment portfolio at 31 March 2016, and demonstrates that all investments were made in line with the Council's approved credit rating criterion.

Outstanding Investments as at 31 March 2016							
	Fitch Rating or lowest equivalent at time of Deposit	Fitch Rating or lowest equivalent 31 March 2016	Maturity of Investments				
			0-3 Months	3-6 Months	6-12 Months	Over 12 Months	Total
Fixed Term Deposits			£000's	£000's	£000's	£000's	£000's
UK Banks & Building Societies							
Close Brothers	A	A	5,014				5,014
Nationwide Building Society	A	A	5,014				5,014
Lloyds Lending Community Report	A	A			4,008		4,008
Coventry Building Society	A	A	5,012				5,012
Sub-Total			15,040	0	4,008	0	19,048
Covered Bonds							
Lloyds Covered Bond	AAA	AAA			2,607		2,607
Sub-Total			0	0	2,607	0	2,607
Overseas Banks							
OCBC Bank Singapore	AA-	AA-	5,011				5,011
DBS Bank Singapore	AA-	AA-	5,010				5,010
Sub-Total			10,021	0	0	0	10,021
Government & Local Authorities							
Aberdeen CC	AA+	AA+	5,001				5,001
Blaenau Gwent CBC	AA+	AA+	2,420				2,420
Cornwall Council	AA+	AA+	5,001				5,001
Herefordshire Council	AA+	AA+		5,001			5,001
Lancashire CC	AA	AA		5,035			5,035
Leeds City Council	AA+	AA+	5,001				5,001
Monmouthshire CC	AA+	AA+			5,007		5,007
North Tyneside Council	AA+	AA+			5,001		5,001
Salford City Council	AA+	AA+			3,507		3,507
Wolverhampton Council	AA+	AA+		7,021			7,021
Sub-Total			17,423	17,057	13,515	0	47,995
Total			42,484	17,057	20,130	0	79,671
Instant Access Accounts							
UK Banks & Building Societies							
Santander Call Account	A	A	13				13
Lloyds Call Account	A	A	400				400
Sub-Total			413	0	0	0	413
Money Market Funds							
All funds held explicit money market fund equivalent ratings of AAA, with at least one of the rating agencies			30,109				30,109
Sub-Total			30,109	0	0	0	30,109
Pooled Funds							
Insight Liquidity PLUS Fund	AAA	AAA	5,024				5,024
Standard Life Sterling Short Duration Cash Fund	AAA	AAA	5,022				5,022
Sub-Total			10,046	0	0	0	10,046
Notice Accounts - UK Banks							
Santander UK 120 Day Notice Account	A	A		5,004			5,004
Sub-Total			0	5,004	0	0	5,004
Notice Accounts - Overseas Banks							
Svenska Handelsbanken 35 Day Notice Account	AA-	AA-	5,015				5,015
Sub-Total			5,015	0	0	0	5,015
Total			45,583	5,004	0	0	50,587
Total Investments			88,067	22,061	20,130	0	130,258

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 31/03/2016 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	Moody's: Aaa Money Market Funds are judged to be of an investment quality similar to Aaa-rated fixed income obligations.
A	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.
BBB	
BB	
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	39	0	0	0	0	39
Total	39	0	0	0	0	39

Trade Debtors of £8,613k 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 2016			31 March 2015		
	PWLB £000's	Market £000's	Total £000's	PWLB £000's	Market £000's	Total £000's
Nominal Value	266,671	48,000	314,671	278,949	48,000	326,949
Premium	(3,251)	0	(3,251)	(3,279)	0	(3,279)
Accrued Interest	617	620	1,237	744	612	1,356
Amortised Value	264,037	48,620	312,657	276,414	48,612	325,026

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 2016	31 March 2016 £000's	31 March 2015 £000's
Less than 1 year	25%	2.72%	8,515	13,634
Between 1 and less than 2 years	25%	5.53%	17,278	7,277
Between 2 and less than 5 years	50%	21.89%	68,444	34,556
Between 5 and less than 10 years	75%	15.19%	47,500	91,667
Between 10 and less than 20 years	100%	20.47%	64,000	60,000
Between 20 and less than 30 years	100%	10.74%	33,571	44,571
Between 30 and less than 40 years	100%	6.51%	20,349	5,000
Between 40 and less than 50 years	100%	9.91%	31,000	20,321
Over 50 years	100%	7.04%	22,000	48,000
Total		100.00%	312,657	325,026

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	438
Increase in interest receivable on variable rate investments	(1,747)
Impact on Surplus or Deficit on the Provision of Services	(1,309)
Share of overall impact credited to the HRA	(909)
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)	(15)
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)	(30,210)

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 £39k 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.

The Council does hold one Covered Bond with the Bank of Scotland, which will be held to maturity and as such any variation in price during the term of the Bond will not be realised in the Income and Expenditure Statement. As at the 31 March 2016 the Fair Value was equal to the carrying amount at £2,607k.

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 (£266,671k nominal value 31 March 2016; £220,671k fixed rates, £46,000k 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 (nominal value) 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 £14,000k, £5,000k and £18,000k respectively are scheduled for rate change options.

In order to minimise debt costs the Council did not take any new borrowing during 2015/16, instead utilising internal resources to finance its long term borrowing requirement. No debt was prematurely redeemed but naturally maturing debt of £12,278k reduced the loan portfolio during 2015/16.

Financial Assets

The Council had a weighted average balance of investments for 2015/16 of £174,894k. 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 no deposits with maturities extending one year and therefore all instruments are 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 2016 £000's	31 March 2015 £000's
Education trusts - providing academic prizes	4	4
Library trusts - purchase of library books	14	14
Total	18	18

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.

LGPS

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 2015/16 employer's contribution rate was 22.1%. Employees contributed at variable rates between 5.5% and 12.5% of pensionable salary. The employer's contribution rate set for 2016/17 is 23.1% with any pension strain costs being directly attributable to the service area, as was the case in 2015/16.

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 2015/16 was 14.1% from 1 April 2015 to 31 August 2015, increasing to 16.48% for the period 1 September 2015 to 31 March 2016 (14.1% in 2014/15). The total contribution to the fund by the Council in 2015/16 was £6,738k (£6,291k in 2014/15), of this amount £591k was outstanding at 31 March 2016 (£526k at 31 March 2015).

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 £839k paid in respect of on-going early retirement payments in 2015/16 (£849k in 2014/15).

NHS Pension Scheme

The Health and Social Care Act 2012, made 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). 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 2015/16 LB Hillingdon paid a total of £35,382.69 (£87,747 in 2014/15) to the NHS Pension Scheme, representing 14.3% of pensionable pay. Contributions to the fund are expected to remain unchanged for 2016/17.

Notes to Main Financial Statements

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 via the Movement in Reserves Statement during the year:

	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2016 £000's	31 March 2015 £000's	31 March 2016 £000's	31 March 2015 £000's	31 March 2016 £000's	31 March 2015 £000's
Comprehensive Income and Expenditure Statement						
Cost of Services						
Current Service Cost	26,593	21,690	0	0	26,593	21,690
Past Service Costs (Including curtailments)	493	302	0	0	493	302
(Gain)/Loss Settlements	(1,977)	(3,470)	0	0	(1,977)	(3,470)
Administration Expenses	0	0	3	4	3	4
Financing and Investment Income and Expenditure: Net Interest Expense	15,428	16,164	74	28	15,502	16,192
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	40,537	34,686	77	32	40,614	34,718
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability						
Return on plan assets (excluding the amount included in the net interest expense)	11,227	(46,279)	(104)	301	11,123	(45,978)
Actuarial gains and losses arising on changes in financial assumptions	(103,079)	146,026	0	0	(103,079)	146,026
Other	(23,568)	(9,141)	0	0	(23,568)	(9,141)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(115,420)	90,606	(104)	301	(115,524)	90,907
Movement in Reserves Statement						
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(16,756)	(12,303)	(73)	(28)	(16,829)	(12,331)
Actual amount charged against the General Fund						
Employer's contributions payable to scheme	21,615	20,073	0	0	21,615	20,073
Contributions in respect of unfunded benefits	2,166	2,310	4	4	2,170	2,314
Total Employers Contributions Payable to Scheme	23,781	22,383	4	4	23,785	22,387

Notes to Main Financial Statements

In addition the Comprehensive Income and Expenditure Statement included an actuarial gain of £115,524k in 2015/16 (£90,907k loss in 2014/15).

The Council expects to make payments of £21,861k (£21,866k in 2015/16) in respect of contributions to the LBH Pension Fund during the financial year 2016/17.

46. PENSION SCHEMES BALANCE SHEET DISCLOSURES

Reconciliation of present value of scheme liabilities

	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2016 £000's	31 March 2015 £000's	31 March 2016 £000's	31 March 2015 £000's	31 March 2016 £000's	31 March 2015 £000's
Opening Benefit Obligation	1,218,712	1,051,794	5,201	5,254	1,223,913	1,057,048
Current Service Cost	26,593	21,690	0	0	26,593	21,690
Interest on defined liability	38,858	44,817	119	180	38,977	44,997
Contributions by Members	6,289	6,338		0	6,289	6,338
Remeasurement (gains) and losses:						
- Actuarial (gains)/losses arising from changes in financial assumptions	(103,079)	146,026	(165)	301	(103,244)	146,327
- Other	(23,568)	(9,141)	1	0	(23,567)	(9,141)
Past Service Cost including Curtailments	493	302	0	0	493	302
Liabilities Extinguished on Settlements	(2,315)	(4,587)	0	0	(2,315)	(4,587)
Estimated Unfunded Benefits Paid	(2,166)	(2,310)	(4)	(4)	(2,170)	(2,314)
Estimated Benefits Paid	(36,227)	(36,217)	(492)	(530)	(36,719)	(36,747)
Closing Defined Benefit Obligation	1,123,590	1,218,712	4,660	5,201	1,128,250	1,223,913

Reconciliation of fair value of scheme assets

	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2016 £000's	31 March 2015 £000's	31 March 2016 £000's	31 March 2015 £000's	31 March 2016 £000's	31 March 2015 £000's
Opening Fair Value of Employer Assets	736,612	672,603	2,123	2,505	738,735	675,108
Interest Income on Plan Assets	23,430	28,653	45	152	23,475	28,805
Contributions by Members	6,289	6,338	0	0	6,289	6,338
Contributions by the Employer	21,615	20,073	0	0	21,615	20,073
Contributions in respect of Unfunded Benefits	2,166	2,310	4	4	2,170	2,314
Remeasurement (gains) and losses:						
- The return on plan assets, excluding the amount in the net interest expense	(11,227)	46,279	(60)	0	(11,287)	46,279
Assets Distributed on Settlements	(338)	(1,117)	0	0	(338)	(1,117)
Administration Expenses	0	0	(3)	(4)	(3)	(4)
Estimated Unfunded Benefits Paid	(2,166)	(2,310)	0	0	(2,166)	(2,310)
Estimated Benefits Paid	(36,227)	(36,217)	(496)	(534)	(36,723)	(36,751)
Closing Fair Value of Employer Assets	740,154	736,612	1,613	2,123	741,767	738,735

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 15/16 £000's	Quoted Prices not in Active Markets 15/16 £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 15/16 £000's	Quoted Prices not in Active Markets 15/16 £000's	Quoted Prices in Active Markets 14/15 £000's	Quoted Prices not in Active Markets 14/15 £000's	31 March 2016 £000's	31 March 2015 £000's
Equity Instruments	Consumer	17,056		21,911		291		178		17,347	22,089
	Manufacturing	26,650		31,344		95		79		26,745	31,423
	Energy & Utilities	18,191		25,483		6		11		18,197	25,494
	Financial Institutions	37,249		41,247		92		59		37,341	41,306
	Health & Care	7,212		7,885		0				7,212	7,885
	Information Technology	6,683		9,162		44		34		6,727	9,196
	Other	60		5,775		82		68		142	5,843
Debt Securities	UK Government	15,843		16,506						15,843	16,506
	Other	38,223								38,278	0
Private Equity	All		27,950		34,166		140		161	28,090	34,327
Real Estate			102,225		75,686		58		59	102,283	75,745
Investment Funds & Unit Trusts	Equities	278,522		283,693		19		17	15	278,541	283,725
	Bonds	61,520		65,138		90	40	347	47	61,650	65,532
	Hedge Funds		1,307		1,153		85		100	1,392	1,253
	Commodities		1,154		2,333					1,154	2,333
	Infrastructure		15,031		7,461	5	82	6	98	15,118	7,565
	Other		65,837		38,599	23	31	104	244	65,891	38,947
Derivatives				46,275			(13)		(4)	(13)	46,271
Liability Driven Investments							164		159	164	159
Target Returns								74		0	74
Commodities							6	6	13	6	19
Cash & Cash Equivalents		19,441		22,795		210	8	248		19,659	23,043
		526,650	213,504	577,214	159,398	957	656	1,231	892	741,767	738,735

Notes to Main Financial Statements

Pensions Assets and Liabilities recognised in the Balance Sheet

	2015/16 £000's	2014/15 £000's	2013/14 £000's	2012/13 £000's	2011/12 £000's
Present value of liabilities:					
LBH	(1,123,590)	(1,218,712)	(1,051,794)	(1,026,344)	(895,278)
LPFA	(4,660)	(5,201)	(5,254)	(5,763)	(5,749)
Fair Value of Assets:					
LBH	740,154	736,612	672,603	656,243	584,868
LPFA	1,613	2,123	2,505	2,602	2,960
Deficit in the scheme:					
LBH	(383,436)	(482,100)	(379,191)	(370,101)	(310,410)
LPFA	(3,047)	(3,078)	(2,749)	(3,161)	(2,789)
Total	(386,483)	(485,178)	(381,940)	(373,262)	(313,199)

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £1,128m is offset by the scheme assets of £742m to give the net pension liability of £386m 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 2016	31 March 2015	31 March 2016	31 March 2015
<u>Financial Assumptions: (% p.a.)</u>				
Pension Increase Rate	2.2%	2.4%	1.6%	1.9%
Salary Increase Rate	3.2%	3.3%	3.4%	3.7%
Discount Rate	3.5%	3.2%	2.5%	2.4%
<u>Mortality Assumptions:</u>				
Longevity at 65 for current pensioners:				
- Men	22.7	22.7	22.3	22.2
- Women	24.7	24.7	25.3	25.2
Longevity at 65 for future pensioners:				
- Men	24.3	24.3	24.7	24.5
- Women	26.9	26.9	27.6	27.4
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 possible changes to principal 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	Increase to Employer Liability £000's	% Increase to Employer Liability	Increase to Employer Liability £000's
Changes in Assumptions as at 31 March 2016				
0.5% Decrease in Real Discount Rate	10%	107,776	4%	200
1 Year Increase in Member Life Expectancy	3%	33,708	4%	170
0.5% Increase in the Salary Increase Rate	2%	25,021	0%	0
0.5% Increase in the Pension Increase Rate	7%	81,836	4%	200

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 principal 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 91)

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 95)

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 98)

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.

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HRA - Comprehensive Income And Expenditure

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 other income. 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.

	Note	31 March 2016 £000's	31 March 2015 £000's
Expenditure			
Repairs and maintenance		7,169	8,062
Supervision and management		16,605	15,799
Rents, rates, taxes & other charges		24	25
Increase in provision for bad debts		379	0
Depreciation of non current assets	3	11,270	9,818
Impairment or Reversal of previous impairment / revaluation loss		(64,287)	(83,295)
		(28,840)	(49,591)
Income			
Gross dwelling rents		(62,111)	(57,105)
Gross non dwelling rents		(1,152)	(1,211)
Charges for services and facilities		(3,207)	(3,426)
Contributions towards expenditure		(1,228)	(1,547)
		(67,698)	(63,289)
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement			
		(96,538)	(112,880)
HRA Services share of Corporate and Democratic Core		873	651
Net Cost of HRA services			
		(95,665)	(112,229)
(Gain) on sale of HRA non current assets		(8,050)	(10,321)
Interest payable and similar charges		7,718	8,225
Interest & Investment income		(299)	(418)
(Surplus)/Deficit for the year on HRA services			
		(96,296)	(114,743)

Movement on the HRA Balance

	Note	2015/16 £000's	2014/15 £000's
HRA Balance brought forward		(30,576)	(22,820)
(Surplus)/Deficit for the year on HRA services		(96,296)	(114,743)
Additional amount required by statute or non-statutory proper practices to be debited or credited to the General Fund balance for the year.			
Gain/(Loss) on sale of HRA non current assets		8,050	10,320
Premium on early redemption of HRA debt		16	22
HRA share of contributions to or from the Pension Reserve		(942)	(826)
Revaluation of Non Current Assets		64,287	83,295
Annual Leave Accrual Adjustment		4	89
Provision for repayment of debt		8,549	8,259
Net Increase before transfer to reserves		(16,332)	(13,584)
Transfer to Major Repairs Reserve		12,964	5,874
Released from Earmarked Reserves		0	(46)
Increase in year on HRA		(3,368)	(7,756)
Balance on HRA at the end of the current reporting period		(33,944)	(30,576)
HRA Balances			
Major Repairs Reserves	7	(32,144)	(24,774)
Total HRA Balances		(66,088)	(55,350)

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Notes to Housing Revenue Account

1. HOUSING STOCK

The Council was responsible at 31 March 2016 for managing dwellings (including shared ownership).

The stock was as follows:

	Total Properties 31 March 2016	Total Properties 31 March 2015
1 Bed Properties	3,543	3,580
2 Bed Properties	3,499	3,537
3 Bed Properties	2,696	2,735
4 Bed plus Properties	232	232
Total	9,970	10,084

2. VALUE OF HRA ASSETS

	Net Book Value 31 March 2016 £000's	Net Book Value 31 March 2015 £000's
Council Dwellings	690,010	598,810
Other Land & Buildings	2,702	914
Vehicle, Plant & Equipment	5,012	5,048
Surplus Assets	435	355
Intangible Asset	6	9
Assets Held For Sale	120	0
Assets Under Construction	14,321	0
Total	712,606	605,136

The vacant possession value of dwellings within the authority's HRA as at 31 March 2016 was £2,753m, this differs from the balance sheet value of £695m which is based on the economic use value of social housing. The difference of £2,058m 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

	Depreciation 2015/16 £000's	Depreciation 2014/15 £000's
Council Dwellings	10,816	9,430
Other Land & Buildings	14	14
Intangibles	2	2
Surplus Assets	433	372
Vehicle, Plant & Equipment	5	0
Total	11,270	9,818

Notes to Housing Revenue Account

4. CAPITAL EXPENDITURE

Capital Expenditure on HRA council dwellings during 2015/16 totalled £24,440k. This was financed by:

	31 March 2016 £000's	31 March 2015 £000's
Revenue Contribution	4,589	2,296
Capital Receipts	2,987	1,676
Transfer from Major Repairs Reserve	16,864	0
	24,440	3,972

Capital receipts from the sale of HRA RTB properties during 2015/16 totalled £16,209k of which £1,143k was paid to Central Government under the pooling arrangements, with £15,066k remaining with the Council.

5. RENT ARREARS

At 31 March 2016 the gross HRA rent arrears amounted to £3,838k (£3,564k in 2014/15).

6. BAD DEBT PROVISION

The provision for bad debts on all HRA debts as at 31 March 2016 was £2,499k (£2,260k in 2014/15). In the year, £140k 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.

	2015/16 £000's	2014/15 £000's
Balance as at 1 April	24,774	11,379
Depreciation transferred to reserve	11,270	9,818
Transfer to MRR	12,964	5,874
Capital programme funding	(16,864)	(2,297)
	32,144	24,774

The £32,144k 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 2015/16 was £157k.

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

	Note	31 March 2016 £000's	31 March 2015 £000's
Council Tax Income		(131,203)	(129,980)
Contribution towards previous years' estimated Council Tax Deficit/(Surplus)	1	3,417	4,593
Write-offs Uncollectable Council Tax Debt		125	190
Write-back Uncollectable Council Tax Debt		(13)	(16)
Provision for Doubtful Council Tax Debts		914	208
London Borough of Hillingdon Council Tax Precept	1	101,499	99,327
Greater London Authority Council Tax Precept	1	26,904	26,686
Council Tax (Surplus)/Deficit for the Year		1,643	1,008
Opening Council Tax (Surplus)/Deficit Balance		(4,668)	(5,669)
Council Tax (Surplus)/Deficit for the Year		1,643	1,008
Brought Forward Council Tax (Surplus) / Deficit Balance		(3,025)	(4,661)

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

	Note	31 March 2016 £000's	31 March 2015 £000's
National Non-Domestic Rates Income		(375,218)	(344,956)
Business Rate Supplement Income		(13,800)	(12,745)
Contribution towards previous years' estimated NNDR (Surplus)/Deficit		(1,667)	0
Write-offs Uncollectable NNDR Debt		646	1,143
Write-back Uncollectable NNDR Debt		(496)	(447)
Provision for Doubtful NNDR Debts		636	287
Provision/(Release of Provision) for Backdated Appeal Losses	3	3,089	(2,884)
London Borough of Hillingdon Share NNDR Income	2	111,532	105,485
Greater London Authority Share NNDR Income	2	74,355	70,323
Central Government Share NNDR Income	2	185,886	175,808
Transitional Payment Protection Receivable		72	183
Payment to Greater London Authority in respect of BRS Income		13,784	12,726
NNDR Cost of Collection Allowance		586	596
BRS Cost of Collection Allowance		16	19
NNDR (Surplus)/Deficit for the Year		(579)	5,538
Opening NNDR Deficit/(Surplus) Balance		6,854	1,316
NNDR (Surplus)/Deficit for the Year		(579)	5,538
Brought Forward NNDR Deficit/(Surplus) Balance		6,275	6,854

Collection Fund Account

1. Calculation of the Council Tax Base and 2015/16 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 2015/16 base agreed by full Council on 15 January 2015.

Band	Estimated Number of Properties	Discounts & Exemptions	Council Tax Support Scheme	Net Estimated Number of Properties	Band D Equivalent Ratio	Band D Equivalent 2015/16	Band D Equivalent 2014/15	
A	918	(163)	(290)	465	6/9	310	319	
B	5,731	(1,130)	(1,679)	2,922	7/9	2,273	2,459	
C	23,865	(3,037)	(4,713)	16,115	8/9	14,324	13,896	
D	45,192	(3,879)	(5,583)	35,730	9/9	35,730	35,037	
E	18,269	(1,579)	(913)	15,777	11/9	19,283	18,935	
F	9,685	(837)	(183)	8,665	13/9	12,516	12,278	
G	4,979	(700)	(37)	4,242	15/9	7,070	6,865	
H	434	(42)	(2)	390	18/9	780	720	
Total	109,073	(11,367)	(13,400)	84,306		92,286	90,509	
						Adjustment for Non-collection	(1,846)	(1,810)
						Ministry of Defence Contribution	760	550
						Council Tax Base	91,200	89,249
						London Borough of Hillingdon Band D Council Tax (£)	1,112.93	1,112.93
						Greater London Authority Band D Council Tax (£)	295.00	299.00
						Total Band D Council Tax (£)	1,407.93	1,411.93
						Demand on Collection Fund (£'000)	128,403	126,013

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 2015 £000's	2015/16 Precept £000's	Release of Prior Year Estimated Surplus £000's	2015/16 Council Tax Revenues £000's	2015/16 Deficit £000's	Balance 31 March 2016 £000's
London Borough of Hillingdon	(3,672)	101,499	2,697	(102,915)	1,281	(2,391)
Greater London Authority	(989)	26,904	720	(27,269)	355	(634)
Grand Total	(4,661)	128,403	3,417	(130,184)	1,636	(3,025)

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 2016 the aggregate Rateable Value across the 8,421 hereditaments within the borough totalled £808,587k, with rates payable determined by the National Non-Domestic multiplier which is set annual by Central Government. For 2015/16 the standard multiplier was 49.3p in the pound and for small businesses 48.0p 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 2015 £000's	2015/16 Budgeted Share of Income £000's	Release of Prior Year Estimated Surplus £000's	2015/16 Non- Domestic Rates Revenues £000's	2015/16 Surplus £000's	Balance 31 March 2016 £000's
London Borough of Hillingdon	2,049	111,532	(500)	(111,206)	(174)	1,875
Greater London Authority	1,374	74,355	(333)	(74,137)	(115)	1,259
Central Government	3,431	185,886	(834)	(185,343)	(291)	3,140
Grand Total	6,854	371,773	(1,667)	(370,686)	(580)	6,274

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. 1993 such appeals relating to 1376 separate hereditaments were outstanding with the Valuation Office Agency as at the 31 March 2016. Given the inherent uncertainty around the financial impact of such appeals, a provision of £4,500k has been established on the basis of past experience. This represents an increase of £3,089k on the previously held provision, within this movement £205k was released to fund refunds paid during 2015/16, £357k was released where provision was no longer required and an additional £3,651k was added to the provision in respect of outstanding appeals.

Pension Fund Accounts and Net Asset Statement

	Note	31 March 2016 £000's	31 March 2015 £000's
Contributions	4	39,268	37,383
Transfers In from other pension funds	5	2,744	1,164
Less: Benefits	6	(39,776)	(34,448)
Less: Leavers	7	(2,700)	(1,365)
Less: Management expenses	8	(6,353)	(6,834)
Net additions/(withdrawals) from dealings with members		(6,817)	(4,100)
Investment income	9	15,511	16,887
Profit and losses on disposal of investments and changes in value of investments	10	(707)	62,982
Taxes on income		0	(5)
Net return on investments		14,804	79,864
Net Increase in the fund during the year		7,987	75,764
Net Assets at start of year		802,300	726,536
Net Assets at end of year		810,287	802,300

	Note	31 March 2016 £000's	31 March 2015 £000's
Investment Assets	10	808,967	800,969
Investment Liabilities	11	(317)	(1,209)
Current Assets	12	2,073	3,191
Current Liabilities	13	(436)	(651)
TOTAL NET ASSETS		810,287	802,300

The Pension Fund Accounts summarise the transactions of the scheme and show 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 2016

Notes To Pension Fund Accounts

1. DESCRIPTION OF THE FUND

a) General

The London Borough of Hillingdon Pension Fund ("the fund") is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Hillingdon ("the administering body"). The Council is the reporting entity for this pension fund. The fund is a contributory defined benefits scheme established in accordance with statute to provide benefits to members and retired members of the London Borough of Hillingdon and Admitted and Scheduled bodies in the fund. Benefits in respect of service from 1 April 2014 are based on career average revalued earnings (CARE) scheme. Benefits in respect of past service up to 31 March 2014 are based on final salary. Pensions move in line with the Consumer Price index (CPI) annually. Benefits paid out include a pension payable to former members and their dependants, lump sum retirement benefits, payment of death benefits where death occurs in service or retirement, and early payment of benefits on medical grounds.

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

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

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 of the scheme. Due to government legislation, since 1 February 2013 all new employees who are not in the scheme are automatically enrolled. Members have the option to opt out of the scheme. Employees who have opted out are then re-enrolled every 3 years, when they can again opt out.

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

Admitted Bodies:

Greenwich Leisure	Mitie Cleaning (Transferred to Churchill)
Heathrow Aviation Engineering	Mitie Facilities Management
Heathrow Travel Care	Servest Group Ltd
Hillingdon & Ealing Citizens Advice	Taylor Shaw (Caterlink, Caterplus & Genuine Dining)

Scheduled Bodies:

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

Notes To Pension Fund Accounts

1. DESCRIPTION OF FUND. (CONTINUED)

As at 31 March 2016 there were 8,267 active employees contributing to the fund, with 6,244 in receipt of benefit and 6,658 entitled to deferred benefits.

London Borough of Hillingdon Pension Fund	31 March 2016	Updated 31 March 2015
Number of employers with active members	43	40
Number of employees in scheme		
London Borough of Hillingdon	5,307	5,796
Other employers	2,960	2,237
Total	8,267	8,033
Number of Pensioners		
London Borough of Hillingdon	5,461	5,566
Other employers	783	514
Total	6,244	6,080
Deferred Pensioners		
London Borough of Hillingdon	4,600	5,541
Other employers	2,058	510
Total	6,658	6,051

c) Funding

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.

d) Investments

The pension fund investments are managed externally by fund managers: Adams Street Partners, AEW UK, 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 are two direct investments into pooled funds with M&G Investments.

e) Governance

The fund is overseen by the Pensions Committee (comprised of Councillors) and the Pensions Board (comprised of an even number of employer and member representatives). The performance of the fund managers is monitored by the Pensions Committee and governance is overseen by the Pensions Board. Pensions Committee and Pensions Board consisted of the following members in 2015/16:

Pensions Committee

Cllr Philip Corthorne (Chairman)	Cllr Tony Eginton
Cllr Michael Markham (Vice-Chairman)	Cllr Beulah East
Cllr Peter Davis	

Pensions Board

Cllr David Simmonds (Chairman)	Cllr John Morse
Cllr Alan Chapman (Vice-Chairman)	Venetia Rogers (Member Representative)
Mr Andrew Scott (Member Representative)	Roger Hackett (Member Representative)

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 2015/16 which is based on International Financial Reporting Standards (IFRS) as amended for the public sector and underpinned by the Local Government Pension Scheme Regulations. The accounts have been prepared on an accruals basis, except for transfer values which are accounted for on a cash basis and summarise the funds income and expenditure for 2015/16 and its position as at 31 March 2016.

Notes To Pension Fund Accounts

3. ACCOUNTING POLICIES

- a) 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.
- b) 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.
- c) Acquisition costs of investments occur as brokerage commission when investments are purchased. They are recorded in the cost figure on an accruals basis.
- d) Investment management expenses are recorded at cost when the fund managers/custodian invoice the fund on a quarterly basis or provide a fee schedule deducted at source. Expenses are recorded on an accruals basis.
- e) Administration expenses are paid when invoiced by third party providers through the administering authority's payment system and recharged to the Pension fund.
- f) 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.
- g) 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.
- h) 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.
- i) 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. Group transfers are accounted for under the agreement which they are made.
- j) Cash & Cash Equivalents: Cash and cash equivalents are held in the custody accounts by fund managers as agreed in the individual Investment Management Agreements (IMA). Cash held is at the discretion of the manager but must not exceed the stipulated permitted range in the IMA
- k) 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

l) Unquoted Alternative Investments - Fair value of alternative investments are highly subjective in nature. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted alternative investments are valued by investment managers using methods such as IFRS fair value principles, discounted cash flow method and guidelines set out by the International Private Equity and Venture Capital Association (IPEV), of which the British Venture Capital Association is a founding member. The value of alternative investments as at 31 March 2016 was £109,712k (£86,637k at 31 March 2015 (Revised)).

NB: 2014/15 figures above have been revised from those published in the 2014/15 accounts to include Macquarie, M&G and Permira holdings

m) 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 2016 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 £30,082k. There is a risk that this investment may be under- or overstated in the accounts.

Notes To Pension Fund Accounts

3. ACCOUNTING POLICIES (CONTINUED)

Item	Uncertainties	Effect if actual results differ from assumptions
Infrastructure - Macquarie Infrastructure Real Assets	Infrastructure Valuation represents the fair value of investments held at 31 March 2016. The valuations have been completed by MIRA (Macquarie Infrastructure Real Assets) in accordance with ASC 820-10 (Fair Value Measurements), under which the fair value is determined to be the price that would be received upon sale of the investments in an orderly transaction between market participants. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total infrastructure alternative investments in the financial statements are £19,805k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.
Item	Uncertainties	Effect if actual results differ from assumptions
Private Finance - M&G	Private Finance investments are valued at par as they are mostly floating rate notes tied to LIBOR. Final valuation is undertaken by the analysts employed by the fund manager as they are not traded on the open market.	The total private finance investments in the financial statements are £39,150k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.
Item	Uncertainties	Effect if actual results differ from assumptions
Direct Lending - Permira Credit Solutions	Private Debt Investments are valued on a quarterly basis and in accordance with International Private Equity and Venture Capital valuation guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Private Debt investments in the financial statements are £20,634k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.
Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rates used, the rates at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries, Hymans Robertson, are engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in pension liability. An increase in assumed earnings would increase the value of liabilities and an increase in assumed life expectancy would increase the liability.

Notes To Pension Fund Accounts

4. CONTRIBUTIONS

	31 March 2016 £000's	31 March 2015 £000's
Employers		
Normal	25,118	23,621
Deficit Funding	4,768	4,576
Members		
Normal	8,370	8,410
Additional Contributions	1,012	776
	39,268	37,383

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%.

	31 March 2016 £000's	31 March 2015 £000's
Schedule of contributions by body		
Employers		
LB Hillingdon	21,866	20,827
Scheduled Bodies	7,700	7,081
Admitted Bodies	320	289
Members		
LB Hillingdon	7,216	7,151
Scheduled Bodies	2,068	1,938
Admitted Bodies	98	97
	39,268	37,383

5. TRANSFERS IN

	31 March 2016 £000's	31 March 2015 £000's
Individual transfers in from other schemes	2,744	1,164

6. BENEFITS

	31 March 2016 £000's	31 March 2015 £000's
Pensions	(31,597)	(29,862)
Commutations and Lump Sum Retirement Benefits	(7,598)	(4,521)
Lump Sum Death Benefits	(581)	(65)
	(39,776)	(34,448)
Schedule of benefits by employer		
LB Hillingdon	(38,969)	(33,985)
Scheduled Bodies	(701)	(416)
Admitted Bodies	(106)	(47)
	(39,776)	(34,448)

Notes To Pension Fund Accounts

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	31 March 2016 £000's	31 March 2015 £000's
Individual transfers out to other schemes	(2,700)	(1,365)
	(2,700)	(1,365)

8. MANAGEMENT EXPENSES

The administering authority incurred costs in managing the fund for the period ending 31 March 2016 as follows:

	31 March 2016 £000's	31 March 2015 £000's
Administrative Costs	(570)	(534)
Investment Management Expenses	(5,338)	(5,995)
Oversight and Governance	(445)	(305)
	(6,353)	(6,834)

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.

9. INVESTMENT INCOME

	31 March 2016 £000's	31 March 2015 £000's
Dividends from equities	5,915	6,672
Income from fixed interest securities	0	107
Income from index-linked securities	307	205
Income from pooled investment vehicles	4,345	1,833
Interest on cash deposits	88	83
Other (for example from stock lending or underwriting)	4,856	7,987
	15,511	16,887

10. INVESTMENT ASSETS

	Value 1 April 2015 £000's	Purchases at cost £000's	Sales proceeds £000's	Change in market value £000's	Value 31 March 2016 £000's
Equities	136,322	25,428	(24,919)	(13,232)	123,599
Index-linked securities	64,834	6,087	(37,691)	1,668	34,898
Pooled investment vehicles	570,033	116,617	(61,227)	6,771	632,194
	771,189	148,132	(123,837)	(4,793)	790,691
Other investment balances	913			3,806	980
Fund managers' cash	28,867			280	17,296
Total Investment Assets	800,969			(707)	808,967

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.

Notes To Pension Fund Accounts

10. INVESTMENT ASSETS (CONTINUED)

Investment Assets and Liabilities by Fund Manager

Fund Manager	Market Value 31 March 2016 £000's	Market Value 31 March 2015 £000's
Adams Street Partners	19,195	22,988
AEW UK	36,094	24,623
GMO	62,041	65,729
JP Morgan Asset Management	36,603	38,447
Kempen International Investments	87,317	87,276
LGT Capital Partners	10,887	12,769
M&G Investments	39,150	32,965
Macquarie Infrastructure	19,805	13,886
Newton Asset Management	30,395	27,173
Permira Credit Solutions	20,634	4,029
Ruffer LLP	92,546	94,758
State Street Global Advisors	179,997	161,566
UBS Global Asset Management (Equities)	97,271	104,844
UBS Global Asset Management (Property)	71,112	64,119
UBS TAA	0	31,742
Other*	5,603	12,846
Total	808,650	799,760

* 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	5,862	(6,227)	(364)	07/01/2016	15/04/2016
Northern Trust GBP - JPY	2,283	(2,309)	(26)	17/02/2016	15/04/2016
Northern Trust GBP - USD	22,111	(22,018)	92	17/02/2016	13/05/2016
Northern Trust GBP - EUR	852	(871)	(19)	14/03/2016	17/06/2016
Total unrealised loss	31,108	(31,425)	(317)		

As at 31 March 2016 four forward foreign exchange contracts were in place for £31,425k with unrealised loss of £317k. 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

Equities

UK Quoted
Overseas Quoted

Index Linked Securities

UK Public Sector Quoted
Overseas Public Sector Quoted

Pooled Investment Vehicles

UK Managed Funds - Other
UK Unit Trusts Property
Overseas Unit Trusts - Other
Private Equity

Other Investment balances

Amount due from brokers
Outstanding dividend entitlements and recoverable withholding tax

Cash deposits

Sterling

	31 March 2016 £000's	31 March 2015 £000's
Equities		
UK Quoted	98,337	108,883
Overseas Quoted	25,262	27,439
	123,599	136,322
Index Linked Securities		
UK Public Sector Quoted	18,026	17,642
Overseas Public Sector Quoted	16,871	47,192
	34,897	64,834
Pooled Investment Vehicles		
UK Managed Funds - Other	384,421	351,510
UK Unit Trusts Property	106,369	87,738
Overseas Unit Trusts - Other	111,282	95,028
Private Equity	30,123	35,757
	632,195	570,033
Other Investment balances		
Amount due from brokers	0	3
Outstanding dividend entitlements and recoverable withholding tax	980	910
	980	913
Cash deposits		
Sterling	17,296	28,867
	17,296	28,867
	808,967	800,969

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

Notes To Pension Fund Accounts

10. INVESTMENT ASSETS (CONTINUED)

AVC Investments

Additional Voluntary Contributions paid by scheme members are not included in the accounts. The additional voluntary contributions are paid by scheme members directly to Prudential Assurance Company, who 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 2016 was £5,937k (£6,488k at 31 March 2015) and £246k was received in additional voluntary contributions by members. Any transfer of additional contributions into the fund during the year are included in the employee contributions value as detailed in note 4.

11. INVESTMENT LIABILITIES

	31 March 2016 £000's	31 March 2015 £000's
Amount outstanding to brokers	0	(463)
Forward foreign exchange unrealised loss	(317)	(746)
	(317)	(1,209)

12. CURRENT ASSETS

	31 March 2016 £000's	31 March 2015 £000's
Employers' contributions due	364	391
Employees' contributions due	100	111
Debtor: London Borough of Hillingdon	30	0
Cash balances	1,579	2,689
	2,073	3,191

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

13. CURRENT LIABILITIES

	31 March 2016 £000's	31 March 2015 £000's
Creditor: Other Entities	(436)	(394)
Creditor: London Borough of Hillingdon	0	(257)
	(436)	(651)

NB: The £436k total of other entities is due to bodies external to government, namely investment managers.

Notes To Pension Fund Accounts

14. FINANCIAL INSTRUMENTS

a) Analysis of Investments

	31 March 2016 £000's	31 March 2015 £000's
Investment Assets		
Fixed Interest Securities	34,898	57,833
Equities	123,599	136,322
Pooled Investments	475,897	439,607
Pooled Property Investments	106,369	87,743
Private Equity/Infrastructure	49,928	49,684
Cash	17,296	28,867
Investment Income Due	980	910
Amounts Receivable For Sales	0	3
	808,967	800,969
Investment Liabilities		
Derivative Contracts	(317)	(746)
Amounts Payable for Purchases	0	(463)
	(317)	(1,209)
	808,650	799,760

b) Net Gains and Losses on Financial Instruments

	31 March 2016 £000's	31 March 2015 £000's
Financial Assets		
Realised Fair Value through profit and loss	16,287	16,602
Unrealised Fair Value through profit and loss	(16,677)	47,126
Financial Liabilities		
Unrealised Fair Value through profit and loss	(317)	(746)
	(707)	62,982

c) Fair Value of Financial Assets and Liabilities through Profit & Loss

	Designated as fair value through P&L	Loans & receivables	Total	Designated as fair value through P&L	Loans & receivables	Total
	31 March 2016 £000's	31 March 2016 £000's	31 March 2016 £000's	31 March 2015 £000's	31 March 2015 £000's	31 March 2015 £000's
Financial Assets						
Fixed Interests Securities	34,898	0	34,898	57,833	0	57,833
Equities	123,599	0	123,599	136,322	0	136,322
Pooled Investments	582,266	0	582,266	527,350	0	527,350
Private Equity/Infrastructure	49,928	0	49,928	49,684	0	49,684
Cash	0	17,296	17,296	0	28,867	28,867
Other Investment balances	0	980	980	0	913	913
	790,691	18,276	808,967	771,189	29,780	800,969
Financial Liabilities						
Derivative Contracts	(317)	0	(317)	(746)	0	(746)
Creditors	0	0	0	(463)	0	(463)
	(317)	0	(317)	(1,209)	0	(1,209)
Total	790,374	18,276	808,650	769,980	29,780	799,760

Notes To Pension Fund Accounts

14. FINANCIAL INSTRUMENTS (CONTINUED)

d) Analysis of pricing hierarchies for assets carried at fair value

Values as at 31 March 2016

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	574,611	106,368	109,712	790,691
Loans and Receivables	18,276	0	0	18,276
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	(317)	0	0	(317)
At Amortised Cost	0	0	0	0
Net Financial Assets	592,570	106,368	109,712	808,650

Values as at 31 March 2015

	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	596,836	87,716	86,637	771,189
Loans and Receivables	29,780	0	0	29,780
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	(746)	0	0	(746)
At Amortised Cost	(463)	0	0	(463)
Net Financial Assets	625,407	87,716	86,637	799,760

Fair values shown in the tables above are split by their level in the fair value pricing hierarchy:

Level 1 - Fair value is only derived from unadjusted quoted prices in active markets at the valuation date, for identical assets or liabilities, e.g equities or bonds.

Level 2 - Fair value is calculated from observable inputs for the assets or liabilities, rather than unadjusted quoted prices, e.g pooled property vehicles

Level 3 - Fair value is determined using unobservable inputs for assets and liabilities, e.g private equity.

There was a transfer of £41k in Venture Capital Investments with UBS Asset Management from Level 1 to Level 3 in line with the pricing hierarchy of the investment.

Notes To Pension Fund Accounts

14. FINANCIAL INSTRUMENTS (CONTINUED)

Level 3 Pricing Hierarchy Disclosures

Quantitative Information on Significant unobservable inputs

Private Equity: Adams Street & LGT capital

The significant unobservable inputs used in the fair value measurement of privately held securities are: Revenue multiples, EBITDA multiple, net income multiple and discount for lack of marketability and potential bids.

Private Finance: M&G

The assets are mostly floating rate notes and held at par value.

Infrastructure: Macquarie

The following quantitative information are considered for significant unobservable inputs, in valuation of infrastructure assets.

- The acquisition financial model is used as a base case.
- Update for any material changes in economic, operational and financial assumptions.
- Discount equity cashflows at the sum of the risk free rate and the appropriate risk premium (as determined by the implied risk premium at acquisition unless there is an inherent change in the riskiness of the underlying investments which may necessitate a change in the risk premium).

Direct Lending: Permira

The following key terms are confirmed as inputs for each yield analysis calculation:

- Cash / PIK (Payment In Kind) margin
- Frequency of interest payments
- Commitment and settlement date
- Contracted and expected maturity date

Level 3 Assets Reconciliation						
	Value 1 April 2015 £000's	Purchases at cost £000's	Sales proceeds £000's	Transfer between Levels	Change in market value £000's	Value 31 March 2016 £000's
Private Equity - Adams Street Partners & LGT Capital Partners	35,757	1,201	(4,901)	0	(1,975)	30,082
Private Finance - M&G	32,965	7,274	(2,291)	0	1,202	39,150
Infrastructure - Maquarie	13,886	3,450	(706)	0	3,175	19,805
Venture Capital - UBS	0	0	0	41	0	41
Direct Lending - Permira	4,029	15,173	0	0	1,432	20,634
	86,637	27,098	(7,898)	41	3,834	109,712
Other investment balances	0				0	0
Total Investment Assets	86,637				3,834	109,712

Description of Valuation Process

Private Equity

The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. Private equity investments for which market quotations are not readily available are valued at their fair values by the Board of Directors. Private equity valuations are usually generated by the managers of the underlying portfolio of investments on a quarterly basis and are actually received with a delay of at least one-to-two months after the quarter end date. As a result, the year-end net asset value predominantly consists of portfolio valuations provided by the investment managers of the underlying funds at a specific date, adjusted for subsequent capital calls and distributions. If the Board of Directors comes to the conclusion upon recommendation of the Investment Manager (after applying the above mentioned valuation methods), that the most recent valuation reported by the manager/administrator of a fund investment is materially misstated, it will make the necessary adjustments using the results of its own review and analysis. The valuation adjustments relate to events subsequent to the last capital account valuation statement received but based upon information provided by the investment manager and all other available unobservable inputs. In estimating the fair value of fund investments, the Investment Manager in its valuation recommendation to the Board of Directors considers all appropriate and applicable factors.

Notes To Pension Fund Accounts

14. FINANCIAL INSTRUMENTS (CONTINUED)

Description of Valuation Process Contd:

Private Finance: M&G

These assets are floating rate and are held to maturity they are valued at par unless suffering from impairment. Impairments may be applied if an asset's credit rating deteriorates.

Direct Lending: Permira

- In each case, valuations are prepared in accordance with International Private Equity & Venture Capital Valuation ("IPEV") Guidelines
- All direct lending investments are valued on a mark-to-market basis at the date of valuation
- Where an investment is considered illiquid (level 3), a yield analysis is performed to infer a fair market value for that
- Each valuation is reviewed to ensure:

Third party evidence to support pricing (such as Markit data, broker quotes or Bloomberg pricing, as well as latest financials and capital structure; and any other adjustments to value) was evidenced;

That the valuations are prepared in a consistent manner with previous valuations and that any changes in methodology or valuation are clearly explained; and valuations are derived using methodology consistent with the IPEV guidelines.

Infrastructure: Macquarie

Valuations are calculated by the individual asset teams on a quarterly basis. The valuation process follows the British Venture Capital Association (BVCA) guidelines, and is compliant with International Financial Reporting Standards (IFRS). The most generally accepted methodology of valuing infrastructure assets is by way of a discounted cashflow (DCF) analysis.

DCF-Based Market Valuation Process

Financial Model

The acquisition financial models of all of the Fund's underlying investments will be externally audited prior to financial close. They will be used as the initial base financial models for the DCF analysis.

Update for Economic, Operational and Financial Assumptions

The economic assumptions in the financial models are adjusted every three months in order to reflect current market conditions. The main economic variables relate to interest rates, exchange rates and inflation.

The initial operational assumptions in each of the financial models are the acquisition forecasts. Any historical information (e.g. distributions received in an intervening period and year to date performance) will be updated within the model. In relation to forward-looking assumptions, the acquisition assumptions will continue to be used unless there is a material inconsistency between these assumptions and:

- the actual operational results to date
- the revised forecasts provided by management or approved by the board.

The financial assumptions in the model (e.g. cost of debt and capital structure) are also updated to reflect the actual debt put

Discount Rate

Equity cash flows are discounted at the acquisition internal rate of return, which is adjusted for changes in the relevant risk free rate. The acquisition internal rate of return is the return which is forecast under the acquisition case and price, reflecting the risks inherent in each of the investments. The difference between the acquisition internal rate of return and the risk free rate at the date of acquisition equates to the risk premium, which is the risk compensation to equity holders.

Most of the Fund's assets are likely to see some decrease in the risk premium as assets are de-risked following acquisition. Such projects may have a changing risk "life-cycle", whereby the risk changes as the asset matures. In addition, if there is a change in the inherent risk of an investment, then the risk premium may need to be reconsidered.

Narrative and Quantitative description of sensitivity to changes in valuation methods and market

Private Equity

Market valuation method applied to investments is sensitive to four main components:

- changes in actual market prices;
- interest rate risk;
- foreign currency movements; and
- other price risks.

Private Finance (M&G)

The only possible sensitivity associated with private finance valuations and methodology is credit rating. This may result in an analyst impairing an asset if there is a change in the asset's credit rating.

Notes To Pension Fund Accounts

14. FINANCIAL INSTRUMENTS (CONTINUED)

Infrastructure: Macquarie

The economic assumptions in the financial models are adjusted every three months in order to reflect current market conditions. The main economic variables relate to interest rates, exchange rates and inflation.

Direct Lending: Permira

The yield analysis methodology used to value the level 3 assets are sensitive to the following inputs:

- EURIBOR swap rates (up to 7 years)
- LIBOR swap rates (up to 7 years)
- ELLI (3 year discounted spread data)

These inputs are sourced directly from Bloomberg feeds or independently from Duff & Phelps (ELLI data) relevant to each period end date.

These inputs impact on: (1) the implied IRR calculations at the period end valuation date; (2) the forecast cash and/or PIK yields that track LIBOR or EURIBOR; and (3) ultimately the implied asset price calculated from these inputs as the period end to determine the valuation price.

15. 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.

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.

Notes To Pension Fund Accounts

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

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 2015/16 reporting period.

Asset Type	Potential market movements (+/-)
UK quoted equities	10.56%
Overseas quoted equities	8.01%
UK Public Sector quoted Index-Linked Securities	8.43%
Overseas Public Sector quoted Index-Linked Securities	8.43%
Corporate Bonds	4.57%
UK Managed funds - other	10.56%
UK Unit Trusts - property	3.00%
Overseas Unit Trusts - other	8.01%
Private Equity/Infrastructure	4.86%

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on fund asset allocations. The potential volatilities are consistent with one standard deviation movement of the change in value of assets over the last three years. This can then be applied to period end asset mix.

Asset type

Asset type	Value as at 31 March 2016 £000's	Percentage Change %	Value on Increase £000's	Value on Decrease £000's
Cash and Cash equivalents	17,296	0.01%	17,298	17,294
Investment Assets				
UK quoted equities	98,337	10.56%	108,721	87,953
Overseas quoted equities	25,262	8.01%	27,285	23,239
UK Public Sector quoted Index-Linked Securities	55,655	8.43%	60,347	50,963
Overseas Public Sector quoted Index-Linked Securities	16,871	8.43%	18,293	15,449
UK Managed funds - Equities	177,082	10.56%	195,782	158,382
UK Managed funds - Bonds	112,128	4.57%	117,252	107,004
UK Unit Trusts - property	106,369	3.00%	109,560	103,178
Overseas Unit Trusts - Equities	149,059	8.01%	160,999	137,119
Private Equity/Infrastructure	49,928	4.86%	52,355	47,501
Net Derivative assets	(317)	0.00%	(317)	(317)
Investment income due	980	0.00%	980	980
Amounts receivable for sales	0	0.00%	0	0
Amounts payable for purchases	0	0.00%	0	0
Total Assets Available to pay benefits	808,650		868,555	748,745

Asset type

Asset type	Value as at 31 March 2015 £000's	Percentage Change %	Value on Increase £000's	Value on Decrease £000's
Cash and Cash equivalents	28,867	0.01	29,156	28,578
Investment Assets				
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	41,700	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)
Total Assets Available to pay benefits	801,108		856,221	743,299

Notes To Pension Fund Accounts

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

Interest Rate Risk - 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 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	31 March 2016 £000's	31 March 2015 £000's
Cash	17,296	28,867
Fixed Interest Securities (Segregated)	72,526	64,834
Fixed Interest Securities (Pooled Funds)	112,128	109,014
Total	201,950	202,715

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.

Asset Type	Carrying amount 31 March 2016	Change in the net assets available to pay benefits	
		1%	-1%
	£000's	£000's	£000's
Cash	17,296	17,469	17,123
Fixed Interest Securities (Segregated)	72,526	73,251	71,801
Fixed Interest Securities (Pooled Funds)	112,128	113,249	111,007
Total change in assets available	201,950	203,970	199,931

Asset Type	Carrying amount as 31 March 2015	Change in the net assets available to pay benefits	
		1%	-1%
	£000's	£000's	£000's
Cash	28,867	29,156	28,578
Fixed Interest Securities (Segregated)	64,834	65,482	64,186
Fixed Interest Securities (Pooled Funds)	109,014	110,104	107,924
Total change in assets available	202,715	204,742	200,688

Currency Risk - 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 2016 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 2016 and as at the previous period ending 31 March 2015.

Notes To Pension Fund Accounts

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

Currency exposure by asset type

	Asset value 31 March 2016	Asset value 31 March 2015
	£000's	£000's
Overseas Quoted Securities	25,262	36,181
Overseas Corporate Bonds	0	31,869
Overseas Index-Linked Bonds	16,871	40,191
Overseas Managed Funds	149,059	228,144
Private Equity/Infrastructure	49,928	49,684
	241,120	386,069

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 6.08%, based on the data provided by WM. A 6.08% 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 6.08% 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 2016	Change in the net assets available to pay benefits	
		+6.08%	-6.08%
	£000's	£000's	£000's
Overseas Quoted Securities	25,262	26,798	23,726
Overseas Index-Linked Bonds	16,871	17,897	15,845
Overseas Managed Funds	149,059	158,122	139,996
Private Equity/Infrastructure	49,928	52,964	46,892
	241,120	255,780	226,460

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
	386,069	409,350	362,789

Notes To Pension Fund Accounts

15. 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 agreements with Northern Trust hold 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 a 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 Lloyds Plc (which holds an A long-term credit rating or equivalent) and Natwest (BBB+) across the three rating agencies and they maintain their status as well capitalised and strong financial organisations. Deposits are placed in the AAAf rated Northern Trust Money Market Fund that is 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 2016 was £1,579k (31 March 2015: £2,689k) and this was held with the following institutions.

Summary	Rating	Balances as at 31 March 2016	Rating	Balances as at 31 March 2015
	S&P	£000's	S&P	£000's
Money market funds				
Northern Trust Global Sterling Fund A	AAAf	100	AAAm	1,700
Bank current accounts				
Lloyds (Started 01/04/2015)	A	402		0
Natwest (Capita)	BBB+	1,077	A-	838
HSBC Plc (Changed to Lloyds 01/04/2015)	AA-	0	AA-	151
Total		1,579		2,689

Liquidity Risk - The risk the pension fund will have difficulties in paying its financial obligations when they fall due.

The pension fund holds a working cash balance in its own bank accounts (Lloyds and Natwest - Capita) and Money Market Fund to which it has instant access to cover the payment of benefits and other lump sum payments (£1,579k). 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 2016 these assets totalled £574,611k, with a further £17,296k held in cash by fund managers.

Notes To Pension Fund Accounts

16. 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%	

17. 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 IAS 26 valuation are summarised below:

Description	31 March 2016 % per annum	31 March 2015 % per annum
Inflation /Pensions Increase Rate	2.2%	2.4%
Salary Increase Rate	3.2%	3.3%
Discount Rate	3.5%	3.2%

An IAS 26 valuation was carried out for the fund as at 31 March 2016 by Hymans Robertson with the following results:

Description	31 March 2016 £000's	31 March 2015 £000's
Present Value of Promised Retirement Benefits	1,225,000	1,308,000
Assets	808,995	802,300
Deficit	416,005	505,700

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.

18. 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

18. RELATED PARTY TRANSACTIONS (CONTINUED)

Governance

There are two members of the Pension Fund Committee who are deferred or retired members of the pension fund. These members are Cllr Philip Corthorne (Chairman), a deferred member; and Cllr Tony Eginton, a retired member. Each member is required to declare their interest at each meeting.

Key management personnel

Two 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 2016 £000's	Accrued pension 31 March 2015 £000's
Corporate Director of Finance	1,259	1,241
Deputy Director - Strategic Finance	809	741

19. SECURITIES LENDING ARRANGEMENTS

On the 12 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 2016, securities worth £17,138k were on loan by Northern Trust from our portfolio and collateral worth £18,492k was held within the pool including Hillingdon. All collateral held were non-cash collaterals comprising of various stocks and bonds. In the same period, a net income of £31k was received.

20. STATEMENT OF INVESTMENT PRINCIPLES (SIP)

The SIP is reviewed annually and a current version is available on the pension fund pages of the Council's web site: www.hillingdon.gov.uk and included in the Annual Report.

21. BULK TRANSFER

There were no bulk transfers into or out of the fund during the 2015/16 financial year.

22. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) as at 31 March 2016 totalled £31,122k (£56,975k at 21 March 2015).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the Private Equity, Infrastructure 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 commitment.

23. 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.

24. POST BALANCE SHEET EVENTS

On the 23rd June 2016 the UK voted to leave the European Union (EU) "BREXIT". The referendum result has no impact on the figures included within the Pension Fund Accounts as at the 31st March 2016, however this stage, any potential future impact on the UK economy is not fully known. The Pension Fund is managed on a long-term basis and with a deficit recovery period of twenty five years, any short-term influences would be absorbed into the ongoing funding strategy. Risk mitigation is a primary driver in setting the Pension Fund's investment objectives, with currency and market movements being managed as part of the normal process. Initial impact on the Pension Fund has been positive with an upward movement in the value of the fund since the referendum decision.

London Borough of Hillingdon

Annual Governance Statement 2015/16

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. This statement explains how the authority has met the requirements of Regulation 6(1)(b) of the Accounts and Audit Regulations 2015 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 the 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 2016 and up to the date of approval of the 2015/16 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.

3.1. 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.

3.2. Part 2 of the constitution outlines the **roles and responsibilities** of the Executive, Non-executive, Mayor, Overview and Scrutiny committees, Standards committee and officer functions. There is an ethical framework governing the conduct of Members and co-opted members, introduced by the Localism Act 2011. The 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.

3.3. 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 Directors' 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 and are available to watch through the Council's YouTube channel.

3.4. 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.

3.5. 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 complies with 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.

3.6. 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 Directors' responsibilities in line with business priorities. Within this, each Directorate has individual Schemes of Delegations, setting out how Directors' responsibilities are sub-delegated.

3.7. Part 5 of the Constitution sets out formal '**Codes of Conduct**' governing the behaviour and actions of all Council Members, co-opted 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.

3.8. The Council, as opposed to adopting a formal 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.

3.9. A Member training programme is devised for each municipal year. All new Members are trained on the Code of Conduct by the Borough Solicitor and Head of Democratic Services and refresher training delivered where appropriate. Complaints about alleged breaches of the Code are handled in accordance with the requirements of the Localism Act 2011. The Standards framework includes a Whips Protocol and complainants are expected to make use of it first, with complaints only 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, audit and licensing rules.

3.10. Member Register of Interests records the interests of Members and co-opted 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.

3.11. 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.

3.12. 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 to strengthen arrangements in this area is planned for 2016/17.

3.13. 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).

3.14. 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.

3.15. 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 £10.034 million were delivered in 2015/16 taking total savings since 2010 to over £94 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.

3.16. 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.

3.17. 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.

3.18. 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.

3.19. 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 which are generally consistent with CIPFA's 'Audit Committees – Practical Guidance for Local Authorities 2005'. Following a rigorous recruitment process, Council appointed a new, independent Chairman of the Committee in September 2015. The Audit Committee is subject to an annual review of its effectiveness.

3.20. 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. Key aspects of 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.

3.21. 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. The Head of Business Assurance has recently taken over responsibility for the facilitation of the Council's Risk Management Framework. Work is now planned to strengthen the arrangements in place to identify and manage operational 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 Corporate Risk Register is 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** has been provided to Audit Committee members during 2015/16. Risk Management training for staff is available via an e-learning training package although the completion rate is low. The Head of Business Assurance has recently taken over responsibility for the facilitation of the Council's Risk Management Framework. Work is now planned to provide bite size training sessions for staff in relation to risk management.

3.22. The Council acknowledges that there is a continued need for robust and effective risk management processes and procedures that will help to mitigate against the financial and reputation risks arising from the broad range of **insurance risks** to which it is exposed. It is anticipated that the new Insurance contracts will support this through using a mixed portfolio of suppliers specialising in particular insurance sectors, alongside internal actions to raise awareness of such risks.

3.23. 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.

3.24. A Council-wide officer group, the **Hillingdon Information Assurance Group (HIAG)**, chaired by the Senior Information Risk Owner (the Head of Business Assurance) on behalf of the Corporate Management Team, meets every quarter to review progress on the agreed Information Governance Action Plan (IGAP). The relevant policies, procedures and guidelines for staff are updated in line with the IGAP. An updated data protection e-learning training module has been rolled out to staff and briefings have been delivered to some Elected Members. Where identified, learning from data protection incidents that have occurred are integrated into the IGAP.

3.25. 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 significant updating and there is scope to improve staff awareness in this area. 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 planned to implement a new Anti-Fraud and Anti-Corruption Strategy by December 2016, which will help ensure that all staff are made aware of their responsibilities and the procedures for reporting fraud or corruption.

3.26. 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'.

3.27. 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.

3.28. 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.

3.29. 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 2016/17 will consider the links between learning and development needs identified in the PADA and the delivery of training to staff.

3.30. 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.

3.31. 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.

3.32. 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.

4 Review of Effectiveness

4.1. 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 Business Assurance's annual Internal Audit report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2. Overall the review of effectiveness concluded that internal control/governance systems have been in place for the financial year ended 31 March 2016 and, except where identified in section 5, the management and control systems are operating effectively in accordance with good practice.

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

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

4.3.2. 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.

4.3.3. The work of the external auditors (Ernst & Young) as reported in their Annual Audit Letter.

4.3.4. The work of the Business Assurance service, which develops its quarterly Internal Audit plans after an assessment of risk and priorities including discussions with relevant senior managers. The Head of Business Assurance (& Head of Internal Audit) reported quarterly during the year to both the Corporate Management Team and the Audit Committee. Overall he has provided a REASONABLE level of assurance on the Council's internal control environment for 2015/16.

4.3.5. Management Assurance Statements (MASs) were received from all Deputy Directors and Heads of Service covering the financial year 2015/16. The MASs provide confirmation that the control environment is operating effectively to safeguard the delivery of services and that governance issues other than those identified in Section 5 (below) have been raised and are being dealt with appropriately.

4.3.6. The London Borough of Hillingdon has continued to maintain effective financial management throughout the financial year, with unallocated reserves increasing to £39 million by 31 March 2016.

4.3.7. 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

5.1. 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.

5.2. All internal control/governance issues reported in the 2014/15 AGS and in previous years have been resolved except that:

5.2.1 Good progress has been made during the last year to establish a school-led improvement approach in Hillingdon working closely with Head Teachers and Governing Bodies in the Borough. However, as at 1st April 2016, there were 17 schools in Hillingdon judged by Ofsted as 'requiring improvement' and 1 Academy school judged as 'inadequate'.

The Council is working closely with all schools to ensure all children in Hillingdon receive a 'good' or better education. Five maintained schools have been targeted for six weekly reviews by the Local Authority to challenge plans and check on progress to address areas of concern. Warning notices have been served on maintained schools which are a cause for concern and / or fail to make sufficient progress. For Academy Schools any concerns have and continue to be escalated to the Regional Schools Commissioner for action.

More schools judged previously as 'requiring improvement' have converted to a 'good' judgement over the last 12 months. Five improvement and innovation networks have recently been established with support from the Local Authority to address five cross-cutting themes of school improvement aligned to local priorities, including raising attainment for disadvantaged pupils. The networks are being led and funded by schools and will build collaboration, share expertise and develop local practice to raise educational standards for Hillingdon's residents.

5.2.2 An Internal Audit assurance report on the Council's Corporate Anti-Fraud and Anti-Corruption arrangements identified a number of governance issues requiring improvement. Work is planned to strengthen arrangements in this area during 2016/17.

5.3. Following a review of the effectiveness of the system of internal control including the corporate governance arrangements, the following significant governance issues have been identified in 2015/16:

5.3.1. A review of the Passenger Transport Service in 2015-16 identified a number of issues including a lack of contract monitoring that impacted on the quality of service provided. A routine Health and Safety Audit also highlighted a lack of training and monitoring of H&S issues in the service including lone working, manual handling and S19 permits in transport vehicles. The review of the service is ongoing and actions are in place

to resolve those issues identified which include a staff restructure and the implementation of robust risk management processes.

5.3.2. Further to a revisit by the Health and Safety Executive to Harlington Road Depot and an initial visit to New Years Green Lane Civic Amenity Site, a number of site improvements and operational deficiencies were identified for action. These included signage improvements, driver training and the wearing of appropriate Personal Protective Equipment work-wear. The visits did not result in the service of Prohibition or Improvement Notices and appropriate management action is being put in place to improve performance, including a review of staffing arrangements and competencies.

5.3.3. Following a serious incident in the Older People's Housing Service in August 2015, a safeguarding investigation was carried out with Adult Social Care. The investigation concluded that the incident was the result of an individual member of staff's behaviour and was not indicative of any wider safeguarding issues in the service. Recommendations from an Individual Management Review included the implementation of a programme of safeguarding training for staff in the service and the development of internal escalation processes. These will be monitored to ensure compliance.

5.3.4. During the year an Internal Audit review of the homelessness and housing allocations service found opportunities to strengthen management controls and assurance of decision making. These are being addressed through changes to the management of staff performance and oversight of decision making. The Corporate Fraud Team is now responsible for verification of client information prior to any offer of housing being made. Further work to review policies and practice will be undertaken during 2016/17.

5.3.5. The Council is currently restructuring the Corporate Procurement Team which will be implemented by the end of July 2016. This will address a number of contract management improvement issues raised during the year. This team will take a leading role in contract management across the Council; there will be a number of strategic contracts managed by the Corporate Procurement Team and the team will provide support and training to staff across the Council for all other contracts not covered by procurement the team. The new procurement team will also provide continued support for officers to run compliant procurement projects.

5.3.6. With the facilitation of Business Continuity now falling within the remit of Business Assurance, work has been undertaken which has highlighted it as an area which requires urgent management attention. Work is ongoing to ensure all critical (priority 1) Council services have an up-to-date Business Continuity Plan in place.

5.3.7. The Council continues to attach the highest importance to Data Protection and Information Governance. During the year a number of recommendations raised by Internal Audit during their review in 2014/15 have been implemented by the Council. Work is ongoing through HIAG to address the remaining outstanding recommendations. There has been one significant data breach over the last year but prompt and effective remedial action was taken to protect the privacy of the individuals concerned. This breach was reported to the ICO, who did not consider it appropriate to take any action.

5.3.8. Following a recent Employment Tribunal hearing, a review of the Council's HR policies is underway to ensure that they are consistently applied in practice.

5.3.9. 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 £42m by 2021/22. 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 £13.3m savings in 2016/17. This proven approach is set to be continued beyond 2016/17, enabling the Council to continue 'putting our residents first' despite the challenging financial conditions.

Fran Beasley
Chief Executive
XX September 2016

Cllr Ray Puddifoot MBE
Leader of the Council
XX September 2016

DRAFT

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 1st April 2007 that records all accumulated gains from fixed assets held by the authority offset by that part of depreciation relating to the revaluation.

REVENUE EXPENDITURE - The day-to-day running costs incurred by an authority in providing services, for example payment of salaries to employees or purchase of materials.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE - A charge arising from capital expenditure but where there is no tangible asset. An example is grants given for private property improvement. The Council is permitted to borrow for such expenditure

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

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

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