

London Borough of Hillingdon

Statement of Accounts for the year to 31 March 2018

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London Borough of Hillingdon

Statement of Accounts for the year ended 31 March 2018

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Leader's Statement

1. Leader's Statement

Introduction by Councillor Ray Puddifoot, Leader of the Council

Welcome to Hillingdon Council's Statement of Accounts for 2017/18, which shows the council's financial performance in delivering high quality services to residents during the year and outlines the council's financial standing at 31 March 2018.

Sound Financial Management is at the heart of the Council's flagship Hillingdon Improvement Programme, delivering an ambitious improvement agenda and continuing to put residents first. Council Tax was frozen for a ninth successive year for all residents in 2017/18, with those over 65 having seen bills frozen for eleven years while frontline services have been maintained despite declining government funding and increasing demand for services from a growing population.

Key achievements from the last financial year include:

- Continuing to provide preferential parking rates for local residents through the Hillingdon First card;
- Maintaining a free Telecareline service for residents aged 80 and, which has now been extended to those aged 75 and over;
- Investment in the borough's environmental and community assets, including the recently opened modular workshop at the Ruislip Lido railway and Pirate Ship on the same site, while the Chrysalis programme continues to fund improvements across the borough;
- Securing a record breaking 47 Green Flags for our outstanding parks and open spaces, and opening the new Sir Hugh Dowding Park on Uxbridge's St Andrew's Park;
- Maintaining a network of 17 libraries across the borough, with a programme of investment commencing in the new year to ensure these facilities continue to meet residents' needs;
- Continuing investment in local bowls clubs, with a broader refresh of leisure centres across the borough planned for the new year;
- Substantial investment in roads and footpaths, alongside the on-going project to upgrade all 10,000 street lights in the borough which remains on track to complete over the summer;
- Opening of the new Battle of Britain Education and Visitors' Centre on the former RAF Uxbridge site;
- Delivering a school place for every child in the borough through our extensive School expansion programme, including providing 1,350 secondary places at the newly refurbished Oakwood School with more in the pipeline at other sites;
- Continued investment in housing, with schemes such as the 21 affordable rent and 20 shared ownership units at Packet Boat Lane and major Extra Care developments at Park View and Grassy Meadow meeting the diverse needs of our residents.

In addition to freezing Council Tax for all residents and maintaining frontline services through challenging circumstances, Hillingdon has consistently delivered planned efficiency savings and come in below budget for the year while building unallocated balances in excess of £40m. These are clear indicators of a financially resilient Council, well placed to manage the continuing budgetary challenges through 2018/19 and beyond – with Council Tax once again frozen for a tenth year for all residents and twelve for those over 65.

Cllr Ray Puddifoot

Leader of the Council

Narrative Report

This document sets out the annual accounts of the London Borough of Hillingdon for the year ended 31 March 2018. 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 narrative report is to provide a guide to the most significant matters reported in the financial statements. Included within this document are a number of technical terms that are specific to local government finance and a glossary has been provided on page 137 to assist the understanding of the financial statements.

2.1 Organisational overview and external environment

Hillingdon, situated on the western edge of Greater London, is the second largest London borough, covering a total area of about 42 square miles. It is just 14 miles from central London and bounded by the counties of Buckinghamshire, Hertfordshire and Surrey and the London Boroughs of Hounslow, Ealing and Harrow. Hillingdon is home to Heathrow, one of the world's busiest airports which caters for more than 60 million passengers a year. The borough has 8 leisure centres and 2 pools, 17 libraries, 2 theatres and over 170 green spaces including Ruislip Woods, the Nature Reserve and Lido.

The Council's vision is "Putting Our Residents First". This underpins its actions and decision making process and is achieved by applying the following themes:

- Our People - Putting our residents first and at the heart of all that we do, promoting civic pride.
- Our Natural Environment - We will protect and enhance the borough's natural environment.
- Our Built Environment - We will continue to improve our buildings, roads and footways and ensure that new buildings fit with the surrounding environment.
- Financial Management - Maintain the solid approach to financial management that has delivered our success to-date and which will be vital going forward.

The London Borough of Hillingdon was one of the 32 London Boroughs created by the London Government Act 1963. It was formed by the amalgamation of the Borough of Uxbridge and the Urban Districts of Hayes/Harlington, Ruislip/Northwood and Yiewsley/West Drayton. The new borough came into existence on 1 April 1965, when the new Council started work. As well as taking on the work of the four previous district authorities the Council became responsible for local services such as education, libraries and children's services. These had previously been run by the Middlesex County Council, which ceased to exist on 1 April 1965. Hillingdon's purpose-built Civic Centre opened its doors to the public in 1977.

The London Borough of Hillingdon provides care and support to older people in residential nursing homes and for youngsters in residential children's and foster homes. The Council provides housing as a result of ownership and maintenance of almost 10,000 houses and flats held for Council tenants. The Council maintains a large proportion of the road networks within the borough, as well as collecting waste from homes and businesses. In addition the Council runs a number of refurbished public libraries, deals with planning applications and provides sports and leisure facilities. Instead of reducing services the Council has made steps to invest in facilities available to residents as a result of sound financial management and a comprehensive Capital programme.

The Council employs approximately 2,700 staff, 3,050 inclusive of casual staff and has a population of 273,936 according to the 2011 Census. There is a growing proportion of young people, particularly of school age children. Around 39.4% of the borough's residents are from ethnic minority groups (mainly Indian, Pakistani, other Asian and Black Caribbean).

Hillingdon is rich in wildlife and wildlife habitat including waterways, lakes, meadows and nature reserves. Ruislip Woods have been designated London's first National Nature Reserve, while nearby Ruislip Lido boasts 40 acres of water. The borough also offers a host of sporting activities, including sports centres, many with newly refurbished gyms and 4 exceptional 18-hole golf courses, including a championship standard course at Stockley Park. The arts and entertainment thrive, with The Beck professional theatre in Hayes, The Compass Theatre in Ickenham, and various other venues.

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2.2 Financial Performance

General Fund

The financial challenges facing the Council due to the Government's austerity programme and the wider economic environment continued through 2017/18 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.

Despite the challenges faced by the Council, savings targets were achieved and a smaller draw on balances than planned to smooth out funding cuts was required. This balancing of local demand for services and financial constraints has been successfully managed through the Council's Business Improvement Delivery (BID Transformation) Programme.

The Council's net revenue budget for 2017/18 totalled £216m, 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 an ambitious BID Transformation Programme, delivered an improved position against budget at outturn.

General Fund revenue budgets reported an underspend of £2.5m against planned expenditure budgets, with underspends against both Directorate and Corporate Operating Budgets being off-set by a pressure on Development and Risk Contingency. As a result of this underspend, General Fund Balances total £40.3m at year-end, an increase of £1.6m from the opening 2017/18 position. £14.9m of the planned £15.5m 2017/18 savings were banked in full with the rest on track to be delivered. Underspends have resulted from staffing vacancies, releasing provisions no longer required and investment savings from deferred borrowing on the capital programme.

The outturn for the General Fund revenue budget is set out below:

General Fund Services	Revised Budget £000's	Outturn £000's	Outturn Variance £000's
Chief Executives Office	6,681	6,659	(22)
Finance	14,126	13,655	(471)
Residents Services	73,458	72,851	(607)
Social Care	113,481	112,639	(842)
Directorate Operating Budgets	207,746	205,804	(1,942)
Corporate Operating Budgets	4,235	3,785	(450)
Development & Risk Contingency	8,060	8,157	97
Priority Growth	454	220	(234)
Unallocated Budget	300	300	0
Exceptional Items	(4,054)	(4,054)	0
Total Net Expenditure	216,741	214,212	(2,529)
Budget Requirement	(215,795)	(215,795)	0
Net Total	946	(1,583)	(2,529)

Details on how the General Fund outturn position for management decision-making links through to the Comprehensive Income and Expenditure Statement (CIES) surplus for the year, in accordance with accounting standards, can be seen in the Expenditure and Funding Analysis (EFA) note which precedes the CIES on page 34.

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The table below provides a reconciliation between the General Fund overview shown in the Council Budget Revenue Outturn above and the opening position reported in the Expenditure & Funding Analysis (EFA) as required by the CIPFA Code. The monthly budget monitoring reports separately on areas of different funding streams such as General Balances, Housing Revenue Account and other reserve moments. The starting position on the EFA is shown below to provide a base for producing the accounts to pull together the directorate income and expenditure from both the Directorate Operating budget and the Contingency funds applied to the individual directorates. Both views of directorate expenditure are in the detail provided to Cabinet for the outturn position.

	Outturn 2017/18	Service Allocation and Rounding	EFA - Total Net Expenditure Charged to GF Balances
General Fund Services	£000's	£000's	£000's
Chief Executives Office	6,659	374	7,033
Finance	13,655	290	13,945
Residents Services	72,851	2,580	75,431
Social Care	112,639	4,888	117,527
Directorate Operating Budgets	205,804		
Corporate Operating Budgets	3,785	300	4,085
Development & Risk Contingency	8,157	(8,157)	0
Priority Growth	220	20	240
Unallocated Budget	300	(300)	0
Exceptional Items	(4,054)	4,054	0
Budget Requirement	(215,795)	(4,051)	(219,846)
Total	(1,583)	(2)	(1,585)

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

The Council planned to drawdown £5m from general balances in 2017/18, however as a result of a government announcement in March 2017 the Council received supplementary funding to the Improved Better Care Fund to support stabilising the Social Care provider market; this can be seen as the exceptional item in the above table reflecting the reported outturn position. As a result of this funding the planned drawdown on reserves was reduced to £946k.

A result of increased flexibility over use of Capital receipts the Council was able to finance the costs associated with service transformation from Capital Receipts, with both one-off implementation costs and the support for service transformation, including the BID team, being funded from this resource. £4.3m of costs were funded from Capital Receipts during 2017/18 and have therefore been excluded from group monitoring positions.

Housing Revenue Account

The Housing Revenue Account (HRA) delivered an in-year overall deficit of £8.7m against the budgeted deficit of £11.7m. As a result, HRA General Balances total £37.1m at 31 March 2018, with a significant element of this sum earmarked to support investment in new housing stock.

There have been 64 Right-to-Buy sales of Council dwellings as at the end of March 2018 (99 in 2016/17) 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 reducing the net loss in the Comprehensive Income and Expenditure Statement. Sufficient expenditure was incurred on the acquisition of new properties and internal development during 2017/18 to avoid repayment of Right-to-Buy Receipts to MHCLG, with the approved 2018/19 capital programme developed to similarly avoid any repayment of retained receipts.

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Capital Investment

The Council's programme of capital investment for 2017/18 totalled £92.7m (£81.2m in 2016/17) 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 37 to the accounts).

An underspend of £21m is reported against the 2017/18 General Fund Capital Programme, predominantly as a result of re-phasing of project expenditure.

Investment during 2017/18 focused heavily on the Council's flagship programme of school expansions to meet the increasing requirements of school places over the next few years. There was also significant spend on the Battle of Britain Education and Visitors Centre and the street lighting and roads in the borough within the overall capital programme.

Treasury Management

The Council takes a very prudent strategic approach 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 falling from the historic low of 0.5% since March 2009 to 0.25% in August 2016 and back to 0.5% in November 2017. 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 0.42% (0.57% 2016/17), resulting in total investment income this year of £442k.

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 3.39%. The portfolio was reduced by £17.3m with debt that matured naturally. Outstanding nominal borrowing at year-end was of £250.1m. The total interest paid over the year totalled £8.7m.

2.3 Non Financial Performance

During 2017/18 major works were completed resulting in the opening of the new Battle of Britain Bunker Exhibition and Visitor Centre in March 2018. The bunker is a historic landmark of national significance and played a crucial role in the air defence of the United Kingdom throughout World War Two. It was vital in directing RAF operations throughout the war and was visited by both Winston Churchill and King George VI in 1940. The visitor and exhibition centre are fitted out with two new replica World War Two aircraft; Hawker Hurricane and a Supermarine Spitfire. There is also an exhibit of a precious collection of Royal Air Force (RAF) artefacts belonging to Battle of Britain flying ace Wing Commander Ronald Gustave Kellest who was stationed at RAF Northolt in 1940 during the Battle of Britain. Within the collection are medals awarded for distinguished acts of valour and courage such as the Distinguished Flying Cross (DFC) as well as flying logbooks. A number of items are displayed for residents to view while other items will be preserved for researchers and historians to view to represent the historical importance and to protect these artefacts for generations to come.

The Council prides itself on its vision of "Putting Our Residents First" and has been investing in facilities to improve the quality of life for our residents throughout the year. A state of the art bowling clubhouse has been delivered for Ruislip bowls club and Mill Bowling club at the Manor Farm site which opened in March 2018. The former pavilion which was more than 40 years old was no longer fit for purpose and has been revitalised providing a clubhouse twice the size with indoors facilities. This new modernised club enables members to play all year round and provides improved facilities for changing and storage, as well as transforming this as an accessible space for wheelchair users.

In 2017/18 the Council were awarded 5 new Green flags. As a result for the fifth year running, Hillingdon was awarded more Green Flags (47) than any other local authority in the UK. In addition, the Council won a second prestigious Gold award in the 2017 Royal Horticultural Society (RHS) Britain in Bloom and for the first time won the large city category, celebrating horticultural achievement, community participation and environmental responsibility.

Within the Borough the Council owns 11 high-rise blocks as part of the social housing stock. All of the high rise blocks have been tested in response to the Grenfell disaster and none were found to have Aluminium Composite Material (ACM) panels fitted. However, during the testing four blocks were identified to have brick cladding containing cavity insulation; in consultation with the Fire Service and Fire Safety engineering consultants, works have been undertaken to encapsulate this insulation, including all necessary fire breaks. This work was completed in March 2018.

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In addition, as part of a planned programme to upgrade all fire doors, all high rise blocks have received new fully certified fire doors installed to dwelling entrance doors and communal doors which had been identified by the relevant Fire Risk Assessments (FRAs). Emergency communal lighting systems have been replaced in all high rise blocks. Sheltered housing schemes have also had upgraded fire safety door, emergency lighting systems and fire alarms replaced. All other medium and low rise blocks have been assessed and planned fire door and emergency lighting replacement programmes have been developed and are scheduled to commence in 2018/19 under the Works to Stock capital programme.

To help provide for stringent plans to respond to risks and minimise damage in the event of an emergency, the Council have expanded its team of Emergency response officers to provide emergency cover 24 hours a day. This is just one part of the Emergency Planning Unit, which is trained to respond to a range of major incidents, such as terrorism, pandemic disease, fire, adverse weather conditions and environmental damage.

A new park was officially opened in Uxbridge in March 2018 named as Dowding Park in recognition of Air Chief Marshal Sir Hugh Dowding, an RAF officer who developed the UK's air defence system and picked RAF Uxbridge as the site for the top secret Battle of Britain Bunker. The new park incorporates 40 acres of rural and recreational parkland, leisure facilities such as a football pitch and playground. The park also has woodland trails and pathways, and part of the Celandine Route passes through it.

The Council has taken on a number of new apprentices in 2017/18 to develop keen individuals in gaining essential vocational skills and qualifications in areas such as business administration, building control, finance, HR, Horticulture, legal and social care. This coincides with the introduction of the governments new apprenticeship levy to provide investment in standards of vocational and educational skills and enables individuals to gain invaluable experience and training, working alongside colleagues in a team environment while also completing an assessed apprenticeship development programme

The Councils New Years Green Lane civic amenity site was shortlisted in the Awards for Excellence in Recycling and Waste Management in 2017. The site was nominated for the award to recognise that the Council had achieved an impressive transformation of services, with a modern split level site enabling a greater level of recycling.

2.4 Risks and Opportunities

With pressure on resources available as a result of reduced funding, demographic changes and inflation pressures there could be a risk to future service provision. However the Hillingdon Improvement Programme (HIP), a comprehensive programme, is aimed at delivering a range of key improvements to the way the Council works and improves services to our residents and since its introduction has delivered impressive saving across the Council and championed a variety of initiatives.

Strong finance management and commitment to putting our residents first are at the core of the HIP programme and underpins all projects. Our Business Improvement Delivery (BID) programme aims to deliver services that residents value, and identify and improve the way the Council works. Projects include Technology Innovation and Communications to ensure excellent customer services is provided through the Contact Centre and services delivered by the Council. There is continued support of the Hillingdon First card which enables residents to get discounts in participating shops, use as active library card, reduced parking charges, free waste disposal at the New Years Green Lane civic amenity site and discounts at leisure centres.

Within Health the Council has integrated commissioning of community-based services especially in delivering the Better Care Fund for Hillingdon ensuring an effective Healthwatch Hillingdon and NHS complaints advocacy service. The Council has also improved relationship building with GPs. The potential impacts of NHS reform on the Council and residents are considerable. The Council must ensure it responds to the changing environment, minimises the financial risk involved, and put our residents first by improving and joining up health and social care provision.

The Council is focused on the Environment and has introduced a number of projects to bring nature and the environment to the forefront of Council activity with a focused work stream in this area; the new Dowding Park and horticultural achievements being some headline achievements. The Council has also carried out an enhancement project at Ruislip Lido where improvements completed include improved car parking and catering facilities, an extended beach area, new dog beach, outdoor gym, fishing platforms, new perimeter fencing, a new bird feeding area and enhancements to The Ruislip Lido Railway Society's narrow gauge railway.

The Council incorporates development and risk contingency into its budget to provide for areas of expenditure where there is a greater degree of uncertainty and subject to demographic pressures. In 2017/18 the Council utilised this budget resource for asylum services, demographic pressures in relation to adults and children as well as SEN

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(Special Educational Needs) transport. The Council has provided for a headline provision of £8.9m development and risk contingency in 2018/19.

2.5 Looking Ahead

The Councils 2018/19 budget has been developed to support a tenth successive Council tax freeze for all residents and a twelfth year for the over 65s whilst avoiding to implement the Social Care precept and maintain frontline services including weekly waste collection, burglar alarms for older people, support for first time buyers and a comprehensive library service. This is alongside the challenges faced as a result of government funding cuts to local government estimated at 13% in 2018/19 alone as well as a growing population increasing the demand on services. The key driver to responding to the challenges faced by the Council is to continue to "put our residents first".

Groups across the Council are continually reviewing and developing savings proposals to meet the budget gap, resulting from service demand pressures and reduced funding from government. The total resources available to the Council to support the 2018/19 budget requirement are projected to fall because of falls in central government grant, high inflation and pay award. However, this is partially offset by growth in Council tax and Business rates base and additional income from a 100% retention pilot of business rates within London which will reduce the planned drawdown on balances for the financial year.

The Council will continue to maintain balances and reserves well in excess of the minimum recommended level through prudent financial management to enable flexibility. Prudent management of reserves and sound budgetary control will provide a buffer over the medium term as further cuts in Central Government funding are forecast with ongoing efficiencies established within processes.

Looking forward the Council are well underway in a number of housing development schemes including the creation of extra care homes due to open July 2018 providing 88 modern flats in a woodland setting with communal facilities for residents such as shops, restaurant, cafe and salon. With a further 60 extra flats planned for opening in September 2018 again with facilities for the residents and gardens.

In April 2018 a new wholly owned commercial housing development company called Hillingdon First Limited has been established to build extra housing in the borough and generate a long-term revenue income stream for the Council acting as a commercial trading company to build housing to sell and rent at market values. As sole shareholder of the company the Council retains control of the company and as a result the Council will consolidate the company into a set of group accounts in the Council's Financial Statements in future years.

2.6 Statements within the accounts

The core accounting statements comprise:

Comprehensive Income and Expenditure Statement

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

The statement shows a deficit of £33.4m (£12.7m deficit 2016/17) on the provision of services for 2017/18. Of this a deficit of £41.7m relates to the General Fund Balance and a surplus of £9.2m relates to the Housing Revenue Account. Additional reserve movements include a drawdown of £4.4m on Schools Balances and a transfer of £3.6m to Earmarked Reserves.

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 they are accounting items and do not affect the funding of services. As a result these items of expenditure are reversed out of the General Fund Balance in the Movement in Reserves Statement.

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Movement in Reserves Statement

This statement reconciles the outturn on the Comprehensive Income and Expenditure Statement to the balance on the Council Reserves, 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 decreased by £15m from £183.2m in 2016/17 to £168.2m in 2017/18. Within this movement there was a small increase in general balances of £1.6m however the biggest movements were seen with an £8.7m decrease in House Revenue Account balances and a £4.7m decrease in the Major Repairs Reserve as a result of the Capital programme in the HRA.

Unusable reserves increased from £547.1m in 2016/17 to £570.9m in 2017/18 mainly due to the upwards movement in property values to the Revaluation Reserve.

To support the Movement in Reserves Statement, note 4 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 2017/18 were £43.3m within the General Fund adjusting the General Fund position for Council tax purposes to a surplus of £1.6m.

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 2017/18 was £739.1m (£730.3m in 2016/17). The largest items within the Balance Sheet consist of long term assets valued at £1,502.1m, net pension liabilities of £524.5m and long-term borrowing of £229.6m.

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 2018 the Council has £40.3m General Fund balances and £34.1m Earmarked Reserves held for specific purposes. Further details on Earmarked Reserves can be seen in note 5 to the accounts.

Cash Flow Statement

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

There was an increase in cash and cash equivalents in 2017/18 of £12.8m although the short-term investments fell by £13.5m reflecting the change in balances held at year-end being more liquid in instant access facilities rather than short-term investments.

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 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.

There was a surplus in 2017/18 on HRA services of £9.2m (£29.6m in 2016/17).

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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.

Overall the HRA deficit was £8.7m in 2017/18, after adjustments made in the Statement of Movement on the HRA Balance (surplus of £11.9m 2016/17).

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 surplus of £850k is reported on Council Tax, with a carried-forward surplus of £4m available for release to preceptors from 2018/19.

An in-year deficit of £7m is reported on Business Rates this deficit is in part due to additional reliefs to be funded from government of £2m and a timing delay on a number anticipated new developments coming online. 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. The activity of the Pension Fund is not incorporated within the Council core accounting statements.

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. The notes to the accounts include the Expenditure Funding Analysis which precedes the core financial statements on page 34 within this document to help the flow of information.

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.

Statement of Responsibilities for the Statement of Accounts

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

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 2017/18 ('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.

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 2018 and its income and expenditure for the year then ended.

Paul Whaymand
Corporate Director of Finance
31 May 2018

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
AUDIT COMMITTEE
{DATE}

Independent Auditor's Report

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FOR AUDITOR'S REPORT**

Independent Auditor's Report

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Statement of Accounting Policies

The Council is required to prepare an annual Statement of Accounts which summarises the Council's transactions for the 2017/18 financial year and its position as at the year-end of 31 March 2018. 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 2017/18 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

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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 £10k 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; this includes foundation schools. 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, certain Community Assets and certain heritage 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 to 7 years
Intangible Assets	5 years

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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. Depreciation is not charged on assets classified as held for sale.

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.

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 £10k 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.

Flexibility over use of capital receipts generated in the year in which they were received will be taken as per statutory guidance from the Ministry of Housing, Communities and Local Government to finance costs associated with service transformation

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.

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2. Heritage Assets

The Council owns a number of heritage assets across the borough including the new visitor and exhibition centre at the Battle of Britain museum site. The primary objective of holding these assets is for increasing the knowledge understanding and appreciation of the local history within the borough.

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. Further details can be found in the Heritage assets note to the accounts.

Acquisitions of heritage assets can be made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at market value or other valuation methodology.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Councils general policies on impairment - see accounting policy note 1.

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

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- 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.

During the period 1 April 2016 to 31 March 2022 the Council are allowed under Guidance published by MHCLG to flexible use of capital receipts on areas of revenue cost to reform which generate ongoing savings to the Council. In the case where revenue spend is identified as meeting the criteria to use flexible capital receipts the Council will meet the cost of the reform through capital receipts generated during the same financial year. Where the Council has determined to meet this cost from capital receipts 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 Net 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 £10k) 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.

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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 debtor (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

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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 2018 or 31 March 2017.

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. Any accrued interest will be treated in the same manner as the principal investment except for long-term investments with remaining terms in excess of 365 days; in these cases accrued interest will be shown as short-term investments.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand. These 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.

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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 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' Pension 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 was a defined contribution scheme and no liability for future payment has been recognised in the Council's Balance Sheet. The Schools Budget 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 scheme 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 Residents Services

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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 under the LGPS 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 Corporate Operating Budgets.
 - 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

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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, 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.

Statement of Accounting Policies

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. 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 Council as if they were the transactions, cash flows and balances of the Council. The non-current assets of Voluntary aided schools owned by faith organisations are found not to be controlled by the Council and as such the assets are not held within the Councils balance sheet under Property, Plant and Equipment.

18. 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.

19. 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.

20. 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.

Statement of Accounting Policies

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.

21. 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 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

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund and/or HRA Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council.

22. 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

Statement of Accounting Policies

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.

23. 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.

24. Redemption of Debt

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

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

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

Statement of Accounting Policies

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

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

25. 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 the Council 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.

26. 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.

27. 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.

28. 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:

Statement of Accounting Policies

- 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.

29. 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.

30. 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 2018 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	Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. Assets are subject to a 5 year rolling valuation and assumptions are made by the specialist valuer regarding market indicators and other data available to assess an asset's value.	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. 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 £14.9m.
Provisions	Provisions are defined as probable future liabilities based on past events and there are therefore inherent uncertainties related to provisions that have been made and the amounts set aside.	If future liabilities exceed the amounts set aside, the additional amounts would have to be met from the Council's revenue account.
Arrears	Provisions have been made for debt owed to the Council for which payment may not be received. The Council reviews its basis for calculating doubtful debts making the current levels appropriate. However, particularly in the current economic climate, it is not certain that allowances made would be sufficient.	Any deterioration in the collection rates may lead to a larger number of debtors not being able to pay the Council than already provided for. These would have to be written off to reduce the balance of outstanding debt and be charged to the Comprehensive Income and Expenditure Statement.

Statement of Accounting Policies

Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. The actuaries review the assumptions triennially and changes are adjusted for in the accounts. Sensitivity analysis is represented in note 47 to the accounts on page 95.
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31. 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 Council 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 Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

32. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code of Practice requires that the Council 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 2018 for 2017/18). Disclosure requirements are expected to be included in a subsequent edition of the Code.

Changes in the 2018/19 Code of practice that will be introduced in future versions of the accounts include -

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments
- IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses amendments
- IAS 7 Statement of Cash Flows: Disclosure Initiative amendments

IFRS 9 Financial Instruments - The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets. The Council does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement basis. To this end, on 1st April 2018 the Council irrevocably elected to present changes in the fair value of the following equity investments in other comprehensive income as permitted by the IFRS:

- Columbia Threadneedle Strategic Bond Fund
- M&G Optimal Income Fund
- Investec Diversified Income Fund

The Council does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets and it already makes a provision for doubtful debts on its service assets.

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:

Restatement of 2016/17 Published Accounts (page 33)

This note provides an overview of changes to the Financial Statements from the published Statement of Account in 2016/17 as a result of changes in reporting requirements. This statement reconciles the position reported to management and that reported in the CIES.

Expenditure and Funding Analysis (page 34)

This note shows how Council funding has been used in providing services in comparison to those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

Comprehensive Income and Expenditure Statement (page 36)

The first of the Core Financial Statements. This 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 37)

This sets out the assets and liabilities of the Council as at 31 March 2018, but excludes the assets and liabilities of pension and trust funds.

Movement in Reserves Statement (page 38)

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 40)

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.

Supporting notes to the Accounts (page 41)

A selection of notes provided to support the information in the main financial statements with additional detail of movement breakdown and analysis.

Restatement of 2016/17 Published Accounts

The Expenditure and Funding Analysis (EFA), aims to demonstrate to Council Tax and rent payers how the funding available to the Council for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates and other service departments.

Since the production of the 2016/17 Statement of Accounts the Council structure has altered with certain service departments now reporting to different directorates and the alteration of directorate names. As such the statement below shows the movement of funding used to provide services relating to the General Fund, from the originally published 2016/17 Statement of Accounts to the new Council structure.

The restatement is required to align the comparator cost of service to the management structure as at 31 March 2018, for the opening EFA position on page 34. The EFA then shows how these figures feed through to the Comprehensive Income and Expenditure Statement and subsequent EFA notes.

Council Structure as per 2016/17 Statement of Accounts	EFA - Total Net Expenditure Charged to GF & HRA Balances £000's	Restated as per Council Structures 31 March 2018	EFA - Total Net Expenditure Charged to GF & HRA Balances £000's
Administration	9,015	Chief Executive's Office	6,435
Finance	12,901	Finance	13,732
Residents Services	57,749	Residents Services	82,787
Social Care	113,426	Social Care	117,677
Corporate Operating Budgets	3,069	Corporate Operating Budgets	3,069
Priority Growth	400	Priority Growth	400
Budget Requirement	(196,293)	Budget Requirement*	(223,833)
Total General Fund	267	Total General Fund	267
Schools Budget	3,424	Schools Budget	3,424
Housing Revenue Account	(11,882)	Housing Revenue Account	(11,882)
Total Other Funds	(8,458)	Total Other Funds	(8,458)
Net Cost of Services	(8,191)	Net Cost of Services	(8,191)

*The Budget Requirement restatement now includes Public Health grant, New Home Bonus grant and other miscellaneous income which were previously held within the service lines.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	Total Net Expenditure Charged to GF & HRA Balances	Adjustments between the Funding & Accounting Basis (Note 1A)	Earmarked Reserve Adjustments (Note 5)	Adjustments between Funding & Other Income and Expenditure on the Provision of Services (Note 1B)	Net Expenditure in Comprehensive Income and Expenditure Statement
	£000's	£000's	£000's	£000's	£000's
2017/18					
General Fund					
Chief Executives Office	7,033	747	(146)	0	7,634
Finance	13,945	1,916	299	0	16,160
Residents Services	75,431	36,276	(953)	(18,050)	92,704
Social Care	117,527	7,053	(1)	(11,185)	113,394
Corporate Operating Budgets	4,085	(3,509)	(2,273)	(506)	(2,203)
Priority Growth	240	0	127	0	367
Budget Requirement*	(219,846)	1,436	(675)	219,085	0
Total General Fund	(1,585)	43,919	(3,622)	189,344	228,056
Other Funds					
Schools Budget	4,424	(241)	0	(622)	3,561
Housing Revenue Account	8,718	(9,297)	0	(7,150)	(7,729)
Total Other Funds	13,142	(9,538)	0	(7,772)	(4,168)
Net Cost of Services	11,557	34,381	(3,622)	181,572	223,888
Other Income and Expenditure on the Provision of Services	0	(8,940)	0	(181,572)	(190,512)
(Surplus)/Deficit on Provision of Services	11,557	25,441	(3,622)	0	33,376

Movement in Balances 2017/18

	£000's
Opening General Fund and HRA Balance	124,938
General Fund declared deficit	1,585
Timing differences	0
General Fund Deficit	1,585
HRA Deficit	(8,718)
Schools Reserve Movements	(4,424)
Other Earmarked Reserve Movements	3,622
Closing General Fund and HRA Balance at 31 March	117,003

* Budget Requirement reflects the Council's funding streams required to support the net expenditure budget from Council Tax, business rates and corporate grant income

Note - there may be rounding discrepancies on this presentation to the presentation in the management reported position due to the level of reporting in the differing statements

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, Council Tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	Total Net Expenditure Charged to GF & HRA Balances (Restated)	Adjustments between the Funding & Accounting Basis (Note 1A) (Restated)	Earmarked Reserve Adjustments (Note 5) (Restated)	Adjustments between Funding & Other Income and Expenditure to the Provision of Services (Note 1B) (Restated)	Net Expenditure in Comprehensive Income and Expenditure Statement (Restated)
	£000's	£000's	£000's	£000's	£000's
2016/17					
General Fund					
Chief Executives Office	6,435	(74)	206	0	6,567
Finance	13,732	(172)	332	0	13,892
Residents Services	82,787	49,157	355	(18,518)	113,781
Social Care	117,677	686	379	(5,938)	112,804
Corporate Operating Budgets	3,069	828	(1,485)	(1,214)	1,198
Priority Growth	400	(10)	(105)	0	285
Budget Requirement*	(223,833)	(2,520)	(1,436)	227,789	0
Total General Fund	267	47,895	(1,754)	202,119	248,527
Other Funds					
Schools Budget	3,424	293	0	(668)	3,049
Housing Revenue Account	(11,882)	(8,343)	0	(7,317)	(27,542)
Total Other Funds	(8,458)	(8,050)	0	(7,985)	(24,493)
Net Cost of Services	(8,191)	39,845	(1,754)	194,134	224,034
Other Income and Expenditure on the Provision of Services	0	(19,274)	0	(192,089)	(211,363)
(Surplus)/Deficit on Provision of Services	(8,191)	20,571	(1,754)	2,045	12,671

Movement in Balances 2016/17

	£000's
Opening General Fund and HRA Balance	117,038
General Fund declared surplus	(267)
Timing differences	(2,045)
General Fund Deficit	(2,312)
HRA Surplus	11,882
Schools Reserve Movements	(3,424)
Other Earmarked Reserve Movements	1,754
Closing General Fund and HRA Balance at 31 March	124,938

*Budget Requirement reflects the Council's funding streams required to support the net expenditure budget from Council Tax, business rates and corporate grant income

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Councils raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

		31 March 2018			31 March 2017		
		Expenditure	Income	Net Expenditure	Expenditure (Restated)	Income (Restated)	Net Expenditure (Restated)
Note		£000's	£000's	£000's	£000's	£000's	£000's
EXPENDITURE ON SERVICES							
	Chief Executives Office	8,781	(1,147)	7,634	7,681	(1,114)	6,567
	Finance	20,138	(3,978)	16,160	16,310	(2,418)	13,892
	Residents Services	151,256	(58,552)	92,704	171,687	(57,906)	113,781
	Social Care	169,262	(55,868)	113,394	147,561	(34,757)	112,804
	Corporate Operating Budgets	142,499	(144,702)	(2,203)	149,409	(148,211)	1,198
	Priority Growth	367	0	367	285	0	285
	Schools Budget	167,728	(164,167)	3,561	165,026	(161,977)	3,049
	Housing Revenue Account	53,134	(60,863)	(7,729)	34,536	(62,078)	(27,542)
	NET COST OF SERVICES	713,165	(489,277)	223,888	692,495	(468,461)	224,034
	Other Operating Expenditure	1,779	0	1,779	1,815	0	1,815
6	Net loss/(gain) on disposal of non-current assets	1,683	0	1,683	0	(11,029)	(11,029)
	Net Financing and Investment Income and Expenditure	22,594	(444)	22,150	23,485	(930)	22,555
7							
8	Taxation and Non-Specific Grant Income	0	(216,124)	(216,124)	0	(224,704)	(224,704)
	Other Income and Expenditure on the Provision of Services	26,056	(216,568)	(190,512)	25,300	(236,663)	(211,363)
	(SURPLUS)/DEFICIT ON PROVISION OF SERVICES	739,221	(705,845)	33,376	717,795	(705,124)	12,671
	(Surplus)/Deficit on revaluation of Property, Plant and Equipment assets			(19,440)			(32,919)
24D							
	Actuarial (gain)/loss on pension assets and liabilities			(22,727)			123,128
45							
	(Surplus)/Deficit on revaluation of available for sale financial assets			(30)			41
24G							
	TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			(8,821)			102,921

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'.

		31 March 2018	31 March 2017
	Note	£000's	£000's
Property, Plant & Equipment	9	1,486,731	1,467,400
Heritage Assets	12	5,341	531
Intangible Assets	13	737	726
Investment Properties	14	5,527	5,624
Long Term Investments	15	57	10,044
Long Term Debtors	18	3,757	5,082
LONG TERM ASSETS		1,502,150	1,489,407
Inventories	16	198	265
Short Term Debtors	17	52,735	39,186
Short Term Investments	15	30,569	50,099
Cash and Cash Equivalents	21	49,578	36,776
Assets Held for Sale	22	44	41
Current Intangible Assets		229	210
CURRENT ASSETS		133,353	126,577
Short Term Provisions	23	(4,759)	(6,174)
Short Term Borrowing	15	(18,360)	(18,480)
Short Term Creditors	19	(102,559)	(79,871)
CURRENT LIABILITIES		(125,678)	(104,525)
Long Term Provisions	23	(1,166)	(806)
Deferred Credits		(11)	(17)
Long Term Borrowing	15	(229,647)	(246,894)
Long Term Creditors	20	(3,721)	(2,796)
Capital Grant Receipts in Advance	36	(10,499)	(8,037)
Deferred Liabilities	38	(1,165)	(1,412)
Net Liabilities Related to Defined Benefit Pension Schemes	46	(524,468)	(521,170)
LONG TERM LIABILITIES		(770,677)	(781,132)
NET ASSETS		739,148	730,327
Usable Reserves		168,245	183,225
Unusable Reserves	24	570,903	547,102
TOTAL RESERVES		739,148	730,327

Paul Whaymand
Corporate Director of Finance
31 May 2018

Movement in Reserves Statement

This statement shows the detail of the movement from the start of the year to the end of the year on the different reserves held by the Council. These reserves are analysed into 'Usable Reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'Unusable reserves'. The Statement shows how the movements to the reserves in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax (or rents) for the year. The Increase/Decrease line shows the net movement to the statutory General Fund Balance and Housing Revenue Account Balances in the year.

Note	General Fund Balance	Schools Balances	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	Total Usable Reserves	Total Council Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 31 March 2017	38,738	9,857	30,517	45,826	23,148	2,747	32,392	183,225	730,327
Total Comprehensive Income & Expenditure	(41,732)	(4,424)	3,622	9,158	0	0	0	(33,376)	8,821
Adjustments between accounting basis & funding basis under regulations	43,317	0	0	(17,876)	(4,685)	(215)	(2,145)	18,396	0
Increase/(Decrease) in Year	1,585	(4,424)	3,622	(8,718)	(4,685)	(215)	(2,145)	(14,980)	8,821
Balance at 31 March 2018	40,323	5,433	34,139	37,108	18,463	2,532	30,247	168,245	739,148

Note	General Fund Balance	Schools Balances	Earmarked Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied Reserve	Capital Receipts Reserve	Total Usable Reserves	Total Council Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 31 March 2016	41,050	13,281	28,763	33,944	32,144	1,672	28,836	179,690	833,248
Total Comprehensive Income & Expenditure	(40,569)	(3,424)	1,754	29,568	0	0	0	(12,671)	(102,921)
Adjustments between accounting basis & funding basis under regulations	38,257	0	0	(17,686)	(8,996)	1,075	3,556	16,206	0
Increase/(Decrease) in Year	(2,312)	(3,424)	1,754	11,882	(8,996)	1,075	3,556	3,535	(102,921)
Balance at 31 March 2017	38,738	9,857	30,517	45,826	23,148	2,747	32,392	183,225	730,327

Movement in Unusable Reserves

This statement shows the detail of the movement from the start of the year to the end of the year on the Unusable reserves held by the Council breaking down the total figure for these reserves which are represented on the Movement in Reserves note overleaf. The Statement shows how the movements to the reserves in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax (or rents) for the year.

Note	Revaluation Reserve £000's	Capital Adjustment Account £000's	Financial Instruments Adjustment Account £000's	Pensions Reserve £000's	Collection Fund Adjustment Account £000's	Accumulated Absences Account £000's	Available for Sale Financial Instruments £000's	Total Unusable Reserves £000's	Total Council Reserves £000's
Balance at 31 March 2017	160,383	910,332	(317)	(521,170)	3,027	(5,197)	44	547,102	730,327
Total Comprehensive Income & Expenditure	19,440	0	0	22,727	0	0	30	42,197	8,821
Adjustments between accounting basis & funding basis under regulations	(5,401)	13,936	12	(26,025)	(1,437)	519	0	(18,396)	0
Increase/(Decrease) in Year	14,039	13,936	12	(3,298)	(1,437)	519	30	23,801	8,821
Balance at 31 March 2018	174,422	924,268	(305)	(524,468)	1,590	(4,678)	74	570,903	739,148

Note	Revaluation Reserve £000's	Capital Adjustment Account £000's	Financial Instruments Adjustment Account £000's	Pensions Reserve £000's	Collection Fund Adjustment Account £000's	Accumulated Absences Account £000's	Available for Sale Financial Instruments £000's	Total Unusable Reserves £000's	Total Council Reserves £000's
Balance at 31 March 2016	130,785	912,251	(330)	(386,483)	508	(3,258)	85	653,558	833,248
Total Comprehensive Income & Expenditure	32,919	0	0	(123,128)	0	0	(41)	(90,250)	(102,921)
Adjustments between accounting basis & funding basis under regulations	(3,321)	(1,919)	13	(11,559)	2,519	(1,939)	0	(16,206)	0
Increase/(Decrease) in Year	29,598	(1,919)	13	(134,687)	2,519	(1,939)	(41)	(106,456)	(102,921)
Balance at 31 March 2017	160,383	910,332	(317)	(521,170)	3,027	(5,197)	44	547,102	730,327

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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	2017/18 £000's	2016/17 £000's
Net deficit on the provision of services	25	33,376	12,671
Adjust net (surplus) on the provision of services for non cash movements	25	(124,768)	(100,988)
Adjust for items in the net deficit on the provision of services that are investing or financing activities	25	63,995	61,301
Net cash flows from operating activities	25	(27,397)	(27,016)
Net cash flows from investing activities	26	10,377	5,870
Net cash flows from financing activities	27	4,218	28,007
(Increase)/Decrease in cash and cash equivalents		(12,802)	6,861
Cash and cash equivalents at the beginning of the reporting period		(36,776)	(43,637)
Cash and cash equivalents at the end of the reporting period		(49,578)	(36,776)

Notes to the Main Financial Statements

1A. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note gives a summary of the adjustments allocated as "Total Adjustments Between Funding & Accounting Basis" within the EFA which are required to adjust the General Fund and HRA management outturn reported to Cabinet to arrive at the Comprehensive Income and Expenditure Statement; recognised in accordance with proper accounting practices. Further information on these items can be found in note 4 to the accounts for Adjustments between Accounting Basis And Funding Basis Under Regulations which feed into the Movement on reserves statement to align with the statutory amounts charged to the Council tax payer.

Adjustments from the management reported General Fund and HRA Balances to arrive at the Comprehensive Income and Expenditure Statement amounts within Adjustments between Funding & Accounting Basis are analysed below.

	Adjustments for Capital Purposes (1)	Net Change for the Pensions Adjustment (2)	Other Differences (3)	Total Adjustments between Funding & Accounting Basis
	£000's	£000's	£000's	£000's
2017/18				
Chief Executives Office	0	640	107	747
Finance	0	1,439	477	1,916
Residents Services	23,735	5,945	6,596	36,276
Social Care	344	4,716	1,993	7,053
Corporate Operating Budgets	(924)	(1,164)	(1,421)	(3,509)
Priority Growth	0	0	0	0
Budget Requirement	0	0	1,436	1,436
Schools Budget	(191)	477	(527)	(241)
Housing Revenue Account	7,910	826	(18,033)	(9,297)
Net Cost of Services	30,874	12,879	(9,372)	34,381
Other Income & Expenditure on the Provision of Services from the Expenditure and Funding Analysis	(23,359)	13,146	1,273	(8,940)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	7,515	26,025	(8,099)	25,441

	Adjustments for Capital Purposes (1) (Restated)	Net Change for the Pensions Adjustment (2) (Restated)	Other Differences (3) (Restated)	Total Adjustments between Funding & Accounting Basis (Restated)
	£000's	£000's	£000's	£000's
2016/17				
Chief Executives Office	0	(73)	(1)	(74)
Finance	0	(170)	(2)	(172)
Residents Services	32,613	(717)	17,261	49,157
Social Care	459	(586)	813	686
Corporate Operating Budgets	(2,662)	1,123	2,367	828
Priority Growth	(10)	0	0	(10)
Budget Requirement	0	0	(2,520)	(2,520)
Schools Budget	(195)	(1,416)	1,904	293
Housing Revenue Account	(8,206)	(57)	(80)	(8,343)
Net Cost of Services	21,999	(1,896)	19,742	39,845
Other Income & Expenditure on the Provision of Services from the Expenditure and Funding Analysis	(33,925)	13,455	1,196	(19,274)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	(11,926)	11,559	20,938	20,571

Notes to the Main Financial Statements

(1) Adjustments for Capital Purposes

Net Cost of Services

This column adds depreciation, impairment and revaluation gains and losses in the services line

Other Income and Expenditure on the Provision of Services

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from Other Income and Expenditure on the Provision of Services as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

(2) Net Change for the Pensions Adjustments

Net Cost of Services

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income.

The removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

Other Income and Expenditure on the Provision of Services

Financing and investment income and expenditure - the net interest on the defined benefit liability which is charged to the CIES.

(3) Other Differences

Net Cost of Services

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

Other Income and Expenditure on the Provision of Services

Financing and investment income and expenditure - the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

Taxation and non-specific grant income and expenditure - represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Notes to the Main Financial Statements

1B. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note gives a summary of the adjustments allocated as "Adjustments Between Funding and Other Income and Expenditure" within the EFA which are required to adjust the General Fund and HRA management outturn reported to Cabinet to arrive at the Comprehensive Income and Expenditure statement. These adjustments remove items included within service lines of the Council's management presentation which relate to non-service items and reported under "Other Income and Expenditure on the Provision of Service" below the cost of service provision within the Comprehensive Income and Expenditure Statement. These items can be found within notes 6, 7 and 8.

Transfers include costs and income allocated between the service lines and also within items reported to management; transfers between General Fund and Earmarked Reserves.

Adjustments to General Fund and HRA net cost of services reported to management to Other Income and Expenditure on the Provision of Services in the Comprehensive Income and Expenditure Statement are analysed below.

	Precepts and Levies	Interest Payable	Interest Receivable	Taxation & Non Specific Grant Income (excl Capital)	Transfers	Total Adjustments
	£000's	£000's	£000's	£000's	£000's	£000's
2017/18						
Residents Services	0	(53)	0	0	(17,997)	(18,050)
Social Care	0	0	0	0	(11,185)	(11,185)
Corporate Operating Budgets	(604)	(2,341)	298	1,179	962	(506)
Budget Requirement	0	0	0	189,903	29,182	219,085
Schools Budget	0	(590)	0	0	(32)	(622)
Housing Revenue Account	0	(6,366)	146	0	(930)	(7,150)
Net Cost of Services	(604)	(9,350)	444	191,082	0	181,572
Timing differences					0	
Total Transfers					0	

	Precepts and Levies	Interest Payable	Interest Receivable	Taxation & Non Specific Grant Income (excl Capital) (Restated)	Transfers (Restated)	Total Adjustments (Restated)
	£000's	£000's	£000's	£000's	£000's	£000's
2016/17						
Residents Services	0	(67)	0	0	(18,451)	(18,518)
Social Care	0	0	0	0	(5,938)	(5,938)
Corporate Operating Budgets	(625)	(2,691)	718	454	930	(1,214)
Budget Requirement	0	0	0	201,355	26,434	227,789
Schools Budget	0	(668)	0	0	0	(668)
Housing Revenue Account	0	(6,599)	212	0	(930)	(7,317)
Net Cost of Services	(625)	(10,025)	930	201,809	2,045	194,134
Timing differences					(2,045)	
Total Transfers					0	

Notes to the Main Financial Statements

2. SEGMENTAL INCOME AND EXPENDITURE

This note shows the Income and Expenditure received and paid on a segmental basis for material items reported in the Total Net Expenditure Charged to General Fund & HRA Balances within the Expenditure and Funding Analysis.

Segmental Income & Expenditure 2017/18	Fees charges and other service income	Interest Receivable	Depreciation	Interest Payable
	£000's	£000's	£000's	£000's
Chief Executives Office	(910)	0	0	0
Finance	(3,074)	0	0	0
Residents Services	(32,353)	0	0	53
Social Care	(10,979)	0	0	0
Corporate Operating Budgets	(732)	(298)	0	2,341
Schools Budget	(8,264)	0	0	590
Housing Revenue Account	(60,863)	(146)	10,220	6,366
Net Cost of Services	(117,175)	(444)	10,220	9,350

Segmental Income & Expenditure 2016/17	Fees charges and other service income (Restated)	Interest Receivable	Depreciation	Interest Payable
	£000's	£000's	£000's	£000's
Chief Executives Office	(956)	0	0	0
Finance	(1,705)	0	0	0
Residents Services	(32,666)	0	0	67
Social Care	(10,797)	0	0	0
Corporate Operating Budgets	(122)	(718)	0	2,691
Schools Budget	(9,081)	0	0	668
Housing Revenue Account	(62,078)	(212)	9,610	6,599
Net Cost of Services	(117,405)	(930)	9,610	10,025

Notes to the Main Financial Statements

3. EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:

	2017/18	2016/17
	£000's	£000's
Expenditure		
Employee benefits expenses	195,774	187,522
Employee benefits of Voluntary Aided & Foundation Schools*	35,112	35,334
Other services expenses	426,468	410,891
Support service recharges	4,512	15,415
Depreciation, amortisation, impairment	51,299	43,333
Interest payments	22,496	23,480
Precepts and levies	604	625
Payments to Housing Capital Receipts Pool	1,175	1,190
Loss on the disposal of assets	1,683	0
Change in the Fair Value of Investment Properties	98	5
Total Expenditure	739,221	717,795
Income		
Fees, charges and other service income	(117,175)	(117,405)
Interest and investment income	(444)	(930)
Income from council tax, non domestic rates	(157,904)	(156,549)
Government grants and contributions	(430,322)	(419,211)
Gain on the disposal of assets	0	(11,029)
Total Income	(705,845)	(705,124)
(Surplus)/Deficit on the Provision of Services	33,376	12,671

*Employee benefits of Voluntary Aided & Foundation Schools

Voluntary aided and foundation school employees are not the employees of the Council but are consolidated into the single entity financial statements of the Council. The costs of employee benefits of voluntary aided and foundation schools have therefore been separately identified.

Notes to the Main Financial Statements

4. 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. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of an authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. The balance is not available to be applied to funding HRA services which is ring fenced.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority Council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Notes to the Main Financial Statements

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS 2017/18

2017/18	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	Revaluation Reserve £000's	Capital Adjustment Account £000's	Financial Instruments Adjustment Account £000's	Pensions Reserve £000's	Collection Fund Adjustment Account £000's	Accumulated Absences Account £000's	Unusable Reserves £000's
Amortisation of intangible assets	(119)		(2)			(121)		121					121
Depreciation of non current assets	(21,992)		(10,218)			(32,210)	2,825	29,385					32,210
Revaluation and impairment of non current assets	(2,023)	(16,945)				(18,968)		18,968					18,968
Statutory provision for the financing of capital investment	924	9,035				9,959		(9,959)					(9,959)
Revenue expenditure funded from capital under statute	(9,489)	1				(9,488)		9,488					9,488
Capital grants and contributions applied	25,042			215		25,257		(25,257)					(25,257)
Capital expenditure charged in year to the General Fund balance	1,747		32,922			34,669		(34,669)					(34,669)
Use of Capital Receipts Reserve to finance new capital expenditure					26,526	26,526		(26,526)					(26,526)
Amounts written off on disposal of non current assets	(11,103)	9,420			(25,556)	(27,239)	2,576	24,663					27,239
Finance Lease Principal	248					248		(248)					(248)
Gain/Loss Investment Property	(98)					(98)		98					98
Transfer from capital receipts reserve to meet payments to the housing capital receipts pool	(1,175)				1,175	0							0
Premiums and discounts	(4)	16				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	(49,790)	(3,407)				(53,197)				53,197			53,197
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	25,432	1,740				27,172				(27,172)			(27,172)
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	(1,437)					(1,437)					1,437		1,437
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	520	(1)				519						(519)	(519)
Transfer to Reserve for Capital projects		18,017	(18,017)			0							0
Total Adjustments	(43,317)	17,876	4,685	215	2,145	(18,396)	5,401	(13,936)	(12)	26,025	1,437	(519)	18,396

Notes to the Main Financial Statements

ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS 2016/17

2016/17	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	Revaluation Reserve £000's	Capital Adjustment Account £000's	Financial Instruments Adjustment Account £000's	Pensions Reserve £000's	Collection Fund Adjustment Account £000's	Accumulated Absences Account £000's	Unusable Reserves £000's
Amortisation of intangible assets	(72)		(2)			(74)		74					74
Depreciation of non current assets	(22,604)		(9,607)			(32,211)	2,224	29,987					32,211
Revaluation and impairment of non current assets	(10,453)	(595)				(11,048)		11,048					11,048
Statutory provision for the financing of capital investment	2,673	8,801				11,474		(11,474)					(11,474)
Revenue expenditure funded from capital under statute	(20,454)	(2)				(20,456)		20,456					20,456
Capital grants and contributions applied	22,895			(1,075)		21,820		(21,820)					(21,820)
Capital expenditure charged in year to the General Fund balance	56		18,670			18,726		(18,726)					(18,726)
Use of Capital Receipts Reserve to finance new capital expenditure					14,133	14,133		(14,133)					(14,133)
Amounts written off on disposal of non current assets	1,278	9,751			(18,879)	(7,850)	1,097	6,753					7,850
Finance Lease Principal	251					251		(251)					(251)
Gain/Loss Investment Property	(5)					(5)		5					5
Transfer from capital receipts reserve to meet payments to the housing capital receipts pool	(1,190)				1,190	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	(36,509)	(1,143)				(37,652)				37,652			37,652
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	25,301	792				26,093				(26,093)			(26,093)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is	2,519					2,519					(2,519)		(2,519)
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	(1,940)	1				(1,939)						1,939	1,939
Transfer to Reserve for Capital projects		65	(65)			0							0
Total Adjustments	(38,257)	17,686	8,996	(1,075)	(3,556)	(16,206)	3,321	1,919	(13)	11,559	(2,519)	1,939	16,206

Notes to the Main Financial Statements

5. EARMARKED RESERVE TRANSFERS

	31 March 2018 £000's	Transfers Out 2017/18 £000's	Transfers In 2017/18 £000's	31 March 2017 £000's	Transfers Out 2016/17 £000's	Transfers In 2016/17 £000's	31 March 2016 £000's
Earmarked Reserves:							
Grants Unapplied	2,612	(1,325)	1,221	2,716	(1,021)	2,784	953
Member Initiatives	13,445	(442)	661	13,226	(1,183)	1,242	13,167
Other Reserves	9,360	(5,136)	5,682	8,814	(3,512)	4,192	8,134
*Business Rates Reserve	1,941	(1,075)	1,941	1,075	(1,194)	310	1,959
Treasury Management Reserve	1,928	0	1,928	0	0	0	0
Barnhill PFI	620	(250)	358	512	(547)	355	704
Public Health Reserve	2,629	(76)	0	2,705	0	94	2,611
Parking Revenue Account / New Roads & Street Works Reserve	1,604	0	135	1,469	(654)	888	1,235
Total Earmarked Reserves	34,139	(8,304)	11,926	30,517	(8,111)	9,865	28,763

*This note has been presented differently from 2016/17 to show the Business Rates Reserve separately.

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 2018 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.

Business Rate Retention Reserve

Grant income received from Government to reimburse the Council for losses within the Collection Fund Adjustment Account relating to changes to Business Rates Reliefs. Under the current Business Rates Retention System, these grants are received in advance of deficits impacting upon the General Fund and therefore held in a separate reserve.

Treasury Management Reserve

Funds set aside to protect the Council against risk of volatility from investment returns to smooth the budget requirements.

Barnhill PFI

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

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.

Notes to the Main Financial Statements

Parking Revenue Account / New Roads & Street Works Reserve

A statutory reserve earmarking monies primarily raised from on-street parking operations to support related investment in local infrastructure, further details on these operations are set out in note 29.

6. OTHER OPERATING EXPENDITURE

	2017/18 £000's	2016/17 £000's
Payments to Government Housing Capital Receipts Pool	1,175	1,190
Precepts and Levies	604	625
Total	1,779	1,815

7. NET FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2017/18 £000's	2016/17 £000's
Interest payable and similar charges	9,350	10,025
Interest receivable	(444)	(930)
Net interest on the net defined benefit liability	13,146	13,455
Changes in the fair value of investment properties	98	5
Total	22,150	22,555

8. TAXATION AND NON-SPECIFIC GRANT INCOME

	2017/18 £000's	2016/17 £000's
Council Tax Income	(109,368)	(109,329)
Non-Domestic Rates Income	(104,909)	(112,558)
Non-Domestic Rates Tariff payable to Central Government	50,117	60,791
Non-Domestic Rates Levy (receivable)/payable to Central	6,256	4,547
Non-Ringfenced Government Grants	(33,178)	(45,260)
Capital Grants & Contributions	(25,042)	(22,895)
Total	(216,124)	(224,704)

Notes to the Main Financial Statements

9. MOVEMENT OF PROPERTY, PLANT & EQUIPMENT 2017/18

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Surplus Assets	Total Plant, Property & Equipment
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Cost or Valuation as at 1 April 2017	720,993	497,380	59,874	264,117	13,524	29,392	17,649	1,602,929
Additions	6,627	871	1,768	19,019	0	9,315	0	37,600
Enhancements	12,428	12,203	1,881	0	43	18,708	95	45,358
Revaluation increases/(decreases) recognised in Revaluation Reserve	(3,464)	7,383	(92)	0	0	0	0	3,827
Revaluation increases/(decreases) recognised in Surplus/Deficit on Services	(19,190)	(2,913)	0	0	0	0	0	(22,103)
Derecognition - Disposals	(6,156)	(16,037)	(2,254)	0	0	0	(3,714)	(28,161)
Derecognition - Other	0	0	(1,929)	0	0	0	0	(1,929)
Assets reclassified within Property Plant and Equipment	10,749	10,867	744	0	0	(16,096)	(6,264)	0
Assets reclassified (to) & from Held for Sale & Investment Properties	(44)	0	0	0	0	0	0	(44)
Cost or Valuation as at 31 March 2018	721,943	509,754	59,992	283,136	13,567	41,319	7,766	1,637,477
Accumulated Depreciation & Impairment at 1 April 2017	(1)	(15,713)	(13,838)	(105,469)	(460)	(23)	(25)	(135,529)
Depreciation charge in 2017/18	(9,686)	(10,446)	(5,479)	(6,586)	0	0	(13)	(32,210)
Depreciation written out to Revaluation Reserve	7,380	3,463	115	0	0	0	0	10,958
Depreciation written out to Surplus/Deficit on Services	2,245	890	0	0	0	0	0	3,135
Derecognition - Disposals	61	483	416	0	0	0	11	971
Derecognition - Other	0	0	1,929	0	0	0	0	1,929
Assets reclassified within Property Plant and Equipment	0	15	0	0	0	(5)	(10)	0
Assets reclassified (to) & from Held for Sale & Investment Properties	0	0	0	0	0	0	0	0
Accumulated Depreciation & Impairment at 31 March 2018	(1)	(21,308)	(16,857)	(112,055)	(460)	(28)	(37)	(150,746)
Balance Sheet amount 1 April 2017	720,992	481,667	46,036	158,648	13,064	29,369	17,624	1,467,400
Balance Sheet amount 31 March 2018	721,942	488,446	43,135	171,081	13,107	41,291	7,729	1,486,731
Nature of asset holding								
Owned	721,942	488,446	42,938	171,081	13,107	41,291	7,729	1,486,534
Finance Lease	0	0	197	0	0	0	0	197
Balance Sheet amount 31 March 2018	721,942	488,446	43,135	171,081	13,107	41,291	7,729	1,486,731

Notes to the Main Financial Statements

MOVEMENT OF PROPERTY, PLANT & EQUIPMENT 2016/17

	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 2016	689,988	495,598	60,658	253,611	13,524	15,733	19,308	1,548,420
Additions	19,335	970	3,683	10,506	0	10,760	0	45,254
Enhancements	2,512	4,542	771	0	0	7,270	0	15,095
Revaluation increases/(decreases) recognised in Revaluation Reserve	13,460	9,289	(4,761)	0	0	274	0	18,262
Revaluation increases/(decreases) recognised in Surplus/Deficit on Services	2,397	(12,032)	0	0	0	(6,375)	0	(16,010)
Derecognition - Disposals	(6,658)	(819)	(435)	0	0	(97)	0	(8,009)
Derecognition - Other	0	0	(42)	0	0	0	0	(42)
Assets reclassified within Property Plant and Equipment	0	(168)	0	0	0	1,827	(1,659)	0
Assets reclassified (to) & from Held for Sale & Investment Properties	(41)	0	0	0	0	0	0	(41)
Cost or Valuation as at 31 March 2017	720,993	497,380	59,874	264,117	13,524	29,392	17,649	1,602,929
Accumulated Depreciation & Impairment at 1 April 2016	0	(10,008)	(13,544)	(99,146)	(460)	(58)	(1)	(123,217)
Depreciation charge in 2016/17	(9,089)	(11,533)	(5,224)	(6,323)	0	0	(42)	(32,211)
Depreciation written out to Revaluation Reserve	5,673	4,219	4,761	0	0	5	0	14,658
Depreciation written out to Surplus/Deficit on Services	3,329	1,579	0	0	0	54	0	4,962
Derecognition - Disposals	86	24	161	0	0	0	0	271
Derecognition - Other	0	0	8	0	0	0	0	8
Assets reclassified within Property Plant and Equipment	0	6	0	0	0	(24)	18	0
Assets reclassified (to) & from Held for Sale & Investment Properties	0	0	0	0	0	0	0	0
Accumulated Depreciation & Impairment at 31 March 2017	(1)	(15,713)	(13,838)	(105,469)	(460)	(23)	(25)	(135,529)
Balance Sheet amount 1 April 2016	689,988	485,590	47,114	154,465	13,064	15,675	19,307	1,425,203
Balance Sheet amount 31 March 2017	720,992	481,667	46,036	158,648	13,064	29,369	17,624	1,467,400
Nature of asset holding								
Owned	720,992	481,667	45,826	158,648	13,064	29,369	17,624	1,467,190
Finance Lease	0	0	210	0	0	0	0	210
Balance Sheet amount 31 March 2017	0	0	0	0	0	0	0	0
	720,992	481,667	46,036	158,648	13,064	29,369	17,624	1,467,400

Property Plant and Equipment figures for 2016/17 have been restated to reflect minor reclassification between Other Land & Buildings and Vehicle Plant & Equipment.

Notes to the Main Financial Statements

10. 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 2017/18 20% of the Council's General Fund assets were valued by external independent valuers Wilks Head & Eve LLP as part of the rolling programme with the addition of the highest value assets also being revalued to ensure no material swings in value. The Housing Stock was uplifted in value to reflect market conditions for all Council Dwellings by Jones Lang LaSalle Limited to reflect the value at 31 March 2018 through a desktop valuation. Valuations are carried out in accordance with professional standards of the Royal Institution of Chartered Surveyors.

During 2017/18, the Council has recognised total revaluation losses of £21,393k (£43,955k in 2016/17) 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 £2,425k (£32,907k in 2016/17) 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 are 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.

11. COMMITMENTS UNDER CAPITAL CONTRACTS

As at March 2018, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment during 2018/19 and future years budgeted to cost £32,550k. Similar commitments at 31 March 2017 were £42,542k. The major commitments are:

Scheme	31 March 2018 £000's	31 March 2017 £000's
Schools Expansions Programme	8,537	2,009
New Vehicles	0	117
Housing	17,107	32,961
Other Capital Projects	6,906	7,455
Total	32,550	42,542

Notes to the Main Financial Statements

12. HERITAGE ASSETS

At 31 March 2018 the Council held Civic Regalia and a statue 'Anticipation' that were insured for £501k. As neither a current market valuation, nor a replacement cost is available, this insurance value has been used as the basis for valuation.

The Council took over ownership of the Battle of Britain Bunker in 2017. As neither a current market valuation, nor a replacement cost is available due to the specialist nature of this historic asset, the insurance value has been used as the basis for valuation. In addition a number of artefacts have been added as heritage assets which belonged to Battle of Britain flying ace Wing Commander Ronald Gustave Kellett who was stationed at RAF Northolt in 1940 during the Battle of Britain, these items have been valued based on recent auctions of similar items.

The Council also holds an 18th Century stable block within the grounds of Cranford Park alongside a collection of antique farm equipment. There are also a number of artefacts including historical archives stored within the Battle of Britain bunker. These are insured through the Council's general insurance scheme but do not hold specific valuations, are non-realisable and therefore are not included on the Council's balance sheet.

	Non Current	
	31 March 2018 £000's	31 March 2017 £000's
Balance at start of year	531	501
Assets newly classified as Heritage Assets	150	30
Increase/(Decrease) in value	4,660	0
Balance at end of year	5,341	531

Heritage Assets of Particular Importance

The Battle of Britain Bunker is an underground operations room and is a historic landmark of national significance. The bunker played a crucial role in the air defence of the United Kingdom throughout World War Two by the No 11 Group Fighter Command. It was vital in directing RAF operations throughout the war with fighter aircraft operations being controlled from the bunker throughout the war but most notably during the Battle of Britain and on D-Day. The bunker was visited by both Winston Churchill and King George VI in 1940 and it was here that Winston Churchill on 16 August 1940 spoke the famous words "Never in the field of human conflict was so much owed, by so many, to so few". Evacuations started in 1938 and the operations bunker was constructed in 1939. The bunker is located 60 feet below ground level and is accessed via a staircase of over 70 steps.

Within the collection which belonged to Wing Commander Ronald Gustave Kellett, are medals awarded for distinguished acts of valour and courage such as the Distinguished Flying Cross (DFC) as well as flying logbooks. A number of items are displayed for residents to view while other items will be preserved researchers and historians to view to represent the historical importance and protect for generations to come.

The Battle of Britain Bunker is signed up to the Museums Association's code of ethics. The site is alarmed and monitored with security services to protect the site and artefacts. Restoration and conservation works have been carried out on a number of exhibited artefacts within the bunker such as the wartime map.

Notes to the Main Financial Statements

13. 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 (Restated to reflect the new reported Services in the CIES):

Service	2017/18	2016/17
	£000's	(Restated)
		£000's
Residents Services	119	72
Housing Revenue Account	2	2
Total	121	74

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

	2017/18	2016/17
	£000's	£000's
Software		
Gross carrying amounts	845	514
Accumulated amortisation	(119)	(45)
Net carrying amount at the start of the year	726	469
Purchases	132	331
Amortisation for the period	(121)	(74)
Net carrying amount at end of year	737	726
Comprising:		
Gross carrying amounts	977	845
Accumulated amortisation	(240)	(119)
Total	737	726

Notes to the Main Financial Statements

14. INVESTMENT PROPERTIES

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

	2017/18 £000's	2016/17 (Restated) £000's
Rental income from investment property	(417)	(389)
Direct operating expenses arising from investment property	20	31
Net gain	(397)	(358)

Note: 2016/17 rental income and expenditure has been updated to reflect the true values credited to the CIES.

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

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

	2017/18 £000's	2016/17 £000's
Opening Balance	5,624	5,629
Net gain/(loss) from fair value adjustments	(97)	(5)
Closing Balance	5,527	5,624

Notes to the Main Financial Statements

15. FINANCIAL INSTRUMENT BALANCES

		Current		Long-Term		Total	
Note		31 March 2018 £000's	31 March 2017 £000's	31 March 2018 £000's	31 March 2017 £000's	31 March 2018 £000's	31 March 2017 £000's
Investments and Cash Equivalents							
	Loans and receivables	15,051	49,599	0	10,000	15,051	59,599
	Loans and receivables - shown as cash equivalents	902	1	0	0	902	1
	Available-for-sale financial assets	15,518	500	57	44	15,575	544
	Available-for-sale financial assets - shown as cash equivalents	32,909	23,203	0	0	32,909	23,203
	Unquoted equity investment at cost						
	Financial assets at fair value through profit and loss						
	Total investments	64,380	73,303	57	10,044	64,437	83,347
Trade Debtors							
	Financial assets carried at contract amounts	10,587	8,669	0	0	10,587	8,669
	Total included in Trade Debtors	10,587	8,669	0	0	10,587	8,669
Borrowings							
	Financial liabilities at amortised cost	(18,360)	(18,480)	(229,647)	(246,894)	(248,007)	(265,374)
	Financial liabilities at fair value through profit and loss						
	Total included in borrowings	(18,360)	(18,480)	(229,647)	(246,894)	(248,007)	(265,374)
Other Long-Term Liabilities							
	PFI and finance lease liabilities	(247)	(248)	(1,165)	(1,412)	(1,412)	(1,660)
	Total Other Long-Term Liabilities	(247)	(248)	(1,165)	(1,412)	(1,412)	(1,660)
Trade Creditors							
	Financial liabilities carried at contract amount	(28,530)	(21,492)	0	0	(28,530)	(21,492)
	Total Trade Creditors	(28,530)	(21,492)	0	0	(28,530)	(21,492)

Note - 2016/17 Trade Debtors and Trade Creditors have been updated to reflect current arrangements.

Notes to the 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:

	2017/18			2016/17				
	Financial Liabilities measured at amortised cost £000's	Financial Assets: Loans and Receivables £000's	Financial Assets: Available for Sale £000's	Total £000's	Financial Liabilities measured at amortised cost £000's	Financial Assets: Loans and Receivables £000's	Financial Assets: Available for Sale £000's	Total £000's
Interest Expense	8,702	0	0	8,702	9,284	0	0	9,284
Total Expense in Surplus or Deficit on the Provision of Services	8,702	0	0	8,702	9,284	0	0	9,284
Interest Income	0	(298)	(144)	(442)	0	(611)	(174)	(785)
(Gain) on Derecognition	0	0	0	0	0	0	(132)	(132)
Total Income in Surplus or Deficit on the Provision of Services	0	(298)	(144)	(442)	0	(611)	(306)	(917)
(Gains) / Loss on Revaluation	0	0	(30)	(30)	0	0	41	41
(Surplus)/Deficit arising on Revaluation of Financial Assets in	0	0	(30)	(30)	0	0	41	41
PFI Interest	591	0	0	591	667	0	0	667
Other	57	(2)	0	55	74	(13)	0	61
Net (Gain)/Loss for the year	9,350	(300)	(174)	8,876	10,025	(624)	(265)	9,136

Notes to the 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

	31 March 2018		31 March 2017		
	Fair Value	Carrying amount £000's	Fair value £000's	Carrying amount £000's	Fair value £000's
Financial Liabilities Held at Amortised Cost					
PWLB Loans	2	(199,394)	(230,385)	(216,759)	(256,408)
Market Loans	2	(48,613)	(82,370)	(48,615)	(85,616)
Lease & PFI Liabilities	2	(1,412)	(3,115)	(1,660)	(4,005)
Trade Creditors	N/A	(28,530)	(28,530)	(21,492)	(21,492)
		(277,949)	(344,400)	(288,526)	(367,521)

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 2018) arising from a commitment to pay interest to lenders above current market rates.

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.

- Market Loans

Included within Market Loans are: £36m of Lender's Option Borrower's Option (LOBO) loans - The value of LOBO loans has 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. Also included are £12m of Barclays Bank PLC Market loans, these loans were previously classified as LOBO loans. However, 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. These have been valued on the same bases as LOBO loans but with the option premium removed.

Notes to the Main Financial Statements

- 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.

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.

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

	31 March 2018		31 March 2017		
	Fair Value Level	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	33,409	33,409	23,703	23,703
Pooled Funds	1	15,018	15,018	0	0
Shares in Listed Companies (Long-	1	57	57	44	44
Financial Assets Held at Amortised Cost					
Long-Term Deposits	2	0	0	10,000	10,065
Short-Term Deposits & Deposit Accounts	N/A	15,051	15,051	49,599	49,599
Instant Access Bank Accounts	N/A	902	902	1	1
Trade Debtors	N/A	10,587	10,587	8,669	8,669
		75,024	75,024	92,016	92,081

Note - 2016/17 Trade Debtors and Trade Creditors have been updated to reflect current arrangements.

Offsetting Financial Assets and Liabilities

Financial assets or liabilities are set off against each other where the Council has a legally enforceable right to do so. The Council's bank accounts held with Lloyds Bank have a right of offset; for 2017/18 there were no accounts in an overdraft position where an offset was applied.

Notes to the Main Financial Statements

16. INVENTORIES

	Consumable Stores		Maintenance Materials		Total	
	2017/18 £000's	2016/17 £000's	2017/18 £000's	2016/17 £000's	2017/18 £000's	2016/17 £000's
Balance outstanding at start of year	54	50	211	246	265	296
Purchases	938	913	280	286	1,218	1,199
Recognised as expense in year	(944)	(909)	(341)	(321)	(1,285)	(1,230)
Balance outstanding at year-end	48	54	150	211	198	265

17. SHORT TERM DEBTORS

	31 March 2018 £000's	31 March 2017 £000's
Central Government Bodies	6,682	6,514
Other local authorities	3,921	2,265
NHS bodies	4,263	1,804
Housing rents	1,175	865
Council taxpayers	10,059	8,715
Non-domestic rate payers	2,164	2,786
Other entities and individuals	24,471	16,237
	52,735	39,186

18. LONG TERM DEBTORS

	31 March 2018 £000's	New Debtors £000's	To Short Term £000's	Repayments £000's	31 March 2017 £000's
Housing advances & associations	11	0	0	6	17
Sale of Council houses	5	0	0	1	6
Other loans & advances	281	51	6	0	236
Developer Contributions	3,460	0	1,363	0	4,823
	3,757	51	1,369	7	5,082

19. SHORT TERM CREDITORS

	31 March 2018 £000's	31 March 2017 £000's
Council Taxpayers	(4,029)	(4,213)
Central Government Departments	(34,682)	(19,906)
NHS Bodies	(834)	(1,936)
Housing Rents	(933)	(1,016)
Non-Domestic Ratepayers	(6,474)	(6,777)
Other Local Authorities	(8,904)	(7,494)
Sundry Creditors	(46,703)	(38,529)
	(102,559)	(79,871)

Notes to the Main Financial Statements

20. 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 amounted to £3,721k at 31 March 2018 (£2,796k at 31 March 2017).

21. CASH AND CASH EQUIVALENTS

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

	31 March 2018 £000's	31 March 2017 £000's
Cash held by the Council	15,767	13,572
Liquid deposits	33,811	23,204
Total Cash and Cash Equivalents	49,578	36,776

22. ASSETS HELD FOR SALE

At 31 March 2018 the Council held £44k (£41k at 31 March 2017) 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 2018 £000's	31 March 2017 £000's
Balance outstanding at start of year	41	120
Assets newly classified as held for sale	44	41
Enhancements	8	0
Assets sold	(49)	(120)
	44	41

Notes to the Main Financial Statements

23. PROVISIONS

	1 April 2017	Additional provisions made in 2017/18	Amounts used in 2017/18	Unused amounts reversed in 2017/18	31 March 2018	Short- Term Provisions	Long- Term Provisions
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Housing Repairs Claim	729	0	(245)	(484)	0	0	0
CRC Allowance Purchase	169	152	(168)	0	153	153	0
Dilapidation Provision	793	0	(15)	(153)	625	625	0
Non Domestic Rates Appeal Losses	1,394	699	(230)	(336)	1,527	1,527	0
Ordinary Residency Disputes	702	119	0	(314)	507	85	422
Insurance Provision	2,450	1,435	(389)	(1,220)	2,276	1,592	684
MMI	71	0	(1)	(69)	1	1	0
Other provisions	672	779	(288)	(327)	836	776	60
Total Provisions	6,980	3,184	(1,336)	(2,903)	5,925	4,759	1,166

CRC Allowance Purchase

The 2017/18 financial year was the seventh 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 during the financial year 2014/15 and again in 2017/18. The Council is required to surrender to the scheme by the last working day in July 2018, the proportion of reported emissions for the preceding scheme year (2017/18). 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 104. 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 payments will have to be made 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.

Dilapidation Provision

The Council is contractually obliged to fund dilapidation costs on a number of leased properties. During the year, provisions were released and drawn upon. The latest schedule of works has resulted in a decreased estimate for works which are expected to be carried out during 2018/19.

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 2018.

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

Notes to the Main Financial Statements

Municipal Mutual Insurance (MMI)

Municipal Mutual Insurance (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. Deterioration in the assessment of the number and value of future claims, particularly in respect of abuse and mesothelioma claims as stated in the company's Annual Report and Accounts for the year ended 30 June 2015, has resulted in a substantial deficit in MMI's financial position. The Scheme Administrator has subsequently imposed a second levy with effect from April 2016, requiring a further 10% (total 25%) of settlement payment and solicitors costs applicable to transactions from 01 April 2016. 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.

Other provisions

The other provisions represent amounts set aside to meet potential future liabilities; this includes associated legal costs for Housing decision reviews, fly tipping clearance and tenancy management issues.

Notes to the Main Financial Statements

24. UNUSABLE RESERVES

24A. 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.

	2017/18		2016/17	
	£000's	£000's	£000's	£000's
Balance at 1 April		910,332		912,251
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	(32,210)		(32,211)	
- Revaluation gains/(losses) on Property, Plant and Equipment	(18,968)		(11,048)	
- Amortisation of intangible assets	(121)		(74)	
- Revenue expenditure funded from capital under statute	(9,488)		(20,456)	
- 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	(27,239)	(88,026)	(7,849)	(71,638)
Adjusting amounts written out of the Revaluation Reserve		5,401		3,321
Net written out amount of the cost of non-current assets consumed in the year		(82,625)		(68,317)
Capital financing applied in the year:				
- Use of the Capital Receipts Reserve to finance new capital expenditure	26,526		14,133	
- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	25,042		22,895	
- Application of grants to capital financing from the Capital Grants Unapplied Account	215		(1,075)	
- Statutory and voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	9,959		11,473	
- Finance Lease Principal	248		251	
- Capital expenditure charged against the General Fund and HRA balances	34,669	96,659	18,726	66,403
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(98)		(5)
Balance at 31 March		924,268		910,332

Notes to the Main Financial Statements

24B. 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 Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

	2017/18 £000's	2016/17 £000's
Balance at 1 April	(317)	(330)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	99	99
Proportion of discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(87)	(86)
Balance at 31 March	(305)	(317)

24C. 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.

	2017/18 £000's	2016/17 £000's
Balance at 1 April	3,027	508
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	(1,437)	2,519
Balance at 31 March	1,590	3,027

Notes to the Main Financial Statements

24D. 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.

	2017/18		2016/17	
	£000's	£000's	£000's	£000's
Balance at 1 April		160,383		130,785
Upward revaluation of assets				
- Land & Buildings	11,863		26,443	
- Council Dwellings	8,355		21,086	
- Assets Under Construction	0		887	
- Plant and Equipment	23		0	
- Heritage Assets	4,654	24,895	0	48,416
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services				
- Land & Buildings	(1,016)		(12,935)	
- Council Dwellings	(4,439)		(1,954)	
- Assets Under Construction	0	(5,455)	(608)	(15,497)
Surplus or (Deficit) on revaluation of non-current assets not posted to the Surplus or (Deficit) on the Provision of Services		19,440		32,919
Difference between fair value depreciation and historical cost depreciation				
- Land & Buildings	(2,005)		(1,669)	
- Surplus Assets	(14)		(38)	
- Plant and Equipment	(4)		(4)	
- Council Dwellings	(802)	(2,825)	(513)	(2,224)
Accumulated gains on assets sold or scrapped				
- Land & Buildings	(1,753)		(706)	
- Surplus Assets	(448)		0	
- Assets Held for sale	(1)		0	
- Council Dwellings	(374)	(2,576)	(391)	(1,097)
Amount written off to the Capital Adjustment Account		(5,401)		(3,321)
Balance at 31 March		174,422		160,383

Notes to the Main Financial Statements

24E. 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.

	2017/18 £000's	2016/17 £000's
Balance at 1 April	(521,170)	(386,483)
Actuarial gains/(losses) on pensions assets and liabilities	22,727	(123,128)
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	(53,197)	(37,652)
Employer's pension contributions and direct payments to pensioners payable in the year	27,172	26,093
Balance at 31 March	(524,468)	(521,170)

24F. 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.

	2017/18 £000's	2016/17 £000's
Balance at 1 April	(5,197)	(3,258)
Settlement or cancellation of accrual made at the end of the preceding year	5,197	3,258
Amounts accrued at the end of the current year	(4,678)	(5,197)
Balance at 31 March	(4,678)	(5,197)

24G. 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.

	2017/18		2016/17	
	£000's	£000's	£000's	£000's
Balance as at 1 April		44		85
Recognition of New Assets	18		0	
Derecognition of Assets	0		(46)	
Change in Fair Value in year	12	30	5	(41)
Balance as at 31 March		74		44

Notes to the Main Financial Statements

25. CASH FLOW STATEMENT - OPERATING ACTIVITIES

	2017/18 £000's	2016/17 £000's
(Surplus)/Deficit on the provision of services	33,376	12,671
Depreciation and impairment of non-current assets	(51,178)	(43,259)
Amortisation of intangible fixed assets	(121)	(74)
Revenue Expenditure Funded from Capital under Statute	(9,488)	(20,456)
Pension Fund adjustments	(26,025)	(11,559)
(Increase)/Decrease in impairment for provision for bad debts	3,834	2,760
(Increase)/Decrease in creditors	(21,763)	(4,249)
Increase/(Decrease) in debtors	8,390	(10,286)
Increase/(Decrease) in inventories	(67)	(31)
Carrying amount of non-current assets sold	(27,239)	(7,849)
Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(1,111)	(5,985)
Total adjusting items	(124,768)	(100,988)
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	25,556	18,879
Capital Grants and other contributions credited to Surplus or Deficit on the Provision of Services	25,042	22,895
Billing Authorities - Council Tax and NNDR adjustments	13,397	19,527
Total included elsewhere on Cash Flow Statement	63,995	61,301
Net cash flows from operating activities	(27,397)	(27,016)

Interest received, interest paid and dividends received

	2017/18 £000's	2016/17 £000's
Interest paid	(9,350)	(10,025)
Interest received	444	930

26. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2017/18 £000's	2016/17 £000's
Cash Outflows		
Purchase of property, plant and equipment	83,098	60,680
Other payments for investing activities	9,488	20,456
	92,586	81,136
Cash Inflows		
Sale of property, plant and equipment	(25,556)	(18,879)
Capital grants received	(18,113)	(9,421)
Other receipts from investing activities	(9,023)	(6,821)
	(52,692)	(35,121)
Net Cash Outflow	39,894	46,015
Net Increase/(Decrease) in Short-Term Investments	(19,530)	(50,150)
Net Increase/(Decrease) in Long-Term Investments	(9,987)	10,005
Net cash flows from investing activities	10,377	5,870

Notes to the Main Financial Statements

27. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2017/18 £000's	2016/17 £000's
Cash Outflows		
Repayments of amounts borrowed	17,367	47,283
Capital element of finance lease rental and on-balance sheet PFI payments	248	251
Cash Inflows		
Billing Authorities - Council Tax and NNDR adjustments	(13,397)	(19,527)
Net cash flows from financing activities	4,218	28,007

28. EXTERNAL AUDIT COSTS

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

	2017/18 £000's	2016/17 £000's
Fees payable in regard to external audit services carried out by the appointed auditor	159	157
Fees payable for the certification of grant claims and returns	45	29
Total External Audit costs	204	186

Non Audit Fees - The Council did not incur any non-audit costs in 2017/18 or 2016/17 with Ernst and Young.

29. PARKING REVENUE ACCOUNT

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

	2017/18 £000's	2016/17 £000's
Income	(4,933)	(4,778)
Expenditure	3,396	3,059
(Surplus)/ Deficit	(1,537)	(1,719)
Contribution to transport services	1,401	1,486
Total (Surplus)/ Deficit	(136)	(233)

30. MEMBER ALLOWANCES

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

	2017/18 £000's	2016/17 £000's
Salaries & Allowances	1,342	1,347
Total	1,342	1,347

Further details on Members' allowances are available on the Council website.

Notes to the Main Financial Statements

31. POOLED BUDGETS

A section 75 agreement is in operation between London Borough of Hillingdon and Hillingdon Clinical Commissioning Group (HCCG) in respect of Learning Disability Services and was effective from 1st April 2008. This is not operating as a Pooled Budget in that it clearly identifies the financial liabilities of the two partners on an individual client basis. The object of the agreement is to enable the effective commissioning of services for this client group thereby providing a seamless service to the individual. For 2017/18 this service provided support to approximately 665 clients at a gross cost of £35,065k which included approximately 41 HCCG clients and 19 Joint Funded clients for which the Council received £4,864k.

Better Care Fund Pooled Budget

The Better Care Fund Pooled Budget was set up in 2015/16. LB Hillingdon and Hillingdon CCG have Pooled Funds to work on joint services for Hillingdon residents. There is a compulsory contribution that each party must contribute but additional funds can be pooled. In 2017/18, £12,091k additional contributions were added to the Pooled Budget.

The aims of the Pooled Budget are to reduce Emergency Hospital Admissions and Delayed Transfers of Care. To increase the effectiveness of the Reablement Service and other community services to improve the independence and wellbeing of Hillingdon residents in need of these services. Under the terms of the Pooled Budget each party is responsible for risks associated with their own share of the Pooled Budget with the exception of the Community Equipment Funding which is risk shared on a 50:50 basis.

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

	2017/18			2016/17		
	Hillingdon CCG £000's	LB Hillingdon £000's	Total £000's	Hillingdon CCG £000's	LB Hillingdon £000's	Total £000's
BCF Grant	16,854	0	16,854	16,558	0	16,558
DFG Base Allocation	0	3,815	3,815	0	3,457	3,457
iBCF	0	4,054	4,054	0	0	0
Voluntary Contributions	6,389	5,702	12,091	1,344	1,172	2,516
	23,243	13,571	36,814	17,902	4,629	22,531

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

	2017/18			2016/17		
	Hillingdon CCG £000's	LB Hillingdon £000's	Total £000's	Hillingdon CCG £000's	LB Hillingdon £000's	Total £000's
BCF Grant	10,769	6,085	16,854	10,619	5,937	16,556
DFG Base Allocation	0	3,815	3,815	0	3,457	3,457
iBCF	0	4,054	4,054	0	0	0
Voluntary Contributions	6,389	5,702	12,091	1,346	1,172	2,518
	17,158	19,656	36,814	11,965	10,566	22,531

Note the presentation of the above tables has changed from the 2016/17 published accounts to provide more detail.

32. RELATED PARTY TRANSACTIONS

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

Notes to the Main Financial Statements

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 2017/18 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 2017/18 was £22,006k (£21,635k in 2016/17). A precept of £348k was paid to the London Pension Fund Authority in 2017/18 (£351k in 2016/17).

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 2017/18 is shown in note 30.

This note concerns the disclosure of additional information on transactions between the Council and its related parties. The purpose of the note is to demonstrate fairness and openness in the accounts. All councillors and relevant officers are required to complete declarations to meet the requirements of IAS 24 - Transactions with Related Parties. Disclosures of Interest have been made in respect of the following organisations, the payment amount will not necessarily be just in respect of grants but will be a total of transactions between the Council and the organisation during the year. There were no material outstanding balances at year end.

Organisation	Name	Payment
Hillingdon Carers	Councillor Becky Hagger	762,096.50
Hillingdon Carers	Councillor Beulah East	762,096.50
Age UK	Councillor David Simmonds	711,575.62
Age UK	Councillor Ian Edwards	711,575.62
Central Middlesex Skills Development Centre	Councillor Tony Burles	411,552.00
Central Middlesex Skills Development Centre	Councillor John Morgan	411,552.00
Hillingdon and Ealing Citizens Advice Bureau	Councillor John Riley	397,380.75
Hillingdon and Ealing Citizens Advice Bureau	Councillor Raymond Graham	397,380.75
Hillingdon and Ealing Citizens Advice Bureau	Councillor Tony Burles	397,380.75
Carers Trust	Councillor Judith Cooper	135,615.00
Imperial College Healthcare NHS Trust	Councillor June Nelson	108,355.49
Ruislip and Northwood Old Folks Association	Councillor Catherine Dann	79,600.00
Ruislip and Northwood Old Folks Association	Councillor Michael White	79,600.00
Harlington Hospice Association	Councillor Kuldeep Lakhmana	64,662.45
Hillingdon Outdoor Activities Centre	Councillor Henry Higgins	58,675.00
Hillingdon Outdoor Activities Centre	Councillor Jane Palmer	58,675.00
Hillingdon Aids Response Trust	Councillor Peter Curling	33,999.99
Hillingdon Shopmobility	Councillor John Hensley	24,000.00
Hillingdon Shopmobility	Councillor Beulah East	24,000.00
Groundwork South Trust Ltd	Councillor George Cooper	18,000.00
Relate London North West Family Mediation	Councillor Beulah East	15,000.00
Relate London North West Family Mediation	Councillor Tony Burles	15,000.00
Relate London North West Family Mediation	Councillor Jem Duducu	15,000.00
London Youth Games Ltd	Councillor Richard Mills	8,400.00
Friends of the 11 Group Operations Rooms	Councillor Ray Puddifoot	6,200.00

Notes to the Main Financial Statements

32. RELATED PARTY TRANSACTIONS (Continued)

Precepts/Levies

In 2017/18 the following precepts and levies are considered related party transactions:

	2017/18 £000s	2016/17 £000s
Business Rate Retention - DCLG	158,944	217,603
Business Rate Retention - GLA	131,138	73,438
Greater London Authority Precept	27,349	27,129
Greater London Authority Crossrail	13,488	13,669
West London Waste Authority Levy	10,645	10,275
TFL Concessionary Fares	8,037	8,219
Lee Valley Regional Park Authority	255	274
Environment Agency	221	218

33. OFFICER EMOLUMENTS

The number of employees in 2017/18 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				SCHOOL EMPLOYEES			
	2017/18		2016/17		2017/18		2016/17	
	Total	Due to Lump Sum	Total	Due to Lump Sum	Total	Due to Lump Sum	Total	Due to Lump Sum
£50,000 - £54,999	73	(2)	49	(3)	49	0	59	0
£55,000 - £59,999	40	0	34	(4)	25	0	22	0
£60,000 - £64,999	27	(6)	15	(3)	14	0	6	0
£65,000 - £69,999	5	(1)	8	(1)	14	0	17	0
£70,000 - £74,999	5	(1)	7	0	14	0	11	0
£75,000 - £79,999	7	(2)	2	0	6	0	7	0
£80,000 - £84,999	3	0	1	0	7	0	8	0
£85,000 - £89,999	5	0	3	(1)	7	0	4	0
£90,000 - £94,999	2	0	1	0	1	0	2	0
£95,000 - £99,999	1	0	0	0	1	0	0	0
£100,000 - £104,999	1	0	1	0	1	0	1	0
£105,000 - £109,999	0	0	0	0	0	0	1	0
£110,000 - £114,999	0	0	0	0	1	0	0	0
	169	(12)	121	(12)	140	0	138	0

Disclosure of Remuneration for Senior Employees (Schools):-

Details of school employees in the above table earning over £100,000 during 2017/18 is listed below.

Job Title	Pensionable Pay 2017/18	Pensionable Pay 2016/17	Due to Lump Sum
Headteacher - Harlington Community School	£114,929	£109,280	No
Headteacher - Yeading Infant School	£100,193	N/A	No

Notes to the 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 2017/18.

Group	Job Title		2017/18			Total
			Pensionable Pay	Compensation for loss of employment	EER's pension Contributions	
Chief Executives Office	Chief Executive and Corporate Director of Administration (F Beasley)		£226,318	£0	£0	£226,318
	Head of Democratic Services		£96,106	£0	£22,200	£118,306
	Head of Legal Services and Borough Solicitor		£133,508	£0	£30,840	£164,348
Finance	Corporate Director of Finance (P Whaymand)		£177,435	£0	£0	£177,435
	Head of Business Assurance		£107,758	£0	£0	£107,758
	Deputy Director Corporate Finance		£118,548	£0	£27,385	£145,933
	Head of Revenues & Benefits		£92,724	£0	£21,419	£114,143
	Head of Pensions, Treasury and Statutory Accounts		£80,081	£0	£18,499	£98,579
Residents Services	Deputy Chief Executive and Corporate Director of Residents Services (J Palmer)		£220,181	£0	£0	£220,181
	Deputy Director, Infrastructure, Procurement, Waste Services & ICT		£144,753	£0	£33,438	£178,191
	Head of Planning, Transportation & Regeneration		£98,385	£0	£22,727	£121,112
	Head of Administrative, Technical Support, Licensing and Business Services		£103,865	£0	£23,993	£127,857
	Deputy Director of Housing, Environment, Education and Health		£128,598	£0	£29,706	£158,304
	Head of HR, Performance Improvement and Communications		£132,704	£0	£30,655	£163,359
Social Care	Corporate Director of Social Care (T Zaman)		£159,855	£0	£36,927	£196,782
	Deputy Director of Children's Services		£119,685	£0	£27,647	£147,332
	Assistant Director of Provider and Commissioned Care		£84,893	£0	£19,610	£104,503
	Assistant Director of Children's Early Intervention		£95,505	£0	£22,062	£117,567
	Assistant Director of Social Care, Mental Health & Learning Disabilities		£79,113	£0	£18,275	£97,388
	Assistant Director of Social Care, Older People, Physical Disabilities & OT		£77,703	£0	£17,949	£95,653
	Health and Social Care Integration Manager		£60,525	£0	£13,981	£74,506
Leavers	Head of Children's Safeguarding & QA	1	£0	£7,748	£0	£7,748
	Head of Disability Services	2	£32,151	£46,447	£7,427	£86,025
	Deputy Director Planning, Transportation & Community Projects	3	£122,718	£119,607	£28,348	£270,673
	Head of Special Projects	4	£21,424	£78,616	£4,949	£104,988
	Deputy Director Residents Services	5	£26,111	£105,970	£6,032	£138,113
	Deputy Director Strategic Finance	6	£30,189	£45,638	£6,974	£82,801

1. Employment ended 07/04/2017
2. Employment ended 07/08/2017
3. Employment ended 28/02/2018
4. Employment ended 30/06/2017
5. Employment ended 11/06/2017
6. Employment ended 31/08/2017

Note: During 2017/18 there have been a number of changes to post titles within the Council's management structure.

Notes to the 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 2016/17.

Group	Job Title		2016/17			Total
			Pensionable Pay	Compensation for loss of employment	EER's pension Contributions	
Administration	Chief Executive and Corporate Director of Administration (F Beasley)	1	£223,713	£0	£0	£223,713
	Head of Democratic Services		£95,153	£0	£21,980	£117,133
	Head of Legal Services		£124,792	£0	£28,827	£153,619
	Head of Policy & Partnerships		£88,810	£0	£20,515	£109,325
Finance	Corporate Director of Finance (P Whaymand)		£175,610	£0	£0	£175,610
	Head of Business Assurance		£99,769	£0	£0	£99,769
	Deputy Director Corporate Finance and Head of Operational Finance		£106,691	£0	£24,646	£131,337
	Head of Revenues & Benefits		£84,845	£0	£19,599	£104,444
	Deputy Director Strategic Finance		£94,026	£0	£21,720	£115,746
Residents Services	Deputy Chief Executive and Corporate Director of Residents Services (J Palmer)		£217,923	£0	£0	£217,923
	Deputy Director Residents Services		£131,084	£0	£30,280	£161,364
	Deputy Director Development & Assets, Head of Corporate Procurement &		£134,929	£0	£31,169	£166,098
	Head of Estates & Tenancy Management		£84,845	£0	£19,599	£104,444
	Deputy Director Planning, Transportation & Community Projects		£118,500	£0	£27,374	£145,874
	Head of Planning & Enforcement		£96,682	£0	£22,334	£119,016
	Head of Green Spaces, Sport & Culture		£95,748	£0	£22,118	£117,866
	Head of Business & Technical Support		£91,013	£0	£21,024	£112,037
	Head of Business Performance Policy & Standards		£106,843	£0	£24,681	£131,524
	Head of Special Projects		£83,259	£0	£19,233	£102,492
	Director of Public Health		£62,920	£0	£14,535	£77,454
	Head of Business Improvement & HR		£132,908	£0	£30,702	£163,610
Social Care	Director of Adults Services and Interim Director of Children & Young People's Services (T Zaman)		£156,261	£0	£36,096	£192,357
	Assistant Director Children's Services		£108,514	£0	£25,067	£133,581
	Head of Adult Early Intervention and Prevention		£72,399	£0	£16,724	£89,123
	Head of Disability Services		£88,810	£0	£20,515	£109,325
	Head of Children's Safeguarding & QA		£75,157	£0	£17,361	£92,518
	Head of Children's Early Intervention		£88,017	£0	£20,332	£108,349
Leavers	Deputy Director ICT, Digital Strategy & Communication	2	£35,322	£31,623	£7,267	£74,212
	Head of Adult Safeguarding, Quality & Partnerships	3	£47,942	£40,304	£7,632	£95,878

1. Pensionable Pay includes a small element of pay relating to 2015/16 which was in arrears
2. Employment ended 30/06/2016
3. Employment ended 31/08/2016

Notes to the Main Financial Statements

34. EXIT PACKAGES

The number of exit packages that have been agreed by the Council during the year are listed below. These packages include redundancy costs, pension 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.

Exit package costs by banding which include special payments and pension strain costs.

LBH EMPLOYEES						
Cost Band	2017/18 No. of LBH Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £000's	Pension Strain Costs £000's	Total Exit Package Cost £000's
£0 - £20,000	108	92	16	1,079	37	1,116
£20,001 - £40,000	39	34	5	893	197	1,090
£40,001 - £60,000	8	5	3	147	235	382
£60,001 - £80,000	4	4	0	129	168	297
Over £80,001	10	2	8	465	1,193	1,658
	169	137	32	2,713	1,830	4,543

LBH EMPLOYEES						
Cost Band	2016/17 No. of LBH Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £000's	Pension Strain Costs £000's	Total Exit Package Cost £000's
£0 - £20,000	66	52	14	778	38	816
£20,001 - £40,000	40	34	6	675	399	1,074
£40,001 - £60,000	12	10	2	196	394	590
£60,001 - £80,000	5	4	1	156	193	349
Over £80,001	9	8	1	237	725	962
	132	108	24	2,042	1,749	3,791

SCHOOL EMPLOYEES						
Cost Band	2017/18 No. of Schools Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £000's	Pension Strain Costs £000's	Total Exit Package Cost £000's
£0 - £20,000	9	8	1	16	8	24
£40,001 - £60,000	1	0	1	26	0	26
	10	8	2	42	0	50

SCHOOL EMPLOYEES						
Cost Band	2016/17 No. of Schools Employees with Exit Packages Number	Number of Compulsory Redundancies Number	Number of Other Departures Agreed Number	Total Exit Payments to Employees £000's	Pension Strain Costs £000's	Total Exit Package Cost £000's
£0 - £20,000	10	0	10	31	0	31
£40,001 - £60,000	0	0	0	0	0	0
	10	0	10	31	0	31

Notes to the Main Financial Statements

35. DEDICATED SCHOOLS GRANT

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

The Council's expenditure on schools is funded by grant monies provided by the Department for Education through the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budgets as defined in the School and Early Years Finance (England) Regulations 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 2017/18 are as follows:

Schools Budget Funded by Dedicated Schools			
Central Expenditure £000's	Individual Schools Budget £000's	Total £000's	
		269,799	
		(125,974)	
		143,825	
		(1,136)	
		1,136	
Final DSG for 2017/18 before academy recoupment			
Academy figure recouped for 2017/18			
Total DSG after academy recoupment for 2017/18			
Plus Brought-forward from 2016/17			
Less Carry-forward to 2018/19 agreed in advance			
Agreed initial budgeted distribution in 2017/18	33,065	115,370	148,435
In year adjustments	141	(5,831)	(5,690)
Final budgeted distribution for 2017/18	33,206	109,539	142,745
Less actual central expenditure	35,695		35,695
Less actual ISB deployed to schools		110,040	110,040
Plus Local Authority contribution for 2017/18	0	0	0
Total	(2,489)	(501)	(2,990)
Plus Carry-forward agreed in advance			(1,136)
Carry-forward to 2018/19			(4,126)

Notes to the Main Financial Statements

36. GRANT INCOME

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

REVENUE GRANT INCOME

	2017/18 £000's	2016/17 £000's
Revenue Grant Income Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	19,513	29,431
Education Services Grant	654	2,570
Housing Benefit Administration Subsidy	1,225	1,190
Local Council Tax Support Administration Subsidy	329	352
New Homes Bonus	7,104	9,183
Other Grants	4,353	2,534
Total Non-Specific Revenue Grants	33,178	45,260
Revenue Grant Income Credited to Services		
<u>Department for Education</u>		
Dedicated Schools Grant (DSG)	143,484	140,728
Pupil Premium	6,236	6,447
Sixth Form & Adult Learning Grants	2,252	2,367
Universal Infant Free School Meals Grant	2,869	2,857
Private Finance Initiative	1,778	1,778
Adult & Community Learning	1,568	1,684
PE & Sports Grant	765	497
<u>Department for Communities and Local Government:</u>		
Flexible Homelessness Support	1,269	0
Troubled Families Grant	704	1,180
Business Rates Cost of Collection Allowances	576	598
<u>Department of Health</u>		
Public Health Grant	17,998	18,452
Better Care Fund	20,908	16,558
Independent Living Fund	525	543
<u>Arts Council</u>		
Music Education Hub	455	450
<u>Department for Work and Pensions:</u>		
Housing Benefit Subsidy	143,072	147,258
Discretionary Housing Payments	962	831
<u>Home Office:</u>		
Funding for Unaccompanied Asylum Seeking Children	3,789	4,825
Other Grants	3,476	2,567
<u>Contributions</u>		
Other Contributions	19,577	8,702
Total Grants Credited to Services	372,263	358,322
Total Revenue Grant Income	405,441	403,582

Note the presentation of the above tables has changed from the 2016/17 published accounts to provide more detail.

Notes to the Main Financial Statements

CAPITAL GRANT INCOME

	2017/18 £000's	2016/17 £000's
Capital Grant Income credited to the Comprehensive Income and Expenditure Statement		
Disabled Facilities Grant	4,227	3,457
Education Funding Agency	7,213	5,905
Transport for London	6,266	5,947
British Cycling	0	11
GLA London Regeneration	738	62
Total Capital Grant Income	18,444	15,382
Schools Capital Contributions	1,690	1,204
S106 Contributions	1,097	2,453
Community Infrastructure Levy	3,455	3,679
Other Capital Contributions	356	177
Total Capital Grants and Contributions Received	25,042	22,895

All of the capital grant income applied to the Comprehensive Income and Expenditure account within Taxation and Non Specific Grant income was used to fund the Capital Programme.

GRANTS RECEIVED IN ADVANCE

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:

	2017/18 £000's	2016/17 £000's
Capital Grant & Contribution Receipts in Advance		
EFA Capital Grants	377	325
S106	10,122	7,712
Total Capital Grant & Contribution Receipts in Advance	10,499	8,037

Notes to the Main Financial Statements

37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2017/18 £000's	2016/17 £000's
Opening Capital Financing Requirement	403,891	389,132
Capital investment		
Property, Plant and Equipment	83,121	60,379
Intangible Assets	132	332
Revenue Expenditure Funded from Capital under Statute	9,488	20,457
Sources of finance		
Capital receipts	(26,526)	(14,133)
Government grants and other contributions	(25,257)	(21,820)
Sums set aside from revenue:		
Direct revenue contributions	(34,669)	(18,726)
Minimum Revenue Provision (MRP) / loans fund principal	(9,959)	(11,473)
Other Revenue Provision	(254)	(257)
Closing Capital Financing Requirement	399,967	403,891
Explanation of movements in year		
Increase/(Decrease) in underlying need to borrow :		
- unsupported by Government financial assistance	(3,924)	14,759
Increase/(Decrease) in Capital Financing Requirement	(3,924)	14,759

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.

38. LEASES

In financial years prior to 2017/18 the Council acquired 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. Since the initial transfer the PFI school moved to Academy status and the asset removed from the balance sheet, however the Council still holds the liability.

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 and properties 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:

Notes to the Main Financial Statements

Finance Leases - Lessee (including PFI)

Plant, Property and Equipment Outstanding obligations on 31 March

Within 1 year (held in current liabilities)
2 - 5 years
More than 5 years
Total costs payable in future years

Total future lease payments

Finance Lease Liabilities		Minimum Lease Payments	
2017/18 £000's	2016/17 £000's	2017/18 £000's	2016/17 £000's
247	248	806	892
1,009	998	2,246	2,650
156	414	201	602
1,165	1,412	2,447	3,252
1,412	1,660	3,253	4,144

Operating Leases - Lessee

Plant, Property and Equipment Outstanding obligations on 31 March

Within 1 year
2 - 5 years

Total future lease payments

Operating Lease	
2017/18 £000's	2016/17 £000's
635	825
472	969
1,107	1,794

Operating lease obligations include commitments held by Hillingdon maintained schools as well as those held by the Council. Operating lease expenditure of £74k (£124k in 16/17) relating to maintained schools 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:

Within 1 year
2 - 5 years
More than 5 years

Total future lease payments

Operating Lease	
2017/18 £000's	2016/17 £000's
1,300	763
3,618	2,550
7,232	8,561
12,150	11,874

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 the Main Financial Statements

39. LONG TERM CONTRACTS AND PRIVATE FINANCE INITIATIVE

The Council has entered into a number of Long Term Contracts, committing itself to revenue expenditure over future years. However there is one contract which has a fixed annual sum over £1,000k and is over 4 years in length.

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

- Liberata UK Ltd (Revenues & Benefits) - 01/06/2017 to 31/05/2022

Year	Annual Cost £000's
2018/19	1,152
2019/20	1,076
2020/21	1,023
2021/22	941
2022/23	155

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 2017/18 the Council paid principal of £234k, interest of £590k and service charges of £2,375k. Current forecasts of future payments, assuming satisfactory performance over the remaining 6 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 (2018/19)	2,494	230	509	3,233
2 - 5 years	11,288	884	1,094	13,266
More than 5 years	3,268	102	32	3,402
Total	17,050	1,216	1,635	19,901

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 £234k matching the principal repayment. The outstanding liability of the capital value at 31 March 2018 is £1,216k, of this £230k is due within a year and therefore included in creditors and the remaining £986k is included as a deferred liability.

40. 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 £70k.

A claim has been raised against the Council for damages for misrepresentation. The claim could amount to £730k but the Council has a counterclaim for £374k.

There is a claim in relation to a patient under care which could amount to £200k. The Council will defend and counter claim to reduce this.

Notes to the Main Financial Statements

The Council has entered into legal proceeding to recover historic unclaimed VAT which could result in an asset for £1m.

41. EVENTS AFTER THE BALANCE SHEET DATE

There are no events to report after the balance sheet date.

42. 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 £2,061k have been received this year and £1,978k has been paid over to the charging authority (Transport for London). The balance of £82k has been retained by the Council to cover administrative expenses.

Notes to the Main Financial Statements

43. SUMMARY OF TREASURY MANAGEMENT POLICY

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

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

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

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

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

44. 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 is based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The Council's activities expose 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 2017/18 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.

Notes to the Main Financial Statements

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.

Credit Rating Definitions

Long Term		Money Market Funds
AAA	Highest credit quality	Fitch: AAmmf : Extremely strong capacity to achieve fund's investment objective of preserving principal and providing shareholder liquidity through limiting credit, market, and liquidity risk.
AA	Very high credit quality	
A	High credit quality	
BBB	Good credit quality	
BB	Speculative	Moody's: Aaa Money Market Funds are judged to be of an investment quality similar to Aaa-rated fixed income obligations.
B	Highly speculative	
CCC	Default possibility	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.
CC	Default imminent	
D	Defaulted	

Notes to the Main Financial Statements

The table below summarises the amortised value of the Council's investment portfolio at 31 March 2018, and demonstrates that all investments were made in line with the Council's approved credit rating criterion.

Outstanding Investments as at 31 March 2018							
	Rating at time of Deposit*	Rating at 31 March 2018*	Maturity of Investments				Total
			0-3 Months	3-6 Months	6-12 Months	Over 12 Months	
			£000's	£000's	£000's	£000's	
Fixed Term Deposits							
UK Banks & Building Societies			0	0	0	0	0
Sub-Total			0	0	0	0	0
Government & Local Authorities							
Lancashire County Council	AA	AA-	5,038	0	0	0	5,038
Northumberland County Council	AA	AA	0	0	5,011	0	5,011
London Borough of Brent	AA	AA	5,002	0	0	0	5,002
Sub-Total			10,040	0	5,011	0	15,051
Total			10,040	0	5,011	0	15,051
Liquid Accounts							
UK Banks & Building Societies							
Lloyds Call Account	A	A	901	0	0	0	901
Santander Call Account	A	A	1	0	0	0	1
Sub-Total			902	0	0	0	902
Money Market Funds							
All funds held explicitly money market fund equivalent ratings of AAA, with at least one of the rating agencies			33,409				33,409
Sub-Total			33,409	0	0	0	33,409
Pooled Funds							
Insight Liquidity Plus Fund 3	AAA	AAA	5,021	0	0	0	5,021
Payden Rygel Sterling Reserve Fund	AAA	AAA	4,979	0	0	0	4,979
Standard Life Sterling Short Duration Cash Fund	AAA	AAA	5,018	0	0	0	5,018
Sub-Total			15,018	0	0	0	15,018
Total			49,329	0	0	0	49,329
Notice Accounts							
UK Banks			0	0	0	0	0
Total			0	0	0	0	0
Available for Sale Assets							
Available for Sales Trust Funds	N/a	N/a	0	0	0	57	57
Total Investments			59,369	0	5,011	57	64,437

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 31/03/2018 are the same as for when deposits are made due the ability to deposit or make withdrawals on a daily basis.

* Ratings provided are the Fitch Rating or lowest equivalent

Notes to the Main Financial Statements

The table below summarises the amortised value of the Council's investment portfolio at 31 March 2017, and demonstrates that all investments were made in line with the Council's approved credit rating criterion.

Outstanding Investments as at 31 March 2017							
	Rating at time of Deposit*	Rating at 31 March 2017*	Maturity of Investments				Total
			0-3 Months	3-6 Months	6-12 Months	Over 12 Months	
			£000's	£000's	£000's	£000's	
Fixed Term Deposits							
UK Banks & Building Societies							
Lloyds	A	A	0	0	2,008	0	2,008
Sub-Total			0	0	2,008	0	2,008
Government & Local Authorities							
Birmingham City Council	AA	AA	0	5,014	0	0	5,014
Blaenau Gwent County Borough Council	AA+	AA	18	0	2,400	0	2,418
Guildford Borough Council	AA	AA	0	5,014	0	0	5,014
Lancashire County Council	AA	AA	38	0	5,008	5,000	10,046
London Borough of Enfield	AA	AA	10,021	0	0	0	10,021
Northumberland County Council	AA	AA	0	0	5,040	5,000	10,040
Stockport Metropolitan Borough Council	AA+	AA	33	0	5,000	0	5,033
Sub-Total			10,110	10,028	17,448	10,000	47,586
Total			10,110	10,028	19,456	10,000	49,594
Instant Access Accounts							
UK Banks & Building Societies							
Santander Call Account	A	A	1				1
Sub-Total			1	0	0	0	1
Money Market Funds							
All funds held explicitly money market fund equivalent ratings of AAA, with at least one of the rating agencies			23,703	0	0	0	23,703
Sub-Total			23,703	0	0	0	23,703
Total			23,704	0	0	0	23,704
Notice Accounts							
UK Banks							
Goldman Sachs 95 Day Notice Deposit	A	A	0	5,002	0	0	5,002
Santander UK 120 Day Notice Account	A	A	0	5,003	0	0	5,003
Total			0	10,005	0	0	10,005
Available for Sale Assets							
Available for Sales Trust Funds	N/a	N/a	0	0	0	44	44
Total Investments			33,814	20,033	19,456	10,044	83,347

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 31/03/2017 are the same as for when deposits are made due the ability to deposit or make withdrawals on a daily basis.

* Ratings provided are the Fitch Rating or lowest equivalent

Notes to the Main Financial Statements

Other Financial Instruments

Trade Debtors of £10,587k (£8,669k in 2016/17). Allowances are made for the provision of doubtful debt where there is a risk of non-payment.

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 2018			31 March 2017		
	PWLB £000's	Market £000's	Total £000's	PWLB £000's	Market £000's	Total £000's
Nominal Value	202,115	48,000	250,115	219,393	48,000	267,393
Premium	(3,191)	0	(3,191)	(3,221)	0	(3,221)
Accrued Interest	470	613	1,083	587	615	1,202
Amortised Value	199,394	48,613	248,007	216,759	48,615	265,374

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 2018	31 March 2018 £000's	31 March 2017 £000's
Less than 1 year	25%	7.40%	18,360	18,480
Between 1 and less than 2 years	25%	6.97%	17,278	17,278
Between 2 and less than 5 years	50%	12.45%	30,889	34,667
Between 5 and less than 10 years	100%	11.09%	27,500	32,500
Between 10 and less than 20 years	100%	23.39%	58,000	57,000
Between 20 and less than 30 years	100%	9.10%	22,571	32,071
Between 30 and less than 40 years	100%	10.25%	25,409	25,378
Between 40 and less than 50 years	100%	15.72%	39,000	39,000
Over 50 years	100%	3.63%	9,000	9,000
Total		100.00%	248,007	265,374

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. LOBO loans have been included at their final maturity date.

Notes to the 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 and pooled funds – 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 (based 2017/18 balances and with all other variables held constant) the financial effect would be:

	£000's
Increase in interest payable on variable rate borrowings	40
Increase in interest receivable on variable rate investments	(965)
Impact on Surplus or Deficit on the Provision of Services	(925)
Share of overall impact credited to the HRA	(896)
Decrease in fair value of Pooled Funds (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(68)
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)	38,367

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. 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 £57k 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 market prices of the Council's units in pooled funds are governed by prevailing interest rates and the market risk associated with these instruments is managed alongside interest rate risk.

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.

Notes to the Main Financial Statements

Financial Liabilities

The majority of borrowing made by the Council is sourced from the PWLB (£202,115k nominal value 31 March 2018; £199,115k fixed rates, £3,000k variable rate). 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.

£36,000k 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 £10,000k, £6,000k and £5,000k respectively are scheduled for rate change options. In addition the Council holds £12,000k of fixed-rate market loans

In order to minimise debt costs the Council did not take any new borrowing during 2017/18, instead utilising internal resources to finance its long term borrowing requirement. The loan portfolio reduced this year with naturally maturing debt of £17,278k.

Financial Assets

The Council had a weighted average balance of investments for 2017/18 of £110,656k. Throughout the year deposits were placed in instant access accounts, pooled funds 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.

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 2017/18 employer's contribution rate was 23.1%.

Employees contributed at variable rates between 5.5% and 12.5% of pensionable salary. The employer's contribution rate set for 2018/19 is 24.1% with any pension strain costs being directly attributable to the service area, as was the case in 2017/18.

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 the 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 2017/18 was 16.48% (16.48% 2016/17). The total contribution to the fund by the Council in 2017/18 was £7,108k (£7,123k in 2016/17), of this amount £589k was outstanding at 31 March 2018 (£593k at 31 March 2017).

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 Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers scheme. There was £507k paid in respect of on-going early retirement payments in 2017/18 (£847k in 2016/17).

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, Council 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 2017/18 the Council paid a total of £31,796.89 (£36,256.48 in 2016/17) to the NHS Pension Scheme, representing 14.3% of pensionable pay. Contributions to the fund are expected to remain unchanged for 2018/19.

Notes to the 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 2018 £000's	31 March 2017 £000's	31 March 2018 £000's	31 March 2017 £000's	31 March 2018 £000's	31 March 2017 £000's
Comprehensive Income and Expenditure						
Cost of Services						0
Current Service Cost	41,348	23,029	0	0	41,348	23,029
Past Service Costs (Including curtailments)	1,087	1,166	0	0	1,087	1,166
(Gain)/Loss Settlements	(2,386)	0	0	0	(2,386)	0
Administration Expenses	0	0	2	2	2	2
Financing and Investment Income and Expenditure: Net Interest Expense	13,104	13,378	42	77	13,146	13,455
Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services	53,153	37,573	44	79	53,197	37,652
Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement						
Remeasurement of the net defined benefit liability comprising:						
Return on plan assets (excluding the amount included in the net interest expense)	2,139	(110,415)	(51)	(498)	2,088	(110,913)
Actuarial gains and losses arising on changes in financial assumptions	(24,295)	233,208	(150)	431	(24,445)	233,639
Other	(370)	624	0	(222)	(370)	402
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(22,526)	123,417	(201)	(289)	(22,727)	123,128
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	(25,985)	(11,484)	(40)	(75)	(26,025)	(11,559)
Actual amount charged against the General Fund						
Employer's contributions payable to scheme	(25,057)	(23,897)	0	0	(25,057)	(23,897)
Contributions in respect of unfunded benefits	(2,111)	(2,192)	(4)	(4)	(2,115)	(2,196)
Total Employers Contributions Payable to Scheme	(27,168)	(26,089)	(4)	(4)	(27,172)	(26,093)

In addition the Comprehensive Income and Expenditure Statement included an actuarial gain of £22,727k in 2017/18 (£123,128k actuarial loss in 2016/17). Any impact of foreign exchange rates will come through as a result of market value movements in asset holdings.

The Council expects to make payments of £23,760k (£22,006k in 2017/18) in respect of contributions to the LBH Pension Fund during the financial year 2018/19.

Notes to the Main Financial Statements

46. PENSION SCHEMES BALANCE SHEET DISCLOSURES

Reconciliation of present value of scheme liabilities

	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2018 £000's	31 March 2017 £000's	31 March 2018 £000's	31-Mar 2017 £000's	31 March 2018 £000's	31 March 2017 £000's
Opening Benefit Obligation	1,381,086	1,123,590	4,283	4,660	1,385,369	1,128,250
Current Service Cost	41,348	23,029	0	0	41,348	23,029
Interest on defined liability	34,549	39,032	61	111	34,610	39,143
Contributions by Members	6,867	6,383	0	0	6,867	6,383
Remeasurement (gains) and losses:						
- Actuarial (gains)/losses arising from changes in financial assumptions	(24,295)	233,208	(150)	431	(24,445)	233,639
- Other	(370)	624	0	(444)	(370)	180
Past Service Cost including Curtailments	1,087	1,166	0	0	1,087	1,166
Liabilities Extinguished on Settlements	(3,038)	0	0	0	(3,038)	0
Estimated Unfunded Benefits Paid	(2,111)	(2,192)	(4)	(4)	(2,115)	(2,196)
Estimated Benefits Paid	(39,936)	(43,754)	(407)	(471)	(40,343)	(44,225)
Closing Defined Benefit Obligation	1,395,187	1,381,086	3,783	4,283	1,398,970	1,385,369

Reconciliation of fair value of scheme assets

	LBH Pension Fund		LPFA Pension Fund		Total	
	31 March 2018 £000's	31 March 2017 £000's	31 March 2018 £000's	31 March 2017 £000's	31 March 2018 £000's	31 March 2017 £000's
Opening Fair Value of Employer Assets	862,749	740,154	1,450	1,613	864,199	741,767
Interest Income on Plan Assets	21,445	25,654	19	34	21,464	25,688
Contributions by Members	6,867	6,383	0	0	6,867	6,383
Contributions by the Employer	25,057	23,897	0	0	25,057	23,897
Contributions in respect of Unfunded Benefits	2,111	2,192	4	4	2,115	2,196
Remeasurement (gains) and losses:						
- The return on plan assets, excluding the amount in the net interest expense	(2,139)	110,415	51	252	(2,088)	110,667
- Other	0	0	0	24	0	24
Assets Distributed on Settlements	(652)	0	0	0	(652)	0
Administration Expenses	0	0	(2)	(2)	(2)	(2)
Estimated Unfunded Benefits Paid	(2,111)	(2,192)	0	0	(2,111)	(2,192)
Estimated Benefits Paid	(39,936)	(43,754)	(411)	(475)	(40,347)	(44,229)
Closing Fair Value of Employer Assets	873,391	862,749	1,111	1,450	874,502	864,199

The LBH return on scheme assets is estimated based on the actual fund returns and index returns where necessary. The LPFA return is based on investment returns and market returns estimated where necessary.

Note the presentation of the preceding Comprehensive Income & Expenditure Statement and Scheme Liabilities & Assets has changed from 2016/17 to provide a clearer breakdown of remeasurement gains and losses.

Notes to the Main Financial Statements

Pension Scheme assets comprised

	LBH Pension Fund				LPFA Pension Fund				Total	
	Quoted Prices in Active Markets 17/18 £000's	Quoted Prices not in Active Markets 17/18 £000's	Quoted Prices in Active Markets 16/17 £000's	Quoted Prices not in Active Markets 16/17 £000's	Quoted Prices in Active Markets 17/18 £000's	Quoted Prices not in Active Markets 17/18 £000's	Quoted Prices in Active Markets 16/17 £000's	Quoted Prices not in Active Markets 16/17 £000's	31 March 2018 £000's	31 March 2017 £000's
	Equity Instruments									
Consumer	13,102		13,303		127		160	13,229	13,463	
Manufacturing	0		0		64		90	64	90	
Energy & Utilities	23,800		24,034		18		15	23,818	24,049	
Financial Institutions	35,177		30,394		67		59	35,244	30,453	
Health & Care	7,067		6,823		33		74	7,100	6,897	
Information Technology	777		1,430		107		88	884	1,518	
Other	39,597		34,670		31		20	39,628	34,690	
Debt Securities										
UK Government			0					0	0	
Other			0					0	0	
Private Equity		18,999		26,874		118		151	19,117	
Real Estate		106,487		105,874		80		74	106,567	
Investment Funds & Unit Trusts									0	
Equities	393,139		431,490		9		7	393,148	431,497	
Bonds	133,855		78,572		8		16	133,863	78,588	
Hedge Funds				0			12	0	15	
Commodities				0				0	0	
Infrastructure		23,350		24,884		49	7	68	23,399	
Other		57,729		59,235		52	209	57,781	59,444	
Derivatives								0	0	
Liability Driven Investments								0	0	
Target Returns					123	103	151	115	226	
Commodities								0	0	
Cash & Cash Equivalents	20,312		25,166		228	(106)	240	(109)	20,434	
	666,826	206,565	645,882	216,867	867	244	1,148	302	874,502	
									864,199	

Notes to the Main Financial Statements

Pensions Assets and Liabilities recognised in the Balance Sheet

	2017/18 £000's	2016/17 £000's	2015/16 £000's	2014/15 £000's	2013/14 £000's
Present value of liabilities:					
LBH	(1,395,187)	(1,381,086)	(1,123,590)	(1,218,712)	(1,051,794)
LPFA	(3,783)	(4,283)	(4,660)	(5,201)	(5,254)
Fair Value of Assets:					
LBH	873,391	862,749	740,154	736,612	672,603
LPFA	1,111	1,450	1,613	2,123	2,505
Deficit in the scheme:					
LBH	(521,796)	(518,337)	(383,436)	(482,100)	(379,191)
LPFA	(2,672)	(2,833)	(3,047)	(3,078)	(2,749)
Total	(524,468)	(521,170)	(386,483)	(485,178)	(381,940)

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £1,399m is offset by the scheme assets of £875m to give the net pension liability of £524m 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 2016. The appointed actuary for LBH is Hymans Robertson LLP and for LPFA is Barnett Waddingham.

	LBH Pension Fund		LPFA Pension Fund	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
<u>Financial Assumptions: (% p.a.)</u>				
Pension Increase Rate	2.4%	2.4%	2.3%	2.1%
Salary Increase Rate	2.8%	2.8%	3.8%	3.6%
Discount Rate	2.6%	2.5%	2.3%	1.5%
<u>Mortality Assumptions:</u>				
Longevity at 65 for current pensioners:				
- Men	22.6	22.6	22.2	22.1
- Women	24.6	24.6	24.5	24.4
Longevity at 65 for future pensioners:				
- Men	24.0	24.0	24.5	24.4
- Women	26.5	26.5	26.7	26.6
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 the 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 2018				
0.5% Decrease in Real Discount Rate	9%	126,311	4%	135
1 Year Increase in Member Life Expectancy	3-5%	n/a*	5%	174
0.5% Increase in the Salary Increase Rate	1%	14,103	0%	0
0.5% Increase in the Pension Increase Rate	8%	110,797	4%	135

*The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, the estimate that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption.

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 sensitivity of contribution rates to changes in assumptions; investment risk and regulatory risk. These risks are mitigated to an extent by the statutory requirements to charge amounts required by statute as described in the accounting policies note.

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. The current contribution rate was set over the last triennial valuation period ending March 2016 to cover contribution rates of the Council for three years from April 2017, contributions are set for three years to minimise disruption in cash flow impacts of the Council.

The weighted average duration of the defined benefit obligation for scheme members is 16.4 years as established in the triennial valuation dated 31 March 2016.

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 98)

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 Council 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 102)

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.

The Pension Fund Account (page 105)

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

HRA Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and 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 Housing Revenue Account Statement.

	Note	31 March 2018 £000's	31 March 2017 £000's
Expenditure			
Repairs and maintenance		8,228	6,360
Supervision and management		17,554	17,177
Rents, rates, taxes & other charges		187	72
Increase in provision for bad debts		0	722
Depreciation of non current assets	3	10,220	9,610
Impairment or Reversal of previous impairment / revaluation loss		16,945	595
		53,134	34,536
Income			
Gross dwelling rents		(55,696)	(56,470)
Gross non dwelling rents		(1,263)	(1,157)
Charges for services and facilities		(3,185)	(3,247)
Contributions towards expenditure		(719)	(1,204)
		(60,863)	(62,078)
Net Cost of HRA Services as included in the HRA Income and Expenditure Statement			
		(7,729)	(27,542)
HRA Services share of Corporate Operating Budgets		930	930
Net Cost of HRA services		(6,799)	(26,612)
(Gain) on sale of HRA non current assets		(9,420)	(9,751)
Interest payable and similar charges		7,207	7,007
Interest & Investment income		(146)	(212)
(Surplus)/Deficit for the year on HRA services		(9,158)	(29,568)

Movement on the Housing Revenue Account Statement

The Movement on Housing Revenue Account Statement shows how the HRA Income and Expenditure Statement (surplus) / deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.

	2017/18 £000's	2016/17 £000's
HRA Balance 31 March	(45,826)	(33,944)
(Surplus)/Deficit for the year on HRA services	(9,158)	(29,568)
Adjustments between accounting basis & funding basis under regulations		
Gain/(Loss) on sale of HRA non current assets	9,420	9,751
Premium on early redemption of HRA debt	16	16
HRA share of contributions to or from the Pension Reserve	(1,667)	(351)
Revaluation of Non Current Assets	(16,945)	(595)
Annual Leave Accrual Adjustment	(1)	1
Revenue Expenditure funded by Capital Under Statute	1	(2)
Provision for repayment of debt	9,035	8,801
Net Increase before transfer to reserves	(9,299)	(11,947)
Transfer to Major Repairs Reserve	18,017	65
(Increase)/Decrease in year on HRA	8,718	(11,882)
HRA Balance at 31 March	(37,108)	(45,826)
Major Repairs Reserves	(18,463)	(23,148)
Total HRA Balances	(55,571)	(68,974)

Note

7

Notes to the Housing Revenue Account

1. HOUSING STOCK

The Council was responsible at 31 March 2018 for managing dwellings (including shared ownership). The stock was as follows:

	Total Properties 31 March 2018	Total Properties 31 March 2017
1 Bed Properties	3,563	3,562
2 Bed Properties	3,457	3,460
3 Bed Properties	2,705	2,709
4 Bed plus Properties	234	235
Total	9,959	9,966

2. VALUE OF HRA ASSETS

	Net Book Value 31 March 2018 £000's	Net Book Value 31 March 2017 £000's
Council Dwellings	721,942	720,990
Other Land & Buildings	1,106	1,266
Vehicle, Plant & Equipment	4,508	4,653
Surplus Assets	419	427
Intangible Asset	2	4
Assets Held For Sale	44	40
Assets Under Construction	32,452	15,244
Total	760,473	742,624

The vacant possession value of dwellings within the Council's HRA as at 31 March 2018 was £2,887m; this differs from the balance sheet value of £722m which is based on the economic use value of social housing. The difference of £2,165m 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 2017/18 £000's	Depreciation 2016/17 £000's
Council Dwellings	9,686	9,089
Other Land & Buildings	21	21
Intangibles	2	2
Surplus Assets	8	8
Vehicle, Plant & Equipment	503	489
Total	10,220	9,609

Notes to the Housing Revenue Account

4. CAPITAL EXPENDITURE

Capital Expenditure on HRA Council dwellings during 2017/18 totalled £47,416k. This was financed by:

	31 March 2018 £000's	31 March 2017 £000's
Capital Receipts	14,494	8,564
Transfer from Major Repairs Reserve	32,922	18,670
	47,416	27,234

Capital receipts from the sale of HRA RTB properties during 2017/18 totalled £11,650k of which £1,175k was paid to Central Government under the pooling arrangements, with £10,475k remaining with the Council.

5. RENT ARREARS

At 31 March 2018 the gross HRA rent arrears amounted to £2,252k (£2,608k in 2016/17).

6. BAD DEBT PROVISION

The provision for bad debts on all HRA debts as at 31 March 2018 was £1,707k (£2,380k in 2016/17). In the year, £673k 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.

	2017/18 £000's	2016/17 £000's
Balance as at 1 April	23,148	32,144
Depreciation transferred to Reserve	10,220	9,609
Transfer to MRR	18,017	65
Capital programme funding	(32,922)	(18,670)
	18,463	23,148

The £18,463k 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 Increase for 2017/18 was £1,667k.

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 2018 £000's	31 March 2017 £000's
Council Tax Income		(136,231)	(133,714)
Contribution towards previous years' estimated Council Tax (Surplus)/Deficit	1	625	3,321
Write-offs Uncollectable Council Tax Debt		211	209
Write-back Uncollectable Council Tax Debt		(7)	(277)
Provision for Doubtful Council Tax Debts		(871)	(2,660)
London Borough of Hillingdon Council Tax Precept	1	108,199	106,585
Greater London Authority Council Tax Precept	1	27,224	26,433
Council Tax (Surplus)/Deficit for the Year		(850)	(103)
Opening Council Tax (Surplus)/Deficit Balance		(3,128)	(3,025)
Council Tax (Surplus)/Deficit for the Year		(850)	(103)
Brought Forward Council Tax (Surplus) / Deficit Balance		(3,978)	(3,128)

National Non-Domestic Rates (NNDR) & Business Rate Supplement (BRS)	Note	31 March 2018 £000's	31 March 2017 £000's
National Non-Domestic Rates Income		(375,859)	(376,437)
Business Rate Supplement Income		(12,986)	(13,687)
Contribution towards previous years' estimated NNDR (Surplus)/Deficit		4,982	(7,500)
Write-offs Uncollectable NNDR Debt		643	1,196
Write-back Uncollectable NNDR Debt		(33)	(42)
Provision for Doubtful NNDR Debts		(517)	(883)
Provision/(Release of Provision) for Backdated Appeal Losses	3	444	148
London Borough of Hillingdon Share NNDR Income	2	105,520	112,407
Greater London Authority Share NNDR Income	2	130,142	74,939
Central Government Share NNDR Income	2	116,072	187,345
Transitional Payment Protection Receivable		25,050	228
Payment to Greater London Authority in respect of BRS Income		12,975	13,673
NNDR Cost of Collection Allowance		576	598
BRS Cost of Collection Allowance		11	13
NNDR (Surplus)/Deficit for the Year		7,020	(8,002)
Opening NNDR (Surplus)/Deficit Balance		(1,725)	6,277
NNDR (Surplus)/Deficit for the Year		7,020	(8,002)
Brought Forward NNDR (Surplus)/Deficit Balance		5,295	(1,725)

Notes to the Collection Fund Account

1. Calculation of the Council Tax Base and 2017/18 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 2017/18 base agreed by full Council on 19 January 2017.

Band	Estimated Number of Properties	Discounts & Exemptions	Council Tax Support Scheme	Net Estimated Number of Properties	Band D Equivalent Ratio	Band D Equivalent 2017/18	Band D Equivalent 2016/17	
A	1,004	(176)	(173)	655	6/9	438	422	
B	6,043	(1,164)	(1,193)	3,686	7/9	2,867	2,837	
C	25,211	(3,241)	(3,617)	18,353	8/9	16,314	15,706	
D	46,041	(3,792)	(4,392)	37,857	9/9	37,857	37,236	
E	18,591	(1,609)	(886)	16,096	11/9	19,673	19,552	
F	9,880	(832)	(210)	8,838	13/9	12,766	12,678	
G	5,051	(660)	(47)	4,344	15/9	7,240	7,273	
H	458	(38)	(4)	416	18/9	832	806	
Total	112,279	(11,512)	(10,522)	90,245		97,986	96,509	
						Adjustment for Non-collection	(1,470)	(1,448)
						Ministry of Defence Contribution	704	74
						Council Tax Base	97,220	95,135
						London Borough of Hillingdon Band D Council Tax (£)	1,112.93	1,112.93
						Greater London Authority Band D Council Tax (£)	280.02	276.00
						Total Band D Council Tax (£)	1,392.95	1,388.93
						Demand on Collection Fund (£'000)	135,423	132,136

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 2017 £000's	2017/18 Precept £000's	Release of Prior Year Estimated Surplus £000's	2017/18 Council Tax Revenues £000's	2017/18 Surplus £000's	Balance 31 March 2018 £000's
London Borough of Hillingdon	(2,510)	108,199	500	(109,368)	(669)	(3,179)
Greater London Authority	(618)	27,224	125	(27,530)	(181)	(799)
Grand Total	(3,128)	135,423	625	(136,898)	(850)	(3,978)

Notes to the 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 2018 the aggregate Rateable Value across the 8,683 hereditaments within the borough totalled £815,388k, with rates payable determined by the National Non-Domestic multiplier which is set annual by Central Government. For 2017/18 the standard multiplier was 47.9p in the pound and for small businesses 46.6p in the pound.

The Business Rate Retention System requires that locally raised income is shared between the Council (30%), the Greater London Authority (37%) and Central Government (33%) 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 2017 £000's	2017/18 Budgeted Share of Income £000's	Release of Prior Year Estimated Surplus £000's	2017/18 Non- Domestic Rates Revenues £000's	2017/18 Surplus £000's	Balance 31 March 2018 £000's
London Borough of Hillingdon	(517)	105,520	1,495	(104,909)	2,106	1,589
Greater London Authority	(346)	130,142	996	(129,386)	1,752	1,406
Central Government	(862)	116,072	2,491	(115,401)	3,162	2,300
Grand Total	(1,725)	351,734	4,982	(349,696)	7,020	5,295

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. 877 such appeals relating to 1,193 separate hereditaments were outstanding with the Valuation Office Agency as at the 31 March 2018. Given the inherent uncertainty around the financial impact of such appeals, a provision of £5,183k has been established on the basis of past experience. This represents an increase of £443k on the previously held provision, within this movement £767k was released to fund refunds paid during 2017/18, £1,120k was released where provision was no longer required and an additional £2,330k was added to the provision in respect of outstanding appeals.

Pension Fund Account

FUND ACCOUNT

	Note	31 March 2018 £000's	31 March 2017 £000's
Contributions	4	42,829	41,466
Transfers In from other pension funds	5	34,362	1,241
		77,191	42,707
Less: Benefits	6	(42,003)	(39,353)
Less: Payments to and on account of leavers	7	(3,297)	(2,243)
		(45,300)	(41,596)
Net additions/(withdrawals) from dealings with members		31,891	1,111
Less: Management expenses	8	(7,332)	(8,385)
Net additions/(withdrawals) including fund management expenses		24,559	(7,274)
Return on investments			
Investment income	9	15,289	16,004
Profit and losses on disposal of investments and changes in market value of investments	10A	19,302	137,690
Taxes On Income		(86)	0
Net return on investments		34,505	153,694
Net Increase in the fund during the year		59,064	146,420
Net Assets at start of year		956,707	810,287
Net Assets at end of year		1,015,771	956,707

NET ASSETS STATEMENT

		31 March 2018 £000's	31 March 2017 £000's
Investment Assets	10	1,013,896	955,190
Investment Liabilities	10	(326)	0
Total net investments		1,013,570	955,190
Current Assets	11	2,480	2,198
Current Liabilities	12	(279)	(681)
Net assets of the fund available to fund benefits at the end of the reporting		1,015,771	956,707

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 liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 18.

Paul Whaymand
Corporate Director of Finance
31 May 2018

Notes to Pension Fund Account

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 Public Service Pensions Act 2013 and administered in accordance with the following secondary legislation:

- Local Government Pension Scheme Regulations 2013 (as amended)
- Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

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:

Bellrock	Heathrow Travel Care
Braybourne Facilities	Hillingdon & Ealing Citizens Advice
<i>Bishop Ramsey Cleaners</i>	Kingdom Security
Caterlink	Mitie Facilities Management
Frays Academy	NHS - Michael Sobel House
Caterplus	The Pantry
Churchill Services - Mitie & McMillan Cleaning	<i>Whiteheath Infant</i>
Cucina	<i>Warrender School</i>
<i>Haydon Academy</i>	<i>Frithwood School</i>
<i>Ruislip High School</i>	<i>Hillside School</i>
Greenwich Leisure	Taylor Shaw
Hayward Services	<i>West Dayton Primary School</i>

Scheduled Bodies:

Barnhill Academy	London Housing Consortium
Belmore Academy	<i>Orchard Hill College Academy Trust</i>
Bishop Ramsey Academy	Skills HUB (formerly Hillingdon Tuition Centre)
Bishopshalt Academy	Young Peoples Academy
Charville Academy	<i>Park Federation Trust</i>
Douay Martyrs Academy	Central Payroll
<i>Eden Academy Trust</i>	Cranford Park Academy
Moorcroft School	Lake Farm Park Federation

Notes to Pension Fund Account

Pentland Field School	Wood End Academy
Grangewood School	West Drayton Academy
<i>Elliot Foundation Trust</i>	<i>QED Academy Trust</i>
Hillingdon Primary School	Coteford Academy
John Locke Academy	Queensmead Academy
Pinkwell School	Northwood Academy
<i>Guru Nanak Academy Trust</i>	<i>Rosedale Hewens Academy Trust</i>
Nanak Sar Primary School	Rosedale College
Guru Nanak Sikh Academy	Mellowlane School
Global Academy	Brookside Primary School
Harefield Academy	Ruislip High School
Harrow & Uxbridge College	Ryefield Primary School
Haydon Academy	Vyners Academy
Heathrow Aviation Engineering	Stockley Academy
<i>LBDS Frays Academy Trust</i>	Swakeleys Academy
Cowley St. Lawrence Academy	Uxbridge Academy
Laurel Lane Academy	William Byrd School
St. Matthews Primary School	Willows Academy
St. Martins Primary School	
Central Payroll	

As at 31 March 2018 there were 8,591 active members contributing to the fund, with 6,453 members in receipt of benefit and 8,510 members entitled to deferred benefits.

London Borough of Hillingdon Pension Fund	31 March 2018	31 March 2017
Number of employers with active members	62	53
Number of employees in scheme		
London Borough of Hillingdon	5,401	5,862
Other employers	3,190	2,822
Total	8,591	8,684
Number of Pensioners		
London Borough of Hillingdon	6,106	5,314
Other employers	347	880
Total	6,453	6,194
Deferred Pensioners		
London Borough of Hillingdon	7,135	6,279
Other employers	1,375	946
Total	8,510	7,225

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, JP Morgan Asset Management, Legal & General Investment Management, LGT Capital Partners, London CIV, Macquarie Investments, Newton Asset Management (assets transferred to London CIV Nov 2017), Permira LLP, and UBS Global Asset Management. In addition, there are two direct investments into pooled funds with M&G Investments.

Notes to Pension Fund Account

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 2017/18:

Pensions Committee

Cllr Phillip 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 (Employee Representative)
Mr Andrew Scott (Employee Representative)	Roger Hackett (Employee 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 2017/18 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 fund transactions and report on the net assets available to pay pension benefits as at 31 March 2018.

The accounts do not take into account obligations to pay benefits and pensions that fall due after the reporting date (31 March 2018).

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.

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.

Notes to Pension Fund Account

- 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 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 values 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 2018 was £118,347k (£114,851k at 31 March 2017).
- m. Assumptions made about the future and other major sources of estimation uncertainty - The pension fund 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.

Notes to Pension Fund Account

Items where 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 £19,545k. There is a risk that this investment may be under or overstated in the accounts.
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 2018. 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 £27,374k. 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 £13,220k. 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 £58,114k. 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. This would not effect the Fund Account or Net Asset Statement, but would impact the Council Accounts. Below are the details of the sensitivity analysis to the method of assumptions used for year ended 31 March 2018 by the fund's actuaries.

Sensitivity to Unquoted Alternative Assets valuation and Pricing: Information on sensitivities of the valuation and pricing methodologies of these asset classes are disclosed in notes 14 and 16.

Notes to Pension Fund Account

Sensitivity Analysis

Sensitivity to the assumptions for the year ended 31 March 2018	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	122
0.5% p.a. increase in the Salary Increase Rate	1%	20
0.5% p.a. decrease in the Real Discount Rate	10%	150

The principal demographic assumption is the longevity assumption. For sensitivity purposes, it is estimated that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

4. CONTRIBUTIONS

By category	31 March 2018 £000's	31 March 2017 £000's
Employees	9,920	9,356
Employers Contributions:		
Normal	27,356	27,134
Deficit Funding	5,553	4,976
	42,829	41,466

Deficit Funding: At the actuarial valuation on 31 March 2016 the fund was 75% funded, with the remaining 25% deficit to be recovered over a period of 25 years.

By authority	31 March 2018 £000's	31 March 2017 £000's
LB Hillingdon	30,938	30,535
Scheduled Bodies	11,484	10,459
Admitted Bodies	407	472
	42,829	41,466

5. TRANSFERS IN

	31 March 2018 £000's	31 March 2017 £000's
Individual transfers in from other schemes	3,313	1,241
Bulk Transfers In	31,049	0
	34,362	1,241

Notes to Pension Fund Account

6. BENEFITS

	31 March 2018 £000's	31 March 2017 £000's
By category		
Pensions	(33,721)	(32,435)
Commutations and Lump Sum Retirement Benefits	(7,607)	(6,236)
Lump Sum Death Benefits	(675)	(682)
	(42,003)	(39,353)

	31 March 2018 £000's	31 March 2017 £000's
By authority		
LB Hillingdon	(40,220)	(37,561)
Scheduled Bodies	(1,428)	(1,443)
Admitted Bodies	(355)	(349)
	(42,003)	(39,353)

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	31 March 2018 £000's	31 March 2017 £000's
Refunds to members leaving service	(62)	(81)
Individual transfers out to other schemes	(3,235)	(2,162)
	(3,297)	(2,243)

8. MANAGEMENT EXPENSES

The administering authority incurred costs in managing the fund for the period ending 31 March 2018 as follows:

	31 March 2018 £000's	31 March 2017 £000's
Administrative Costs	(753)	(902)
Investment Management Expenses	(6,392)	(6,761)
Oversight and Governance	(187)	(722)
	(7,332)	(8,385)

8A. INVESTMENT MANAGEMENT EXPENSES BREAKDOWN

	31 March 2018 £000's	31 March 2017 £000's
Management Fees	(5,291)	(5,359)
Performance Related Fees	(525)	(917)
Custody Fees	(56)	(96)
Transaction Costs	(520)	(389)
	(6,392)	(6,761)

8B. TRANSACTION COSTS ANALYSIS BY ASSET CLASS

	31 March 2018 £000's	31 March 2017 £000's
Equities	(14)	(72)
Pooled Investments	(506)	(317)
	(520)	(389)

Notes to Pension Fund Account

8C. EXTERNAL AUDIT COSTS

	31 March 2018 £000's	31 March 2017 £000's
Payable in Respect of External Audit	(20)	(21)
	(20)	(21)

External Audit costs are included in Oversight and Governance within Management Expenses

9. INVESTMENT INCOME

	31 March 2018 £000's	31 March 2017 £000's
Income from Equities	5,294	5,071
Income from Bonds	0	37
Private Equity Income	11	4,209
Pooled Property Investments	4,838	4,774
Pooled Investments- Unit trusts and other managed funds	5,496	2,669
Interest on cash deposits	55	63
Other (for example from stock lending or underwriting)	(405)	(819)
	15,289	16,004

10. INVESTMENTS

	31 March 2018 £000's	31 March 2017 £000's
Investment Assets		
Bonds		0
Equities	128,306	123,992
Pooled investments	683,922	672,256
Pooled property investments	127,808	114,894
Private equity	19,545	27,128
Other Investment balances		
Cash deposits	53,558	16,276
Investment income due	757	644
Total investment assets	1,013,896	955,190
Investment liabilities		
Derivative contracts:		
Purchase Settlements Outstanding	(326)	0
Total investment liabilities	(326)	0
Net investment assets	1,013,570	955,190

Notes to Pension Fund Account

10A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Value 1 April 2017 £000's	Purchases at cost £000's	Sales proceeds £000's	Change in market value £000's	Value 31 March 2018 £000's
2017/18					
Bonds	0				0
Equities	123,992	257,437	(254,089)	966	128,306
Pooled Investments	672,256	197,317	(188,869)	3,218	683,922
Pooled Property Investments	114,894	4,006	0	8,908	127,808
Private Equity	27,128	370	(9,669)	1,716	19,545
	938,270	459,130	(452,627)	14,808	959,581
Forward Foreign Exchange	0	12	(19)	7	(0)
Other investment balances		459,142	(452,646)	14,815	959,581
Cash Deposits	16,276			(575)	53,558
Investment Income Due	644				757
Adjustments to Market Value Changes				5,062	
Total Investment Assets	955,190			19,302	1,013,896
	Value 1 April 2016 £000's	Purchases at cost £000's	Sales proceeds £000's	Change in market value £000's	Value 31 March 2017 £000's
2016/17					
Bonds	34,898	4,704	(40,461)	859	0
Equities	123,599	139,652	(167,581)	28,322	123,992
Pooled Investments	495,752	721,833	(645,615)	100,286	672,256
Pooled Property Investments	106,360	11,904	(4,825)	1,455	114,894
Private Equity	30,082	865	(5,287)	1,468	27,128
	790,691	878,958	(863,769)	132,390	938,270
Forward Foreign Exchange	(317)	4,367	(3,152)	(898)	0
Other investment balances		883,325	(866,921)	131,492	938,270
Cash Deposits	17,296			256	16,276
Investment Income Due	980				644
Adjustments to Market Value Changes				5,942	0
Total Investment Assets	808,650			137,690	955,190

Outstanding trade of settlements (liabilities) are not included in the above reconciliation

Notes to Pension Fund Account

10B. ANALYSIS OF INVESTMENTS

	31 March 2018 £000's	31 March 2017 £000's
Equities		
UK		
Quoted	128,306	123,992
	128,306	123,992
Pooled funds - additional analysis		
UK		
Fixed income unit trust	56,312	54,622
Unit trusts	233,063	242,454
Unitised insurance policies	295,839	287,498
Limited liability partnerships	98,708	87,682
	683,922	672,256
Pooled property Investments	127,808	114,894
Private equity	19,545	27,128
Cash deposits	53,558	16,276
Investment income due	757	644
	201,668	158,942
Total investment assets	1,013,896	955,190
Investment liabilities		
Purchase Settlements Outstanding	(326)	0
Total investment liabilities	(326)	0
Net investment assets	1,013,570	955,190

10C. INVESTMENTS ANALYSED BY FUND MANAGER

Fund Manager	Market Value 31 March 2018 £000's	%	Market Value 31 March 2017 £000's	%
Adams Street Partners	13,206	1	17,532	2
AEW UK	54,361	5	47,565	5
JP Morgan Asset Management	56,312	6	54,622	6
Legal & General Investment Management	295,839	29	287,498	30
LGT Capital Partners	6,339	1	9,596	1
London CIV - Ruffer	233,020	23	104,440	11
M&G Investments	13,220	1	22,447	2
Macquarie Infrastructure	27,374	3	27,002	3
Newton Asset Management	0	0	137,948	14
Permira Credit Solutions	58,114	6	38,233	4
UBS Global Asset Management (Equities)	133,133	13	130,119	14
UBS Global Asset Management (Property)	75,192	7	68,499	7
Other*	47,460	5	9,689	1
Total	1,013,570	100	955,190	100

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

There are no fund investments which constitute more than 5% of net assets of the scheme.

Notes to Pension Fund Account

10D. STOCK LENDING

The fund's investment strategy sets the parameters for the fund's stock-lending programme. At the year-end, the value of quoted equities on loan was £31,377k (31 March 2017: £21,444k). These equities continue to be recognised in the fund's financial statements.

Counterparty risk is managed through holding collateral at the fund's custodian bank. At the year-end the fund held collateral (via the custodian) at fair value of £34,288k (31 March 2017: £23,412k) representing 109% of stock lent. Collateral consists of acceptable securities and government debt.

Stock-lending commissions are remitted to the fund via the custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower. There are no liabilities associated with the loaned assets.

11. CURRENT ASSETS

	31 March 2018 £000's	31 March 2017 £000's
Debtors		
Employers' contributions due	50	68
Employees' contributions due	16	19
Cash balances	2,414	2,111
	2,480	2,198

12. CURRENT LIABILITIES

	31 March 2018 £000's	31 March 2017 £000's
Creditors		
Other local authorities (LB Hillingdon)	(8)	(227)
Other entities	(271)	(454)
	(279)	(681)

Note: Other entities balance is due to the pension fund from bodies external to the government e.g. fund managers.

13. ADDITIONAL VOLUNTARY CONTRIBUTIONS

	Market Value 31 March 2018 £000's	Market Value 31 March 2017 £000's
Prudential Assurance Company	5,546	5,975
	5,546	5,975

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, £220k 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.

Notes to Pension Fund Account

14. FAIR VALUE - BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of accounting period.	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at market value based on current yields.	Not required	Not required
Pooled investments - overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Not required
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with fund managers, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2018. It is worth noting the sensitivity analysis below is just one of the possible changes to assets value due to the impact of factors affecting valuation methodology employed by the fund managers. Sensitivity being measured in this note differs from those in note 16 (other price risks).

	Valuation range (+/-)	Market Value 31 March 2018 £000's	Value on Increase £000's	Value on Decrease £000's
Pooled investments - Limited Liability Partnerships (Infrastructure)	10%	27,373	30,111	24,636
Pooled investments - Limited Liability Partnerships (Private Credit)	10%	71,388	78,526	64,248
Private Equity	5%	19,545	20,522	18,568
Venture Capital	5%	41	43	39
Total		118,347	129,202	107,491

Notes to Pension Fund Account

14A. FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values as at 31 March 2018	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 at Fair Value through Profit and Loss	128,307	712,927	118,347	959,581
Loans and Receivables	54,315	0	0	54,315
Financial Liabilities at Fair Value through Profit and Loss	(326)	0	0	(326)
Net investment Assets	182,296	712,927	118,347	1,013,570

Values as at 31 March 2017	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 at Fair Value through Profit and Loss	124,016	699,403	114,851	938,270
Loans and Receivables	16,920	0	0	16,920
Financial Liabilities at Fair Value through Profit and Loss	0	0	0	0
Net investment Assets	140,936	699,403	114,851	955,190

14B. RESTATEMENT OF VALUATION HIERARCHIES

There were no restatements of valuations between hierarchies in 2017/18.

Notes to Pension Fund Account

14C.RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Level 3 Assets Reconciliation

	Value 1 April 2017	Purchases at cost	Sales proceeds	Unrealised gains/(losses)	Realised gains/(losses)	Value 31 March 2018
	£000's	£000's	£000's	£000's	£000's	£000's
Private Equity - Adams Street Partners, LGT Capital Partners & UBS	27,128	370	(9,670)	(1,798)	3,514	19,545
Private Finance - M&G	22,447	3	(11,176)	(2,522)	4,521	13,273
Infrastructure - Maquarie	27,002	99	(1,315)	1,396	192	27,373
Venture Capital - UBS	41	0	0	0	0	41
Direct Lending - Permira	38,233	34,725	(16,208)	1,120	245	58,114
	114,851	35,197	(38,368)	(1,805)	8,472	118,347
Other investment balances	0				0	0
Total Investment Assets	114,851				8,472	118,347

There were no transfers in or out of level 3 assets in 2017/18.

14D. 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 cash flows 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

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

Notes to Pension Fund Account

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.

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 investment.
- Each valuation is reviewed to ensure:
 - Third party evidence to support pricing (such as Market 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 cash flow (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 into place, current base rates and any material change in outlook with regards to future leverage.

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.

Notes to Pension Fund Account

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

Private Equity

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

- i) changes in actual market prices;
- ii) interest rate risk;
- iii) foreign currency movements; and
- iv) 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.

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. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

	Designated as fair value through P&L	Loans & receivables	Financial Liabilities At amortised Cost	Total	Designated as fair value through P&L	Loans & receivables	Financial Liabilities At amortised Cost	Total
	31 March 2018 £000's	31 March 2018 £000's	31 March 2018 £000's	31 March 2018 £000's	31 March 2017 £000's	31 March 2017 £000's	31 March 2018 £000's	31 March 2017 £000's
Financial Assets								
Equities	128,306	0	0	128,306	123,992	0	0	123,992
Pooled Investments	683,922	0	0	683,922	672,256	0	0	672,256
Pooled property investments	127,808	0	0	127,808	114,894	0	0	114,894
Private Equity	19,545	0	0	19,545	27,128	0	0	27,128
Cash	0	53,558	0	53,558	0	16,276	0	16,276
Other Investment balances	0	757	0	757	0	644	0	644
	959,581	54,315	0	1,013,896	938,270	16,920	0	955,190
Financial Liabilities								
Purchase Settlements								
Outstanding	0	0	(326)	(326)	0	0	0	0
	0	0	(326)	(326)	0	0	0	0
Total	959,581	54,315	(326)	1,013,570	938,270	16,920	0	955,190

Notes to Pension Fund Account

16. 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 Pensions 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. The potential losses from shares sold short are unlimited. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the fund Investment Strategy Statement.

Other price risk - Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, the fund has determined that the following potential change in market price risk are reasonably possible for the relevant reporting periods.

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.

Had the market price of the fund investments increased or decreased in line with the percentage change below, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

Asset Type	Value as at 31 March 2018 £000's	Percentage Change %	Value on Increase £000's	Value on Decrease £000's
Global Equity	344,271	8.40%	373,190	315,352
UK Equity	214,794	10.00%	236,273	193,315
Bonds	154,478	4.30%	161,121	147,835
Alternatives	118,253	5.10%	124,284	112,222
Property	127,785	5.40%	134,685	120,885
Total	959,581		1,029,553	889,609

Notes to Pension Fund Account

Asset Type	Value as at 31 March 2017 (Restated)	Percentage Change	Value on Increase	Value on Decrease
	£000's	%	£000's	£000's
Global Equity	348,733	8.70%	379,073	318,393
UK Equity	210,953	9.60%	231,204	190,702
Bonds	148,817	5.20%	156,555	141,079
Alternatives	114,851	6.20%	121,972	107,730
Property	114,916	3.40%	118,823	111,009
Total	938,270		1,007,628	868,912

Note: changes in asset values as at 31 March 2017 restated by asset type for comparative reason based on the current analysis provided by PIRC, our fund's analytics information provider.

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 2018 and 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

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.

Assets exposed to income rate risks	Value as at 31 March 2018	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000's	£000's	£000's	£000's
Cash balances	53,558	535	54,093	53,023
Bonds - pooled funds	154,478	1,545	156,023	152,934
Total change in assets available	208,036	2,080	210,116	205,957

Assets exposed to income rate risks	Value as at 31 March 2017	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£000's	£000's	£000's	£000's
Cash balances	16,276	163	16,439	16,113
Bonds - pooled funds	148,817	1,488	150,305	147,329
Total change in assets available	165,093	1,651	166,744	163,442

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 2018 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 2018 and as at the previous period ending 31 March 2017.

Notes to Pension Fund Account

Currency risk sensitivity analysis

Following analysis of historical data in consultation with PIRC Ltd, the funds data provider, the fund considers the likely volatility associated with foreign exchange rate movements to be 8.70%, based on the data provided by PIRC. A 8.70% fluctuation in the currency is considered reasonable based on PIRC'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. Managers that hedge against currency risk are not included in this sensitivity analysis. An 8.70% 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:

Assets exposed to currency risk	Asset Value 31 March 2018	Potential market movement	Value on increase	Value on decrease
	£000's	£000's	£000's	£000's
		8.70%		
Overseas Managed Funds	111,250	9,679	120,929	101,571
Private Equity/Infrastructure	46,919	4,082	51,001	42,837
	158,169	13,761	171,929	144,408

Assets exposed to currency risk	Asset Value 31 March 2017	Potential market movement	Value on increase	Value on decrease
	£000's	£000's	£000's	£000's
		7.90%		
Overseas Managed Funds	106,344	8,401	114,745	97,943
Private Equity/Infrastructure	54,130	4,276	58,406	49,854
	160,474	12,677	173,151	147,797

Credit Risk - Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

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.

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 S&P long-term credit rating of A. Deposits are placed in the AAAf rated Northern Trust Money Market Fund which 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 2018 was £55,972k (31 March 2017: £18,387k) and this was held with the following institutions

Notes to Pension Fund Account

Summary	Rating S&P	Balances as at 31 March 2018 £000's	Rating S&P	Balances as at 31 March 2017 £000's
Money market funds				
Northern Trust	AAAf S1+	53,758	AAAf	16,476
Bank current accounts				
Lloyds	A	2,214	A	1,911
Total		55,972		18,387

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 with Lloyds and Money Market Fund to which it has instant access to cover the payment of benefits and other lump sum payments (£2,414k). 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 2018 these assets totalled £713,477k, with a further £53,558k held in cash in the Custody accounts at Northern Trust.

Refinancing risk

The key risk is that the fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

17. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a revaluation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation took place as at 31 March 2016 setting rates for the period April 2017 to March 2020. The next triennial valuation will take place as at 31 March 2019.

In line with the triennial valuation the fund updates its Funding Strategy Statement every three years. The key elements of the funding strategy are:

1. to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
2. to ensure that employer contribution rates are as stable as possible
3. to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
4. to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so
5. to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations

The funding level is the ratio of assets to liabilities at the valuation date. A funding level of less/more than 100% implies that there is a deficit/surplus in the Fund at the valuation date against the funding target. Funding plans are set to eliminate any deficit (or surplus) over the set time horizon and therefore get back to a funding level of 100%. To do so, additional contributions may be required to be paid into the Fund; these contributions are known as the "secondary rate".

At the 2016 actuarial valuation, the fund was assessed as 75% funded (72% at the March 2013 valuation). This corresponded to a deficit of £269m (2013 valuation: £266m) at that time. The slight improvement in funding position between 2013 and 2016 is mainly due to investment performance over the inter-valuation period. The liabilities have also increased due to a reduction in the future expected investment return, although this has been partially offset by lower than expected pay and benefit growth (both over the inter-valuation period and forecast to continue into the long term).

Notes to Pension Fund Account

Contribution rates

The table below summarises the whole fund Primary and Secondary Contribution rates at this triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary and the total of employer secondary rates expressed as a monetary amount, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (%) 1 April 2017 - 31 March 2020	Secondary Rate (£)		
	2017/18	2018/19	2019/20
19.50%	£5,296,000	£5,537,000	£6,938,000

The Primary rate above includes an allowance for administration expenses of 0.7% of pay. The employee average contribution rate is 6.4% of pay.

At the previous formal valuation at 31 March 2016, a different regulatory regime was in force. Therefore a contribution rate that is directly comparable to the rates above is not provided.

The valuation of the fund has been undertaken using a risk based approach and this approach adopted recognises the uncertainties and risks posed to funding and follows the process outlined below.

Step 1: The Fund sets a funding target (or funding basis) which defines the target amount of assets to be held to meet the future cash flows. The assumptions underlying the funding target are discussed further in the next section. A measurement is made at the valuation date to compare the assets held with the funding target.

Step 2: The Fund sets the time horizon over which the funding target is to be reached.

Step 3: The Fund sets contributions that give a sufficiently high likelihood of meeting the funding target over the set time horizon.

Assumptions

Due to the long term nature of the Fund, assumptions about the future are required to place a value of the benefits earned to date (past service) and the cost of benefits that will be earned in the future (future service). Assumptions fall into two categories when projecting and placing a value on the future benefit payments and accrual – financial and demographic.

Financial Assumptions

A summary of the financial assumptions underpinning the target funding basis and adopted during the assessment of the liabilities of the Fund as at 31 March 2016 (alongside those adopted at the previous valuation for comparison) are shown below.

Description	31 March 2016	31 March 2013
Funding Basis Discount Rate	4.0%	4.6%
Benefit Increases (CPI)	2.1%	2.5%
Salaries Increases	2.6%	3.3%

Demographic Assumptions

The main demographic assumption to which the valuation results are most sensitive is that relating to the longevity of the Fund's members. For this valuation, the Fund has adopted assumptions which give the following sample average future life expectancies for members:

Description	31 March 2016	31 March 2013
Male		
Pensioners	22.6 years	22.7 years
Non- Pensioners	24.0 years	24.3 years
Female		
Pensioners	24.6 years	24.7 years
Non- Pensioners	26.5 years	26.9 years

Notes to Pension Fund Account

18. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

Description	31 March 2018 % per annum	31 March 2017 % per annum
Inflation/Pensions Increase Rate	2.4%	2.4%
Salary Increase Rate	2.8%	2.8%
Discount Rate	2.6%	2.5%

An IAS 26 valuation was carried out for the fund as at 31 March 2018 by Hymans Robertson with the following results:

Description	31 March 2018 £000's	31 March 2017 £000's
Present Value of Promised Retirement Benefits	1,548	1,522
Active Members	624	569
Deferred Members	350	355
Pensioners	574	598

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 pension 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.

The promised retirement benefits at 31 March 2018 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

19. 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 officer or Pension Committee member had any interest with any related parties to the pension fund.

Governance

There are two members of the Pension Fund Committee who are deferred or retired members of the pension fund. 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.

Notes to Pension Fund Account

Key Management Personnel

Three employees of the London Borough of Hillingdon hold key positions in the financial management of the London Borough of Hillingdon Pension Fund. These employees are the Section 151 officer, Deputy Director - Strategic Finance (post deleted September 2017) and the Head of Pensions, Treasury & Statutory Accounts. Total remuneration payable to key management personnel is set out below:

	31 March 2018 £000's	31 March 2017 £000's
Short term benefits	82	69
Post employment benefits	84	31
	166	100

This note highlights the funding by the pension fund for key officers and pension benefits of those staff accrued in year.

The Pensions Committee of the London Borough of Hillingdon Pension Fund ("the Fund") has prepared an Investment Strategy Statement (ISS) in accordance with the DCLG Guidance on Preparing and Maintaining an Investment Strategy Statement.

As set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Pensions Committee will review this Statement from time to time, but at least every three years, and revise it as necessary. Also, in the event of a significant change, changes will be reflected within three months of the change occurring. The current version of the ISS is available on the pension fund pages of the Council's website: www.hillingdon.gov.uk and included in the Annual Report.

20. BULK TRANSFER

There was a bulk transfer of £31,049k into the fund from Harrow College as a result of a merger with Uxbridge College during the 2017/18 financial year. There were no bulk transfers in 2016/17.

21. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) as at 31 March 2018 totalled £23,859k (£46,472k at 31 March 2017).

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.

There were no contingent liabilities outstanding for the fund at the end of the financial year 2017/18.

22. 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.

23. POST BALANCE SHEET EVENTS

There are no post balance sheet events.

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1. Scope of Responsibility

- 1.1 The London Borough of Hillingdon (LBH) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. 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.
- 1.2 LBH follows an approach to corporate governance which is in accordance with the principles of the CIPFA/SOLACE 2016 Framework and guidance '*Delivering Good Governance in Local Government*'. This statement meets the requirements of Regulation 6 (1)(a) of the Accounts and Audit Regulations 2015 which require an authority to conduct a review at least once a year of the effectiveness of its system of internal control and to include a statement reporting on the review with the published Statement of Accounts. Regulation 6(1)(b) of the same regulations requires that the statement is an Annual Governance Statement (AGS) which must be prepared in accordance with proper practices in relation to the accounts.

2. The Purpose of the Governance Framework

- 2.1 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.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. The embedded process evaluates the likelihood of those risks and the impact should they be realised in order to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at LBH for the year ended 31st March 2018 and up to the date of approval of the 2017/18 Statement of Accounts.

3. The Governance Framework

- 3.1 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 overleaf demonstrate how LBH maintains effective internal controls and an effective governance system.
- 3.2 LBH'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 reviewed at full Council meetings as required and also more comprehensively on an annual basis at each Annual General Meeting, as required.
- 3.3 Part 2 of the Constitution outlines the roles and responsibilities of the Executive, Non-executive, Mayoralty, Overview and Scrutiny Committees, Standards Committee and officer functions. Part 5 of the Constitution sets out the ethical framework governing the conduct of Members and co-opted members. The governance arrangements for LBH comprise of:
- A structure of the Leader of the Council, a Cabinet, Regulatory Committees and Policy Overview and Scrutiny Committees;
 - A Corporate Management Team;
 - Senior Management Teams;
 - The Audit Committee, led by an independent chairman; and
 - The Standards Committee and a Code of Conduct for Members and Co-opted Members.
- 3.4 The LBH constitution is set out in full on the Council's website at <http://www.hillingdon.gov.uk/article/7604/Constitution>.
- 3.5 Part 2, article 7.08 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

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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.

- 3.6 Part 2, articles 6 and 8 and Part 4E 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 ethical standards.
- 3.7 Part 2, article 8 also sets out how the Authority works with its partners in LBH through the **Health and Wellbeing Board**, which is chaired by the Cabinet Member for Social Services, Housing, Health and Wellbeing and Chairman of Pensions Committee, which complies with the requirements of the Health and Social Care Act 2012. The Health and Wellbeing Board seeks to improve the quality of life of the local population and provide high-level collaboration between LBH, the NHS and other agencies to develop and oversee the strategy and commissioning of local health and social care services.
- 3.8 Part 3 of the Constitution sets out the '**Scheme of Delegations to Officers**'. This governs the responsibilities allocated to officers to perform the authority's activities.
- 3.9 These officers include the Chief Executive, the Borough Solicitor and the Head of Democratic Services. The schemes are updated when required to reflect changes to Corporate Directors' responsibilities in line with business priorities. Each Directorate has individual Schemes of Delegations, setting out how Corporate Directors' responsibilities are sub-delegated.
- 3.10 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 formal 'Code of Conduct for Members and Co-opted Members' was adopted in July 2012. This 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 periodically 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. The Member/Officer Protocol governs and regulates the relationship between the elected Members and appointed officers.
- 3.11 Rather than adopting a formal **Code of Corporate Governance**, the Council ensures that LBH's governance structure, decision making process and areas of responsibility are covered in the Council's Constitution and Schemes of Delegation.
- 3.12 A **training programme for Members** is conducted in 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 is 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' which complainants are expected to make use of 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.
- 3.13 The **Member Register of Interests** records the pecuniary and non-pecuniary interests of Members and co-opted members of LBH. There is a separate 'Related Parties' register that all Members and a selection of senior officers are required to complete each year declaring the relationship and nature of any related party transactions, which the authority has entered into.
- 3.14 A formal **Whistleblowing Policy**, which sets out how the Council complies with the Public Interest Disclosure Act 1998, allows Council staff, contractors working for the authority and residents to raise complaints regarding any behaviour or activity connected to 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. The Counter Fraud Manager is in the process of strengthening the Council's arrangements in this area including raising awareness of the Whistleblowing Policy and the LBH Investigations Protocol.
- 3.15 LBH has set out its **vision of 'Putting Our Residents First'** and established four priority themes for

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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.

- 3.16 These include the Hillingdon Improvement Programme (HIP), the Business Improvement Delivery (BID) Programme and the financial and service planning process (the Medium Term Financial Forecast).
- 3.17 The **Hillingdon Improvement Programme (HIP)** is LBH'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. The HIP has helped to change the culture of the organisation and continues 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, LBH primary and secondary schools and how well they feel informed, through regular feedback. The HIP is consistently trying to improve Council services by continuing to deliver a range of innovative projects, drive forward major cultural change and enhance LBH's reputation. The programme is led by the Leader of the Council, and the Chief Executive is the Programme Director. Cabinet Members and Corporate Directors are also responsible for specific HIP projects.
- 3.18 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 £15.5 million were delivered in 2017/18, taking total savings since 2010 to approximately £123 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.
- 3.19 The **Medium Term Financial Forecast (MTFF)** is the Council's key process for service and corporate financial planning, providing a forward view of the Council's financial position over the forthcoming five years and a framework to manage the development of savings proposals to manage emerging budget gaps. This follows an annual cycle from initial scoping in February/March through a robust challenge process involving both Senior Managers and Members to deliver a consultation budget in December before Council Tax setting for the subsequent financial year in February. Throughout this process updates are communicated through key officer forums, such as CMT and BTB, with regular monthly updates to HIP SG through the Corporate Finance work stream.
- 3.20 **Hillingdon Partners** is a voluntary body which aims to bring together the key local public, private, voluntary and community sector organisations to work as a local strategic partnership to improve the quality of life for all those who live in, work in and visit Hillingdon. The Partnership seeks to promote the interests of Hillingdon beyond the borough's boundaries with external organisations, regional bodies and central government. The Partnership has agreed nine priority areas for the focus of its work, with actions to address local priorities delivered through theme groups.
- 3.21 The **Safer Hillingdon Partnership (SHP)** is the statutory Community Safety Partnership for the borough established under the Crime and Disorder Act 1998, the Police and Justice Act 2006 and Police and Crime Act 2009. The SHP has a duty to conduct an annual strategic assessment of community safety trends and agree key community safety priorities for implementation across the partnership. Performance and progress made against the annual plan is monitored and scrutinised by the SHP Board at every meeting. The relevant Cabinet Member is a member of the SHP Board. Scrutiny of the SHP Board's performance is undertaken by elected councillors sitting on the Council's External Services Policy Overview Committee.
- 3.22 A **Joint Strategic Needs Assessment (JSNA)** outlines the current and future health and wellbeing needs of the population over 3 to 5 years and informs the Council's service planning, commissioning strategies and links to strategic plans such as LBH's Joint Health and Wellbeing Strategy. The JSNA is 'live' and can be accessed via the LBH website and is updated throughout the year rather than being refreshed annually.
- 3.23 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'. The Terms of Reference for the Audit Committee has been updated in 2017/18 and formally approved. Some relevant training has been undertaken for Members of the Committee and a new Independent Chairman has been recently appointed to further strengthen the Council's governance arrangements.

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- 3.24 The **Performance Management Framework** is a Council-wide framework requiring all service areas and teams to set annual service delivery plans, targets, identify risk and report performance against Council priorities. Key aspects of performance are 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.
- 3.25 LBH has established an effective **risk management framework**, including:
- The **Risk Management Policy and Guidance** outlines the roles, responsibilities and processes for capturing, reporting and taking action to mitigate key corporate and directorate risks. The Corporate Risk Register enables the identification, quantification and management of the key strategic risks to delivering the Council's objectives. Directorate Risk Registers are updated quarterly, reviewed by each Senior Management Team and the most significant risks are elevated to the Corporate Risk Register where appropriate. The Head of Business Assurance has overall responsibility for the facilitation of the Council's Risk Management Framework and improvement work in this area is ongoing. The Audit Committee has previously commented that good progress has been made in strengthening the process for updating the Council's Corporate Risk Register on a quarterly basis. The Council's Risk Management framework is reviewed annually by the Business Assurance Internal Audit team, as well as Corporate Management Team and the Audit Committee.
 - A **Corporate Risk Management Group (CRMG)**, chaired by the Corporate Director of Finance, reviews the Corporate Risk Register 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** for staff and Audit Committee Members is available via an e-learning training module. Completion rates have been steady with 22% of the management workforce having completed training. Business Assurance continues to raise awareness and promote the module via staff publications. Further improvement work in this area is planned which will include the provision of bite size training sessions for staff in relation to risk management.
- 3.26 LBH recognises there is a continued need for effective strategic and operational **risk management processes** and procedures across the council. Effective risk management helps to mitigate against the financial and reputation risks arising from the broad range of **insurable risks** to which LBH is exposed. It is anticipated that the LBH insurance contracts will support the transfer of financial risk through a mixed portfolio of suppliers specialising in particular insurance sectors, alongside proactive actions by the Insurance Team to raise awareness of such risks.
- 3.27 The Business Assurance **Health and Safety (H&S) Team** provides advice and support to the Hillingdon H&S Group (HHSG), to Directorate H&S Champions as well as to managers regarding H&S issues. The HHSG assists in ensuring a consistent approach to H&S management is adopted throughout the Council. It reviews H&S performance across the Council and discusses matters of topical and strategic interest that have corporate H&S consequences.
- 3.28 A corporate 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 Improvement Action Plan (IGIAP). The relevant policies, procedures and guidelines for staff are updated in line with the IGIAP. Where identified, learning from any data protection incidents that have occurred is integrated into the IGIAP. As a result of the introduction of the General Data Protection Regulations (GDPR) in May 2018, the Council has been preparing staff by reviewing all of its data protection policies and procedures. In addition, bite-size training sessions have been delivered to staff all across the Council and a revised e-learning training module has been developed and rolled out. The Council's preparations for GDPR are on track and the e-learning training module is now live (and in line with corporate policy this will be mandatory for all staff to complete).
- 3.29 LBH has a comprehensive **Counter Fraud Strategic Plan 2018/19** which has been endorsed by CMT and formally approved by the Audit Committee. This is underpinned by the ongoing development of the Fraud Universe and a full range of investigative policies and procedures including the Council's Whistleblowing Policy. Work is ongoing to progress the updates to these policies and procedures and once finalised they will be communicated to all key stakeholders to help increase fraud awareness at LBH.
- 3.30 The **Committee Standing Orders** (Part 4B), Procurement & Contract Standing Orders (Part 4H) & Scheme

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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 LBH's internal web pages (Horizon).

- 3.31 LBH monitors **legislative changes**, considers implications and opportunities and ensures that the authority is substantially compliant with laws and regulations. CMT is briefed on upcoming changes and agreeing actions, reporting to Cabinet on specific issues as required. Legal Services review key committee and all executive reports prior to decision, for legal compliance.
- 3.32 LBH'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'. This helps ensure they have the skills, knowledge and behaviours to deliver the Council's priorities. This training includes induction programmes, e-learning packages and a range of vocational development courses under the Qualifications and Credit Framework.
- 3.33 An updated combined **GDPR training programme** (refer to para 3.28) was rolled out to staff in March 2018 to raise awareness and train staff on the new data protection requirements. 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.
- 3.34 The **Performance and Development Appraisal (PADA)** process at LBH requires all staff to record employees' key objectives and tasks, set targets for when these must be delivered and identify staff learning and development needs. There are competency frameworks for all levels of staff (updated this year), with descriptors outlining the performance that is expected at each level, with a revised competency framework scheduled to be launched in 2018/19. Performance reviews are required to be completed on a bi-annual basis against the relevant competency framework and PADA guidance is available to support all staff and managers through the process.
- 3.35 LBH has a set of general **consultation/engagement standards** that demonstrate a commitment for building strong relationships with residents, visitors and businesses throughout the borough. The standards set out LBH's commitment to engage, consult and respond to the views of local communities. The standards also support LBH's commitment to transparency and the need for sharing information with LBH residents. All resident and stakeholder feedback supports and informs the Council's corporate intelligence, which drives business planning, policy and decision making including commissioning and procurement of services. A customer engagement approach is in place covering all Council services to align customer engagement to support the delivery of Council priorities.
- 3.36 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.
- 3.37 **Fire Safety** - Following the tragedy at Grenfell Tower in June 2017 and the subsequent concerns across the country regarding fire safety practices in all high-rise residential properties, LBH immediately accelerated its planned programme of remedial work including fire door renewals. Every one of LBH's properties has undergone an updated fire risk assessment and the Council confirmed that none of its properties had the cladding which was used at Grenfell Tower. The planned rolling programme of remedial work to LBH properties continues to be progressed. The Fire Safety Risk will carry on being monitored by the Council via the Residents Services Directorate Risk Register.
- 3.38 **Unaccompanied Asylum Seeking Children (UASC)** - As a consequence of having Heathrow Airport within the borough, the Council remains over the 0.07% limit of UASC which as a result places undue pressure on LBH capacity to find suitable placements for these young people. This will in turn increase the numbers of care leavers which under the new legislation means that LBH has to support up to the age of 25. As a consequence, this has resulted in a significant drop in grant income, as there are a high proportion of UASC who turned 18 during 2017/18, where the grant funding is less than that provided for under 18's. Strengthened governance practices and positive action is underway with LBH Social Care dispersing 112 UASCs since the introduction of the National Transfer Scheme (NTS).
- 3.39 **Homelessness Reduction Act and Universal Credit** - During 2017/18 good progress was made to deliver the outstanding actions from the Internal Audit review of homeless prevention services. The service has committed to review its procedures during 2018/19 in light of the new Homeless Reduction Act. Although the service has considered the implications and opportunities to ensure that LBH is substantially compliant with this new legislation, there is inherently an increased risk of legal challenge in this area.

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4. Review of Effectiveness

- 4.1 The Council has a statutory 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 senior managers within the authority who have responsibility for the development and maintenance of the governance environment. It is also informed by the Head of Business Assurance's Annual Internal Audit Report and Head of Internal Audit Opinion Statement, as well as comments and observations made by the Council's independently appointed external auditors (Ernst & Young) and other review agencies and inspectorates.
- 4.2 The CIPFA/SOLACE 2016 Framework '*Delivering Good Governance in Local Government*' (Chapter 5), sets out seven principles of good practice:
- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - Ensuring openness and comprehensive stakeholder involvement;
 - Defining outcomes in terms of sustainable economic, social and environmental benefits;
 - Determining the interventions necessary to optimise the achievement of the intended outcomes;
 - Developing the entity's capacity, including the capacity of its leadership and the individuals within it.
 - Managing risks and performance through robust internal control and strong public financial management; and
 - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 4.3 The review of effectiveness has considered each of the principles, including the sub-principles and behaviours and actions that demonstrate good governance in practice and as set out in the guidance.
- 4.4 The review has also been informed by a range of management information and improvement action, including:
- 4.4.1 A comprehensive annual programme of scrutiny and review by the Policy Overview and Scrutiny Committees as well as the Audit Committee.
- 4.4.2 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.
- 4.4.3 The work of the external auditors (Ernst & Young) as reported in their Annual Audit Letter.
- 4.4.4 The work of Business Assurance, which develops its quarterly Internal Audit plans after an assessment of risk and priorities including discussions with senior managers. The Head of Business Assurance (& Head of Internal Audit) reported quarterly during the year to both the CMT and the Audit Committee. Overall the Head of Internal Audit has provided a 'reasonable' level of assurance on the Council's internal control environment for 2017/18.
- 4.4.5 Management Assurance Statements (MASs) were completed by all Deputy Directors and Heads of Service covering the financial year 2017/18. 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.
- 4.4.6 LBH has continued to maintain effective financial management throughout the financial year, with unallocated reserves of £40 million as at 31st March 2018.
- 4.4.7 LBH 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 'Residents' First' approach.
- 4.5 Overall, therefore, the review of effectiveness has concluded that internal control and governance systems were in place for the financial year ended 31st March 2018 and, except where identified in section 5, the LBH's management and control systems are operating effectively in accordance with good practice.

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5. Significant Governance Issues

- 5.1. LBH 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 governance issues reported in the **2016/17 AGS** and in previous years have been addressed and the following points are noted:
- 5.2.1 LBH continues to review and strengthen its **Business Continuity/Disaster Recovery** measures in the ICT team. The risk that *'in the event of a disaster such as an extended period of power outage or major fire in the Civic Centre, multiple business areas would be unable to operate their ICT systems for days, or have limited ability to operate for up to 2 weeks'* is still present. However, LBH has appointed a consultant to support it in mitigating this risk. An action plan with clear aims and deadlines has been devised. Across the Council all services are expected to have a Business Continuity Plan in place in which they have advised their staff on what to do in the event that ICT becomes unavailable during an incident. The Council's ICT team is also looking at providing support to critical services (such as Social Care) and have been reviewing the viability of cloud computing, which allows more robust access and flexibility. All proposals to improve controls in this area will be put forward to the Council's CMT. Capital funding has provisionally been identified and CMT are to further review alternate location options for emergency command and control.
- 5.2.2 An Internal Audit of **Building Control** services identified a number of operational and financial risks. Positive management actions with appropriate timescales were agreed to address these risks and in 2017/18 all actions were implemented.
- 5.2.3 The **Dedicated Schools Grant Budget** remains under significant pressure, with a projected in year deficit and an increased cumulative deficit in 2017/18 expected to be around £3.5m. This can be directly attributed to an increase in the cost of High Needs placements.
- 5.2.4 There has been a 15% increase over the last year in High Needs placements and the number of students being supported that are over 18 has more than doubled. This is the full effect of the **Children and Families Act 2014** as it feeds through the system. Alongside this, LBH maintained schools are showing signs of funding pressures, with 30 schools out of 56 having experienced a reduction in their school balances at the end of 2016/17 and the majority predicting a further use of balances in 2017/18. At the beginning of 2017/18, 8 schools had balances of less than £50k, of which 3 schools had deficit balances. Of these, 2 schools set a licensed deficit budget in 2017/18.
- 5.2.5 Additionally there are currently a further **5 schools in receipt of cash loans**; aimed at assisting with cash flow management. The DfE has issued revised guidance on responsibility for school deficits and the definition of loans which may increase the exposure of the Council's general fund in this area.
- 5.2.6 The Social Care Finance team previously identified there was incomplete management information relating to Social Care clients that have **No Recourse to Public Funds (NRPF)** and identification of the related costs of their support. The service have made improvements to the data collected relating to clients with dedicated resource in Social Care and Housing. By working collaboratively, there is a better understanding on the data and the families the Council is supporting, so although there is still a financial risk/burden, there is now confidence these are being fully captured as part of the monthly budget monitoring process.
- 5.3 Following a review of the effectiveness of the system of internal control including the Council's risk management framework and its corporate governance arrangements, the following significant governance issues have been identified in 2017/18:
- 5.3.1 **Houses of Multiple Occupancy (HMO)** - An Internal Audit (IA) follow-up review on the Council's HMO finalised in November 2017 identified a number of governance issues requiring improvement. The IA recommendations were deemed not implemented at the time of this review, with significant further action required to ensure the associated risk is effectively managed. Further to this, the Council's Housing Standards Team moved reporting lines and positive action was progressed. This included the introduction of a mechanism to log complaints, tests undertaken to verify whether any HMO landlords have committed any offence under the Housing Act 2004, enhanced management information regarding compliance of the processing of applications and the introduction of schedules and template for inspections. A second follow-up Internal Audit review was completed in March 2018 which focused on the progress of each of these recommendations. It was confirmed that good

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progress had been made to implement actions in response to the recommendations raised.

- 5.3.2 **Trading Standards** - During 2017/18 Internal Audit issued an opinion of limited assurance in relation to the management of Trading Standards. Some inadequate governance issues were identified regarding the risk assessment and scoring process for referrals. Operating procedures were inconsistent and required review and updating to include prescribing the standards for electronic case recording and document retention. This will ensure all documentation pertaining to a Trading Standards investigation is appropriately stored and retained on Civica APP. The service has committed to fully implement all recommendations during Quarter 1 2018/19.
- 5.3.3 **Anti Social Behaviour Investigations Team (ASBIT)** - An Internal Audit follow up review of ASBIT finalised in March 2018 highlighted lack of progress of recommendations to establish a clear procedure and protocol for referrals and management of cases for community trigger casework. Positive management actions have been proposed and agreed to address these risks. LBH work has commenced to update the process map for community triggers and CST service plan which will clearly define roles and responsibilities and management oversight. The service has identified and is moving towards a web based system to improve recording and streamline data arrangements.
- 5.3.4 **Disabled Facilities Grant (DFG)** - An Internal Audit assurance review of the DFG process finalised in March 2018 identified opportunities to strengthen governance, clarify roles and responsibilities and strengthen the use of systems and key performance indicators to track contractor performance. LBH management action has been agreed to fully implement all recommendations by the end of 2018/19 Quarter 2.
- 5.4. The Council continues to operate in an environment of declining financial support from government against a backdrop of rising inflation costs and significant demographic changes (i.e. there are an increasing number of children in the borough and people are living longer). As a result, this presents the Council with the challenge of managing the greater demand for its broad range of services, which in the absence of any response would result in a rising annual deficit that would reach £55m by 2022/23. However, LBH continues to review and transform services to drive improvement and efficiency through initiatives such as the successful BID programme, which has bridged the budget gap by delivering £15.5m savings in 2017/18. This proven successful approach is set to be continued beyond 2017/18, enabling the Council to continue 'putting our residents first' despite the challenging financial conditions and demographic pressures.

Fran Beasley
Chief Executive
XX XXX 2018

Cllr Ray Puddifoot MBE
Leader of the Council
XX XXX 2018

Glossary

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 Council 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, ASSETS HELD FOR SALE, NON-OPERATIONAL** and **OPERATIONAL ASSETS**.

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 Council'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 Council 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.

Glossary

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 Council'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 Council 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 Council 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 Council'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.

Glossary

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 Council 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 Council's financial year commences 1 April and finishes 31 March the following year.

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

GOING CONCERN - The concept that 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 Council.

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.

Glossary

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 the Council'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.

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

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

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.

Glossary

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 Council offset by that part of depreciation relating to the revaluation.

REVENUE EXPENDITURE - The day-to-day running costs incurred by the Council 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

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.

SURPLUS ASSETS - Assets which are no longer in use by the Council 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.

Glossary

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

USEFUL LIFE - The period over which the Council 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 percent terms) of the return on investing activities