

Statement of Accounts for the year to 31 March 2010

Unaudited



HILLINGDON
LONDON



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London Borough of Hillingdon

Statement of Accounts for the Year ended 31 March 2010

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1. Leader's Statement

Introduction by Councillor Ray Puddifoot, Leader of the Council

Welcome to the London Borough of Hillingdon's Statement of Accounts for 2009/10. This statement sets out how the Council spent your money and gives details about the Council's financial position.

Unaudited

2. Explanatory Foreword

This document sets out the annual accounts of the London Borough of Hillingdon for the year ended 31 March 2010. The accounts are in the format for local authority accounts set by the Chartered Institute of Public Finance and Accountancy.

The purpose of this foreword is to provide a guide to the most significant matters reported in the financial statements. Included are a number of technical terms that are specific to local government finance and a glossary has been provided on page 94 to assist the understanding of the financial statements.

The core accounting statements comprise:

The Income and Expenditure Account

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

The Statement of Movement on the General Fund Balance

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

The Statement of Total Recognised Gains and Losses

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

The Balance Sheet

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

The Cash Flow Statement

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

The supplementary accounting statements comprise:

The Housing Revenue Account (HRA) Income and Expenditure Account

There is a statutory duty to account separately for local authority housing provision. The HRA Income and Expenditure Account shows in detail the Income and Expenditure on HRA services included in the whole authority Income and Expenditure Account. It includes the major elements of Council housing

revenue expenditure on maintenance, administration, and capital financing costs, and major income sources such as rents and other income.

The Statement of Movement on the Housing Revenue Account Balance

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

The Collection Fund Revenue Account

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

The Pension Fund Accounts

These show contributions to the Council's Pension Fund for employees during 2009/10, together with the pensions and other benefits paid from it, movements in investments during the year and the financial position of the Fund as at 31 March 2010. The accounts do not include liabilities to pay pensions and benefits after that date.

The document also includes the following:

Statement of Accounting Policies

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

The Annual Governance Statement

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

Glossary of Terms

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

3. Summary of the Authority's Financial Performance

Summary

Following the dramatic, almost unprecedented events in the global economy that characterised the financial year to 31 March 2009, the 2009/10 financial year began with the economy close to the lowest point of the recession. This continued to have a significant impact on the finances of the Council.

The principal impacts of the recession had already been experienced by the Council in 2008/09, and are documented in our Statement of Accounts for the year to 31 March 2009. These effects continued into 2009/10, and the Council suffered depressed income from local land charges, development control, building control, interest receivable from short-term deposits of Council funds, and capital receipts due to unfavourable market conditions for the disposal of property interests.

The Council was prepared for new effects of the recession to emerge during the year. However, as the year progressed the adverse effects of the recession began to be countered by new opportunities. The sharp decline in inflation towards the end of 2008/09 turned into deflation in the economy in the first half of 2009/10, which had a dampening effect on the Council's costs, with pay inflation being below that assumed at the time of setting the 2009/10 budget. The global re-adjustments to the supply and demand of capital, meant that the Council was able to take advantage of opportunities in the first quarter of 2009/10 to re-finance long term debt at more favourable rates, leading to savings on borrowing costs.

Therefore, by the end of 2009/10 the Council had fully adjusted to the impact of the recession. An overall underspend against the General Fund revenue budget allowed reserves to be increased, leaving the Council well placed to build upon emerging signs of recovery in the economy reported in the final quarter of the year.

The Council achieved another success in the final quarter of 2009/10 in our long-running campaign to secure a fair funding settlement from the UK Border Agency for the costs of services to unaccompanied asylum seeking children that arrive in the borough through Heathrow airport. Additional grant of £1.8 million for the 2008/09 and 2009/10 financial years was secured as a result of lobbying together with other authorities affected by this issue. The offer of increased funding also applies to the 2010/11 financial year and beyond, but is not yet sufficient to deliver a permanent funding settlement that takes this burden away from local Council Tax payers, who again contributed around £2 million to the cost of these services in 2009/10.

This strengthened financial position meant that the Council was able to set a zero increase in Council Tax for 2010/11 for the second successive year for all residents and the third successive year for over 65s, whilst continuing to invest in and deliver improved services to residents. The capital programme outturn for the year included significant expenditure on two key new leisure facilities in the borough, as well as an innovative library refurbishment programme, investment in schools, decent homes and environmental improvements.

Underpinning all of this improvement had been a continual focus on efficiency in service delivery. A new business transformation programme – Business Improvement Delivery – has been developed during the year as part of the Hillingdon Improvement Programme, and is set to build further on the £13 million of savings and efficiencies delivered through the previous programme of internal service reviews.

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

Revenue Budget

Hillingdon's General Fund net budget requirement for 2009/10 was set at £189.2 million. Both the Council's element of the Council Tax and the Greater London Authority precept were frozen at the 2008/09 level, meaning that there was a zero 'doorstep' increase in the local Council Tax.

Throughout 2009/10 the Council's decision-making Cabinet received reports each month showing forecast variances against the main service budgets. These reports highlighted where corrective action was to be taken to ensure plans were achieved and spending kept within approved levels. The outturn for the year was £186.8 million, which compared to the revised budget showed an under spend of £5 million (after taking into account the budgeted £2.6 million of drawings from balances for the year).

The final outturn position for the General Fund revenue budget by Council department is set out in the following table:

Table: General Fund Outturn 2009/10

Service Department	Revised Budget 2009/10 (£000s)	Actual Outturn 2009/10 (£000s)	Outturn Variance 2009/10 (£000s)
Adult Social Care Health & Housing	91,879	91,493	(386)
Education & Children's Services	158,696	157,290	(1,406)
Environment & Consumer Protection	37,351	37,483	132
Planning & Community Services	13,774	13,716	(58)
Central Services (Deputy Chief Executive's / Finance & Resources)	15,425	13,437	(1,988)
Corporately Held Funds & Contingencies	1,213	0	(1,213)
Sub-total - Service Budgets	318,338	313,419	(4,919)
Asset Management Revenue Account	(130,764)	(130,763)	1
Appropriation to FRS 17 Pensions Reserve	9,091	9,091	0
Interest & Investment Income	7,204	7,087	(117)
Corporate Government Grants	(12,058)	(12,066)	(8)
Contribution to / (from) Balances	(2,566)	2,477	5,043
Budget Requirement	189,245	189,245	0

The main variances from the revised budget were:

Adult Social Care, Health and Housing

- Significant variances in demand-led budgets between the major client groups for Adult Social Care, with excess demand for Older People's Services (£0.9 million) and Mental Health Services (£0.5 million) offset by lower than expected demand for Learning Disability Services (£0.9 million) and Physical & Sensory Services (£0.4 million) producing a balanced outturn overall
- Improvement arising from the finalisation of the 2007/08 housing benefit grant claim as compared to the assumed position in last year's accounts, contributing to an aggregate underspend on the benefits service of £0.4 million

Education and Children's Services

- Schools collectively managed their net expenditure within individual budgets leading to an increase in aggregate schools balances (£0.4 million)
- The Council also managed net expenditure on its retained share of the schools budget within budget leading to an increase in the earmarked reserve held for unused ring fenced Dedicated Schools Grant (£0.5 million)
- Use of earmarked reserves to meet planned redundancy costs (£0.2 million)

- Management of demand for care placements enabling some high-cost placements to be deferred into the new financial year (£0.1 million)
- Shortfall on funding of services to asylum seekers for the year (£1.1 million)
- Retrospective funding of asylum services received for previous years (£1.3 million)

Environment and Consumer Protection

- Greater than planned activity levels in the street cleansing and recycling services leading to increased costs (£0.2 million)
- Reduced charges from the waste disposal authority due to lower residual waste tonnages (£0.4 million)
- Lower than expected reduction in trade waste volumes leading to over-achievement of income target (£0.2 million)
- Lower than planned absorption of costs of Harlington Road Depot into other service budgets due to reduced intensity of depot usage (£0.2 million)
- Greater than planned activity levels in the Streets Ahead Week of Action programme leading to increased costs (£0.2 million)

Planning and Community Services

- Additional costs incurred to maintain management arrangements across the department and underachievement of income targets especially for the arts service (£0.2 million)
- Policy decision not to fully commit expenditure from the Community Safety Fund (£0.2 million)

Central Services

- Underachievement of rent income targets from commercial property due to the continuing impact of the recession (£0.1 million)
- Reduced income from schools and other external parties for hire and services related to the Council's facilities management (£0.1 million)
- Rebates secured on the Council's main agency staff contract (£0.2 million)
- Underspend on the Leader's Initiative carried forward in general reserves (£0.1 million)
- Ward Budget Initiative expenditure funded from accumulated balances (£0.4 million)
- Unapplied grants and contributions were used to fund general Council expenditure (£2.3 million)

Capital Spending in 2009/10

Capital expenditure is expenditure on the purchase, improvement or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure was incurred. Capital spending for the year was £72.1m (£70.1m in 2008/09). This expenditure was financed from various sources including capital receipts (£1.4m), Housing revenue contributions (£10.2m), government grants (£33.8m), Section 106 (£0.9m) and other third party contributions (£2.6m).

Major capital schemes in 2009 included the completion of Hillingdon Sports and Leisure Complex, Charville Young People's Centre, various Children's Centres around the borough, Breakspear Crematorium investment project, investment in public conveniences including composting toilets at allotments, improvements to the Cedars and Grainges car parks, investment in the borough libraries and refurbishment of a youth bus. Construction of a new leisure centre at Botwell Green has continued, and in 2009 two new young people's centres and the Merrifield Centre have been adapted to facilitate short breaks for disabled children.

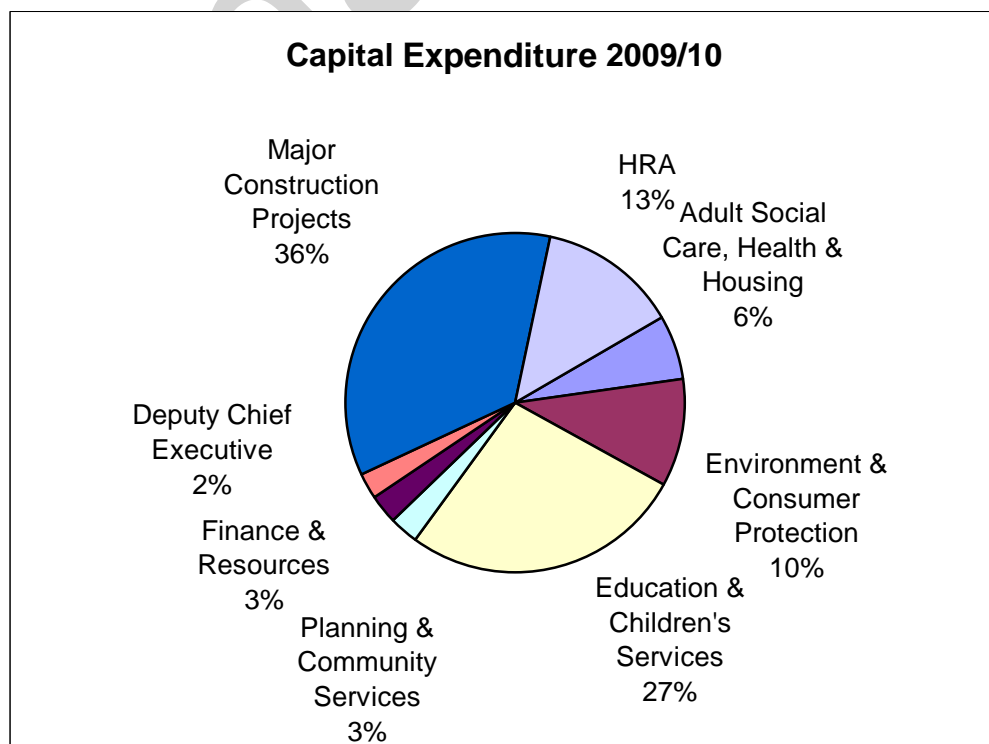
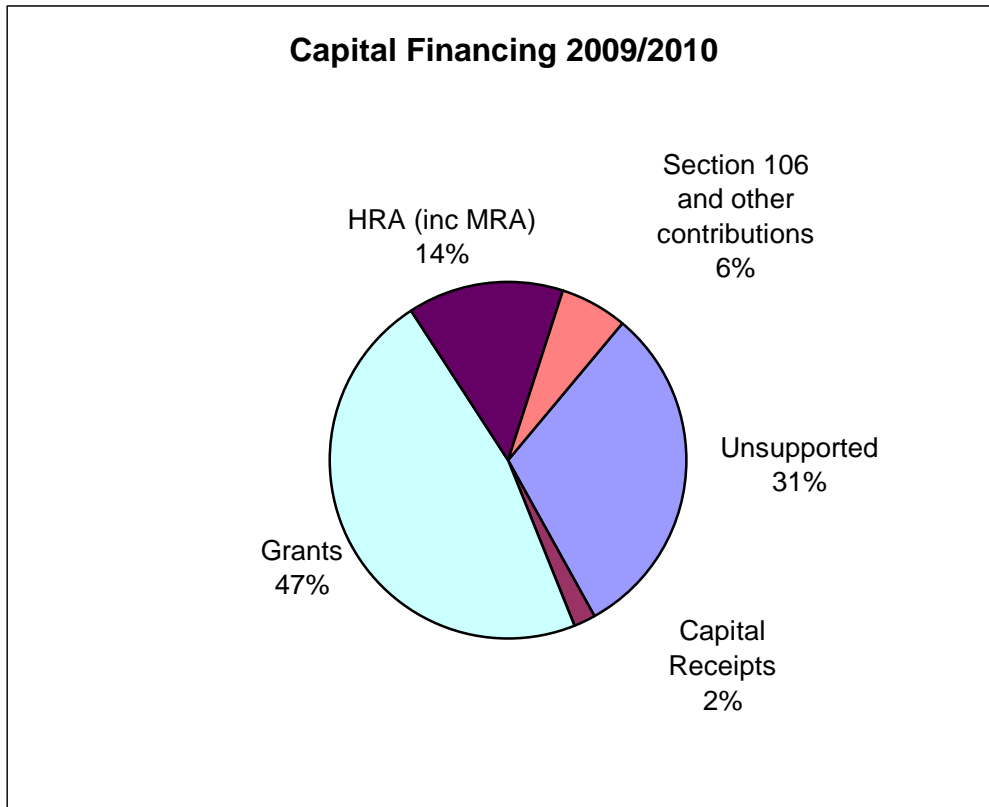
Section 106 has been invested in ongoing Longmead and Pinkwell School expansions, town centre initiatives and the Skidz vehicle workshops at West Drayton Young People's Centre.

The Local Government Act 2003 introduced the prudential code whereby the Council is responsible for deciding its own level of affordable borrowing. In doing so capital investment plans have to be affordable, prudent and sustainable. To demonstrate that the Council has fulfilled these objectives a

range of prudential indicators are set annually and performance against these indicators is monitored regularly.

During 2009/10 the Council required unsupported borrowing of £22.2m to finance the capital programme.

The tables below show how the 2009/10 Capital Programme was financed and which services received Capital investment.



Reserves

These are set aside to cover unexpected expenditure, for instance additional costs arising from such things as stormy weather or other business risks. Each year the Director of Finance reviews the level of the general reserve to ensure it is adequate, as there are restrictions on the Council's ability to borrow to support revenue expenditure. At the time of budget setting for 2009/10 it was assessed that the appropriate level of reserves needed to support the continuation of Hillingdon's services was between £10m and £17m. Four years ago the general reserve had fallen to an unacceptably low level following retrospective charges in Central Government asylum grants and considerable effort has been placed on securing an increase. The general reserve for non-schools services now stands at £18.9m.

Schools also hold reserves for similar purposes and to meet future project expenditure. These are committed to be spent on the education service. At 31 March 2010 school reserves amounted to £11.9m. This is approximately 7% of schools expenditure.

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

Treasury Management

During 2009/10 the main focus for Treasury Management was to reduce the risk within the investment portfolio and to minimise borrowing costs. This was achieved by utilising investment balances to prematurely redeem loans and facilitate debt rescheduling.

The prevailing market conditions for the financial year forced short-term interest rates to historic lows however conversely there was little movement in longer-term rates. The strategy applied by the Council was to reduce investment holdings by using liquid funds to prematurely redeem long-term debt. This approach not only lessened investment exposure but also lowered borrowing costs. In addition the year saw increased debt restructuring with the maturity profile of the portfolio shortened to take advantage of lower rates available at the short end of the investment curve.

The Council achieved an average rate of return on its investments of 1.74% and earned interest of £1.13m (5.04% at £5.68m 2008/09). Outstanding debt was reduced by £25.4m with a further £60.0m being restructured. These actions had a material impact on costs with interest payments on outstanding loans totalling £6.87m at an average rate paid of 3.94%. (£9.36m at 4.24% 2008/09)

The administration of Heritable Bank is proceeding as planned and during 2009/10 dividends were received of £5.28m. The latest estimate based on winding up the bank by 2012 shows an expected return of 84.98%. No dividends have been received from Landsbanki Bank and the final decision regarding the priority status of local authorities is under judicial review in the Icelandic courts. The latest information suggests local authorities will retain their priority status and based on that assumption the expected return is 94.86%.

Accounting for Pensions

The Council participates in two local government pension schemes, one administered by the London Borough of Hillingdon and the other run by the London Pension Fund Authority. The London Borough of Hillingdon Fund's actuary, Hymans Robertson, last carried out an actuarial valuation of the fund on 31 March 2007. The triennial valuation calculated a deficit of £50m, which resulted in an increase in the employer's contribution rate effective from 1 April 2008. The London Borough of Hillingdon common contribution rate during 2009/10 was 16.8%, and employees' contributed at variable rates between 5.8% and 7.5% of pensionable salary.

Teachers employed by the Council contribute to the Teachers Pension Scheme administered by the Department for Children, Schools and Families (Department of Education from 12 May 2010). Contributions are paid to this body reflecting employee and employers contributions. More details are given at page 59.

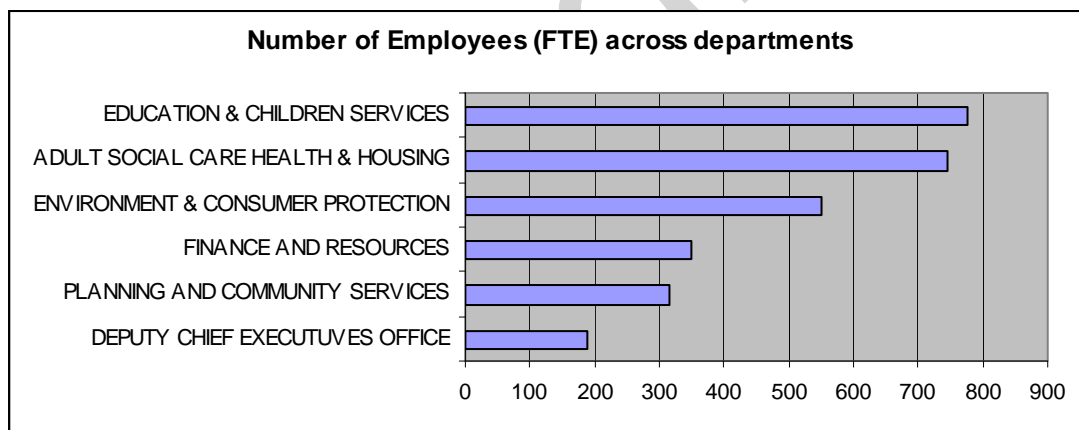
The Council is required to adopt FRS17 on retirement benefits. The net liability in respect of the London Borough of Hillingdon and London Pension Fund Authority funds at 31 March 2010 of £414.5m has been recognised, compared to £210.4m at 31 March 2009. The movement during 2009/10 was primarily due to actuarial losses, which resulted from higher inflation assumptions, and a change in the discount rate as set out in note 48 on page 62. Details of the disclosures are shown in the Statement of Accounting Policies (page 17) and in disclosures notes on pages 59 to 63.

Collection Fund

The Council has reported a deficit on the collection fund of £1,009k for 2009/10 (£175k for 2008/09). This will be recovered in future financial years from the Council and Greater London Authority (GLA) in proportion to the value of the respective demands on the Collection Fund, for 2009/10 this was 78.22% for the Council and 21.78% for the GLA. The Council Tax collection rate was 96.6% compared to 96.1% in 2008/09.

Review of Staffing

Recruiting and retaining high calibre employees is essential if the Council is to achieve its performance objectives. At 31 March 2010 the number of Council employees, excluding schools, totalled 2,919 full time equivalents (FTE). This is an increase of 57 FTE (2%) on 31 March 2009, due to the conversion of agency workers to permanent employment, thus reducing reliance on agency staff and overall costs. Agency expenditure in 2009/10 was £17.3m (£18.8m in 2008/09). The following chart shows the breakdown of the number of employees by department as at 31 March 2010.



Voluntary labour turnover decreased from 7.2% in 2008/09 to 6.14% in 2009/10.

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

	2009/10	2008/09
Working days lost due to sickness	8.45 days	8.10 days
Proportion of the top 5% earners who are women	40.85%	39.84%
Proportion of the top 5 % earners who are from ethnic minorities	12.68%	12.13%
Percentage of employees with disability	2.00%	2.06%
Ethnic minority representation in the workforce.	22.47%	23.44%

Outlook for the Future

Hillingdon's budget requirement for 2010/11 as agreed by Council on 25th February 2010 is £194.2 million, and was set at that amount in order to freeze Council Tax at 2008/09 levels. Along with the

zero increase in the precept set by the Greater London Authority, this resulted in no change in the total level of Council Tax per band paid by Hillingdon residents.

The impact of the recession in the national and global economy has meant that the Government has indicated that severe restrictions on public expenditure will be applied from 2011/12 onwards, and the Council is planning on the basis that there will be significant cuts in Government grants over the next three to four years.

The Council has responded pro-actively to the exceptional level of challenge that these funding cuts will impose, by developing the Business Improvement Delivery programme as its major transformation project. This programme will review the Council's whole operations and service delivery, and has been set a target to identify £30 million of savings and efficiencies over the next four years. The Council is confident that the principles of sound financial management and efficient service delivery that have built up the current position of financial strength will continue to provide the basis for delivering improved service outcomes for the residents of Hillingdon.

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4. Statement of Responsibilities for the Statement of Accounts

1. Council's Responsibilities

The Council is required to:

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

2. Director of Finance & Resources Responsibilities

The Director of Finance & Resources is responsible for the preparation of the Council's statement of accounts that present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the code of practice.

The Director of Finance & Resources has also:

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

3. Director of Finance & Resources Approval of Accounts

I certify that these accounts present a true and fair view of the financial position of the London Borough of Hillingdon, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the code of practice'), as at 31 March 2010 and its income and expenditure for the year then ended.

Christopher Neale
DIRECTOR OF FINANCE & RESOURCES
21 September 2010

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 28 June 2010.

Signed on behalf of London Borough of Hillingdon

John Morley
CHAIRMAN (AUDIT COMMITTEE)
28 June 2010

5. Audit Certificate and Opinion

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

Opinion on the Authority accounting statements

Unaudited

Unaudited

Unaudited

Unaudited

6. Statement of Accounting Policies

The Accounts have been prepared in accordance with the 2010 Code of Practice on Local Authority Accounting and Statement of Recommended Practice, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS). Any departures from recommended practices are stated within this section and/or within the notes to the accounts.

CAPITAL

1. Tangible Fixed Assets

Recognition: All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis in the accounts, provided that the asset yields benefits to the authority for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets that is charged direct to service revenue accounts.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and guidance notes issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets are included in the balance sheet on the following basis:

- Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use,
- Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost or net realisable value. In the case of investment properties this is normally open market value. In some cases where a Depreciated Replacement Cost (DRC) figure has been used, an additional opinion has been sought as to the Open Market Valuation (allowing for alternative uses) if it was at a figure significantly higher or lower than the DRC figure,
- Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation,
- Plant and machinery forming an integral part of the property is included in the valuation of the buildings. Other plant and machinery has been given a value on the basis of historical costs as a proxy for current value.

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

Revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur, using valuation data obtained each year by the Council's valuers. Any surpluses arising on the revaluation of fixed assets are credited to the Revaluation Reserve. This was a new account effective from 1st April 2007 and gains arising before that date have been consolidated into the Capital Adjustment Account.

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

The Council does not own foundation school assets and the value of the assets are not included in the Council's balance sheet.

Impairment: An impairment review of all assets is undertaken at the end of each financial year. Losses arising from the clear consumption of economic benefits would be recognised as a cost in the relevant service revenue account. Otherwise it is written off against any revaluation gain attributable to

the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account. It is then reversed out in the Statement of Movement on General Fund Balances so it does not have an impact on the Council's taxpayers.

Depreciation: Depreciation is provided in the accounts in accordance with the Financial Reporting Standard (FRS) 15 and CIPFA guidelines. FRS 15 states that depreciation is to be provided on all fixed assets other than non-depreciable land and non-operational investment properties according to the following policy:

- Newly acquired assets are not depreciated in the year of acquisition and assets in the course of construction are not depreciated until they are brought into use; and
- Depreciation is calculated using the straight-line method.

Depreciation is based on the following useful lives or approach:

Infrastructure	40 years
Vehicles, Plant, Furniture & Equipment	5 to 7 years
Other Land & Buildings	Useful life varies depending on the condition, type and usage of the asset
Surplus Assets	Useful life varies depending on the condition, type and usage of the asset
IT Equipment	5 years
Intangible Assets	5 years

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

Disposals: When an asset is disposed of or decommissioned, any loss or profit on disposal is written off to the Income and Expenditure Account. The written-off value of disposals is not a charge against Council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Therefore the loss or profit on sale is appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance. Realisable gains on disposal are credited to the Capital Adjustment Account with amounts in excess of £10k being categorised as capital receipts.

Capital Receipts: Receipts from the disposal of fixed assets are accounted for on an accruals basis. Capital receipts are available to finance capital expenditure and any receipts that are not used to finance capital expenditure in year are included in the balance sheet in the Usable Capital Receipts Reserve.

Council houses are sold at a discount in accordance with the legislative requirements. Some land and property may be sold at a discount or at nil value to housing associations in return for nomination rights (i.e. taking tenants from the Council's waiting list); otherwise all other assets are sold at market value.

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

The Local Authorities (Capital Financing and Accounting) (England) Regulations 2003 requires the Council to pay a specified amount of capital receipts from the disposal of housing land and dwellings to the Secretary of State as a contribution to the housing pool. The rate is currently 75% of the capital receipt from the sale of Council dwellings and 50% of any other interest in housing land although there are reductions for certain qualifying disposals. This expenditure is recorded in the Income & Expenditure Account but is financed from a contribution from the Usable Capital Receipt Reserve.

Deferred credits relate mainly to the sale of Council houses and reflect the amount of mortgage principal outstanding on sales, which will be transferred to capital receipts when paid.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account once applied. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the full SORP guidelines.

2. Intangible Assets

Intangible assets, such as software licences, are only recognised on the balance sheet when they are purchased or where internally developed and they have a readily ascertainable market value. Intangible assets are included at historical cost and only revalued in line with FRS10. Intangible assets are amortised over five years.

3. Charges to Revenue for Fixed Assets

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

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

The Council is not required to raise Council Tax to cover the above charges. Depreciation, impairment losses and amortisations are therefore not charged to the General Fund and are removed by adjustment in the Statement of Movement on the General Fund Balance. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis in accordance with Capital regulations).

4. Revenue Expenditure funded from Capital under statute

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

5. Leasing

Finance Leases

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

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

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease.

REVENUE

6. Accruals of Income and Expenditure

Revenue accounts of the Council are also maintained on an accruals basis in accordance with the code of accounting practice and FRS18. Sums due to or from the Council during the year are included in the revenue account whether or not the cash has actually been received or paid in the year. A de minimis of £2,000 has been set for revenue.

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

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

Interest: Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Interest accruals are included in short-term investments or borrowings together with any amounts payable in the next year in relation to the relevant instruments.

Supplies and Services: The cost of supplies and services is accrued and accounted for in the period during which they were consumed or received. Accruals are made for all material sums unpaid at year-end for goods and services received or works completed. In some instances the approach is to make sure there is a full year's costs included in the accounts rather than seek spurious accuracy. A de minimis value of £2,000 has been set for invoices due to be paid but not processed at the creditors cut-off date except for those relating to utility companies and grant funded expenditure. Where necessary, costs are estimated based upon agreed contracts, price lists and technical officer judgement.

7. Long Term Contracts

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

8. PFI Contract

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

- Firstly, whether the contract consists of separable elements. If this is the case then each element will be accounted for separately; and

- Secondly, for each element of the contract (or the whole contract if it is not separable) whether or not the Council has acquired an asset with a corresponding liability to pay the operator for it, or, alternatively, has a contract only for services.

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

In carrying out the assessment of risks and rewards for elements of contracts that involve the Council, the substance of the transaction is assessed and whether the Council or the operator is exposed to the majority of the risks and rewards of ownership. In carrying out this assessment, the Council have applied SORP guidance and Treasury Task Force (TTF) Guidance Note No. 1 'Accounting for PFI Transactions'.

Fixed assets recognised on the balance sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.

Further details of the Councils PFI contract is disclosed in note 5 on page 35.

9. Government Grants and Contributions

Grants and subsidies have been credited to the appropriate revenue and capital accounts. Accruals have been made for sums known to be receivable for the year, where the receipt was outstanding at 31st March 2010. The final claims for grants included in the accounts are subject to audit. Government grants are only recognised in the Income and Expenditure account once conditions for their receipt have been complied with and there is a reasonable assurance that the grant will be received in accordance with SSAP 4.

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

10. Stocks and Work in Progress

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

11. Costs of Support Services

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

Cost	Basis of Allocation
Central department costs (e.g. The Chief Executive's Department)	Staff numbers
Administrative buildings	Area occupied
Computing and Telephony	Estimated usage

12. Corporate and Democratic Core

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

13. Non-Distributed Costs

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

14. Provisions and Reserves

The Council is required to set aside money to cover future known or anticipated liabilities and each reserve or provision should be clearly identifiable as to its purpose and usage.

Provisions

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

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

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

Provision for bad and doubtful debts

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

Reserves

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

Revaluation Reserve	Records the accumulated gains on fixed assets held by the authority arising from increases in value. This value is offset by that part of depreciation relating to the revaluation for each asset. This account replaced the Fixed Asset Restatement Account with effect from 1 st April 2007. It had a nil balance at 1 st April 2007
Capital Adjustment Account	Accumulates resources that have been set aside to finance capital expenditure offset by the write down of historical cost fixed assets (depreciation and impairments) or written off on disposal. This covers both capital assets and expenditure that is capital by statute (revenue expenditure funded from capital under statute).
Usable Capital Receipts Reserve	Includes capital receipts that have not yet been used to finance capital expenditure or to repay debt
Pension Reserve	Represents the surplus or deficit arising from the valuation of pension assets and liabilities of Hillingdon's interests in the

	London Borough of Hillingdon pension scheme and the London Pension Fund Authority pension scheme
Major Repairs Reserve	A requirement of the HRA resource accounting and holds depreciation charged to the HRA in excess of the major repairs allowance
Equal Pay Back Pay Reserve	Relates to the amount of back pay deferred from being charged to General Fund and Housing Revenue Account for unequal pay claims following direction under regulation 30A of the Capital Financing and Accounting Regulations 2003

15. Retirement Benefits

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

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

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

16. Financial Assets

Loans and receivables are initially measured at their fair value and carried at their amortised cost. Annual credits are made to the Income and Expenditure Account for interest receivable and are based on the interest rate applicable to the financial instrument. For most of the loans that the Council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable plus any accrued interest. The interest receivable for the year is credited to the Income and Expenditure Account. Where investments are classed as available for sale, the value of the investment will be shown in the balance sheet at fair value with any difference between fair value and book value being shown in the available for sale reserve. Income from these investments is credited to the Income and Expenditure Account.

17. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account are made for interest payable and are based upon the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means the amount presented in the Balance Sheet is the outstanding principal payable plus any accrued interest. The interest payable for the year is charged to the Income and Expenditure account. However, where a repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan. The write down of premium or discount is then charged to the Income and Expenditure Account spread over the life of the loan by an adjustment to the effective rate of interest.

18. Redemption of Debt

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

- (a) **Maturity loans** - where the principal is repaid in full on the date the loan matures and interest is paid every 6 months. The accrued interest is shown as part of the carrying value of the loan on the balance sheet.
- (b) **Equal Instalment of Principal (EIP) Loans** - where an equal instalment of principal based on the life of the loan is repaid every six months. Interest is paid every six months based on the outstanding balance. The accrued interest is shown as part of the carrying value of the loan on the balance sheet.
- (c) **LOBO (lender's option, borrower's option) loans** - where the principal is borrowed at a fixed rate of interest for a specified period of time, after which the lender has the option to change the rate of interest and the borrower has the option to continue with the loan at the new rate or repay the principal before maturity without penalty. If the lender does not change the rate, the principal is repaid in full on the date the loan matures. In the interim, interest payments are made every six months. The accrued interest is shown as part of the carrying value of the loan on the balance sheet.

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

19. Minimum Revenue Provision

The Council has to make an annual provision for the repayment of borrowing. For all borrowing prior to 1st April 2009 and borrowing that receives support via the Revenue Support Grant the Council applies the Capital Financing Requirement concept based upon figures from the balance sheet (4% of outstanding debt). For other borrowing, the council makes provision for the repayment of debt over the life of asset to which the borrowing is applied.

20. Group Accounts

The Council has to include within its statement of accounts interests in subsidiaries, associates and joint ventures in a set of group accounts. The Council has one subsidiary, Hillingdon Homes Ltd, which is responsible for the management of its housing stock. The Council's group accounts are shown on pages 72 to 80. Hillingdon Homes' income and expenditure, assets and liabilities have been consolidated on a line-by-line basis in accordance with FRS2. The operating income and expenditure of Hillingdon Homes has been included in the Local Authority Housing (HRA) service line of the Net Cost of services.

21. 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 council tax in the core financial statements are:

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

- Up to 2008/09 the SORP required the Council Tax income included in the Income and Expenditure Account to be that specified under regulation.
- From the year commencing 1 April 2009 the Council Tax income included in the Income and Expenditure Account for the year is to be the accrued income for the year. The difference between the income included in the Income and Expenditure Account and the amount specified by regulation to be credited to the Collection Fund is to be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

Since 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 be therefore 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
- Cash collected from NNDR taxpayers by billing authorities (net of the cost of collection allowance) belongs to the Government and the amount not yet paid to the Government at the Balance Sheet date shall be included in the Balance Sheet as a creditor; similarly, if cash paid to the Government exceeds the cash collected from NNDR taxpayers (net of the billing authority's cost of collection allowance), the excess shall be included in the Balance Sheet as a debtor.

22. VAT

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

23. Contingent Assets/Liabilities

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

24. Foreign Currency Transactions

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

25. Events after Balance Sheet date

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

26. Exceptional and Extraordinary items and Prior Year Adjustments

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

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

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

Main Financial Statements

The various financial statements that follow are prepared on an accruals basis and follow best practice recommended by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Code of Practice on Local Authority Accounting in Great Britain. Further details of these requirements are detailed in the Statement of Accounting Policies.

These statements are published in accordance with Regulation 11 of the Accounts and Audit Regulations. They summarise the overall financial position of the Council and in particular include the following:

Income and Expenditure Account (page 27)

This account shows the expenditure and the income relating to all the services provided by the Council and how the net cost of these services has been financed by local taxpayers and government grants. It does not include interests in related companies, these are included in the group accounts detailed on page 72.

Statement of Total Recognised Gains and Losses (page 30)

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

Balance Sheet (page 31)

This sets out the assets and liabilities of the Council as at 31 March 2010, but excludes the assets and liabilities of pension and trust funds. It does not include interests in related companies, these are included in the group accounts detailed on page 72.

Cash Flow Statement (page 32)

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The statement excludes any transactions of the pension and trust funds. Notes to the Cash Flow Statement are included on pages 63 and 64.

Income and Expenditure Account

Notes	Year Ending 31 March 2010			Year Ending 31 March 2009
	Expenditure £000's	Income £000's	Net Expenditure £000's	Net Expenditure £000's
EXPENDITURE ON SERVICES				
Central Services to the Public	31,079	24,266	6,813	5,760
Cultural, Environmental and Planning	58,395	18,308	40,087	42,281
Education and Children's Services	420,625	264,523	156,102	55,473
Highways, Roads and Transport Services	22,619	7,284	15,335	17,423
Local Authority Housing (HRA)	52,643	54,480	(1,837)	38,347
Other Housing Services	153,889	148,719	5,170	9,374
Adult Social Care	106,025	28,734	77,291	65,987
Court and Probation Services	239	8	231	173
Corporate and Democratic Core	7,179	3,264	3,915	8,307
Non-Distributable Costs	255	515	(260)	6,388
NET COST OF SERVICES	852,948	550,101	302,847	249,513
Loss on sale of fixed assets	609	0	609	582
Precepts and levies	689	0	689	699
Net (profit)/loss on trading undertakings	1	7,218	7,121	97
Interest payable and similar charges	28	7,609	0	7,609
Contribution of housing capital receipts to Government pool	21	583	0	583
Interest and investment income	28	0	2,018	(2,018)
Other Income		0	31	(31)
Pension interest cost and expected return on pensions assets	46	15,810	0	15,810
NET OPERATING EXPENDITURE	885,466	559,271	326,195	266,959
FINANCED BY:				
General government grants	4	27,435	(27,435)	(21,511)
Demand on the Collection Fund		105,828	(105,828)	(107,220)
Non-domestic rate income		67,242	(67,242)	(71,330)
INCOME FROM GENERAL GRANTS & LOCAL TAXPAYERS			(200,505)	(200,061)
DEFICIT FOR THE YEAR			125,690	66,898

The deficit for the year of £125,690k includes impairments of fixed assets totalling £148,177k following revaluation that have been charged to the Income & Expenditure Account in accordance with recommended accounting practice. These are reversed in the Statement of Movement on the General Fund Balance so as to mitigate any impact on the council tax payer laid out under statute.

The Income & Expenditure Account for the year ending 31 March 2009 has been restated to accommodate changes in accounting for Council Tax introduced in the Statement of Recommended Practice in the current financial year.

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However the council is required to raise council tax on a different accounting basis, the main differences being:-

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the Useable Capital Receipts balance rather than council tax.
- Depreciation and Impairment charges are replaced with the Minimum Revenue Provision to provide for the repayment of debt.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The reconciliation below summarises the differences between the outturn on the Income & Expenditure Account and the General Fund Balance. Further details are provided in the note of the Reconciliation of the Movement on the General Fund on page 29.

	Notes	2009/10 £000's	2008/09 £000's
Deficit for the year on the Income & Expenditure Account		125,690	66,898
Net additional amount required by statute or non-statutory proper practices to be credited to the General Fund balance for the year. (Page 29)		(128,167)	(69,149)
Increase in General Fund balance for the year		(2,477)	(2,251)
General Fund balance brought forward	37	(28,313)	(26,062)
General Fund balance carried forward		(30,790)	(28,313)
Comprising			
General Fund Balance held by schools	37	(11,890)	(11,022)
General Fund Balance generally available for new expenditure	37	(18,900)	(17,291)
		(30,790)	(28,313)

Reconciliation of the Movement on the General Fund

	Note	2009/10		2008/09	
		£000's	£000's	£000's	£000's
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund balance for the year					
Amortisation of intangible fixed assets	12	(324)		(355)	
Depreciation and impairment of fixed assets	11	(165,233)		(69,687)	
Premiums and discounts	36	(54)		(361)	
Impairment/(Gains) of Financial Investments Adjustment	36	1,335		(4,948)	
Revenue Expenditure Funded from Capital Under Statute	20	(17,905)		(17,772)	
Government grants deferred amortisation	20	49,659		20,876	
Net loss on sale of fixed assets		(609)		(582)	
Council Tax Income Adjustment		(654)		1,133	
Net charges made for retirement benefits in accordance with FRS17	46	(27,594)		(24,870)	
Other Income		31		494	
			(161,348)		(96,072)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund balance for the year					
Minimum revenue provision for capital financing	20	3,721		3,543	
Finance Lease Principal	20	979		1,739	
Transfer from usable capital receipts to meet payments to the housing capital receipts pool	21	(583)		(890)	
Employer's contributions payable to the pension fund and retirement benefits payable direct to pensioners	46	20,959		18,982	
Capital expenditure charged in year to the General Fund balance	20	2,666		3,955	
			27,742		27,330
Transfers to or from the General Fund balance that are required to be taken into account when determining the movement on the General Fund balance for the year					
Housing Revenue Account balance		1,484		(478)	
Net transfer to or from earmarked reserves		3,955		71	
			5,439		(407)
Net additional amount required to be credited to the General Fund balance for the year			(128,167)		(69,149)

Statement Of Total Recognised Gains And Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate movement in its net worth. In addition to the deficit generated on the Income & Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	2009/10 £000's	2008/09 £000's
Transfer of the deficit on the Income & Expenditure Account	125,690	66,898
Loss/(Gain) arising on revaluation of fixed assets	(13,977)	8,033
Actuarial Loss/(Gain) on pension assets and liabilities	197,394	101,473
Available for sale reserve	0	(15)
Total Recognised (gains) and losses for the year	309,107	176,389

Unaudited

Balance Sheet

	Note	At 31st March 2010		At 31st March 2009	
		£000's	£000's	£000's	£000's
FIXED ASSETS					
Intangible Assets	12		1,161		1,443
Operational Assets	11				
Council dwellings		694,875		698,685	
Other land and buildings		456,319		559,466	
Vehicles, plant and equipment		13,126		10,297	
Community assets		14,137		14,926	
Infrastructure assets		147,412	1,325,869	146,120	1,429,494
Non Operational Assets	11				
Investment properties		6,443		10,993	
Assets under construction		20,282		28,550	
Surplus assets, held for disposal		12,726	39,451	7,390	46,933
LONG TERM INVESTMENTS	27		8,270		2,075
LONG TERM DEBTORS	22		581		424
TOTAL LONG TERM ASSETS			<u>1,375,332</u>		<u>1,480,369</u>
CURRENT ASSETS					
Stocks & works in progress	23	128		133	
Debtors and payments in advance	24	35,350		40,616	
Short term investments	27	61,047		88,848	
Cash in hand	50	13,762	110,287	18,433	148,030
CURRENT LIABILITIES					
Temporary borrowing	27	(17,578)		(2,054)	
Creditors and receipts in advance	25	(101,768)	(119,346)	(109,736)	(111,790)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,366,273</u>		<u>1,516,609</u>
Provisions	42		(3,586)		(4,026)
Deferred credits			(143)		(165)
Long term borrowing	27		(163,198)		(194,526)
Grants and Contributions Unapplied			(737)		(2,159)
Government grants deferred account			(129,746)		(141,634)
Deferred liabilities	5/6		(3,266)		(3,424)
Liabilities related to defined benefit pension schemes	47		(414,519)		(210,490)
TOTAL ASSETS LESS LIABILITIES			<u>651,078</u>		<u>960,185</u>
FINANCED BY:					
Revaluation Reserve	19		31,228		18,156
Available for Sale Financial Instruments Reserve	18		15		15
Capital adjustment account	20		992,352		1,123,064
Financial Instrument Adjustment Account	36		(4,028)		(5,309)
Usable capital receipts account	21		5,028		1,009
Pension reserve	47		(414,519)		(210,490)
Collection Fund Adjustment Account	39		(791)		(137)
Equal pay back pay account	42		(40)		(234)
Fund balances and reserves	37		41,833		34,111
TOTAL NET WORTH			<u>651,078</u>		<u>960,185</u>

The assets and liabilities of the pension fund and various trust funds administered by the Council are excluded from the above balance sheet as they are not statutory services.

The balance sheet for 2008/09 has been restated to separate Grants unapplied from creditors. The Collection Fund alterations introduced in the 2009/10 SORP are also incorporated in the restated accounts to provide comparable information.

Cash Flow Statement

	Note	2009/10		2008/09	
		£000's	£000's	£000's	£000's
REVENUE ACTIVITIES					
Cash Outflows					
Cash paid to and on behalf of employees		277,203		263,575	
Housing benefit paid out		77,874		58,865	
Payments to the capital receipts pool		290		1,343	
Other operating cash payments		316,030	671,397	292,613	616,396
Cash Inflows					
Rents (after rebates)		(28,035)		(27,656)	
Council tax income		(107,547)		(93,074)	
Non-domestic rate Receipts from Pool		(67,242)		(71,330)	
Revenue Support Grant	52	(15,520)		(9,930)	
DWP grants for benefits	52	(150,080)		(126,525)	
Other government grants	52	(268,610)		(257,398)	
Cash received for goods & services		(3,648)		(3,719)	
Other operating cash receipts		(108,005)		(130,230)	
Net Cash Inflow Revenue Activities	49		(748,687) (77,290)		(719,862) (103,466)
SERVICING OF FINANCE					
Expenditure					
Interest paid		7,326		9,757	
Interest element of finance lease rental payments		1,090		606	
Income					
Interest received		(1,596)		(7,031)	
Servicing of Finance Net Cash Outflows			6,820		3,332
CAPITAL ACTIVITIES					
Cash Outflows					
Purchase of fixed assets		55,308		51,172	
Purchase of long term investments		0		0	
Other capital cash payments		17,905	73,213	17,772	68,944
Cash Inflows					
Sale of fixed assets		(6,058)		(17,336)	
Capital grants received		(33,865)		(27,432)	
Other capital cash payments/income		(2,113)		(1,846)	
Capital Activities Net Cash Outflow			(42,036) 31,177		(46,614) 22,330
Net Cash Inflow Before Financing / Management of Liquid Resources			(39,293)		(77,804)
MANAGEMENT OF LIQUID RESOURCES					
Net Decrease in Short-Term Investments	53		(27,801)		(4,955)
Net Decrease in Long-Term Investments			7,647		0
NNDR Receipts Adjustment			48,194		47,946
Council Tax Receipts Adjustment			(425)		3,968
FINANCING					
Cash Outflows					
Repayments of amounts borrowed			143,870		34,920
Capital element of finance lease rental payments			979		1,947
Cash Inflows					
Long term loans raised			(60,000)		(10,000)
Short term loans raised			(68,500)		0
Increase in cash	50		4,671		(3,978)

The Cashflow statement has been adjusted to incorporate SORP 2009/10 changes regarding the Collection Fund

Notes to Main Financial Statements

1. TRADING SERVICES

The Council operates a number of services on a trading basis. The financial results of the operations are as follows:

TRADING UNDERTAKINGS

	Expenditure	Income	2009/10 (Surplus) /Deficit	Expenditure	Income	2008/09 (Surplus) /Deficit
	£000's	£000's	£000's	£000's	£000's	£000's
Fleet management	3,517	3,329	188	3,461	3,579	(118)
Passenger services	2,153	2,148	5	2,288	2,195	93
Improvement Projects	1,024	1,080	(56)	1,163	1,214	(51)
Harlington Road Depot	524	564	(40)	585	700	(115)
	7,218	7,121	97	7,497	7,688	(191)

In addition the following trading services are included in the relevant service heading in the Income and Expenditure Account under best value guidance.

OTHER TRADING SERVICES

Industrial estates	329	229	100	395	212	183
Uxbridge market	101	233	(132)	45	219	(174)
	430	462	(32)	440	431	9

2. EXTERNAL AUDIT COSTS

During 2009/10 the Council incurred the following fees relating to external audit and inspection.

	2009/10	2008/09
	£000's	£000's
External audit services carried out by the appointed auditor	378	396
Statutory inspection audit	20	27
Grant claims and returns	137	90
Total External Audit costs	535	513

Notes to Main Financial Statements

3.DEDICATED SCHOOLS GRANT

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

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families (from 2010/11 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 Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each school.

Activities on the two elements are shown separately.

Schools Budget Funded by Dedicated Schools Grant			
	Central Expenditure £000's	Individual Schools Budget £000's	Total £000's
Final DSG for 2009/10	14,392	159,495	173,887
Brought forward from 2008/09	1,757	0	1,757
Agreed budget distribution in 2009/10	16,149	159,495	175,644
Actual Central expenditure for the year	15,286	0	15,286
Actual ISB deployed to schools	0	159,495	159,495
Carry forward to 2010/11	863	0	863

4.GENERAL GOVERNMENT GRANTS

	2009/10 Total £000's	2008/09 Total £000's
Revenue Support Grant	15,520	9,929
Area Based Grant	11,558	10,754
Business Growth Initiative Grant (LABGI)	356	828
	27,434	21,511

Total Revenue Support issued by Government includes Non-Domestic Rate Income of £67,242k (£71,330k in 2008/09) which is shown separately in the Income & Expenditure Account, giving a total of £82,762k (£81,259k in 2008/09).

Notes to Main Financial Statements

5. LONG TERM CONTRACTS

Long Term Contracts

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

Supplier	Expenditure Reason	Contract Value Per Annum	Contract Dates	
			Start	Expire
NORTHGATE INFORMATION SOLUTIONS (ICT)	Managed Services Contract	1,529,527	13/11/2006	13/05/2012
DALKIA ENERGY & TECHNICAL SERVICES	Facilities Management Services	1,271,985	01/11/2008	31/10/2018
MOUCHEL TRAFFIC SUPPORT LTD	Parking Enforcement	1,815,000	04/08/2008	03/08/2011
CARE UK COMMUNITY PARTNERSHIP	Block contract for Older People Services	2,543,016	31/03/2000	31/03/2012

Northgate Information Solutions - The Council has entered into a contract with Northgate for hosting and supporting the Council's core ICT systems.

Dalkia Energy & Technical Services - The Council has entered into a ten year Facilities Management contract with Dalkia for the provision of cleaning, caretaking, and building maintenance for certain Council properties.

Mouchel Traffic Support LTD - The Council has contracted Mouchel LTD to provide Parking Enforcement; patrolling and enforcing the parking regulations on-street and in public off-street car parks throughout the London Borough of Hillingdon.

Care UK Community Partnership - The Council has contracted Care UK to provide older people with residential and nursing care.

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 the Barnhill Community High School under a private finance initiative (PFI) arrangement. The school opened in September 1999. In 2009/10 the Council paid principal of £266k and interest of £1,079k. The Council is due to pay the following amounts over the remaining 14 years of the contract:

	Principal £000's	Interest £000's	Total £000's
Within 1 year (2010/11)	719	1,032	1,751
2 - 5 years	3,424	3,581	7,005
6 - 10 years	5,829	2,927	8,756
11 - 14 years	5,422	704	6,126
Total	15,394	8,244	23,638

The outstanding contract payments to be made over the remaining 14 years of the contract, assuming satisfactory performance, totals £23,638k. The contract runs until September 2024. This has been recognised as a fixed asset in the Council's asset register. It is shown within other land & buildings at a gross book value of £6,052k (representing net present value of the contract in 1998), with accumulated depreciation totalling £2,857k. The outstanding liability of the capital value at 31 March 2010 is £3,196k, of this £262k is due within a year and therefore included in creditors and the remaining £2,934k is shown as a deferred liability.

In accounting for this transaction the Council has to apply IFRIC 12 (Service Concession Arrangements), which states the Council has an asset of the property with access to the benefits of the property and with the risks inherent to those benefits. Following application of the required tests as to the extent to which the Council and the providers bear the potential variations in surpluses and deficits, the school is recognised as a fixed asset in the Council's asset register.

Jarvis PLC has gone into administration, and cannot meet their obligations under the contract. The Council is currently considering its position in relation to this development and is discussing options with relevant parties. There should be no day-to-day impact on the facilities management service at the school in the short term.

Notes to Main Financial Statements

6.FINANCE AND OPERATING LEASES

Vehicles, Plant and Equipment

Outstanding obligations on 31 March

Within 1 year (2010/11)

2 - 5 years

More than 5 years

Finance Lease		Operating Lease	
2009/10	2008/09	2009/10	2008/09
£000's	£000's	£000's	£000's
379	371	24	275
319	230	0	496
14	0	0	21
712	601	24	792
60	49	11	29

Number of Vehicles

During 2009/10 the Council reclassified two vehicle leases, changing them from operating to finance leases. This resulted in a net book value of £592k being brought onto the balance sheet at the start of the year. Payments were made in terms of Finance leases of £566.9k and charged to the Income and Expenditure Account. £40.0k of this was finance costs (interest) and £526.9k related to the write-down of obligations to the lessor. Depreciation of £526.9k, equal to the write-down of obligation, is charged to the service. The leases have been included in fixed assets at net book value.

Payments relating to operating leases cover the period of rental and are charged to the Income and Expenditure Account. During 2009/10 payments of £98.5k were made for operating leases. (£250.5k in 2008/09)

Dwellings

The Council had three 20 year finance leases with the Ealing Family Housing Association for 102 dwellings, which expired during 2009/10. The finance lease payments for 2009/10 amounted to £198k. This was separated between write-down of obligations of £187k and finance cost of £11k. Depreciation of £187k, equal to the write-down of obligation is charged to the service.

Notes to Main Financial Statements

7.OFFICER EMOLUMENTS

The number of employees in 2009/10 whose remuneration, excluding pension contributions, was £50k or more, are detailed below in bands of £5k. The bandings only include the remuneration of senior employees that have not been disclosed separately. The number of employees included in the totals that exceeded the £50k threshold due to lump sum termination payments are indicated in brackets. These employees left the employment of the Council during the financial year.

Remuneration Band	LBH EMPLOYEES (Excluding Senior Employees)				SCHOOL EMPLOYEES			
	2009/10		2008/09		2009/10		2008/09	
	Total	Due to Lump Sum	Total	Due to Lump Sum	Total	Due to Lump Sum	Total	Due to Lump Sum
£50,000 - £54,999	68	(2)	69	(6)	94	(2)	68	0
£55,000 - £59,999	39	(1)	31	(4)	45	0	44	(1)
£60,000 - £64,999	16	(1)	15	(1)	39	(1)	35	0
£65,000 - £69,999	19	(2)	18	(3)	27	(2)	27	0
£70,000 - £74,999	16	(2)	9	(1)	17	(2)	15	0
£75,000 - £79,999	8	(2)	11	(2)	14	0	4	0
£80,000 - £84,999	6	0	8	0	2	0	5	0
£85,000 - £89,999	7	(1)	7	0	5	0	2	0
£90,000 - £94,999	5	0	2	(1)	0	0	4	0
£95,000 - £99,999	3	(1)	3	0	6	0	1	0
£100,000 - £104,999	2	0	1	0	1	0	1	0
£105,000 - £109,999	1	0	0	0	1	0	0	0
£110,000 - £114,999	2	0	3	(1)	1	0	1	0
£115,000 - £119,999	1	0	0	0	0	0	1	0
£120,000 - £124,999	0	0	1	0	0	0	0	0
£125,000 - £129,999	0	0	1	0	1	0	0	0
£130,000 - £134,999	1	(1)	0	0	0	0	0	0
£135,000 - £139,999	0	0	0	0	0	0	0	0
£140,000 - £144,999	0	0	0	0	0	0	0	0
£145,000 - £149,999	0	0	0	0	0	0	0	0
£150,000 - £154,999	1	(1)	0	0	0	0	0	0
	195	(14)	179	(19)	253	(7)	208	(1)

The 2008-09 figures have been restated to accommodate legislative change in December 2009, (The Accounts and Audit (Amendment No.2) (England) Regulations 2009 No.3322) to be enacted on 31 March 2010.

Notes to Main Financial Statement

2009/10

Disclosure of Remuneration for Senior Employees:-

Post Holder Information	Salary (Including Fees & Allowances)	Expense Allowances	Total Remuneration excluding pension contribution	Employer's Pension Contributions	Total Remuneration including pension contribution
	£	£	£	£	£
Chief Executive - H Dunnachie	183,250	162	183,412	31,794	215,206
Deputy Chief Executive	140,559	54	140,613	24,387	165,000
Corporate Director Finance & Resources	142,914	619	143,533	24,796	168,329
Corporate Director Adult Social Care Health & Housing	136,017	0	136,017	23,599	159,616
Corporate Director Education & Children Services	139,467	528	139,995	24,198	164,193
Corporate Director Planning & Community Services	142,914	0	142,914	24,795	167,709
Corporate Director Environment & Consumer Protection	122,223	0	122,223	21,206	143,429
	1,007,344	1,363	1,008,707	174,775	1,183,482

2008/09

Disclosure of Remuneration for Senior Employees:-

Post Holder Information	Salary (Including Fees & Allowances)	Expense Allowances	Total Remuneration excluding pension contribution	Employer's Pension Contributions	Total Remuneration including pension contribution
	£	£	£	£	£
Chief Executive - H Dunnachie	179,432	0	179,432	27,991	207,423
Deputy Chief Executive (See note 1 below)	97,671	15	97,686	15,237	112,923
Corporate Director Finance & Resources	141,439	249	141,688	22,026	163,714
Corporate Director Adult Social Care Health & Housing	122,223	7	122,230	19,067	141,297
Corporate Director Education & Children Services	136,017	0	136,017	21,219	157,236
Corporate Director Planning & Community Services	139,467	0	139,467	21,757	161,224
Corporate Director Environment & Consumer Protection	118,776	561	119,337	18,529	137,866
	935,025	832	935,857	145,826	1,081,683

1 - The Deputy Chief Executive has been in post since 14 July 2008 and so the above figure is a part year salary. The full year equivalent was £136,593

Notes to Main Financial Statements

8.AGENCY SERVICES

The Council provides agency services through the London Airport Health Control to British Airports Authority. The cost of this service in 2009/10 was £2,600k (£2,707k in 2008/09) which is fully reimbursable.

9.MEMBER ALLOWANCES

During 2009/10 the total allowances paid to Members was £1,589k (£1,508k 2008/09)

10.RELATED PARTY TRANSACTIONS

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

Government Grants

Central government has effective control over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg housing benefits). Details of grants from government departments are set out in note 52 on page 64.

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.

The Pension Fund

The London Borough of Hillingdon pension fund is considered a related party. The employer's contribution to the pension fund in 2009/10 was £18,881k (£16,895k 2007/08). A precept of £392k was paid to the London Pension Fund Authority in 2009/10.

Members and Chief Officers

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

Notes to Main Financial Statements

Organisation	Name	Payment £
GRUNDON WASTE MANAGEMENT LTD	Cllr Janet Duncan	652,288
HILLINGDON CARERS	Cllr John Major	420,304
HILLINGDON & EALING CITIZENS ADVICE	Cllr George Cooper Cllr Judith Cooper	476,958
HILLINGDON ASSOCIATION OF VOLUNTARY SERVICES	Cllr John Major	197,604
DASH	Cllr Geoff Courtenay Cllr Paul Harmsworth	174,846
GROUNDWORK THAMES VALLEY	Cllr George Cooper Cllr Judith Cooper	165,498
LOCATA HOUSING SERVICES	Miss Beatrice Cingtho	95,555
HILLINGDON CROSSROADS	Cllr John Major	89,065
HILLINGDON OUTDOOR ACTIVITIES CENTRE	Cllr Catherine Dunn	64,820
HART ASSOCIATES LTD.	Cllr Scott Seaman-Digby	49,103
HILLINGDON SHOP MOBILITY	Cllr Lynn Allen Cllr Peter Kemp	26,625
YIEWSLEY & WEST DRAYTON COMMUNITY ASSOCIATION	Cllr Ann Banks	19,136
W SHERRY & SONS	Cllr Timothy Barker	14,413
LONDON YOUTH GAMES	Cllr Michael Cox	11,200
RUISLIP NORTHWOOD OLD FOLKS ASSOCIATION	Cllr Andrew Retter Cllr Catherine Dann	11,163

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

Hillingdon Homes Ltd

During 2009/10 payments totalling £38,720k were made to Hillingdon Homes Ltd, a subsidiary of the Council. Cllr Peter Kemp, Cllr Elizabeth Kemp, Cllr Andrew Retter, Cllr David Routledge and Cllr Anthony Way served on the board of Hillingdon Homes Ltd during 2009/10.

Precepts/Levies

In 2009/10 the following precepts and levies are considered related party transactions:

Greater London Authority Precept	£29,640k	Environment Agency	£194k
West London Waste Authority Levy	£6,856k	Lee Valley Regional Park Authority	£297k

During 2009/10 Cllr Andrew Retter held a position of influence in West London Waste Authority, which received a levy from the Council.

Notes to Main Financial Statements

11.MOVEMENT OF FIXED ASSETS 2009/10

Operational Assets	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Gross book value as at 1 April 2009	732,860	612,421	38,339	206,220	14,926	1,604,766
Additions	10,734	19,489	6,291	6,447	574	43,535
Disposals	(2,654)	(4,206)	(48)	0	0	(6,908)
Reclassifications	(151)	20,762	725	0	(1,313)	20,023
Revaluations	482	1,095	0	0	25	1,602
Impairments	(4,334)	(177,799)	0	0	(75)	(182,208)
Gross book value as at 31 March 2010	736,937	471,762	45,307	212,667	14,137	1,480,810
Depreciation						
Accumulated at 1 April 2009	(34,175)	(52,955)	(28,042)	(60,100)	0	(175,272)
Charge for 2009/10	(8,173)	(8,020)	(3,684)	(5,155)	0	(25,032)
Disposals	233	336	7	0	0	576
Reclassifications	(5)	5	(462)	0	0	(462)
Revaluations	58	45,191	0	0	0	45,249
Accumulated at 31 March 2010	(42,062)	(15,443)	(32,181)	(65,255)	0	(154,941)
Balance Sheet amount 1 April 2009	698,685	559,466	10,297	146,120	14,926	1,429,494
Balance Sheet amount 31 March 2010	694,875	456,319	13,126	147,412	14,137	1,325,869
Nature of asset holding						
Owned	694,875	453,124	12,414	147,412	14,137	1,321,962
Finance Lease	0	0	712	0	0	712
PFI	0	3,195	0	0	0	3,195
Balance Sheet amount 31 March 2010	694,875	456,319	13,126	147,412	14,137	1,325,869

Non-Operational Assets	Investment Properties	Assets Under Construction	Surplus Assets	Total
	£000's	£000's	£000's	£000's
Gross book value as at 1 April 2009	10,993	28,550	7,419	46,962
Additions	0	11,711	19	11,730
Disposals	0	0	(320)	(320)
Reclassifications	(4,550)	(19,979)	4,505	(20,024)
Revaluations	0	0	1,139	1,139
Impairments	0	0	(26)	(26)
Gross book value as at 31 March 2010	6,443	20,282	12,736	39,461
Depreciation				
Accumulated at 1 April 2009	0	0	(29)	(29)
Charge for 2009/10	0	0	(10)	(10)
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Revaluations	0	0	29	29
Accumulated at 31 March 2010	0	0	(10)	(10)
Balance Sheet amount 1 April 2009	10,993	28,550	7,390	46,933
Balance Sheet amount 31 March 2010	6,443	20,282	12,726	39,451
Nature of asset holding				
Owned	6,443	20,282	12,726	39,451
Balance Sheet amount 31 March 2010	6,443	20,282	12,726	39,451

Notes to Main Financial Statements

12. INTANGIBLE ASSETS

Software

Opening Net Book Value
Additions
Amortisation
Closing Net Book Value

2009/10 £000's	2008/09 £000's
1,443	1,682
42	116
(324)	(355)
1,161	1,443

Software licences costing £42k were purchased in 2009/10. The cost is being written down over five years on a straight line basis.

13. STATEMENT OF SOURCES OF FINANCE

Capital expenditure of £72,112k was incurred in 2009/10 on Council assets and third party assets as revenue expenditure funded from capital under statute. Expenditure on the Council's fixed assets is recognised as an addition in the movement of fixed assets. The sources of finance detailed below were used to fund capital expenditure and the principal element of finance lease payments incurred during the year.

Opening Capital Financing Requirement

Capital investment

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

Sources of finance

Capital receipts
Government grants and other contributions
Revenue provision

Closing Capital Financing Requirement

Explanation of movements in year

Increase in underlying need to borrow :

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

Increase/(Decrease) in Capital Financing Requirement

2009/10 £000's	2008/09 £000's
195,307	181,613
42	116
43,073	33,673
11,730	18,574
17,905	17,772
(1,485)	(3,439)
(45,758)	(43,759)
(7,371)	(9,243)
213,443	195,307
5,741	0
12,395	13,694
18,136	13,694

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 at any one time due to items such as reserves, provisions, balances and timing differences of cash inflows and outflows.

Notes to Main Financial Statements

14. DEPRECIATION

Depreciation is charged on all fixed assets other than non-depreciable land, investment properties, assets under construction and community assets. Depreciation is calculated using the straight line method based on the following useful lives:

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

Depreciation of Council dwellings is provided at the level of the major repairs allowance in line with CIPFA recommended practice.

15. VALUATION OF FIXED ASSETS CARRIED AT CURRENT VALUE

The freehold and leasehold properties which comprise the authority's property portfolio have been valued as at 1 April 2009 by the Estate and Valuation service of the authority. Revaluations are made on a rolling five year period. The only external valuation included is of Council dwellings which were revalued as at 1st April 2005 by Drivers Jonas. A valuation certificate has been given by the estates manager that the properties have been valued in accordance with the appraisal and valuation manual of the Royal Institution of Chartered Surveyors, and with guidance notes issued by the Chartered Institute of Public Finance and Accountancy. Property inspections in accordance with the rolling valuation programme were carried out between April 2009 and March 2010. Full details of the basis of valuation for each asset category is provided in statement of accounting policies (page 17).

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Non-operational Assets	Total
	£000's	£000's	£000's	£000's	£000's
Value at historical cost	0	0	13,125	0	13,125
Valued at current value in:					
2009/2010	694,875	456,320	0	39,450	1,190,645
2008/2009	698,685	559,466	0	46,933	1,305,084
2007/2008	766,345	551,987	0	28,095	1,346,427
2006/2007	727,919	559,941	0	18,893	1,306,753
2005/2006	693,123	533,858	0	42,910	1,269,891
2004/2005	872,444	529,765	0	13,647	1,415,856
2003/2004	781,672	322,139	0	24,569	1,128,380
2002/2003	767,470	318,658	0	25,523	1,111,651
2001/2002	644,816	322,880	0	26,648	994,344
2000/2001	566,498	369,131	0	21,364	956,993
1999/2000	533,369	365,254	0	26,171	924,794
1998/1999	433,942	324,789	0	22,906	781,637

16. COMMITMENTS UNDER CAPITAL CONTRACTS

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

Year	2009/10 £000s	2008/09 £000s
2009/10		32,221
2010/11	16,970	6,413
2011/12	3,900	4,581
	20,870	43,215

Notes to Main Financial Statements

17. INFORMATION ON ASSETS HELD

Fixed assets owned by the Council and reflected in the Balance Sheet are included in the following list. Fixed assets not included within the Council's asset register, have been excluded from the current analysis.

	Number as at 31 March 2010	Number as at 31 March 2009
Council Dwellings	10,394	10,557
Operational Property		
Cemeteries (Buildings only)	5	5
Crematoria (Buildings only)	1	1
Depots and workshops	11	11
Golf courses	4	4
Libraries	17	17
Nurseries and playgroups	8	14
Office buildings	8	9
Other land & buildings	189	183
Residential homes and day centres	29	36
Schools	44	51
Sports centres and swimming pools	9	9
Tenanted farms	9	9
Car Parks	23	22
Investment Properties	40	45
Operational Equipment		
Vehicles	107	85
CCTV	163	160
Computer terminals	3,782	3,338
Heavy plant	4	4
Infrastructure Assets		
Highways (kilometres)	667	666
Bridges	296	296
Community Assets		
Allotments	35	35
Cemeteries and crematorium - Land only	9	9
Historic buildings	1	1
Parks & open spaces - Area (Hectares)	1,091	1,091
Land awaiting development	6	8
Surplus Assets	10	19

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

18. AVAILABLE FOR SALE FINANCIAL INSTRUMENTS RESERVE

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

	2009/10 £000s	2008/09 £000s
Balance as at 1st April 2009	15	0
Change in Fair Value in year	0	15
Balance as at 31st March 2010	15	15

Notes to Main Financial Statements

19. REVALUATION RESERVE

The balance on the Revaluation Reserve represents revaluation gains for fixed assets from their depreciated historic cost. The reserve replaced the Fixed Asset Restatement Account in 2007/08 and, therefore, the closing balance shows revaluation gains since 1st April 2007 only.

	2009/10		2008/09	
	£000's	£000's	£000's	£000's
Balance at 1 April		18,156		26,153
Revaluation Increases				
Council Dwellings	0		0	
Other HRA Properties	127		0	
Land & Buildings	12,330		15,279	
Community Assets	25		211	
Investment Properties	0		2,013	
Surplus Assets	1,146	13,628	500	18,003
Revaluation decreases Written Out against prior gains				
Council Dwellings	(145)	(145)	(25,935)	(25,935)
Depreciation charges to revaluation reserve				
Land & Buildings	(226)		0	
Community Assets	(5)	(231)	0	0
Revaluation Reserve Written Out on Disposal				
Surplus Assets	(180)	(180)	(65)	(65)
Balance at 31 March		31,228		18,156

Notes to Main Financial Statements

20. CAPITAL ADJUSTMENT ACCOUNT

	2009/10		2008/09	
	£000's	£000's	£000's	£000's
Balance at 1 April		1,123,064		1,182,303
Capital receipts applied for capital financing	1,485		19,797	
Capital receipts applied to reduce indebtedness	0		(16,357)	
Adjustment for finance lease principal	979	2,464	1,739	5,179
Capital financing - revenue		2,666		3,955
Write down of revenue expenditure funded from capital under statute		(17,905)		(17,772)
Government grants written down		49,659		20,876
Minimum Revenue Provision (less General Fund Depreciation)				
General Fund MRP	3,721		3,543	
less: Depreciation charged to General Fund	(16,810)		(16,680)	
less: HRA Depreciation greater than MRA	(570)	(13,659)	(1,350)	(14,487)
Fixed Asset Movements				
Disposals	(6,174)		(3,781)	
Impairments	(148,177)		(52,012)	
Revaluations Written Out	414	(153,937)	(1,197)	(56,990)
Balance at 31 March		992,352		1,123,064

Services are charged depreciation which is then reversed via the Statement of Movement on General Fund Balances to the Capital Adjustment Account in accordance with proper accounting practice in order to negate the impact on the amount required to be raised from local taxation. In replacement, a Minimum Revenue Provision (MRP) is set aside from local taxation to meet the redemption of external debt. In 2009/10 MRP of £3,721k (£3,543k in 2008/09) had to be financed from Council Tax.

21. USABLE CAPITAL RECEIPTS RESERVE

	2009/10	2008/09
	£000's	£000's
Opening Balance	1,009	379
Capital receipts received in year	6,093	4,959
	7,102	5,338
LESS:		
Pooled capital receipts	(583)	(890)
Capital receipts used for financing	(1,485)	(3,439)
Other	(6)	0
Closing Balance	5,028	1,009

The Usable Capital Receipts (UCR) reserve represents the capital receipts available to finance capital expenditure or to repay debt in future years.

Notes to Main Financial Statements

22.LONG TERM DEBTORS

	31 March 2010 £000's	New Advances £000's	Repayments £000's	1 April 2009 £000's
Housing advances & associations	20	0	(2)	22
Sale of Council houses	144	0	(32)	176
Long term payments in advance	147	147	0	0
Other loans & advances	270	64	(20)	226
	581	211	(54)	424

23.STOCKS AND WORK IN PROGRESS

	At 31 March 2010 £000's	At 31 March 2009 £000's
Stocks:		
Building maintenance/highways	126	262
Printing & stationery	0	7
Other stocks	2	6
	128	275
Work In Progress:		
Other rechargeable works	0	(142)
	128	133

24.DEBTORS

	At 31 March 2010 £000's	At 31 March 2009 £000's
Government departments	13,077	17,973
Other public bodies	2,172	1,240
Hillingdon Homes Ltd	1,614	2,966
Housing rents	4,310	5,076
Council taxpayers	9,089	9,057
Sundry debtors	24,364	21,350
Car & other loans	44	176
	54,670	57,838
Less: Provision for doubtful debts	(19,320)	(17,222)
	35,350	40,616

Notes to Main Financial Statements

25.CREDITORS

	At 31 March 2010 £000's	At 31 March 2009 £000's
Government departments	21,251	23,851
Non-domestic rates pool	22,564	26,801
Other public bodies	1,020	7,651
Hillingdon Homes Ltd	2,217	2,200
Sundry creditors	51,215	45,836
Council taxpayers	3,501	3,397
	101,768	109,736

26.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 and 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 local authority that has not been financed from internal resources

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

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

27.FINANCIAL INSTRUMENT BALANCES

	Long-Term		Current		Total	
	31st March 2010 £000s	31st March 2009 £000s	31st March 2010 £000s	31st March 2009 £000s	31st March 2010 £000s	31st March 2009 £000s
Borrowings						
Financial liabilities at nominal cost	166,600	197,949	16,000	21	182,600	197,970
Premium	(3,402)	(3,423)		0	(3,402)	(3,423)
Accrued interest	0	0	1,578	2,033	1,578	2,033
Financial liabilities at amortised cost	163,198	194,526	17,578	2,054	180,776	196,580
Total borrowings	163,198	194,526	17,578	2,054	180,776	196,580
Investments						
Loans and receivables at nominal	8,195	2,000	64,326	93,000	72,521	95,000
Impairment	0	0	(4,400)	(5,616)	(4,400)	(5,616)
Accrued Interest	0	0	334	980	334	980
Accrued notional Icelandic interest	0	0	787	484	787	484
Loans and receivables at amortised cost	8,195	2,000	61,047	88,848	69,242	90,848
Available-for-sale financial assets	75	75	0	0	75	75
Cash in hand	0	0	13,762	18,433	13,762	18,433
Total investments	8,270	2,075	74,809	107,281	83,079	109,356

The above financial liabilities do not include finance leases.

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

Notes to Main Financial Statements

28. FINANCIAL INSTRUMENT GAINS/LOSSES

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

	Interest Payable & Similar Charges £000s	Interest & Investment Income £000s	Movement in Available for Sale £000	Total	
				2010 Total £000s	2009 Total £000s
Liabilities measured at amortised cost					
Interest expense	(6,871)	0	0	(6,871)	(9,357)
Losses on derecognition	(914)	0	0	(914)	(339)
Gains on derecognition	851	0	0	851	176
Interest payable and similar charges	(6,934)	0	0	(6,934)	(9,520)
Loans & Receivables					
Interest income	0	1,133	0	1,133	5,865
Notional Icelandic Interest	0	787	0	787	484
Impairment Adjustment	548	0	0	548	0
Impairment losses	0	0	0	0	(5,616)
Interest and investment income	548	1,920		2,468	733
Available for Sale					
Gains on revaluation	0	0	5	5	21
Losses on revaluation	0	0	(5)	(5)	(6)
Interest payable and similar charges	0	0	0	0	15
Net gain/(loss) for the year	(6,386)	1,920	0	(4,466)	(8,772)
PFI Interest	(1,079)	0		(1,079)	(1,123)
Other	(144)	98		(46)	(465)
Total Gains and Losses	(7,609)	2,018	0	(5,591)	(10,360)

Notes to Main Financial Statements

ICELANDIC IMPAIRMENTS

In October 2008 the Council had unpaid deposits with Heritable Bank (£15,000k) and Landsbanki Islands (£5,000k). During 2009/10 three dividends were received from the administrators of Heritable bank totalling £5,278k and representing 35% of the claim. Authorities are required under FRS16 to make best estimates of any impairment of Financial Assets. Based on the latest information collated by CIPFA and published in the LAAP 82 bulletin update no.2, it is anticipated that the Council will recover approximately 84.98% of Heritable and 94.86% of Landsbanki deposits. Therefore a total impairment of £2,500k is expected. The latest estimates are an improvement from 2008/09 where expected rates of recovery were 80% for Heritable and 83% for Landsbanki and a total impairment of £3,850k.

Such impairments are calculated using a discounted cash flow calculation with interest credited back each year until the relevant banks' books are closed. Since the original impairment estimate further information has become available and a reassessment of the recoverable amount has been calculated and accounted for in 2009/10. A reduction in the impairment of £548k is included in the Income and Expenditure Account under Interest Payable and Similar Charges and has been reversed out to the Financial Instrument Adjustment Account (FIAA) in accordance with statutory regulation. The balance in the FIAA was further reduced by £787k following the posting of notional interest credits to the Income and Expenditure account in accordance with accounting practices.

Heritable Bank

Heritable Bank is a UK registered bank under Scots law. The company was placed in administration on 7 October 2008. The latest available information in the LAAP 82 bulletin update, now shows a best case estimate return of between 79 and 85 pence in the pound. The strategy of winding up the bank by 2012 is expected to produce a return at the top end of this range; a strategy of winding up the bank before 2012 would lead to lower returns. On this basis the Local Authority Accounting Panel considers that a recovery at the top end of the estimate is the most likely outcome and this therefore forms the best estimate. The schedule below is based on expected total dividends of 84.98% of the claim.

June 2010 - 5%	September 2010 - 5%	December 2010 - 5%
March 2011 - 5%	June 2011 - 5%	September 2011 - 5%
December 2011 - 5%	March 2012 - 5%	June 2012 - 5%
September 2012 - 5%		

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Old Landsbanki's affairs are being administered under Icelandic law. Previous advice has been based on the assumption that local authorities had priority status and would therefore be paid ahead of any creditors that did not have priority status. This was based on legal advice obtained by local authorities and on announcements made by the bank. The latest legal advice remains that that deposits have priority status under Icelandic law, however the final decision about the priority status of local authorities will be made by the Icelandic courts. There is no evidence to suggest that Landsbanki accepted deposits on different terms and therefore it is expected the courts will come to the same conclusion. Allowing for court cases to be heard and for the appeals process to run its course, it is unlikely there will be a settled position on priority status before the second quarter of 2011.

The Local Authority Accounting Panel considers on the basis of legal advice obtained by local authorities and advice provided by the Local Government Association that it remains the most likely outcome claims will enjoy priority status. Based on this assessment the Local Authority Accounting Panel recommends that the estimated recoverable amount to be included in the balance sheet is based on the assumption that local authority deposits will indeed enjoy priority status. The estimate and profile below is based on this assumption.

October 2011 - 22.17%	October 2012 - 8.87%	October 2013 - 8.87%
October 2014 - 8.87%	October 2015 - 8.87%	October 2016 - 8.87%
October 2017 - 8.87%	October 2018 - 19.47%	

Advice received in 2009 recommended that claims should include interest up to 22 April 2009. In cases where the maturity date was before 22 April 2009, interest between the maturity date and 22 April 2009 should be credited at a penalty rate of 22%. This recommendation was based on legal advice at the time but noted that the Winding Up Board had yet to clarify the position regarding penalty interest. No further information beyond the maturity date has been received and it therefore remains possible that the final settlement of claims may include penalty interest at 22%. However the Local Authority Accounting Board now considers this to be less likely and that the contractual rate be used as a known rate that falls between the extremes of the range.

Notes to Main Financial Statements

29. FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

Fair Value 2009/10

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

	31 March 2010		31 March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000's	£000's	£000's	£000's
PWLB (Maturity Fixed)	92,029	89,526	147,588	146,163
PWLB (EIP Fixed)	15,118	15,056	0	0
PWLB (EIP Variable)	15,006	15,006	0	0
Market	48,620	44,816	48,992	50,832
Temporary	10,003	10,003	0	0
Financial liabilities	180,776	174,407	196,580	196,995

Financial Liabilities 2009/10

- Method

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

- Public Works Loan Board (PWLB)

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

- Market

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

- Temporary

The overnight LIBOR rate has been used as the discount factor as it reflects an equivalent rate payable on temporary market borrowing at the Balance Sheet date for the remaining period of the loan.

30. FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31 March 2010		31 March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000s	£'000s	£000's	£000's
Short Term	61,047	61,047	88,744	88,744
Long Term	8,195	8,195	2,104	2,164
Available for Sale	75	75	75	75
Financial Assets	69,317	69,317	90,923	90,983

Financial Assets 2009/10

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

- Maturities within 12 months

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

Notes to Main Financial Statements

- Impaired Investments

When assessing an impairment, identifying or estimating the recoverable amount or fair value is a key task. Following CIPFA guidance (LAAP Bulletin 82 update no. 2) an impairment has been calculated. By applying this to the amortised value of the investment the resulting balance is assumed therefore to be the fair value.

- Available for Sale investments

Quoted market prices as at the 31 March 2010 have been applied as the fair value for available for sale assets. These assets are held on the balance sheet at their market price.

- Long Term Investments

The fair value is normally calculated based on the equivalent SWAP rate, however as at 31 March 2010 the Council did not hold any long term investments.

31.CREDIT RISK A

Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially one due to deterioration in its creditworthiness, which causes the Council an unexpected burden on its capital or revenue resources. As a holder of public funds, the Council recognises its prime responsibility is always to safeguard the principal of any sums which it invests. The Council's investment priorities are security of invested capital, liquidity of invested capital and optimum yield which is commensurate with security and liquidity and in that order.

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

Outstanding investments as at 31 March 2010							
	Fitch Rating at time of Deposit	Fitch Rating 31 March 2010	Maturity of investments				Total
			1-3 Months	3-6 Months	6-12 Months	Over 12 Months	
			£000's	£000's	£000's	£000's	
Banks							
UK	AA F1+ 1	AA- F1+ 1	2,229	0	0	0	2,229
	AA- F1+ 1	AA- F1+ 1	15,905	0	0	0	15,905
		In default					
Iceland	A F1 1	Credit Rating Withdrawn	744	733	1436	4074	6,987
		In default					
	A F1 2	Credit Rating Withdrawn	0	0	0	4121	4,121
			18,878	733	1,436	8,195	29,242
Debt Management Account Deposit Facility	AAA	AAA	40,000	0	0	0	40,000
			58,878	733	1,436	8,195	69,242

The information above provides both current and time of deposit credit ratings of institutions and durations of outstanding investments held by the council. The disclosures above are given at their amortised value.

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Credit Rating Definitions

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

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

32.CREDIT RISK B

The Policy on borrowing is to spread exposure between PWLB and market sources. This enables the Council to avail itself of rescheduling facilities offered by the PWLB and also to obtain potentially favourable rates offered by the market.

Loans

	On 31 March 2010				On 31 March 2009			
	PWLB £000	Market £000	Other £000	Total £000	PWLB £000	Market £000	Other £000	Total £000
Nominal Value	124,600	48,000	10,000	182,600	149,600	48,000	370	197,970
Premium	(3,402)	0	0	(3,402)	(3,423)	0	0	(3,423)
Interest	955	620	3	1,578	1,411	618	4	2,033
Amortised Value	122,153	48,620	10,003	180,776	147,588	48,618	374	196,580

The table below relates to Refinancing risk. Further details of this can be found in Note 34 on page 54.

Less than 1 year	17,578	2,054
Between 1 and less than 2 years	3,000	3,023
Between 2 and less than 5 years	12,000	6,072
Between 5 and less than 10 years	42,000	17,139
Between 10 and less than 20 years	28,000	20,115
Between 20 and less than 30 years	0	25,000
Between 30 and less than 40 years	0	20,000
Between 40 and less than 50 years	30,198	55,177
Over 50 years	48,000	48,000
Total	180,776	196,580

33.LIQUIDITY RISK

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

Notes to Main Financial Statements

34.REFINANCING RISK

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

The policy on debt redemption is to maintain a fairly stable fall out of debt required to be refinanced each year. To achieve this, the target has been set so that the maximum debt to fall out naturally in any year is around 10%. This spreads the risk of interest rate exposure so all debt is not subject to renewal at the same time.

In addition to debt that falls out naturally in any year, the 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.

35.MARKET RISK

Included within the management of market risk is interest rate risk. Interest rate risk is the risk that unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than had been budgeted. The Council will seek to minimise this risk by seeking expert advice on forecasts of interest rates from treasury management consultants and agreeing with them its strategy for the coming year for investment and debt portfolios. Fixed and variable limits are published in the Annual Treasury Management Strategy Statement. This strategy is periodically reviewed during the year and adapted to reflect changing economic circumstances in the light of actual movements in interest rates.

Financial Liabilities

The majority of borrowing made by the Council is sourced from the PWLB. (As at 31 March 2010 £109,600k was at fixed rates and £15,000k at variable rates). Borrowing at fixed rates enables the Council to enjoy stability of costs in future years and helps improve budgetary processes. Fixed rates protect the Council from interest rate increases but in contrast exposes it to opportunity costs should rates fall. Borrowing at variable rates currently allows the Council to source debt at levels which are considerably lower than fixed rate debt. In order to mitigate the risks associated with variable debt the Council has limited its exposure to a proportion of its working balance and as such any rise in debt costs will be offset by increased investment income. 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.

£48,000k of debt is held in "Lenders Option Borrowers Option" (LOBO) market loans. These have been set to provide varying periods of fixed rate ranges with subsequent options for the lender to change this rate on agreed dates. A LOBO which falls within a year of an interest change date is classified as variable. Over the next three years loans totalling £10,000k, £9,000k and £8,000k respectively are scheduled for rate change options.

In order to minimise debt costs the Council delayed taking its long term borrowing requirement for 2009/10. However in order to meet cash flow commitments temporary borrowing was required of which £10,000k was outstanding at year end.

The Council had a weighted average balance of loans during 2009/10 of £174,387k and across these loans the average rate paid was 3.94%. A movement of 1% in the average rate payable would have exposed the Council to a £1,745k movement in loan interest costs.

Financial Assets

The Council had an average balance of investments (excluding unpaid Icelandic deposits) for 2009/10 of £65,105k. Within this figure a rolling balance of approximately £30,000k was required for day-to-day cash flow needs with the remainder being attributable to capital expenditure requirements. Throughout the year deposits were placed in instant access accounts and in fixed term deposits with varying maturity periods. This approach aimed to match investment maturities with expected expenditure and to spread interest rate risk. The term remaining on all deposits at year end was less than one year and therefore classified as variable. The average rate of return achieved on investments throughout the year was 1.74%. If there were a movement of 1% in the rate received on average investment balances the Council would be exposed to a £651k movement on investment income.

Notes to Main Financial Statements

36.FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

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

	2009/10 £000's	2008/09 £000's
Opening Balance	(5,309)	(105)
Recognition of Impairment	0	(5,616)
Recognition of Premiums	(914)	(386)
Amortisation of Premiums	88	130
Recognition of Discounts	851	0
Amortisation of Discounts	(79)	0
Impairment Adjustment	548	0
Notional Icelandic Interest	787	668
Closing Balance	(4,028)	(5,309)

37.FUND BALANCES AND RESERVES

	At 31st March 2010 £000's	At 31st March 2009 £000's
General Fund :		
- Working balance	18,900	17,291
- Schools delegated funds	11,890	11,022
Earmarked Reserves		
- Parking fund	754	906
- New Road & Streetworks Act fund	190	190
- Elections	212	141
- Insurance Risk Management	33	0
- Imported Food Service	220	0
- Schools Earmarked Reserves	1,809	0
- Grant Funded Reserves	1,780	0
Housing Revenue Account	6,045	4,561
	41,833	34,111

Specific Reserves

Schools delegated funds - Schools are able to carry forward unspent balances of delegated budgets. These balances are committed to be spent by the schools concerned and are not available to the Council for general use.

Parking fund - This represents surpluses set aside from on-street parking income to fund traffic management and transport initiatives, as defined by statute.

New Roads & Streetworks Act fund - Income raised under Section 74 of the New Roads & Streetworks Act is required by statute to be ring fenced for maintaining the highways. Income not spent within the year is set aside in the New Roads and Streetworks Act fund.

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

Insurance Risk Management - Exceptional income related to insurance transactions set aside to finance risk reduction measures with the aim of reducing future insurance costs.

Imported Food Service - To meet the fluctuations of income from the Imported Food Service (for example during times of reduced economic activity), in order to mitigate any potential impacts on the Council's General fund.

Schools Earmarked Reserves - Funds set aside to meet insurance, sickness cover and other schools related expenditure.

Grant Funded Reserves - Grant income set aside to fund future expenditure.

Notes to Main Financial Statements

39.ACCOUNTING FOR THE COLLECTION FUND BALANCE

The Collection Fund balance at 1 April 2009 had a deficit of £175k. An in-year deficit of £834k resulted in a remaining deficit balance at 31 March 2010 of £1,009k, which has been split on the basis that surpluses and deficits are shared with the Greater London Authority (78.22% to Hillingdon, 21.78% to GLA).

	At 31st March 2009 £000's	At 31st March 2008 £000's
Fund Balances & Reserves	791	137
Creditor in respect of GLA share	218	38
	1,009	175

40.EVENTS AFTER THE BALANCE SHEET DATE

On the 21st April 2010 the London Borough of Hillingdon and Hillingdon Homes Limited signed an agreement to transfer all services carried out by Hillingdon Homes Limited to London Borough of Hillingdon on the 1st October 2010. All assets and liabilities of Hillingdon Homes Ltd will transfer to the London Borough of Hillingdon and all staff of Hillingdon Homes Limited will be transferred under Transfer of Undertakings (Protection of Employment) Regulations (TUPE) on the 1st October 2010. Hillingdon Homes' accounts are currently consolidated with those of the Council in the Group Accounts, which indicates the extent of the assets and liabilities to be assumed.

41.Section 75 AGREEMENT FOR LEARNING DISABILITY SERVICES

A Section 75 agreement is in operation between London Borough of Hillingdon and Hillingdon Primary Care Trust in respect of Learning Disability Services and was effective from 1st April 2008. This is not operating as a Pooled Budget in that it clearly identifies the financial liabilities of the two partners on an individual client basis. The object of the agreement is to enable the effective commissioning of services for this client group thereby providing a seamless service to the individual. For 2009-10 this service provided support to approximately 660 clients at a gross cost of £34m which included approximately 105 PCT clients for which the council received £10.4m.

Notes to Main Financial Statements

42.PROVISIONS

	At 31 March 2009 £000's	At 31 March 2008 £000's
Adult Services Insurance	173	210
Highways Insurance	1,269	1,217
Housing Insurance	126	104
Schools Insurance	243	252
Trees Insurance	513	758
Other Insurance	395	406
Total Insurance Provision	2,719	2,947
Equal pay - Back Pay Provision	40	234
Section 177 Mental Health Act	427	460
Dilapidation Provision	356	385
Jarvis Accommodation Services Provision	44	0
Total	3,586	4,026

Insurance

The Council has external insurance for major risks such as buildings, liability indemnity and motor vehicles. The policy has an excess clause that requires the Council to meet the first part of each claim before the insurance company becomes liable to make payments. The excess level for liabilities was £100k in 2009/10 (£100k in 2008/09). The Council self funds liability claims which fall under the insurance policy excess. The insurance fund provision is to provide for outstanding liability claims against the Council as at 31 March 2010.

Equal Pay - Back Pay Provision

Following a court ruling most Councils are facing legal action on the issue of equal pay. Hillingdon is in a strong position to defend claims as it harmonised its grading structure for officer and manual workers and introduced a common job evaluation scheme on 1 July 2003. During 2009/10 the Council embarked on a negotiated settlement process which is due to conclude in 2010/11. The Council made a provision in 2006/07 of £234k of which £194k is being drawn down in 2009/10 to represent the amount of the successfully negotiated settlements. Legislation has been passed to negate the impact of this provision on the Council's balances therefore this expenditure has been reversed out in the Movement on General Fund Balances. The provision in the balance sheet is matched with a balance on the Equal Pay Back Pay Account.

Section 117 Mental Health Act Provision

Following the House of Lords ruling in May 2002 that local authorities have no power to charge for care provided under Section 117 of Mental Health Act 1983 the Council has made a provision of £427k (£461k in 2008/09) for the reimbursement of charges. The amount and timing of payments will be determined by the number of claims.

Dilapidation Provision

In April 2003 the Council entered into a contract to lease homes for use by the Council as temporary accommodation. The contract requires the payment of dilapidation costs and a provision of £356k (£385k in 2008/09) has been made to finance these costs.

Jarvis Accommodation Services Provision

A provision of £44k (nil in 2008/09) relates to utility bills for Barnhill School. This liability should have been met by the facilities management provider, Jarvis Accommodation Services Limited. The company has recently gone into administration and as the utility supplier's contract is with the Council, the authority is ultimately liable for these costs. This provision has been set aside to meet the amount outstanding in the event that the liability is not settled by the administrators.

Notes to Main Financial Statements

43. CONTINGENT LIABILITIES AND ASSETS

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

During 1992/93 the Council's then insurers, Municipal Mutual Insurance (MMI), ceased accepting new business. During 1993/94 a scheme of arrangement was set up to ensure an orderly settlement of outstanding claims. Under this arrangement the Council may be required to repay MMI part of any claim met since 1 October 1993. This would only occur if MMI could not meet all claims against it, which is not expected to be the case. Nevertheless at 31 March 2010, the sum potentially subject to 'clawback' was £2,355k (£2,356k as at 31 March 2009). Further claims totalling £93k were outstanding (£43k in 2008/09).

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

44. ANALYSIS OF NET ASSETS EMPLOYED

	At 31 March 2010 £000's	At 31 March 2009 £000's
General fund	12,134	330,248
HRA	638,944	629,937
Total	651,078	960,185

The figures for 2008/09 have been restated to provide a more accurate analysis. The reduction in Net Assets Employed in 2009/10 for the General Fund is largely due to the £204,029 increase in the Pension Scheme Liability.

45. TRUST FUNDS

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

	At 31 March 2009 £	At 31 March 2008 £
Education trusts - providing academic prizes	3,898	3,885
Library trusts - purchase of library books	9,566	9,201
Total	13,464	13,086

Notes to Main Financial Statements

46.PENSION SCHEMES

Defined Benefit Pension schemes

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits that include retirement pensions, dependent pensions, death grants and lump sum payments. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in two funds of the Local Government Pension Scheme (LGPS), Contributions are made by the Council and employees at a level intended to balance the pensions liabilities with investment assets. The two funds are:

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

The adequacy of the funds' contributions and investments to resource future liabilities is reviewed tri-annually by actuaries appointed by the Council; the next review is on the 31 March 2010. The contribution rates are then set to meet the overall liabilities of the fund under Pension Fund Regulations. During 2009/10 employer's common contribution rate was 16.8%, and employees contributed at variable rates between 5.8% and 7.5% of pensionable salary.

Defined Contribution Pension schemes

Teachers employed by the authority are members of the Teachers' Pension Scheme. This fund is administered by the Department for Children, Schools and Families (Department for Education from 12 May 2010) and provides teachers with defined benefits upon their retirement. The authority contributes towards the pensions by making payments to the fund based on a percentage of members' pensionable salaries. The employer's contribution rate was 14.1% in 2009/10 (14.1% in 2008/09). The total contribution to the fund by the authority in 2009/10 was £12,546k (£11,924k in 2008/09). £1,058k of the 2009/10 amount was outstanding at 31 March 2010 (£989k from 2008/09 at 31 March 2009).

With regard to the Teachers' Pensions Scheme there were no contributions remaining payable at the year end. The Teachers' Pension Scheme is a defined benefit scheme. Although the scheme is unfunded a notional fund is used as a basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted on the same basis as a defined contribution scheme. The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. There were no lump sums awarded in 2009/10 and £276k was paid in respect of on-going payments (£205k in 2008/09).

Transaction relating to retirement benefits

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

Notes to Main Financial Statements

	London Borough of Hillingdon Pension Fund		London Pension Authority Pension Fund		Total
	31 March 2010 £000's	31 March 2009 £000's	31 March 2010 £000's	31 March 2009 £000's	31 March 2010 £000's
Net cost of services					
Current service costs	11,765	13,329	0	0	11,765
Past service costs	(319)	4,771	0	0	(319)
Settlements and curtailments	658	1,187	0	0	658
Assets/(Liabilities) assumed in a business combination	(320)	(7)	0	0	(320)
Total Net Cost Of Services	11,784	19,280	0	0	11,784
Net Operating Expenditure					
Interest costs	40,251	41,306	351	380	40,602
Expected return on assets in the scheme	(24,664)	(35,889)	(128)	(207)	(24,792)
Total Net Operating Expenditure	15,587	5,417	223	173	15,810
Amounts to be met from Government Grants and Local Taxation:					
Movement on pension reserve	27,371	24,697	223	173	27,594
Actual amount charged against council tax for pensions in the year:					
Employer's contributions payable to scheme	18,881	16,895	0	0	18,881
Contributions in respect of unfunded benefits	2,069	2,077	9	10	2,078
	20,950	18,972	9	10	20,959

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £197,394k in 2009/10 (£101,473k in 2008/09) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses since 2004/05 is £302,127k.

The Council expects to make payments of £21,819k in respect of contributions to the scheme during the financial year 2010/11.

47.PENSION SCHEMES BALANCE SHEET DISCLOSURES

Reconciliation of present value of scheme liabilities

	London Borough of Hillingdon Pension Fund		London Pension Authority Pension Fund		Total
	31 March 2010 £000's	31 March 2009 £000's	31 March 2010 £000's	31 March 2009 £000's	31 March 2010 £000's
Opening Benefit Obligation	584,318	597,833	5,400	5,857	589,718
Current Service Cost	11,765	13,329	0	0	11,765
Interest Cost	40,251	41,306	351	380	40,602
Contributions by Members	7,077	6,760	0	0	7,077
Actuarial (Gains)/Losses	316,988	(53,816)	1,035	(134)	318,023
Past Service Costs/(Gains)	(319)	4,771	0	0	(319)
Losses/(Gains) on Curtailments	658	1,000	0	0	658
Liabilities Extinguished on Settlements	0	(2,488)	0	0	0
Liabilities Assumed in a Business Combination	2,386	29	0	0	2,386
Exchange Differences	0	0	0	0	0
Estimated Unfunded Benefits Paid	(2,069)	(2,077)	(9)	(10)	(2,078)
Estimated Benefits Paid	(23,921)	(22,329)	(619)	(693)	(24,540)
Closing Defined Benefit Obligation	937,134	584,318	6,158	5,400	943,292

The adverse movement from actuarial losses in 2009/10 was the result of higher inflation assumptions and the fall in the discount rate as set out on page 62.

Notes to Main Financial Statements

Reconciliation of fair value of scheme assets

	London Borough of Hillingdon Pension Fund		London Pension Fund Authority Pension Fund		Total
	31 March 2010 £000's	31 March 2009 £000's	31 March 2010 £000's	31 March 2009 £000's	31 March 2010 £000's
Opening Fair Value of Employer Assets	375,718	495,968	3,510	4,593	379,228
Expected Return on Assets	24,664	35,889	128	207	24,792
Contributions by Members	7,077	6,760	0	0	7,077
Contributions by the Employer	18,881	16,895	0	0	18,881
Contributions in respect of Unfunded Benefits	2,069	2,077	9	10	2,078
Actuarial Gains/(Losses)	120,380	(154,826)	249	(597)	120,629
Assets Distributed on Settlements	0	(2,675)	0	0	0
Assets Acquired in a Business Combination	2,706	36	0	0	2,706
Exchange Differences	0	0	0	0	0
Estimated Unfunded Benefits Paid	(2,069)	(2,077)	0	0	(2,069)
Estimated Benefits Paid	(23,921)	(22,329)	(628)	(703)	(24,549)
Closing Fair Value of Employer Assets	525,505	375,718	3,268	3,510	528,773

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

Scheme history

	2009/10 £000's	2008/09 £000's	2007/08 £000's	2006/07 £000's	2005/06 £000's
Present value of liabilities:					
LBH	(937,134)	(584,318)	(597,833)	(639,114)	(637,931)
LPFA	(6,158)	(5,400)	(5,857)	(6,770)	(7,290)
Fair Value of Assets:					
LBH	525,505	375,718	495,968	535,831	502,015
LPFA	3,268	3,510	4,593	5,334	5,813
Surplus / (Deficit) in the scheme:					
LBH	(411,629)	(208,600)	(101,865)	(103,283)	(135,916)
LPFA	(2,890)	(1,890)	(1,264)	(1,436)	(1,477)
Total	(414,519)	(210,490)	(103,129)	(104,719)	(137,393)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £943,292k is offset by the scheme assets of £528,773k to give the net pension liability of £414,519k as disclosed on the balance sheet.

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

Notes to Main Financial Statements

48.PENSION SCHEMES BASIS OF ESTIMATION

Basis for estimating assets and liabilities

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

	London Borough of Hillingdon Pension Fund		London Pension Fund Authority Pension Fund	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
<u>Financial Assumptions: (% p.a.)</u>				
Inflation/Pension Increase Rate	3.8%	3.1%	3.9%	3.1%
Salary Increase Rate	5.3%	4.6%	5.4%	4.6%
Expected Return on Assets	7.1%	6.5%	5.1%	4.4%
Discount Rate	5.5%	6.9%	5.5%	6.9%
<u>Expected Return on Assets by Category:</u>				
Cashflow Matching			4.5%	4.2%
Equities	7.8%	7.0%	7.3%	7.0%
Target Return Portfolio			5.0%	0.0%
Bonds	5.0%	5.4%		
Property	5.8%	4.9%		
Cash	4.8%	4.0%	3.0%	4.0%
<u>Mortality Assumptions:</u>				
Longevity at 65 for current pensioners:				
- Men	20.8	19.6	21	21
- Women	24.1	22.5	23.4	23.4
Longevity at 65 for future pensioners:				
- Men	22.3	20.7	22	22
- Women	25.7	23.6	24.2	24.2
Take-up of option to convert annual pension to tax free lump sum	50%	50%	50%	68%

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

	London Borough of Hillingdon Pension Fund		London Pension Fund Authority Pension Fund	
	31 March 2010	31 March 2009	31 March 2010	31 March 2009
Categories of assets held:				
Cashflow Matching	0%	0%	38%	91%
Equities	74%	77%	11%	8%
Target Return Portfolio	0%	0%	54%	0%
Bonds	17%	12%	0%	0%
Property	7%	8%	0%	0%
Cash	2%	3%	(3%)	1%

Notes to Main Financial Statements

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

	2009/10	2008/09	2007/08	2006/07	2005/06
Difference between expected and actual return on assets:					
LBH	32.0%	(41.2%)	(15.2%)	0.2%	14.5%
LPFA	7.6%	(17.0%)	(7.9%)	0.0%	3.9%
Experience gains and losses on liabilities:					
LBH	54.2%	0.0%	2.2%	0.0%	(0.0%)
LPFA	31.7%	(0.3%)	(14.3%)	0.1%	(0.0%)

49.RECONCILIATION OF REVENUE CASH FLOW

Note	Year ended 31st March 2010		Year ended 31st March 2009	
	£000's	£000's	£000's	£000's
General fund net surplus		(3,223)		(2,251)
HRA deficit		(1,484)		478
Collection Fund		(831)		(1,133)
Total surplus		(5,538)		(2,906)
Add items not resulting in cashflow				
Minimum Revenue Provision		(3,721)		(3,543)
Voluntary Revenue Provision		(979)		(1,739)
Contributions from reserves		3,209		71
Provisions set aside in year		440		520
Other non cash items		(8,604)		8,758
				4,067
Movements in working capital				
Increase in creditors	51	7,968		(22,594)
Decrease in stocks & work in progress	51	(5)		(14)
Decrease in debtors	51	(5,266)		(16,314)
Decrease in long term debtors		157		(220)
				(39,142)
Items Classified elsewhere on Cashflow Statement				
Capital expenditure financed from revenue		(10,652)		(11,580)
Lease Payments		(1,090)		(606)
Capital Receipts in respect of the pool		290		1,343
Deduct interest received		1,596		7,031
Interest paid		(7,326)		(9,757)
NNDR Receipts		(48,194)		(47,948)
Council Tax Receipts		425		(3,968)
				(65,485)
Revenue activities cash inflow		(77,290)		(103,466)

50.MOVEMENT IN LIQUID RESOURCES

	31st March 2010	Movement 2009/10	31st March 2009	Movement 2008/09
	£000's	£000's	£000's	£000's
Cash in hand	13,762	(4,671)	18,433	3,978

Notes to Main Financial Statements

51.MOVEMENT IN OTHER CURRENT ASSETS

	31st March 2010 £000's	31st March 2009 £000's	Movement 2009/10 £000's	Movement 2008/09 £000's
Debtors	35,350	40,616	(5,266)	(16,314)
Creditors	(101,768)	(109,736)	7,968	(22,594)
Stocks and work in progress	128	133	(5)	(14)
	(66,290)	(68,987)	2,697	(38,922)

52.ANALYSIS OF GOVERNMENT GRANTS

	31st March 2010 £000's	31st March 2009 £000's
Rent allowances	77,271	59,876
Council tax & housing benefits	37,502	34,991
Mandatory student awards	0	8
Schools standards fund	20,324	17,649
Homelessness	5,557	6,440
NNDR cost of collection	624	594
Refugee children	6,984	7,265
Adult asylum seekers	1,546	2,681
Dedicated Schools Grant (DSG)	173,887	165,330
Revenue Support Grant (RSG)	15,520	9,930
Area Based Grant	11,558	10,754
Other grants	83,437	78,334
	434,210	393,852

The analysis of Government Grants for 08/09 has been restated to include the Dedicated Schools Grant (£165,330k) and the Housing Rent Rebate Allowance (£29,370k).

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

	2009/10 £000's	2008/09 £000's
Net Debt as at 1st April 2009	89,299	113,621
Net Debt as at 31st March 2010	105,967	89,299
	16,668	(24,322)
Represented by:		
Repayments of amount borrowed	(31,328)	(35,299)
New loans raised	15,524	10,000
	(15,804)	(25,299)
Decrease in short term deposits	27,801	4,955
Increase in cash	4,671	(3,978)
	16,668	(24,322)

54.LEVIES

The precepts and levies line in the Income and Expenditure account excludes those payments made directly from services. These amounts have been included under the various service headings under "Expenditure on Services".

Other Financial Statements

The Housing Revenue Account (page 66)

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

The Collection Fund Account (page 69)

This account reflects the statutory requirement to maintain a separate Collection Fund which shows the transactions of the billing authority in relation to National Non-Domestic Rates and Council Tax, and illustrates the way in which these have been distributed to preceptors and the general fund. The Collection fund is consolidated with the other accounts of the authority.

Group Accounts (page 72)

The Group financial statements include the Group income and expenditure account, balance sheet, cash flow statement and the statement of total movement in reserves.

Pension Fund Accounts (page 81)

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

HRA - Income And Expenditure Account

	Notes	Year ended 31st March 2010 £000's	Year ended 31st March 2009 £000's
Income			
Gross dwelling rents		47,756	46,760
Gross non dwelling rents		1,817	1,804
Charges for services and facilities		3,260	3,198
Contributions towards expenditure		1,647	1,893
		54,480	53,655
Expenditure			
Contribution to housing repairs		11,423	11,105
Supervision and management		17,190	16,192
Rents, rates,taxes & other charges		381	753
Increase / (Decrease) in provision for bad debts		237	534
Transfer of assumed surplus to DCLG	4	10,573	10,434
Debt management costs		156	55
Depreciation of fixed assets		8,556	8,974
		48,516	48,047
Net Cost of HRA Services per Authority Income & Expenditure			
		(5,964)	(5,608)
HRA Services share of Corporate and Democratic Core		190	186
Net Cost of HRA services			
		(5,774)	(5,422)
Impairment on HRA fixed assets		4,128	44,010
Gain on sale of HRA fixed assets		(2,406)	(26)
Interest payable and similar charges		2,380	2,952
HRA investment income		(75)	(63)
Deficit / (Surplus) for the year on HRA services			
		(1,747)	41,451

Statement of Movement on the HRA Balance

	2009/10 £000's	2008/09 £000's
Deficit / (Surplus) for the year on HRA services	(1,747)	41,451
Additional amount required by statute or non-statutory proper practices to be debited or credited to the General Fund balance for the year.		
Gain on the sale of HRA Fixed Assets	2,406	26
Premium on early redemption of HRA debt	81	0
HRA share of contributions to or from the Pension Reserve	84	(86)
Capital Expenditure funded by the HRA	2,203	3,473
Depreciation and Impairment on Fixed Assets	(4,698)	(45,360)
HRA Voluntary Revenue Provision	187	974
Decrease in HRA balance for the year	(1,484)	478
HRA Balance Brought forward	(4,561)	(5,039)
HRA Balance carried forward	(6,045)	(4,561)

Notes to Housing Revenue Account

1. HOUSING STOCK

The Council was responsible at 31 March 2010 for managing dwellings and hostels.
The stock was as follows:

	Total at 31st March 2010	Total at 31st March 2009
1 Bed Properties	3,656	3,664
2 Bed Properties	3,654	3,734
3 Bed Properties	2,865	2,882
4 plus Bed Properties	219	218
Hostel Dwellings	0	59
Total	10,394	10,557

2. VALUE OF HRA ASSETS

	Net Book Value at 31st March 2010 £000's	Net Book Value at 31st March 2009 £000's
Operational Assets		
Council dwellings	694,875	698,685
Other land & buildings	12,937	12,233
Vehicle, plant & equipment	342	462
Non-Operational Assets	70	70
Total	708,224	711,450

The vacant possession value of dwellings within the authority's HRA as at 31 March 2010 was £1,878m, this differs from the balance sheet value of £695m which is based on the economic use value of social housing. The difference of £1,183m between these two figures shows the economic cost to the Government of providing housing at below open market rates.

For 2009/10 depreciation of £8,173k in respect of Council dwellings, £263k in respect of other land and buildings and £120k in respect of vehicles, plant, furniture and equipment was charged to the HRA.

3. CAPITAL EXPENDITURE

Capital Expenditure on HRA council dwellings and other assets during 2009/10 totalled £10,734k. This was financed by:

	Total at 31st March 2010 £000's	Total at 31st March 2009 £000's
Revenue contribution	2,095	3,473
Major repairs allowance	7,986	7,624
Supported capital expenditure (revenue)	0	0
Supported capital expenditure (capital)	0	0
Capital receipts	28	306
Other contributions	625	459
	10,734	11,862

Capital receipts from the sale of HRA properties during 2009/10 totalled £4,876k of which £583k was paid to Central Government under Pooling arrangements.

Notes to Housing Revenue Account

4. HOUSING SUBSIDY

The government determines HRA subsidy which is based on notional HRA income and expenditure. HRA subsidy is either paid to or collected by central government. When income is greater than expenditure, government collects payments (negative subsidy) from local authorities. The Council paid negative subsidy to government in both 2008/09 and 2009/10 which was calculated as follows:

	2009/10 £000's	2008/09 £000's
Expenditure		
Management	6,663	6,399
Maintenance	12,216	11,605
Allowance for major repairs	7,986	7,624
Charges to capital	1,853	2,105
ALMO allowance	4,744	4,744
Other expenditure	517	1,091
Income		
Rent	(44,538)	(43,985)
Interest on receipts	(14)	(17)
Subsidy payable to DCLG	(10,573)	(10,434)

5. RENT ARREARS

At 31 March 2010 the gross HRA rent arrears amounted to £3,851k of which £3,707k relates to dwellings and £144k to commercial rent.

6. BAD DEBT PROVISION

The provision for bad debts on all HRA debts as at 31 March 2010 was £2,757k. Of this £2,650k relates to dwellings and £107k to non-dwellings.

7. MAJOR REPAIRS RESERVE

HRA resource accounting requires the maintenance of a Major Repairs Reserve (MRR) and holds depreciation charged to the HRA in excess of the major repairs allowance. The movements on this reserve are shown below.

	2009/10 £000's	2008/09 £000's
Balance as at 1 April	0	0
Depreciation transferred to reserve	8,556	8,974
Amount used to finance capital expenditure	(7,986)	(7,624)
Transfer to the Capital Adjustment Account	(570)	(1,350)
	0	0

The £570k transferred to the Capital Adjustment Account financed 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 FRS 17, which requires the current service cost rather than the actual employer's contribution be recognised. The £84k adjustment to the Pension Reserve adjusts the cost of service to reflect the statutory requirement to include the full cost of pension contributions in calculating the balance on the HRA.

Collection Fund Account

	Notes	Year ended 31 March 2010		Year ended 31 March 2009	
		£000's	£000's	£000's	£000's
Income					
Council tax	3		118,522		118,818
Transfers from general fund:					
Council tax benefits	3		21,171		19,297
Income collectable from business ratepayers	6		301,509		286,727
Contribution towards previous years' estimated deficit	4		1,224		1,154
			442,426		425,996
Expenditure					
Precepts & demands:					
London Borough of Hillingdon	3	107,437		106,988	
Greater London Authority	3	29,908	137,345	29,784	136,772
Business rates:					
Cost of collection	6		624		594
Payment to national pool	6		300,885		286,134
Provision for doubtful debts					
Council Tax Write-offs	7		992		1,339
Council Tax Provisions	7		3,414		(288)
			443,260		424,551
(Surplus)/Deficit for the Year			834		(1,445)
COLLECTION FUND BALANCE					
Fund deficit at beginning of year			175		1,620
(Surplus)/Deficit for the year			834		(1,445)
Fund deficit at end of year:			1,009		175
Analysis of year end deficit:					
Council tax	5		1,009		175
Previous years' community charges			0		0
			1,009		175

Christopher Neale
 Director of Finance & Resources
 21 September 2010

Notes to Collection Fund Account

1. The Council Tax System

The Council Tax is the means of raising income from local residents to pay for Council services. The Council Tax is levied on domestic properties and the charge is based on the valuation band assessed for each dwelling. The Inland Revenue has appointed a Listing Officer for the borough who is responsible for property valuations, valuation registers and appeals.

2. Accounting Policies

The Collection Fund Income and Expenditure Account is prepared on an accruals basis and complies with appropriate regulations and the Code of Practice on Local Authority Accounting. The transactions of the Collection Fund are wholly prescribed by legislation.

3. Income from Council Tax

The Council's taxbase, which is used in the tax calculation, is based on the number of dwellings in each band on the listing produced by the Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes and appeals. The taxbase estimate for 2009/10 was 96,535 (96,132 in 2008/09) as calculated below.

Band	Estimated number of Properties	Discounts & Exemptions	Net estimated number of Properties	Ratio	Band D Equivalent 2009/10	Band D Equivalent 2008/09
A	645	(124)	521	6/9	347	333
B	5,149	(989)	4,160	7/9	3,236	3,208
C	20,836	(3,055)	17,781	8/9	15,805	15,474
D	42,587	(3,605)	38,982	9/9	38,982	38,916
E	16,979	(1,220)	15,759	11/9	19,261	19,227
F	8,892	(576)	8,316	13/9	12,012	12,023
G	4,254	(236)	4,018	15/9	6,697	6,752
H	357	(16)	341	18/9	682	664
Total					97,022	96,597
Adjustment for non-collection MOD contribution					(1,261)	(1,257)
					774	792
Council tax base					96,535	96,132
Council Tax Rate for Band D (£)					£1,423	£1,423
Demand on the Collection Fund (£000's)					£137,345	£136,772

The Demand on the Collection Fund of £137,345k (£136,772k in 2008/09) represents the anticipated Council Tax income yield for the year. The actual income yield to the Collection Fund for the year was £139,693k (£138,115k in 2008/09)

Notes to Collection Fund Account

4. PRECEPTS AND DEMANDS ON THE COLLECTION FUND

The Demand on the Collection Fund is split between the London Borough of Hillingdon and the Greater London Authority (GLA). The in year deficit of £834k and the contribution towards previous year's deficit of £1,224k are also split accordingly.

The split between the Council and the GLA is shown below:

	Precept/Demand £000's	Share of 31 March 2010 Surplus £000's	2009/10 £000's	2008/09 £000's
London Borough of Hillingdon	107,437	(1,609)	105,828	107,217
Greater London Authority	29,908	(448)	29,460	29,848
Total	137,345	(2,057)	135,288	137,065

5. CONTRIBUTIONS TO COLLECTION FUND SURPLUS OR DEFICIT

The deficit of £1,009k relating to the Council tax will be charged in subsequent financial years to the council and the GLA in proportion to the value of the respective demands on the Collection Fund.

6. INCOME FROM NON-DOMESTIC RATES

Under the arrangements for Uniform Business Rates, the Council collects non-domestic rates in the Borough based on rateable values which are assessed by the District Valuer, multiplied by a uniform rate which is set by the Government.

The total amount, less certain reliefs and other deductions, is paid to a central pool managed by the Government, which in turn is redistributed to local authorities as a standard amount per head of relevant population. The total non-domestic rateable value at 31 March 2010 was £621,669k. The National Non-Domestic multiplier for the year was 48.50p and 48.10p for small businesses.

	2009/10 £000's	2008/09 £000's
NNDR Income Collectable from ratepayers	301,509	286,727
Cost of Collection Allowance	(624)	(594)
Amount Paid to Central Government Pool	300,885	286,133
NNDR redistributed to Hillingdon Council	(67,242)	(71,330)

The NNDR redistributed to the London Borough of Hillingdon is shown on the face of the Council's Income and Expenditure account.

7. WRITE-OFFS

Contributions are made from the Collection Fund Income and Expenditure Account to a provision for bad debts. During 2009/10 £3,414k (£288k in 2008/09) was contributed to the Council Tax bad debt provision.

The amounts related to irrecoverable debts written off in year are shown below:

	2009/10 £000's	2008/09 £000's
Council tax	992	1,339
NNDR	1,437	10,322
Total	2,429	11,661

Group Accounts

1. INTRODUCTION

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

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

Hillingdon Homes was set up to manage and maintain the housing stock of LBH and to manage the investment programme for the modernisation of the housing stock. This programme (Decent Homes Standards) was successfully completed in 2008. Following consultation with tenants and their stakeholders Hillingdon Homes will be dissolved and its operational activities brought back within the Council from 1 October 2010.

The summarised group financial statements presented on the following pages show the consolidated financial position of the authority and its interest in Hillingdon Homes. There are no significant effects due to group consolidation.

2. SHARE HOLDINGS

Hillingdon Homes Ltd (wholly owned subsidiary)

The composition of the board and the voting rights is as follows:

	Members	Share of Voting Rights
London Borough of Hillingdon	5	1/3
Tenants	5	1/3 (max)
Independent	5	1/3
	<hr/>	<hr/>
	15	100%

Council members on the board of Hillingdon Homes during 2009/10 are detailed in Note 10 on pages 39-40.

Policy Decisions concerning the LBH commitment:

On the 21 April 2010 the London Borough of Hillingdon and Hillingdon Homes Limited signed an agreement to transfer all services carried out by Hillingdon Homes Limited to the London Borough of Hillingdon on the 1 October 2010. All assets and liabilities of Hillingdon Homes Ltd will transfer to the London Borough of Hillingdon and all staff of Hillingdon Homes Limited will be transferred under Transfer of Undertakings (Protection of Employment) Regulations (TUPE) on the 1 October 2010.

3. BASIS OF CONSOLIDATION

Hillingdon Homes Ltd is considered a subsidiary of the Council and as such its income, expenditure, assets and liabilities are consolidated on a line-by-line basis to comply with FRS2.

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

Hillingdon Homes' financial year runs from 1 April 2009 to 31 March 2010, therefore no adjustments are required regarding the accounting year. Hillingdon Homes' statement of accounts were approved by the board on 28 July 2010 and audited by their appointed auditors KPMG. Copies of Hillingdon Homes Ltd 2009/10 statement of accounts can be obtained from Hillingdon Homes Finance Department, Ruislip Housing Office, 130 High Street, Ruislip, HA4 8LP.

Group Accounts

4. ADJUSTMENT OF ACCOUNTING POLICIES

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

- i. **Retirement Benefits:** The employees of Hillingdon Homes are members of the London Borough of Hillingdon occupational pension scheme, which is a defined benefits scheme. Accounting policies consistent with those of the Council have been adopted for consolidation.

Tangible Fixed Assets

- ii. **Measurement:** Increases in the valuations of fixed assets held by Hillingdon Homes and impairments not charged to the group income and expenditure account are written off to the revaluation reserve.
- iii. **Profit/loss on disposal of assets:** These are credited or debited to the group income and expenditure account. For 2009/10 the loss totalled £609k which was included in the net operating expenditure below the net cost of services. They are then netted out in reconciliation of the deficit on the Income & Expenditure so as to ensure it does not impact on the amount to be raised from rents.

5. FRS17 RETIREMENT BENEFITS

Hillingdon Homes Ltd is a scheduled body of the Hillingdon Local Government Pension Fund. The full FRS17 obligation and related deficit in respect of the pension scheme, and both the current and past service costs for Hillingdon Homes' employees, passed to Hillingdon Homes when it started trading in May 2003. When Hillingdon Homes cease trading the full FRS17 obligation and related deficit/surplus will pass back to the Council as an integral part of the general business transfer. As at 31 March 2010 the net pension deficit in respect of Hillingdon Homes totalled £21,494k, which is included in the Group Balance Sheet.

Group Income and Expenditure Account

	Year ended 31 March 2010			Year ended 31 March 2009
	Expenditure	Income	Net	Net
	£000's	£000's	Expenditure	Expenditure
			£000's	£000's
EXPENDITURE ON SERVICES				
Central Services to the Public	31,079	24,266	6,813	5,760
Cultural, Environmental and Planning services	58,395	18,308	40,087	42,281
Education and Children's Services	420,625	264,523	156,102	55,473
Highways, Roads and Transport services	22,619	7,284	15,335	17,423
Local Authority Housing (HRA)	52,424	55,184	(2,760)	39,312
Other Housing Services	153,889	148,719	5,170	9,374
Adult Social Care	106,025	28,734	77,291	65,987
Court and Probation Services	239	8	231	173
Corporate and Democratic Core	7,179	3,264	3,915	8,307
Non-Distributable Costs	255	515	(260)	6,388
	852,729	550,805	301,924	250,478
NET COST OF SERVICES				
Loss on sale of fixed assets	609	0	609	576
Precepts and levies	689	0	689	699
Net loss on trading undertakings	7,218	7,121	97	(191)
Interest payable and similar charges	7,609	0	7,609	16,774
Contribution of housing capital receipts to Government pool	583	0	583	885
Interest and investment income	0	2,043	(2,043)	(6,636)
Other Income	0	31	(31)	(494)
Pension interest cost and expected return on pensions assets	16,410	0	16,410	5,590
Taxation of group	5	0	5	0
	885,852	560,000	325,852	267,681
NET OPERATING EXPENDITURE				
FINANCED BY:				
General Government Grants	0	27,435	(27,435)	(21,511)
Demand on the Collection Fund	0	105,828	(105,828)	(107,220)
Non-domestic rate income	0	67,242	(67,242)	(71,330)
INCOME FROM GENERAL GRANTS & LOCAL TAXPAYERS			(200,505)	(200,061)
DEFICIT FOR THE YEAR			125,347	67,620

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

	2009/10 £000's	2008/09 £000's
Deficit on the authority's single entity Income & Expenditure Account for the year	125,690	66,898
Add: Deficit/(Surplus) arising from other entities included in the group accounts analysed into the amounts attributable to:		
- Subsidiary	(343)	722
Group Accounts deficit for the year	125,347	67,620

Statement Of Total Recognised Gains And Losses

This statement brings together all the gains and losses of the Group for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income & Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	2009/10 £000's	2008/09 £000's
Net deficit for the year	125,347	67,620
Loss/(Gain) arising on revaluation of fixed assets	(13,977)	8,032
Actuarial Loss/(Gain) on pension assets and liabilities	211,166	107,928
Available for Sale Reserve	0	(15)
Total Recognised gains and losses for the year	322,536	183,565

Group Balance Sheet

	Notes	At 31st March 2010		At 31st March 2009	
		£000's	£000's	£000's	£000's
FIXED ASSETS					
Intangible Assets			1,161		1,443
Operational Assets	2				
Council dwellings		694,875		698,685	
Other land and buildings		456,319		559,466	
Vehicles, plant and equipment		13,289		10,395	
Community assets		14,137		14,926	
Infrastructure assets		147,412	1,326,032	146,120	1,429,592
Non Operational Assets	2				
Investment Properties		6,443		10,993	
Assets under construction		20,282		28,550	
Surplus Assets, held for disposal		12,726	39,451	7,390	46,933
LONG TERM INVESTMENTS			8,270		2,075
LONG TERM DEBTORS			581		424
TOTAL LONG TERM ASSETS			1,375,495		1,480,467
CURRENT ASSETS					
Stocks & works in progress		128		133	
Debtors and payments in advance	3	34,218		38,204	
Short term investments		61,047		88,848	
Cash in hand		19,114	114,507	22,280	149,465
CURRENT LIABILITIES					
Temporary borrowing		(17,578)		(2,054)	
Creditors and receipts in advance	4	(104,403)	(121,981)	(110,183)	(112,237)
TOTAL ASSETS LESS CURRENT LIABILITIES			1,368,021		1,517,695
Provisions	5		(3,840)		(4,342)
Deferred credits			(143)		(165)
Long term borrowing			(163,198)		(194,526)
Grants & Contributions Unapplied			(737)		(2,159)
Government grants deferred account			(129,746)		(141,634)
Deferred liabilities			(3,266)		(3,424)
Liability related to defined benefit pension schemes			(436,013)		(217,831)
TOTAL ASSETS LESS LIABILITIES			631,078		953,614
Revaluation Reserve			31,228		18,156
Available for Sale Financial Instruments Reserve			15		15
Capital Adjustment Account			992,352		1,123,064
Financial Instruments Adjustment Account			(4,028)		(5,309)
Usable Capital Receipts Reserve			5,028		1,009
Pension Reserve			(436,013)		(217,831)
Collection Fund Adjustment Account			(791)		(137)
Equal Pay Back Pay Account			(40)		(234)
Fund Balances and Reserves	6		43,327		34,881
TOTAL NET WORTH			631,078		953,614

The assets and liabilities of the pension fund and various trust funds administered by the Council are excluded from the above balance sheet as they are not statutory services.

Group Cash Flow Statement

	Note	Year ended 31 March 2010		Year ended 31 March 2009	
		£000's	£000's	£000's	£000's
REVENUE ACTIVITIES					
Expenditure					
Cash paid to and on behalf of employees		277,203		263,575	
Housing Benefit paid out		77,874		58,865	
Payment to the capital receipts pool		290		1,343	
Other operating cash payments		314,404	669,771	293,987	617,770
Income					
Rents (after rebates)		(28,035)		(27,656)	
Council Tax Income		(107,547)		(93,074)	
Non-Domestic Rates Receipts from Pool		(67,242)		(71,330)	
Revenue Support Grant		(15,520)		(9,930)	
DWP grants for benefits		(150,080)		(126,525)	
Other government grants		(268,610)		(257,398)	
Cash received for goods & services		(3,648)		(3,719)	
Other operating cash receipts		(108,005)	(748,687)	(130,230)	(719,862)
Revenue Activities Net Cash (Inflow) / Outflow	1		(78,916)		(102,092)
SERVICING OF FINANCE					
Expenditure					
Interest paid		7,326		9,757	
Interest element finance lease rental payments		1,090		606	
Income					
Interest received		(1,621)		(7,213)	
Servicing of Finance Net Cash Outflows			6,795		3,150
Taxation			5		0
CAPITAL ACTIVITIES					
Cash Outflows					
Purchase of fixed assets		55,449		51,266	
Purchase of long term investments		0		0	
Other capital cash payments		17,905	73,354	17,772	69,038
Cash Inflows					
Sale of fixed assets		(6,058)		(17,342)	
Capital grants received		(33,865)		(27,432)	
Other capital cash payments/income		(2,113)	(42,036)	(1,846)	(46,620)
Capital			31,318		22,418
Net cash outflow					
Net Cash Inflow Before Financing/Management of Liquid Resources			(40,798)		(76,525)
Net increase in short term investments			(27,801)		(4,955)
Net increase in long term investments			7,647		0
NNDR Adjustment			48,194		47,946
Council Tax Adjustment			(425)		3,968
FINANCING					
Cash Outflows					
Repayments of amounts borrowed		143,870		34,920	
Capital element of finance lease rental payments		979	144,849	1,947	36,867
Cash Inflows					
Long term loans raised		(60,000)			(10,000)
Short term loans raised		(68,500)	(128,500)		0
Increase in cash and cash equivalents			3,166		(2,698)

Notes to Group Accounts

1. RECONCILIATION OF REVENUE CASHFLOW

	Year ended 31st March 2010		Year ended 31st March 2009	
	£000's	£000's	£000's	£000's
General fund net surplus	(3,223)		(2,251)	
HRA Deficit	(1,484)		478	
Hillingdon Homes Ltd	(343)		6,234	
Collection Fund	(831)	(5,881)	(1,133)	3,328
Total Surplus				
Add items not resulting in cashflow				
Minimum revenue provision	(3,721)		(3,543)	
Voluntary Revenue Provision	(979)		(1,739)	
Contributions from reserves	3,209		71	
Provisions set aside in year	502		470	
Other non cash items	(8,925)	(9,914)	4,646	(95)
Movements in working capital				
Increase in creditors	5,780		(22,949)	
Decrease in stocks & work in progress	(5)		(14)	
Decrease in debtors	(3,986)		(14,983)	
Decrease in long term debtors	157	1,946	(250)	(38,196)
Items Classified elsewhere on Cashflow Statement				
Capital expenditure financed from revenue	(10,793)		(11,674)	
Lease Payments	(1,090)		(2,345)	
Capital Receipts in Respect of the Pool	290		1,349	
Deduct interest received	1,621		7,213	
Interest paid	(7,326)		(9,756)	
NNDR Receipts	(48,194)		(47,948)	
Council Tax Receipts	425	(65,067)	(3,968)	(67,129)
Revenue activities net cash flow		(78,916)		(102,092)

2. MOVEMENT OF FIXED ASSETS 2009/10

Operational Assets

	LBH Council Dwellings	LBH Other Land & Buildings	LBH Vehicles & Equipment	HH Vehicles & Equipment	LBH Infrastructure Assets	LBH Community Assets	Group Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Gross book value as at 1 April 2009	732,860	612,421	38,339	346	206,220	14,926	1,605,112
Additions	10,734	19,489	6,291	141	6,447	574	43,676
Disposals	(2,654)	(4,206)	(48)	0	0	0	(6,908)
Reclassifications	(151)	20,762	725	0	0	(1,313)	20,023
Revaluations	482	1,095	0	0	0	25	1,602
Impairments	(4,334)	(177,799)	0	0	0	(75)	(182,208)
Gross book value as at 31 March 2010	736,937	471,762	45,307	487	212,667	14,137	1,481,297
Depreciation							
Accumulated at 1 April 2009	(34,175)	(52,955)	(28,042)	(248)	(60,100)	0	(175,520)
Charge for 2008/09	(8,173)	(8,020)	(3,684)	(76)	(5,155)	0	(25,108)
Disposals	233	336	7	0	0	0	576
Reclassifications	(5)	5	(462)	0	0	0	(462)
Revaluations	58	45,191	0	0	0	0	45,249
Accumulated at 31 March 2010	(42,062)	(15,443)	(32,181)	(324)	(65,255)	0	(155,265)
Balance Sheet amount 1 April 2009	698,685	559,466	10,297	98	146,120	14,926	1,429,592
Balance Sheet amount 31 March 2010	694,875	456,319	13,126	163	147,412	14,137	1,326,032
Nature of asset holding							
Owned	694,875	453,124	12,414	163	147,412	14,137	1,322,125
Finance Lease	0	0	712	0	0	0	712
PFI	0	3,195	0	0	0	0	3,195
Balance Sheet amount 31 March 2010	694,875	456,319	13,126	163	147,412	14,137	1,326,032

Notes to Group Balance Sheet

Non-Operational Assets

	LBH Investment Properties	LBH Assets Under Construction	LBH Surplus Assets	Group Total
	£000's	£000's	£000's	£000's
Gross book value as at 1 April 2009	10,993	28,550	7,419	46,962
Additions	0	11,711	19	11,730
Disposals	0	0	(320)	(320)
Reclassifications	(4,550)	(19,979)	4,505	(20,024)
Revaluations	0	0	1,139	1,139
Impairments	0	0	(26)	(26)
Gross book value as at 31 March 2010	6,443	20,282	12,736	39,461
Depreciation				
Accumulated at 1 April 2009	0	0	(29)	(29)
Charge for 2009/10	0	0	(10)	(10)
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Revaluations	0	0	29	29
Accumulated at 31 March 2010	0	0	(10)	(10)
Balance Sheet amount 1 April 2009	10,993	28,550	7,390	46,933
Balance Sheet amount 31 March 2010	6,443	20,282	12,726	39,451
Nature of asset holding				
Owned	6,443	20,282	12,726	39,451
Balance Sheet amount 31 March 2010	6,443	20,282	12,726	39,451

3. DEBTORS

	At 31 March 2010 £000's	At 31 March 2009 £000's
Government departments	13,077	17,973
Other public bodies	2,172	1,240
Housing rents	4,310	5,076
Council taxpayers	9,089	9,057
Sundry debtors	24,846	21,904
Car & other loans	44	176
	53,538	55,426
Less: Provision for doubtful debts	(19,320)	(17,222)
	34,218	38,204

Notes to Group Balance Sheet

4. CREDITORS

	At 31 March 2010 £000's	At 31 March 2009 £000's
Government departments	21,251	23,851
Other public bodies	22,564	26,801
Sundry creditors	1,020	7,651
Non-domestic ratepayers	56,067	48,483
Council taxpayers & Collection Fund Deficit	3,501	3,397
	104,403	110,183

5. PROVISIONS

In addition to the Council's provisions detailed in Note 42, page 57, Hillingdon Homes Ltd has provided for insurance liabilities of £254k.

6. FUND BALANCES AND RESERVES

	At 31 March 2010 £000's	At 31 March 2009 £000's
General Fund :		
- Working balance	18,900	17,291
- Schools delegated funds	11,890	11,022
Earmarked Reserves		
- Parking fund	754	906
- New Road & Streetworks Act fund	190	190
- Elections	212	141
- Insurance Risk Management	33	0
- Imported Food Service	220	0
- Schools Earmarked Reserves	1,809	0
- Grant Funded Reserves	1,780	0
Housing Revenue Account	6,045	4,561
Hillingdon Homes	1,494	770
	43,327	34,881

Pension Fund Accounts

FUND ACCOUNT	Notes	Year Ended	Year Ended
		31 March 2010 £000's	31 March 2009 £000's
Contributions	3	29,758	27,202
Transfers In	4	4,057	3,983
Less: Benefits	5	(27,130)	(25,689)
Less: Leavers	6	(4,566)	(2,924)
Less: Administrative Expenses	7	(699)	(743)
Net Additions from dealings with members		1,420	1,829
Investment Income	8	11,066	15,239
Changes in market value of investments	9	136,635	(139,342)
Taxation (Irrecoverable Withholding Tax)		(171)	(196)
Investment Management Expenses	11	(2,090)	(2,145)
Net Return on Investments		145,440	(126,444)
Net Increase/Decrease in the fund during the year		146,860	(124,615)
Net Assets at start of year		417,430	542,045
Net Assets at end of year		564,290	417,430

NET ASSETS STATEMENT

		31 March 2010	31 March 2009
Investment Assets	9	563,820	419,824
Investment Liabilities	10	(1,611)	(2,575)
Current Assets	12	2,540	2,105
Current Liabilities	13	(459)	(1,924)
TOTAL NET ASSETS		564,290	417,430

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

Christopher Neale
 Director of Finance & Resources
 21 September 2010

Notes To Pension Fund Accounts

1. BASIS OF PREPARATION

The accounts have been prepared in accordance with the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and with the guidelines set out in the Financial Reports of Pension Schemes Statement of Recommended Practice (Revised May 2007).

2. ACCOUNTING POLICIES

- a) Accounts Preparation - The accounts have been prepared in accordance with the recommendations of the Chartered Institute of Public Finance and Accountancy and comply with both the Local Authority Accounting and Pension Statement of Recommended Practice.
- b) Accruals concept - Income and expenditure are recorded on an accruals basis, except for transfer values which are accounted on a cash basis.
- c) Valuation of assets - Equities and fixed income are valued at bid prices - where bid price is not available, the mid price is used. For pooled funds, if bid prices are provided by the fund administrators then these are used, if not usually the Net Asset Value is used. Private Equity is valued using the latest audited valuation from the Limited Partner/General Partner. This is adjusted for any capital calls/distributions that have taken place since the date of the statement.
- d) Foreign currency translation of assets and liabilities are converted into sterling at the closing middle rates of exchange in the net assets statement. Overseas income is converted at rates of exchange ruling when remitted.
- e) Acquisition costs of investments occur as brokerage commission when investments are purchased. They are recorded in the cost figure on an accruals basis.
- f) Investment management expenses are recorded at cost when the fund managers/custodian invoice the Council on a quarterly basis. Expenses are recorded on an accruals basis.
- g) Administration expenses recharged to the pension fund are monitored throughout the year in accordance with the budget and are charged to the pension fund at the end of the financial year.
- h) Interest on property developments - property is held in unit trusts for the pension fund, the return received is calculated in accordance with the unit price at the balance sheet date.
- i) Contributions - Contributions are accounted for in the period in which they fall due. Normal contributions received during the year have been in accordance with the rates and adjustments certificate.
- j) Benefits - are accounted for in the period in which they fall due. All benefits are calculated in accordance with the statutory regulations in force at the relevant benefit date.
- k) Transfers - Transfers are accounted for on a cash basis, as the amount payable or receivable by the scheme is not determined until payment is actually made and accepted by the recipient.
- l) Investment Income - Dividends from quoted securities are accrued when the securities are quoted ex-dividend. Interest on cash deposits are accrued on daily basis.

FUND OPERATION AND MEMBERSHIP

This defined benefit scheme is administered under the provisions of the Local Government Pension Scheme Administration Regulations 2008 and the Local Government Pension Scheme (Benefits, Contributions and Membership) Regulations 2007 to provide benefits for employees and former employees. The benefits include retirement allowances and pensions payable to former employees and to dependents. The scheme is administered locally by the Council through its pension fund, but the fund is a separate entity from the Council and its accounts and balance sheet are separate financial statements.

The fund is financed by contributions from the Council and its employees and by income from the fund's investments. The pension fund accounts do not take account of liabilities to pay pensions and other benefits in the future. The contributions from the Council and other participating employers are set through the triennial actuarial valuation at a rate sufficient to meet the long-term liabilities of the fund.

Notes To Pension Fund Accounts

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

Admitted Bodies:

Greenwich Leisure	Heathrow Travel Care
Dalkia Energy & Technical Services	Yes Dining
Hillingdon & Ealing Citizens Advice	Integrated Cleaning Management Ltd/Mitie
Look Ahead Housing and Care	

Scheduled Bodies:

Harefield Academy	Stockley Academy
Hillingdon Homes	Uxbridge College
London Housing Consortium	

As at 31 March 2010 there were 6,235 employees contributing to the fund, with 4,991 in receipt of benefit and 4,772 entitled to deferred benefits.

The pension fund investments are managed by seven fund managers: UBS Global Asset Management, Goldman Sachs Asset Management, SSgA, Capital International, Alliance Bernstein, Adam Street Partners and LGT Capital Partners. The performance of the fund managers is monitored by the Pensions Committee which consisted of the following members in 2009/10:

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

3. CONTRIBUTIONS

	31 March 2010 £000's	31 March 2009 £000's
Employers		
Normal	16,944	15,240
Deficit Funding	4,504	4,051
Employees		
Normal	8,173	7,783
Additional Contributions	137	128
	29,758	27,202

Deficit Funding:- At the last actuarial valuation (31 March 2007) the fund was 92% funded, with the remaining 8% deficit to be recovered over a period of 25 years with a common contribution rate of 17.8%.

4. TRANSFERS IN

	31 March 2010 £000's	31 March 2009 £000's
Group transfers in from other schemes	0	35
Individual transfers in from other schemes	4,057	3,948
	4,057	3,983

5. BENEFITS

	31 March 2010 £000's	31 March 2009 £000's
Pensions	22,025	20,623
Commutations and lump sum retirement benefits	4,602	4,645
Lump sum death benefits	503	421
	27,130	25,689

Notes To Pension Fund Accounts

6. LEAVERS

	31 March 2010 £000's	31 March 2009 £000's
Refunds of Contributions	7	4
State Scheme Premiums	2	1
Individual transfers out to other schemes	4,557	2,919
	4,566	2,924

7. ADMINISTRATIVE EXPENSES

	31 March 2010 £000's	31 March 2009 £000's
Administration and processing	573	650
Audit Fee	40	38
Actuarial fees	86	55
	699	743

8. INVESTMENT INCOME

	31 March 2010 £000's	31 March 2009 £000's
Interest from fixed interest securities	712	2,069
Dividends from equities	7,188	12,458
Income from index-linked securities	300	297
Income from pooled investment vehicles	1,515	2,254
Interest on cash deposits	42	487
Other (for example from stock lending or underwriting)	1,309	(2,326)
	11,066	15,239

9. INVESTMENT ASSETS

	Value at 1 April 2009	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 March 2010
Fixed interest securities	35,874	10,954	(50,503)	3,675	0
Equities	202,383	119,998	(193,455)	81,613	210,539
Index-linked securities	16,029	5,364	(3,503)	548	18,438
Pooled investment vehicles	144,774	164,182	(42,950)	50,799	316,805
	399,060	300,498	(290,411)	136,635	545,782
Other Investment balances	3,072				1,410
Fund Managers' Cash	17,692				16,628
Total Net Assets	419,824				563,820

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments.

Transaction costs are included in the cost of purchases and sale proceeds. These include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £644k (£648k in 2008/09). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

Notes To Pension Fund Accounts

9. INVESTMENT ASSETS (CONTINUED)

	31 March 2010 £000's	31 March 2009 £000's
Fixed Interest Securities		
UK Public Sector quoted	0	12,879
UK Corporate quoted	0	9,055
Overseas Public Sector quoted	0	2,176
Overseas Corporate quoted	0	11,764
	0	35,874
Equities		
UK quoted	154,142	103,495
Overseas quoted	56,397	98,888
	210,539	202,383
Index Linked Securities		
UK public sector quoted	18,438	15,645
UK corporate quoted	0	384
	18,438	16,029
Pooled Investment Vehicles		
UK Managed funds - other	194,355	15,000
UK Unit Trusts - other	0	61,317
UK Unit Trusts - property	41,612	30,181
Overseas Managed Funds - other	0	263
Overseas Unit Trusts - other	52,863	12,721
Private Equity	27,975	25,292
	316,805	144,774
Other Investment balances		
Forward Foreign Exchange Unrealised Loss	(336)	1
Amount due from Brokers	512	873
Outstanding dividend entitlements and recoverable withholding tax	1,234	2,198
	1,410	3,072
Cash deposits		
Sterling	16,628	17,692
	16,628	17,692

AVC Investments

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

10. INVESTMENT LIABILITIES

	31 March 2010 £000's	31 March 2009 £000's
Amount Outstanding to Brokers	1,599	2,575
Dutch Tax Reclaim Fee	12	0
	1,611	2,575

11. INVESTMENT MANAGEMENT EXPENSES

	31 March 2010 £000's	31 March 2009 £000's
Administration, management and custody	1,984	2,064
Performance measurement services	4	4
Other advisory fee	102	77
	2,090	2,145

Notes To Pension Fund Accounts

12. CURRENT ASSETS

	31 March 2010 £000's	31 March 2009 £000's
Employers' contributions due	187	152
Employees' contributions due	74	65
Debtor: London Borough of Hillingdon	61	0
Cash balances	2,218	1,888
	2,540	2,105

13. CURRENT LIABILITIES

	31 March 2010 £000's	31 March 2009 £000's
Accrued Expenses	419	663
Creditor: London Borough of Hillingdon	40	1,261
	459	1,924

14. ACTUARIAL POSITION

The Fund's actuary, Hymans Robertson, carried out the latest triennial actuarial valuation of the fund as at 31 March 2007. On the basis of the assumptions adopted, the valuation showed that the value of the fund represented 92% of the fund's accrued liabilities at the valuation date. The market value of the fund's assets at the valuation date, 31 March 2007, was £577,000k. The value of the deficit at that date was £50,000k.

The revised employers' contribution rates were effective from 1 April 2008 and were set to recover the deficiency over a period of 25 years. The total common contribution rate is 17.8% for the period of 1st April 2008 to 31 March 2011.

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

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

15. RELATED PARTY TRANSACTIONS

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

The London Borough of Hillingdon is a related party to the pension fund. The revenue contributions the Council has made into the pension fund are set out in note (3) to the Pension Fund accounts. The Council provides administration services for the pension fund. In 2009/10 a charge of £573k (£650k in 2008/2009) was made for these services.

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

16. SECURITIES LENDING ARRANGEMENTS

On the 12th December 2006 the London Borough of Hillingdon Pension Fund Committee agreed to engage Northern Trust Global Investments Limited to carry out Securities Lending. As at 31 March 2010, securities worth £26,425k were on loan by Northern Trust from our portfolio and collateral worth £27,879k was held within the pool including Hillingdon. In the same period, a net income of £163k was received.

17. STATEMENT OF INVESTMENT PRINCIPLES (SIP)

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

London Borough of Hillingdon

Annual Governance Statement 2009/10

1. Scope of Responsibility

The London Borough of Hillingdon is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The London Borough of Hillingdon also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The London Borough of Hillingdon is following a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework '*Delivering Good Governance in Local Government*'. This statement explains how the authority has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

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

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

The governance framework has been in place at the London Borough of Hillingdon for the year ended 31 March 2010 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

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

- 3.1. **The London Borough of Hillingdon's Constitution**, which sets out how the authority operates, how decisions are made, and the procedures that are followed to ensure that they are efficient, transparent and accountable to local people. The constitution is regularly reviewed at full Council meetings and also more comprehensively on an annual basis at each AGM.
- 3.2. Part 2 of the constitution outlines the **roles and responsibilities** of the Executive, Non-executive, Mayor, Overview and Scrutiny committees, Standards committee and officer functions. The governance arrangements for Hillingdon comprise:

- A structure of the Leader of the council, a Cabinet and Policy Overview and Scrutiny committees
 - A Corporate Management Team
 - An Operational Management Group
 - Senior Management Teams
 - The Audit Committee, led by an independent chairman
 - Standards Committee, led by an independent chairman
- 3.3. Part 2, article 7 of the Constitution sets out the '**Cabinet Scheme of Delegations**'. This governs the allocation of responsibilities and the discharge of executive functions by the Leader, the Cabinet and individual Cabinet members. In May 2010, the constitution was updated to reflect new leadership arrangements and to update delegations to the Leader and individual cabinet members allowing the decision-making process in Hillingdon to be more responsive to service needs and residents' aspirations. New delegations have also provided for better financial control in the current economic climate, in particular around the use of consultants, agency and temporary workers and contracts.
- 3.4. Part 3 of the Constitution sets out the '**Scheme of Delegations to Officers**'. This governs the responsibility allocated to officers of the London Borough of Hillingdon to perform the authority's activities on behalf of the executive. In May 2010, it was updated to provide additional delegated authority to officers, in particular on planning delegations to speed up and improve decision-making.
- 3.5. Part 5 of the Constitution sets out a formal '**Code of Conduct**' governing the behaviour and actions of all elected council members. Based on national guidelines, the code ensures that councillors conduct themselves appropriately to fulfil their duties and that any allegations of misconduct are investigated. There is also a separate Officers code, which applies to all employees and is part of their contract of employment. The authority has reviewed the code, updated guidance and communicated these requirements to officers.
- 3.6. **A members training programme** has been implemented to embed high standards of conduct and behaviour. All complaints against members of the council are handled by the Monitoring Officer and Standards Committee in accordance with the requirements of the Local Government and Public Involvement in Health Act 2007, the Standards Committee (in England) Regulations 2008 and guidance issued by the Standards Board for England. Following the elections in May 2010, a comprehensive induction and training programme took place for newly elected Councillors along with specific training on risk, scrutiny, planning and licensing rules.
- 3.7. **A Code of Corporate Governance** setting out the London Borough of Hillingdon's governance structure, decision making process and areas of responsibility. Originally adopted in 2002, the code has been updated to accurately reflect the authority's governance structure and corporate responsibilities. The revised code is founded on the fundamental principles of openness, integrity and accountability and sets out the policies, systems and procedures in place to achieve this.
- 3.8. **A Members 'Register of Interests'** that records the interests of elected members of the London Borough of Hillingdon. There is a separate register that members and officers are required to complete if they have an interest in a contract, which the authority has entered into.
- 3.9. **A Member / Officer Protocol** to govern and regulate the relationship between the London Borough of Hillingdon's elected members and appointed officers. This has been developed in consultation with the political leadership, all council members and officers.
- 3.10. **A formal whistle-blowing policy**, which is based on the Public Interest Disclosure Act 1998. The policy allows council staff and contractors working for the authority to raise complaints regarding any behaviour or activity within the authority, ranging from unlawful conduct to possible fraud or corruption. The Monitoring Officer has overall responsibility for maintaining and operating the policy, along with reporting on outcomes to the Standards Committee.
- 3.11. **The Council Plan 'Fast Forward to 2010'**, sets out the vision for the London Borough of Hillingdon and the key priorities for improving services for local residents, partners, businesses and visitors. This is a strategic planning document that records achievement against statutory and local targets and sets out

plans to improve our services. 2010 is the final year of the plan and a new plan reflecting the new administration's priorities will be produced for 2010/11 onwards.

- 3.12. **The Sustainable Community Strategy (SCS)** 2008-2018 sets out the Local Strategic Partnership aims and ambitions for the London Borough of Hillingdon over the next 10 years. The SCS is due to be reviewed and updated during 2011 to ensure it continues to reflect the changing circumstances of the borough.
- 3.13. **A Joint Strategic Needs Assessment (JSNA)** that outlines the current and future health and wellbeing needs of the population over the short-term (three to five year) and informs strategic and service planning and commissioning strategies. The JSNA was reviewed and updated in 2009 to reflect changes in data. The refreshed JSNA was agreed at the PCT board in December 2009 and at the Hillingdon Partners Executive in February 2010, and is available from the London Borough of Hillingdon website.
- 3.14. **The Local Strategic Partnership 'Hillingdon Partners'** and its theme groups have overall responsibility for delivering the commitments made in the SCS through the Local Area Agreement 2008-2011 (LAA), which sets out the "delivery plan" for achieving many of the SCS priorities.
- 3.15. The London Borough of Hillingdon has a **'Partnership Governance Framework & Toolkit'** in place, which sets out clear procedures for managing the broad range of council partnerships and gathering assurance on their systems of governance, accountability, risk, probity and audit. The framework allows consistent approaches to be applied for reviewing existing partnerships as well as considering new partnership arrangements. A partnerships register is in place to record information about each partnership and is updated annually, the last update being conducted in March 2010.
- 3.16. **An independent Audit Committee** that operates to oversee the financial reporting, provide an independent scrutiny of the financial and non-financial systems, and provide assurance on the effectiveness of risk management procedures and the control environment. The Audit Committee has been set up with terms of reference consistent with CIPFA's *'Audit Committees – Practical Guidance for Local Authorities 2005'*.
- 3.17. **The Performance Management Framework** is used to capture and report performance against Council Plan and SCS priorities, and LAA targets. Performance is monitored on a regular basis via Senior Management Teams and reported quarterly to the Operational Management Group, Corporate Management Team and Cabinet. A comprehensive report is provided to the LSP Executive on performance against the LAA targets. The LSP has introduced the Performance and Coordinating Group of data/performance leads across partnership to ensure that data sharing, performance management and needs analysis is consistent across the LSP.
- 3.18. **A Data Quality Strategy** is in place to establish a consistent standard across the authority and provides officers with a good basis on the issues surrounding data quality and its importance. In 2009/10 the strategy was updated to include a Data Quality Partnership Protocol to further embed data quality across the LSP. A series of workshops are being delivered regularly to further embed the importance of Data Quality, information, security and data protection across the authority.
- 3.19. **The Hillingdon Information Assurance Group (HIAG)** has produced a series of policies to conform to the ISO 27000 standard. In 2009/10 a review of HIAG has been undertaken to ensure policies work together across all business requirements. The group also oversees constant connection to the GSI network, which is refreshed annually.
- 3.20. The London Borough of Hillingdon operates a system to monitor legislative changes and ensure that the authority is fully compliant with laws and regulations.
- 3.21. **The Hillingdon Improvement Programme (HIP)** is the council-wide transformational programme delivering a range of performance, organisational, culture and process improvements. The programme is led by the Leader of the Council and the Deputy Chief Executive is the programme director. Cabinet members and directors are also responsible for specific parts of HIP. In 2009/10 a key HIP work-stream put in place was the **Business Improvement Delivery (BID)** programme to transform the way the

council operates and deliver the council's savings targets of £19 million for 2011-12 and more than £50 million over the next four years.

3.22. The London Borough of Hillingdon has established effective **risk management systems**, including:

- **A corporate risk management strategy** outlining the risk framework, roles, responsibilities and processes for capturing and reporting key corporate risks. Team, service and corporate risk registers enable the identification, quantification and treatment of risks against the authority's objectives. Group risk registers are regularly updated, reviewed by each Senior Management Team and the most significant risks are elevated to the Corporate Risk Register.
- **A Corporate Risk Management Group (CRMG)** reviews the corporate risk register on a quarterly basis and advises the Corporate Management Team and Cabinet on the significant risks. Twice annually, the risk reporting arrangements are reviewed and updated, if appropriate, by the Audit Committee. Where appropriate, the Medium Term Financial Forecast (MTFF) embraces the potential financial impact of significant risks.
- **A clearly defined process for the management of partnership risks** is outlined in the 'Partnerships Governance Framework and Toolkit'. The LSP has its own risk register, which is reviewed at the Performance & Co-ordinating Group (PCG) and reported to the LSP Executive.
- **A programme of risk management training for both council members and officers** to ensure the consistent practice of identifying and escalating risk. The authority is making good progress with introducing e-learning training for staff and newly elected members covering the basics of risk management.

3.23. The London Borough of Hillingdon has an **Anti-Fraud and Corruption Strategy** approved by members and communicated to all staff. It is underpinned by and refers to the full range of policies and procedures supporting corporate governance arrangements such as Codes of Conduct, Standing Orders, Register of interests and whistle-blowing. The authority has continued to deliver a series of fraud awareness training sessions for managers in 2009/10.

3.24. **The Committee Standing Orders** (Part 4B), Procurement & Contract Standing Orders (Part 4H) & Scheme of Delegation to Officers (Part 3) are incorporated in the Constitution and reviewed annually. The Scheme of delegation specific to each directorate is available on the Hillingdon's internal web pages. In 2009/10 these schemes have been reviewed and updated accordingly. Committee Standing Orders and Procurement Standing Orders were also updated in May 2010.

3.25. The London Borough of Hillingdon operates a sound system of **service, financial and annual budget planning**. This includes budget monitoring and a Medium Term Financial Forecast (MTFF) process and runs from the preceding summer to February with a robust challenge process involving members, the Director of Finance & Resources and Corporate Directors. Monthly reports on key financial health indicators are produced and communicated through the finance management team.

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

- A **Member Development Service** that supports Councillors to access a range of training and development information. This includes a personal development toolkit given out to all members and a knowledge library. The toolkit supports personal development of each Member and suggests competencies which will help Members identify their learning and development needs and if a need is identified the appropriate training is then organised. The service also covers the roles and responsibilities of elected members and guidance on standards and ethics. This service has been enhanced since the Council elections in May 2010.
- Officers and senior managers are able to access and complete a wide range of learning and development opportunities through the internal Learning & Development pages on 'Horizon'. This includes induction programmes, e-learning packages, NVQ qualifications and a range of other staff

development courses. In addition, the council offers Institute of Leadership and Management (ILM) accredited management awards and has established the Hillingdon Academy to develop the council's future leaders. The Council also offers staff the opportunity to achieve professional qualifications and meet their continuing professional development (CPD) requirements.

- The **Performance and Development Appraisal (PADA)** process is completed by all officers and senior managers. This records employee's key objectives and tasks, sets targets for when these must be delivered and identifies staff learning and development needs. There are competency frameworks for staff, managers, senior officers and Directors, with descriptors outlining the performance that is expected at each level. Performance reviews are completed on a bi-annual basis against the relevant competency framework and PADA guidance is available to support both staff and managers through the process.

3.27. **The Consultation Strategy** establishes the London Borough of Hillingdon's approach for building a strong relationship with residents, visitors and business throughout the borough. The strategy sets out the commitment to engage, consult and respond to the views and priorities of all communities. At the highest level, the strategy supports and informs corporate intelligence and policy, and decision making including commissioning and procurement of services.

3.28. Residents can get involved in how the Council is run by attending full Council meetings and Council 'Question Time' events, registering as a 'Street Champion', providing evidence to Overview and Scrutiny Committees, and exercising their right to petition. The authority also conducts an Annual Resident's Survey to ask residents for their views on key council services. In 2009/10 a total of 265 petitions were submitted by residents - 107 Cabinet Member petitions and 158 Planning and Committee petitions.

4. Review of Effectiveness

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

Overall the review of effectiveness concluded that the internal control systems have been in place for the financial year ended 31 March 2010 and, except for the internal control issues detailed in section 5, management and control systems are operating effectively in accordance with good practice.

This review took into consideration the arm's length management organisation, Hillingdon Homes Ltd, which reported no significant control issues for the year ended 31 March 2010. On the 18 February 2010 the decision was made to transfer control of housing management to the authority. The plans, which were endorsed by tenants and lease holders following a consultation, are expected to be completed by 1 October 2010.

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

- 4.1. A comprehensive annual programme of scrutiny and review by the Policy Overview and scrutiny Committees and the Audit Committee.
- 4.2. The role and responsibilities of the Chief Financial Officer, detailed in the Code of Corporate Governance, as a key member of the leadership team actively involved in all material business decisions to safeguard public money and sound financial management on behalf of the authority.
- 4.3. The work of the external auditors as reported in their annual audit letter.
- 4.4. The work of Internal Audit service, which develops its annual work plan after an assessment of risk. The Head of Audit reported regularly during the year to both the Corporate Management Team and the Audit Committee and has provided a satisfactory level of assurance on the internal control environment in 2009/10.

- 4.5. Internal control assurance statements were received from all Service Directors and Heads of Service covering the financial year 2009/10. Statements provide confirmation that the control environment is operating effectively to safeguard the delivery of services and that any significant control issues have been raised and are being dealt with appropriately.
- 4.6. The London Borough of Hillingdon has continued to maintain effective financial management throughout the financial year, with unallocated reserves increasing to £17.7 million as at 31 March 2010. The Audit Committee reviewed the Council's updated balances and reserves statement at its meeting in March 2010.
- 4.7. The London Borough of Hillingdon has a clear commitment to a capable, fit for purpose and sustainable procurement function. Corporate Procurement, working with individual Directorate Teams, set priorities in the Procurement Delivery Plan. On a monthly basis Contract Review Boards are held with Directorate Senior Management Teams to manage delivery of the plan, ensure priorities are correct and report outcomes of procurement activity.
- 4.8. The Council has made good progress in improving services that residents say are their priorities. During the 2009 Comprehensive Area Assessment (CAA) the London Borough of Hillingdon was recognised as 'performing well'.
- 4.9. The work of managers is vital, particularly through their implementation of performance management to ensure that each area achieves its targets in service delivery, financial control, and good governance. Approximately 97% of council plan targets have been completed or are on target to be completed within the timescales identified.
- 4.10. Throughout 2009/10 the London Borough of Hillingdon has made substantial progress to implement new procedures and protocols and strengthen existing governance arrangements. This includes:
- A review of the Council's Constitution
 - Implementation of a Data Quality Partnership Protocol
 - Development of a risk management e-learning package
 - A series of fraud awareness training sessions for managers
 - A review of the gifts and hospitality policy

5. Significant Governance Issues

The London Borough of Hillingdon has implemented a range of improvement actions to strengthen governance arrangements and control systems. Substantial progress has been made throughout the year to review and resolve the internal control issues reported in the Annual Governance Statement 2008/09 and the authority is satisfied that the following items have been resolved:

- Fleet Management compliance
- Software problems within the HR system
- Procurement processes within Hillingdon Grid for Learning

Following a review of the effectiveness of the system of internal control the following governance issues have been identified in 2009/10:

- 5.1. Some schools received Limited Assurance audit reports in-year but all had successfully achieved Financial Management Standards in Schools (FMSiS) by the year-end. To strengthen general support to schools the Education Finance team will be restructured early in 2010/11.
- 5.2. Whilst the council has a wider energy management strategy, there is not yet a specific strategy in place to measure and reduce water usage within the council. A strategy will be developed in 2010/11.

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

In addition, the authority will monitor the delivery of significant projects or programmes in 2010/11 to ensure effective governance and risk management systems are maintained. This will include:

- Transferring the control of housing management back to authority; and
- Delivery of the council's transformation programme Business Improvement Delivery (BID).

Hugh Dunnachie
Chief Executive

Signature.....

Date.....

Cllr Ray Puddifoot
Leader of the Council

Signature.....

Date.....

Unaudited

Glossary of Terms

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

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

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

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

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

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

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

BALANCES - Unallocated reserves held to resource unpredictable expenditure demands.

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

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

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

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

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

CIPFA - The Chartered Institute of Public Finance and Accountancy is the professional accounting body that specialises in the public services.

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

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

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

CONTINGENT LIABILITY - A contingent liability is either:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

OPERATING LEASE – A lease under which the asset can never become the property of the lessee.

OUTTURN - Actual income and expenditure for a financial year.

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

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

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

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

PRECEPT - The charge made by one authority on another to finance its net expenditure.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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