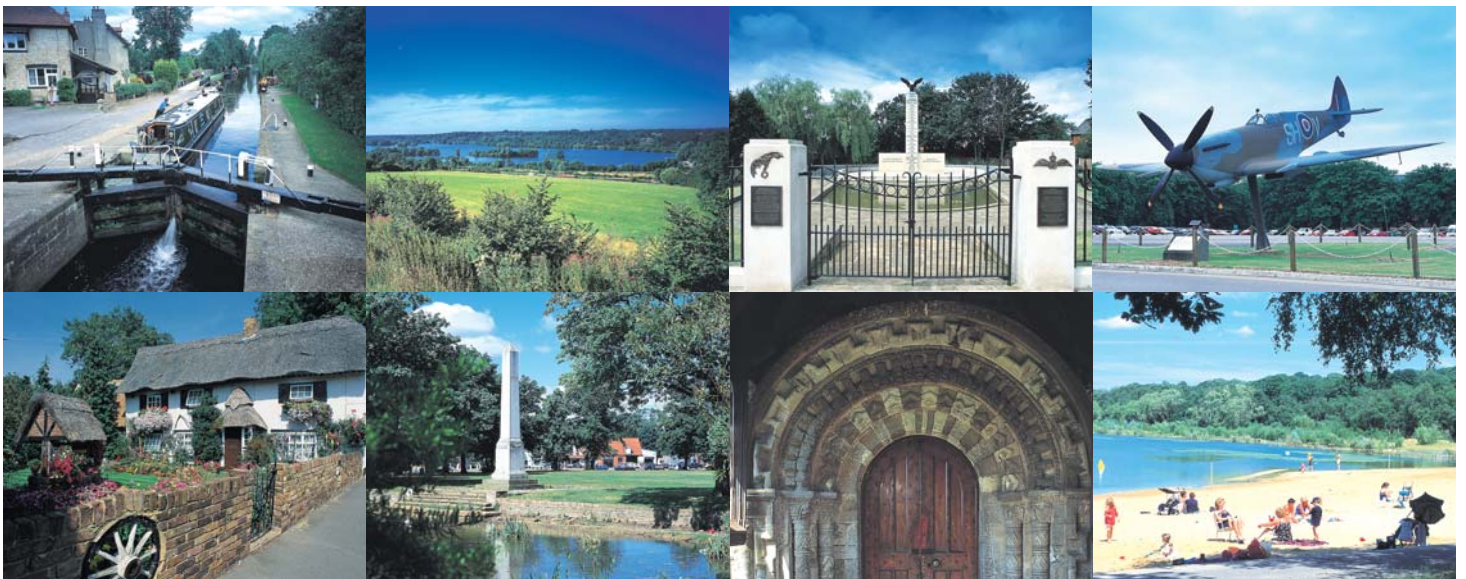


Hillingdon Council

Statement *of* accounts



2002 - 2003



Contents

	<i>Page</i>
<i>Explanatory Foreword</i>	<i>1</i>
<i>Audit Certificate and Opinion</i>	<i>5</i>
<i>Accounting Policies</i>	<i>6</i>
<i>Statement of Responsibility</i>	<i>9</i>
<i>Statement on Internal Control</i>	<i>10</i>
<i>Consolidated Revenue Account</i>	<i>11</i>
<i>Consolidated Balance Sheet</i>	<i>19</i>
<i>Statement of Total Movement in Reserves</i>	<i>30</i>
<i>Cash Flow Statement</i>	<i>33</i>
<i>Housing Revenue Account</i>	<i>37</i>
<i>Collection Fund</i>	<i>41</i>
<i>Pension Fund Accounts</i>	<i>44</i>
<i>Glossary</i>	<i>50</i>

Statement of Accounts 2002/3

Welcome to the London Borough of Hillingdon's Statement of Accounts for the financial year 2002/03. The Statement sets out the financial position of the Council and details how we have spent your money.

2002/03 has been another year of progress and achievement for Hillingdon. The implementation of a new financial management system, work being done to restructure and modernise the Council's budget process, and the appointment of a Director of Finance, have all had a positive impact on our financial position. Improved balances and a healthy contingency provision demonstrate this.

As well as improving the financial position of the Council we have also invested in and improved the services we provide. These include for example:

- the expansion of household waste recycling;
- extended library hours and more money for library books and IT equipment
- improvements in the performance of our planning services
- increased spending on education.

All of this has been achieved in the context of major challenges facing the borough. Last year saw the introduction of the Cabinet system replacing the old committee structures that had been in place for over 100 years. This has led to quicker and more effective decision-taking at all levels of the organisation.

In addition, last year saw the introduction of the new system of Comprehensive Performance Assessment whereby councils were ranked according to how well we ran the council and provided services. Hillingdon was rated as 'fair' which nationally places the Council in the middle of the five possible categories ranging from poor to excellent. The 'fair' assessment recognised that many of our services – particularly our benefits service, children's service and education are of high quality but it also demonstrated that there are areas where we need to improve. It is our intention to continue the steady rate of improvement to date so that we become a 'good' or 'excellent' council.

The year ahead will bring new challenges. The Public Service Agreement (PSA) we are finalising with Government offers the prospect of £6 million to the residents of Hillingdon if we meet the targets set. This, as with much of what we do, will require us to work increasingly with our partners in the police, health and the voluntary sector.

The real improvements achieved this year in our financial position will provide a solid foundation for the council to move forward to meet the challenges facing us and to continue to improve.

Councillor Ray Puddifoot
Leader of the Council

Explanatory Foreword

1. Introduction

The annual accounts of the London Borough of Hillingdon for the year ended 31st March 2003 are set out on the following pages. The various statements include, where relevant, comparative figures relating to the previous financial year and supporting notes.

The various financial statements that follow are prepared on an accrual 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. They summarise the overall financial position of the Council. Further details of these requirements are described in the Statement of Accounting Policies.

This year Financial Reporting Standard 18 Accounting Policies has been introduced which replaces SSAP2 Disclosure of Accounting Policies. FRS18 sets out the principles to be followed in selecting accounting policies and the disclosures needed to help users understand the accounting policies adopted and how they have been implemented. The Council has adopted FRS18 during the preparation of its accounts.

Financial Statements

The various financial statements that follow are prepared on an accrual 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 described in the Statement of Accounting Policies. They summarise the overall financial position of the council and in particular include the following:

Consolidated Revenue Account (page 11)

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 the local taxpayers and government grants.

The Housing Revenue Account (page 37)

The Council has a statutory duty to maintain a separate revenue account for the provision of Council housing. The account shows the expenditure on housing and how this has been financed by rents, government subsidies and other income.

Consolidated Balance Sheet (page 19)

This sets out the assets and liabilities of the Council as at the 31st March 2003, but excludes the assets and liabilities of the Pension and Trust Funds.

Statement of Total Movement in Reserves (page 30)

This statement brings together all the recognised gains and losses of the authority during the period and identifies those that have and have not been recognised in the consolidated revenue account. The statement separates the movements between revenue and capital reserves.

Cash Flow Statement (page 33)

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.

The Collection Fund (page 41)

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.

Pension Fund (page 44)

This Fund is not included within the Council's Consolidated Balance Sheet, but is maintained separately. It provides for pensions and other benefits to Council employees, excluding teachers who have a separate national scheme.

2. Revenue Budget 2002/03

Hillingdon's net expenditure budget for 2002/03 was set at £243.5m which was a 1.5% increase on the previous year. The budget included a £0.3m addition to the Council's general reserves.

The actual outturn for the year was £243.1m, which when compared to the budget excluding the planned addition to balances, £243.2m, showed an underspend of £0.125m (0.05%). The main variances were as follows:-

Education, Youth and Leisure

* Higher expenditure on nursery education due to the absence of anticipated central government funding, +£0.6m. (This was contained through underspendings in other parts of the service).

Social Services

- Increased costs of Children & Family services +£1.4m
- Increased claim for reimbursement of Asylum Seeker support costs -£1.4m
- Increased income on Older Persons Residential services -£0.2m
- Increased costs of Physical and Sensory Disability services +£0.3m
- Additional growth and higher costs on Learning Disabilities +£0.4m
- Higher demand for Mental Health services +£0.7m
- Offset by savings on support and other services -£1.2m

The overall position for the year resulted in the General Fund usable balances decreasing from a £4.5m surplus at the beginning of the year to a £3.6m surplus at the end of the year.

Chart 1 shows the distribution of 2002/2003 net expenditure between the different services the Council provides.

Chart 1 - Net Expenditure on Council Services

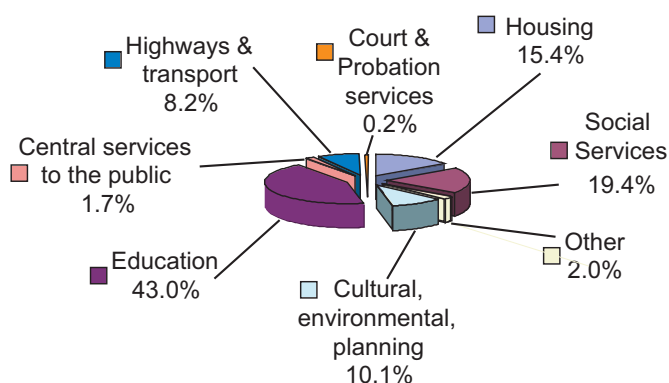
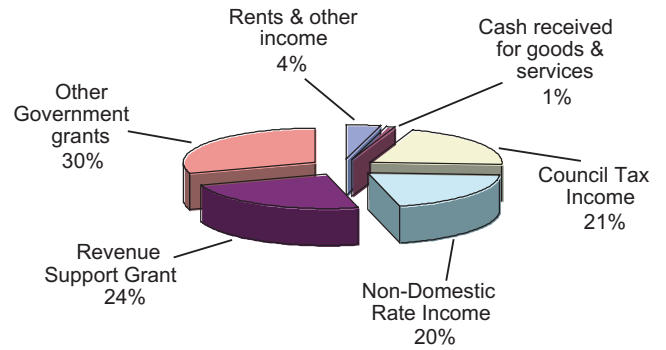


Chart 2 shows the source of the Council's Revenue Income.

Chart 2 - Source of Council's Revenue Income



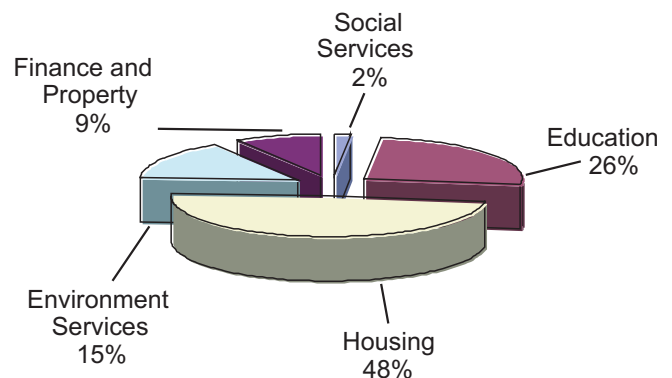
3. Capital Expenditure & Financing

Capital Investment for the year totalled £39.8m (page 21). Capital receipts in the year (page 32) amounted to £29.0m, of which £12.4m had to be set aside to repay debt. The remaining £16.6m was added to balances brought forward and £18.3m was applied to funding in year (includes government grants of £10.6m and receipts of £7.6m).

Long-term debt outstanding decreased during the year by £14.4m to £74.5m (page 24). The main source of borrowing is the Public Works Loan Board (£69.0m).

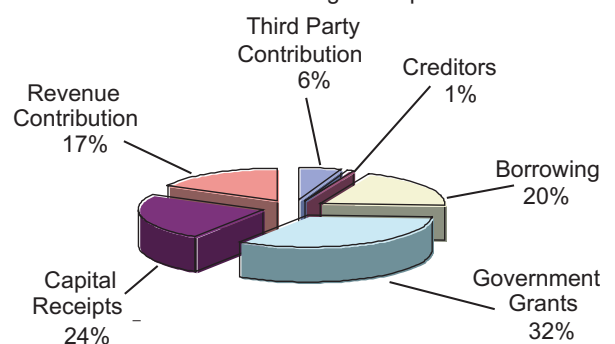
Chart 3 shows the breakdown of the total capital expenditure £39.8m for 2002/03 split between service areas.

Chart 3 - Capital Expenditure 2002/03



The major sources of financing for Capital Expenditure is shown in chart 4.

Chart 4 - Sources of Financing for Capital 2002/03



4. *Collection Fund* (page 41)

Income from Taxpayers amounted to £92.8m which includes £12.2m in respect of Council Tax benefits. Business rate income collectable to be paid over to the national pool amounted to £230.7m. At the end of the year the Fund had a surplus of £0.014m relating to prior year Community Charges that will be transferred to the General Fund in future years, and a deficit of £0.32m relating to Council Tax that will be distributed in subsequent financial years to the Council and other preceptors, in proportion to the value of the respective demands on the Collection Fund.

5. *Balances* (page 30)

Excluding earmarked balances, the General Fund balance at 31st March 2003 is now £3.6m, a decrease of £0.9m on the previous year. A further £4.3m balances are earmarked as schools delegated funds. The statutory Parking earmarked balance is now £1.2m a decrease of £0.2k on last year. In terms of the General Fund useable balances £0.425m was added during the course of the year, this being the £0.3m budgeted addition to balances plus the £0.125m underspend.

At the end of 2002/03 a provision of £2.948m has been provided for an Insurance Reserve, partly from unspent contingency (£1.182m), partly from base budget provision (£0.463m) and partly from applying useable General Fund balances (£1.303m). This complies with proper accounting practice.

6. *Accounting for Pensions*

The Council is required to adopt FRS17 Retirement Benefits on a phased basis. In line with the Code of Practice on Local Authority Accounting a note to the Consolidated Balance Sheet has been included for 2002/03 disclosing the authority's net liability in relation to retirement benefits (see note 22 page 28). This shows that as at 31 March 2003 there was a net deficit of £133.8m on the London Borough of Hillingdon Pension Fund and a net deficit of £0.7m on Hillingdon's share of the London Pensions Fund Authority Pension Fund. Further information on London Borough of Hillingdon's Pension Fund is shown in the Pension Fund (pages 44 to 49) and note 5 to the Revenue Account (page 14).

Until the full adoption of FRS17, not currently planned until 2003/04, any net asset/liability does not have to be recognised in either the Consolidated Revenue Account or the Balance Sheet.

7. *PFI Deal*

In December 1998 the Council entered into a 25 year PFI arrangement for the provision of a Community High School. Further details are given in Note 13 to the Consolidated Revenue Account.

8. *Future Prospects*

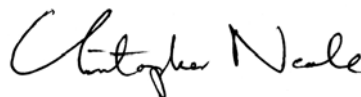
The final budget requirement for 2003/04 was set at £269.8m, which includes a contribution of £1.0m to balances and contains a contingency provision of £2.1m. This was an actual increase of 10.8% on 2002/03. Offsetting this is an increase in government grant of £16.367m, a 9.9% increase, in cash terms, from 2002/3. This increase however is not a meaningful comparison on 2002/03 because the new Formula Grant includes sums that were previously received as specific grants in addition to the Revenue Support Grant. This has resulted in an increase in Council Tax of 10.3%.

The 2003/04 budget contains growth of £17.7m and savings of £3.4m. Major items of additional expenditure agreed in the 2003/04 budget were:

- Requirement for schools to achieve the passporting objective £10.7m
- Funding to cover delayed discharges of residential placements, £1.0m
- Provision for loss of specific grants in Social Services, £1.9m
- General provision for increase in Environmental Services, £0.9m
- Increase in members allowances, £0.7m.

The Council has set up an Arms Length Management Organisation (ALMO) to manage its Housing Stock.

The ALMO started trading on 1st May 2003 under the name of Hillingdon Homes Ltd.



Christopher Neale
Director of Finance

22nd December 2003

Independent auditor's report to the London Borough of Hillingdon

We have audited the financial statements on pages 6 to 8 and 11 to 43 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 6 to 8 and the Pension Fund accounts, on pages 45 to 48, which have been prepared in accordance with the accounting policies applicable to pension funds set out on page 46.

This report is made solely to the London Borough of Hillingdon in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective responsibilities of the Chief Financial Officer and auditor

As described on page 9, the Chief Financial Officer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice of Local Authority Accounting in the United Kingdom 2002. Our responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

We report to you our opinion as to whether the financial statements present fairly:

- the financial position of the Council and its income and expenditure for the year
- the financial transactions of its Pension Fund during the year and the amount and disposition of the Fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

We review whether the statement on page 10 reflects compliance with the requirements of the Statement of Recommended Practice of Local Authority Accounting in the United Kingdom 2002. We report if it does not meet the requirements specified by CIPFA/LASAAC or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Council's system of internal control. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Opinion


In our opinion, the financial statements present fairly the financial position of the London Borough of Hillingdon as at 31 March 2003 and its income and expenditure for the year then ended.

Opinion on the pension fund accounts

In our opinion, the financial statements present fairly the financial transactions of the London Borough of Hillingdon Pension Fund during the year ended 31 March 2003, and the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Certificate

We have carried out the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. The audit cannot be formally concluded and an audit certificate issued until an objection made to an earlier year of account by a local government elector has been heard and decided. We are satisfied that the amounts involved do not have a material effect on the financial statements.



Martin Searle, Audit Manager

Audit Commission
4th Floor, Millbank Tower
Millbank, London, SW1P 4QP

24 December 2003

Statement of Accounting Policies

1. General

The Accounts have been prepared in accordance with:

- The 2002 Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA),
- CIPFA guidance notes on those statements of standard accounting practice (SSAPs) relevant to local authorities.

They comply therefore with “proper accounting practice” under the terms of the Local Government and Housing Act 1989.

This year FRS18 Accounting Policies has been introduced which replaces SSAP2 Disclosure of Accounting Policies. The Council has adopted this policy during the preparation of its Accounts.

2. Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the authority and the services it provides, 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.

Fixed assets are 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 and net realisable value,
- 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 and net realisable value. In the case of investment properties this is normally open market value. In some cases where a Depreciated Replacement Cost 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 historic costs supplied by the Service Departments of the authority.

For expediency, a de minimus value of £10,000 was generally adopted for the valuations. Sources of information and assumptions made in producing the various valuations are set out in the valuation report.

Any surpluses arising on the revaluation of fixed assets are credited to the Fixed Asset Restatement Reserve. 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.

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 in the asset management account and the service revenue account. Impairments resulting from a general fall in prices will be recognised in the Fixed Asset Restatement Reserve.

Where assets are acquired under finance leases, these are also capitalised in the authority's accounts, on the basis of the finance lease together with the liability to pay future rentals. Finance costs, including interest payable on finance leases, are charged to the asset management revenue account.

3. Capital Receipts

Income from the disposal of fixed assets is accounted on an accruals basis.

Capital Receipts from the disposal of assets have a restricted application because of capital control regulations issued by the government. A specified proportion needs to be set aside, as a Provision for Credit Liabilities, to repay loan debt. Such income that is not set aside for the repayment of external loans, and has not been used to finance capital expenditure, is included in the balance sheet as Useable Capital Receipts.

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.

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.

4. Depreciation

Depreciation is provided 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 & non-operational investment properties according to the following policy:

- newly acquired assets are depreciated in the year of acquisition, although assets in the course of construction are not depreciated until they are brought into use,
- depreciation is calculated using the straight-line method.

5. Charges to Revenue

General Fund service revenue accounts, central support services and statutory trading accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values (currently 6%). The notional interest rate is set annually by CIPFA. The aggregate charge to individual services is determined on the basis of the capital employed in each service.

The total of capital charges charged to services are credited to the asset management revenue account. This ensures that capital charges have a neutral impact on the amounts required to be raised from local taxation.

Following the introduction of Resource Accounting for the Housing Revenue Account (HRA) from 2002/03 the HRA is also charged depreciation and a capital financing charge. The capital financing charge is credited to the HRA asset management account so the final capital charge made to the HRA remains in accordance with the statutory determination for the year.

Amounts are set aside from revenue for the repayment of external loans, to finance capital expenditure, or as transfers to other earmarked reserves. These are disclosed separately as appropriations on the face of the consolidated revenue account, below net operating expenditure.

Regulations issued in August 2000 allowed premiums to be treated as a charge against an authority's statutory provision for credit liabilities. In 2002/03 Hillingdon incurred premiums of £1.2m in redeeming loans.

In line with CIPFA guidance this has been written off as a loss on the early settlement of borrowing (page 12). An equivalent sum was credited to the Consolidated Revenue Account as an appropriation from the Capital Financing Reserve (see page 32), and the authority's credit ceiling has been increased in compliance with the Government's new regulations.

6. Deferred Charges

Deferred charges represent expenditure which may properly be capitalised, but which does not represent tangible fixed assets. Deferred charges are amortised to revenue over a period reflecting the benefit gained by services from the expenditure. Following a review of amortisation periods in 2002/03 the period for writing back Housing Association Grants has been reduced from 25 years to 5 years.

7. Leasing

The Council has 3 finance leases with the Ealing Family Housing Association for 102 dwellings. Further details are provided in Note 21 to the Consolidated Balance Sheet. The Council has acquired vehicles and plant under an operating lease.

8. Long Term Contracts

The Council has entered into two long-term contracts for the provision of older peoples' residential and nursing care. In addition the Council has one Private Finance Initiative contract to build and facilities manage the Barnhill Community High School. Further details of these contracts are provided in Note 13 to the Consolidated Revenue Account.

9. Debtors and Creditors

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice and FRS18. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

10. Grants

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 2003. The final claims for grants included in the accounts are subject to audit, which is currently ongoing.

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the government grants-deferred account. Amounts are released to the asset management revenue account over the useful economic life of the asset to match the depreciation charged on the asset to which it relates.

11. 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.

12 Costs of Support Services

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

- Central department costs (Finance, Chief Executive, Solicitors, Property Services) are apportioned on the basis of time spent by staff in support of services.
- Administrative Buildings are apportioned on the basis of area occupied.
- Computer Services are apportioned on the basis of the estimated use by services of these facilities.

13. 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 will cover events likely to occur but uncertain as to the actual sums involved or the event date whilst reserves cover sums set aside for other purposes falling outside this definition.

The Fixed Asset Restatement Reserve represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.

The Capital Financing Reserve represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

The Useable Capital Receipts Reserve includes capital receipts that have not yet been used to finance capital expenditure or to repay debt.

The Major Repairs Reserve is a requirement of the HRA resource accounting and would hold depreciation charged to the HRA in excess of the major repairs allowance.

14. Pensions

The Council provides for the future payment of pensions and other benefits to its employees by making contributions into the authority's Pension Fund. The cost of inflation awards to pensioners of the Fund (Pension Increase Act payments) is met by the Fund. Pensions for teachers are provided through a separate scheme operated by Central Government. The Annual Report and Accounts of the Pension Fund are shown on Pages 44 to 49.

15. Investments

Investments are shown in the Consolidated Balance Sheet at cost, but market values are shown in the supporting notes.

16. Redemption of Debt

The policy on debt redemption is to maintain fairly stable fallout of debt required to be refinanced each year. To achieve this a target has been set that the maximum debt to fallout 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.

The majority of the debt held by the authority is distinguishable into two types:

- (a) Maturity loans where the principal is repaid in full on the date the loan matures. In the interim, interest payments are made every six months.
- (b) LOBO (lender's option, borrower's option) Loans where the principal is borrowed at a fixed rate of interest for a specified period of time, after which the lender has the option to change the rate of interest and the borrower has the option to continue with the loan at the new rate or the principal is repaid in full before the maturity date. 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.

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

Statement of Responsibilities for the Statement of Accounts

1. The Authority's Responsibilities

The authority 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 authority that officer is the Chief Finance Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

2. The Chief Finance Officer's Responsibilities

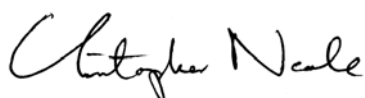
The Chief Finance Officer is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2003.

In preparing this statement of accounts the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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



Christopher Neale
Director of Finance
22nd DECEMBER 2003

Statement on internal control

The Director of Finance is responsible for the proper financial administration within the Council and part of this includes responsibility for maintaining a sound system of internal control that supports the achievement of the Council's objectives and for reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve these objectives and can therefore only provide a reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing risk management process designed to identify the principal risks to the achievement of the Council's objectives; to evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically. The system of internal control is underpinned by an assurance framework which includes the following elements;

- Local Code of Corporate Governance
- Standing Orders and Financial Regulations
- Internal Audit
- Risk Management

The Council adopted a Local Code of Corporate Governance in October 2002. The Council's adherence to this Code was reviewed by Senior Management in July 2003 and the evidence for this review is currently the subject of audit by Internal Audit.

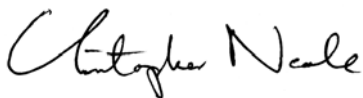
The Council's introduced a new constitution in May 2002. This new constitution introduced financial rules that the Council should follow covering financial management, financial planning, risk management and control of resources, systems and procedures and external arrangements. The more detailed financial regulations that underpin these financial rules have also been updated.

One of the roles of the Internal Audit Service is to review, appraise and report on the soundness, adequacy and application of internal controls. The opinion in the 2002/03 annual report from Internal Audit states that 'the Council's systems contain a satisfactory level of control and are generally being operated properly'. The opinion also stated that there are still areas of the authority where internal controls are weak but these were not considered significant.

The Council has adopted a risk management policy. During the last year the process of developing and continually reviewing a comprehensive risk register has been developed. These risks are subject to review by the Council's Management Board. The Council has also started a program of risk management training and has developed a risk management manual.

The Director of Finance has responsibility for reviewing the effectiveness of the system of internal control. This review has taken account of the work of senior management who have responsibility for the development and maintenance of the assurance framework. The Director of Finance has also taken account of comments made by external auditors and other review bodies in their reports.

Considerable progress has been made over the last year in introducing an assurance framework to help evidence internal control. This framework is still being finalised and will be fully embedded during 2003-04 to provide the necessary evidence of an effective system of internal control.



Christopher Neale
Director Of Finance

Date 22nd December 2003

Consolidated Revenue Account

This account shows the expenditure and the income relating to all the services provided by the Council, including the Housing Revenue Account. It then shows how the net cost of these services has been financed by government grants and income from local taxpayers.



Spitfire, RAF Uxbridge

Consolidated Revenue Account

Notes	Year ended 31 March 2003		Net Expenditure £000's	Year ended 31 March 2002		Net Expenditure £000's
	Expenditure £000's	Income £000's		Expenditure £000's	Income £000's	
Central services to the public	19,562	14,107	5,455	18,078	13,088	4,990
Cultural, environmental and planning services	46,107	13,666	32,441	40,345	10,864	29,481
Education services	181,688	43,671	138,017	170,289	31,902	138,387
Highways, roads and transport services	36,569	10,196	26,373	32,939	7,219	25,720
Housing services	163,738	113,090	50,648	141,205	104,493	36,712
Social services	109,079	46,966	62,113	98,160	40,592	57,568
Court services	584	0	584	506	0	506
Probation services			0	0	16	(16)
Corporate and democratic core	4,836	0	4,836	3,502	0	3,502
Unapportionable central overheads	7,769	6,212	1,557	2,937	1,116	1,821
Net cost of services	569,932	247,908	322,024	507,961	209,290	298,671
Precepts and levies	311		311	320	0	320
Contribution to council tax benefit subsidy			0	0	37	37
Net surplus on trading undertakings	1 9,273	9,292	(19)	8,963	9,024	(61)
Asset Management Revenue Account	3	72,805	(72,805)	0	61,968	(61,968)
Losses on repurchase/early settlement of borrowing	1,207		1,207	1,499	0	1,499
Interest and investment income	2	1,310	(1,310)	0	1,116	(1,116)
Net operating expenditure	580,723	331,315	249,408	518,780	281,398	237,382
Surplus of HRA transferred to HRA balances			2,512			4,346
Contribution to other earmarked reserves (includes Insurance Reserve)			2,758			(58)
Contribution to Capital Financing Reserves			(8,910)			(8,007)
Amount to be met from government grants & local taxpayers			245,768			233,663
Finances by:						
Council Tax Income			(77,842)			(72,908)
Non-Domestic Rate Income			(75,745)			(68,772)
Revenue Support Grant			(89,936)			(98,156)
Income from general grants & local taxpayers			(243,523)			(239,836)
Deficit/(surplus) for the year			2,245			(6,173)
Balance at beginning of the year			(10,150)			(3,977)
Balance at end or year			(7,905)			(10,150)
General Fund Balance excluding school budgets			(3,645)			(4,476)
General Fund Balance attributable to school budgets			(4,260)			(5,674)

Notes to Consolidated Revenue Account

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	2002/03	Expenditure	Income	2001/02
	£000's	£000's	(Surplus)/Deficit £000's	£000's	(Surplus)/Deficit £000's	£000's
Fleet Management	2,459	2,458	1	2,288	2,410	(122)
Passenger Services	2,258	2,258	0	2,221	2,250	(29)
Engineering Consultancy	1,150	1,199	(49)	1,174	1,190	(16)
Harlington Road Depot Canteen	1,038	1,025	13	1,016	921	95
Building Cleaning	876	898	(22)	864	883	(19)
Property Consultancy	1,492	1,454	38	1,400	1,370	30
	9,273	9,292	(19)	8,963	9,024	(61)

In addition the following trading services are included in the relevant service heading in the Consolidated Revenue Account under Best Value guidance.

Other trading services

Industrial Estates	329	372	(43)	290	265	25
Uxbridge Market	43	207	(164)	33	195	(162)
Park Lodge Farm	395	404	(9)	495	436	59
Building Maintenance	3,639	3,383	256	4,190	3,884	306
Highways, Sewers and Street Lighting	3,324	3,362	(38)	2,331	2,268	63
Grounds Maintenance	2,190	2,190	0	2,409	2,341	68
On Street Car Parking	806	806	0	689	689	0
Refuse Collection	0	0	0	2,610	2,610	0
	10,726	10,724	2	13,047	12,688	359

The refuse collection ceased to be a fully traded service in 2002/03.

2. Interest and investment income

	2002/03 £000's	2001/02 £000's
Interest Received	(1,534)	(1,397)
Less		
Interest Payable on Funds held by the Council on behalf of third parties	224	281
Interest and Investment Income	(1,310)	(1,116)

Notes to Consolidated Revenue Account

3. Transactions on the asset management revenue account

	2002/03		2001/02
	£000's	£000's	£000's
Income			
Capital charges - General Fund	(42,813)		(42,423)
- Housing Revenue Account	(55,893)		(46,860)
- Other	(52)		(156)
Transfer from government grants deferred account	(4,446)		(3,585)
		(103,204)	(93,024)
Expenditure			
Provision for Depreciation	22,844		22,309
External Interest charges	7,555		8,747
		30,399	31,056
Balance to consolidated revenue account		(72,805)	(61,968)

4. Publicity

Local authorities are required to keep a separate account of publicity expenditure under Section 5 of the Local Government Act 1986 with certain exemptions under Article 7 of the 1987 Order. Relevant expenditure is as follows:

	2002/03 £000's	2001/02 £,000's
Press section : Salaries	232	205
Other Costs	105	117
Staff Recruitment	1,172	1,212
Net Expenditure on HILLINGDON PEOPLE	(6)	(4)
	1,503	1,530

5. Pension schemes

- Employer contributions in the accounts to the Council's Pension Fund for the year 2002/03 totalled £7,037k (£6,237k in 2001/2002) representing 9% of pensionable pay (8.5% in 2001/2002).
- Expenditure on discretionary payments and added years awards in the year totalled £2,183k (£2,475k in 2001/2002), representing 2.95% of pensionable pay (3.37% in 2001/2002). This is in addition to the contributions detailed in (a) and includes capitalised expenditure of £1,203k (£1,979k in 2001/2002).
- The capital cost of discretionary increases in pension payments for the last valuation period are as follows:

2002/2003	£454k
2001/2002	£1,263k
2000/2001	£1,910k
- The Council's Pension Fund is a funded, defined benefit scheme. At 31 March 2001, the date of the last actuarial valuation, the pension fund was valued at 106% of its liabilities. The actuarial valuation was effective from 1 April 2002 and the actuary agreed that the employer's contribution rate, to maintain 100% funding, would increase on a stepped basis over a three year period. The rate for 2002/2003 has increased from 8.5% to 9.0%, with further increases due in the following years of 9.5% and 10% .
- Details on Pension liabilities are provided in Note 22 to the balance sheet.
- The Teachers' Pension Scheme is administered by the Department for Education and Skills. The rate of contribution for 2002/2003 was 8.35% (7.4% in 2001/2002). The employer's contributions for the year totalled £5,284k (£3,550k for 2001/2002).

Notes to Consolidated Revenue Account

6. Minimum provision

	2002/03 £000's	2001/02 £000's
General Fund MRP - 4% of credit ceiling	2,445	2,331
Less depreciation charged to General Fund	(14,653)	(14,172)
Credit to Consolidated Revenue Account	(12,208)	(11,841)
HRA MRP - 2% of credit ceiling	511	695
Less depreciation on Council Dwellings	(8,191)	(8,137)
Net contribution to Capital Financing Reserve	(19,888)	(19,283)

7. Leases

During 2002/03 the Council made payments totalling £578k (£455k 2001/2002) under operating leases for vehicles and plant. At the end of the year the undischarged future financial obligations under the operating leases were £1,879k (£2,070k for 2001/02).

The Council leases 102 dwellings from the Ealing Family Housing Association under finance leases. The finance lease payments for 2002/03 amounted to £915k.

8. Members allowances

During 2002/03 the total allowances paid to Members was £945k (£254k 2001/2002).

The increase was in accordance with independent recommendations from the Panel of the Association of London Government.

9. Officers emoluments

The number of employees in 2002/03 were as follows, whose remuneration, excluding pension contributions, was £40k or more, in bands of £10k. The number of employees included in the totals that exceeded the £40k threshold due to lump sum termination payments are indicated in brackets. These employees left the employment of the Council during the financial year. The increase in the number of officers being reported is due to pay increases bringing more pay bands above the £40k lower bracket.

Remuneration Band	2002/03		2001/02	
	Number of employees		Number of employees	
£40,000 - £49,999	144	0	92	(2)
£50,000 - £59,999	25	0	29	(2)
£60,000 - £69,999	14	(1)	5	0
£70,000 - £79,999	2	(1)	3	(1)
£80,000 - £89,999	3	0	2	0
£90,000 - £99,999	2	(1)	0	0
£100,000 - £110,999	1	0	1	0
	191	(3)	132	(5)

10. Section 137 expenditure

Under section 137 of the Local Govt. Act 1972 (as amended by s.36, Local Government and Housing Act 1989), the Council is empowered to incur expenditure up to a limit (product of £3.55 multiplied by the relevant population), which in its opinion, is of benefit to local taxpayers which cannot be justified under any other local authority power.

	2002/2003 £000s	2001/2002 £000s
Expenditure Limit	917	898
Expenditure:		
Local Bus Service Support	1	27
Careline Service	200	193
Grants to the Voluntary Sector	101	8

Notes to Consolidated Revenue Account

11. Related party transactions

The Council is required to disclose any material transactions with related parties to ensure that stakeholders are aware when these transactions take place and the amount and implications of such transactions.

All such material related party transactions are disclosed below.

Members and Chief Officers

A specific declaration form was used to collect information from members and chief officers. During the year the Council made payments to the following organisations with which members or chief officers had relationships falling within the scope of FRS 8:

ORGANISATION	NAME	PAYMENT £000
Hillingdon Race Equality Council	Cllr D Chand	47
Central Middlesex Relate	Cllr A Burles	13
Disablement Association of Hillingdon	Cllr D Bishop	85
Hillingdon Aids Response Trust	Cllr J Gardner	10
CAB	Cllr G Cooper	361
	Cllr M Way	
	Cllr A Way	
Hillingdon Association of Voluntary Services	Cllr G Courtenay	58
Hillingdon Narrowboats Association	Cllr G Courtenay	39
London Youth Games Ltd	Cllr M Cox	5
Greater London Enterprise	Cllr M Cox	98
Homestart Hillingdon	Cllr M Cox	22
Care UK Ltd	Cllr L Griffin	1,890
Quality Care	Cllr P Jarjussey	230
Hillingdon Law Centre	Cllr P Jarjussey	50
Fassnidge Trust	Cllr Nunn Price	7
Hillingdon Women's Centre	Cllr P Sethi	19
Hillingdon Asian Women Communication Service	Cllr P Sethi	8
William Byrd Swimming Pool Trust	Cllr M Way	30
London Grid for Learning	P O'Hear - Education	115
Life Education Centres (Hillingdon) Ltd	P O'Hear - Education	96
Trinity Mirror Southern Ltd	Cllr M Usher	18
Project 2041	Cllr A Burles	23

Declaration forms have not been received from three Council Officers, all of whom have left the employment of the Council.

The Pension Fund

The Pension Fund is considered a related party. The employer's contribution to the pension fund in 2002/03 was £7,037k (see note 5a to the Consolidated Revenue account).

Government Grants

The Council received a number of grants from Central Government which is considered a related party. These are detailed on page 36 in note 5 to the Cash Flow Statement.

Precepts

In 2002/03 the following precepts and levies are considered related party transactions:

Greater London Authority Precept	£16.5m
West London Waste Authority Levy	£ 5.2m

Notes to Consolidated Revenue Account

12. Building control trading account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit can not be charged, such as providing general advice and liaising with other statutory authorities. The statement below shows the cost of operating the building control unit divided between the chargeable and non-chargeable activities.

Building Regulations Account 2002/03

Notes	Chargeable 60%	Non Chargeable 40%	Total Building Control	Chargeable 70%	Non Chargeable 30%	Total Building Control
	2002/03 £	2002/03 £	2002/03 £	2001/02 £	2001/02 £	2001/02 £
Expenditure						
Building Control Costs 1	478,580	319,053	797,633	480,582	205,964	686,546
Group Costs	70,344	46,896	117,240	110,383	47,307	157,690
Central Costs 2	91,319	60,880	152,199	91,245	39,105	130,350
Total Expenditure	640,243	426,829	1,067,072	682,210	292,376	974,586
Total Income	721,447	12,386	733,833	708,041	12,912	720,953
Surplus/(Deficit) for Year	81,204	(414,443)	(333,239)	25,831	(279,464)	(253,633)

Notes

1. Includes all employee, transport and other Building Control Service Costs.
2. Includes premises, supplies and services.

13. Long term contracts

- a. On the 1st of April 2000 the Council entered into a 12 year contract with Care UK Community Partnerships Ltd for older peoples residential and nursing care. The estimated gross cost for the remaining 9 years of the contract is £29m.
- b. The Council also entered into a 10 year contract with Lifestyle Care Plc for older people's residential and nursing care on 29th February 2000. The estimated gross cost for the remaining 7 years of the contract is £19m.
- c. In December 1999 the Council entered into a 25 year contract with a private sector partner, Jarvis (Barnhill) Limited, to build and provide facilities management at the Barnhill Community High School under a private finance initiative arrangement. The school opened in September 1999 and the net present value of outstanding contract payments to be made over the remaining 21 years of the contract, assuming satisfactory performance, totals £27m. The contract runs until September 2024.

In accounting for this transaction the Council has to apply FRS5, 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.

- d. The Council has three 20 year finance leases with the Ealing Family Housing Association for 102 dwellings. The estimated gross cost for the remaining 7 years of the contract is £2.8m.

Notes to Consolidated Revenue Account

14. Agency services

These services which are fully reimbursable, are not included in the Consolidated Revenue Account on page 12.

	2002/03 Expenditure £000's	2001/02 Expenditure £000's
London Airport Health Control (BAA)	2,112	1,724

15. Earmarked insurance reserve

In 2002/2003, the Council established an earmarked Insurance Reserve. In line with the CIPFA Code of Practice on Local Authority Accounting, earmarked reserves have been set aside to meet future potential insurance claims.

The amount of £2,946,924 has been transferred from revenue balances into the earmarked reserve. This amount represents the outstanding potential claims with Zurich Municipal as at 31.3.03.

16. Pooled budget agreements

Section 31 of the Health Act 1999 allows partnership arrangement between NHS bodies, local authorities and other agencies in order to improve and co-ordinate services. Each partner makes a contribution to a pooled budget with the aim of focusing services and activities for a client group. Funds contributed are those normally used for the service represented in the pooled budget and allow the organisations involved to act in a more cohesive way.

The Council, in association with Hillingdon Primary Care Trust and independent sector providers, has established The Learning Disability Partnership Board. This has meant the creation of a pooled budget fund, and the details of the Council contribution (funded by Social Services) and expenditure are disclosed below:

The Learning Disability Partnership Board

	2002/03 Actuals £000s
Funding	
Contribution from Primary Care Trust	7,961
Contribution from Council (Social Services)	10,224
Income from Client Charges & Grants	1,252
Allocation of Overspend - PCT	284
- Council (Social Services)	284
Gross expenditure	20,005

There are no debtor or creditor balances remaining at the year end in relation to either the PCT or other funding bodies. There was no capital expenditure incurred as part of this venture.

Consolidated Balance Sheet

This statement summarises the Council's financial position as at 31st March 2003. It sets out the assets and liabilities of the Council, shows the balances and reserves, but excludes the assets and liabilities of the Pension and Trust Funds.

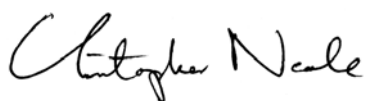


Five Bells, Harmondsworth

Consolidated Balance Sheet

	Notes	At 31st March		At 31st March	
		2003 £000's	£000's	2002 £000's	£000's
Fixed assets					
Operational Assets:	1				
- Council dwellings		767,470		644,816	
- Other land and buildings		318,658		322,880	
- Vehicles, plant and equipment		6,117		5,557	
- Community assets		7,656		6,484	
- Infrastructure assets		<u>137,553</u>	1,237,454	<u>136,881</u>	1,116,618
Non Operational Assets	1		25,523		26,648
Deferred Charges	4		18,701		39,845
Long term investments	5		76		61
Long term debtors	6		<u>2,344</u>		<u>2,818</u>
Total Long Term Assets			<u>1,284,098</u>		<u>1,185,990</u>
Current assets					
Stocks & Works in Progress	7	958		869	
Debtors and Payments in Advance	8	75,803		57,575	
Short Term Investments	5	6,000		22,100	
Cash in Hand		<u>5,712</u>	88,473	<u>2,955</u>	83,499
Current liabilities					
Temporary Borrowing		19,180		6,006	
Creditors, Receipts in Advance & Provisions	9, 18	78,170		78,604	
Bank Overdraft		<u>0</u>	97,350	<u>0</u>	84,610
Total Assets Less Current Liabilities			<u>1,275,221</u>		<u>1,184,879</u>
Long term borrowing	10		74,507		88,919
Deferred Credits			646		915
Government grants deferred			84,474		76,463
Deferred Liabilities			<u>3,763</u>		<u>5,289</u>
Total Assets Less Liabilities			<u>1,111,831</u>		<u>1,013,293</u>
Fixed asset restatement reserve			878,093		765,350
Capital financing reserve			208,099		222,143
Useable capital receipts reserve			3,653		5,405
Fund balances and reserve	11		<u>21,986</u>		<u>20,395</u>
Net Equity			<u><u>1,111,831</u></u>		<u><u>1,013,293</u></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.



Christopher Neale
Director of Finance

22nd December 2003

Notes to Consolidated Balance Sheet

1. Movement of fixed assets 2002/03

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Non Operational Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Valuation as at 31 March 2002	661,090	336,035	13,406	165,096	6,484	26,648	1,208,759
Accumulated Depreciation & impairment	(16,274)	(13,155)	(7,849)	(28,215)	0	0	(65,493)
Net Book Value as at 1 April 2002	644,816	322,880	5,557	136,881	6,484	26,648	1,143,266
Additions	13,524	6,561	3,113	4,925	1,186	502	29,811
Revaluations	130,409	(1,021)	0	4	181	4,276	133,849
Impairments	0	(1,686)	0	(6)	(195)	(319)	(2,206)
Disposals	(13,088)	(309)	(133)	0	0	(5,522)	(19,052)
Depreciation on assets sold	0	45	108	0	0	0	153
Depreciation for year	(8,191)	(7,812)	(2,528)	(4,251)	0	(62)	(22,844)
Net book value as at 31 March 2003	767,470	318,658	6,117	137,553	7,656	25,523	1,262,977

Statement of sources of finance

Financing	Year Ended 2002/03 £000's	Expenditure	Year Ended 2002/03 £000's
Borrowing	6,292	Fixed Assets	29,812
Government Grants	10,667	Deferred Charges	10,034
Capital Receipts	7,638		
Major Repairs Allowance	8,191		
Revenue Contributions	5,539		
Third Party Contributions	1,790		
Creditors	(271)		
	39,846		39,846

Notes to Consolidated Balance Sheet

2. 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 2002 by an internal valuer, the Estate and Valuation Service of the Authority. Revaluations are made on a rolling 5 year period. The only exception were Council Dwellings which were valued as at 1st April 2001 by the external valuer Drivers Jonas and have been uplifted as at 31st March 2003 to take account of movements in market values. 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 Institute of Chartered Surveyors, and 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 2002 and March 2003.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Investment Properties	Total
	£000's	£000's	£000's	£000's	
Value at historical cost	0	0	16,385	0	16,385
<i>Valued at current value:</i>					
As at 31 March 2003	767,470	318,658		25,523	1,111,651
As at 31 March 2002	644,816	322,880	0	26,648	994,344
As at 31 March 2001	566,498	369,131	0	21,364	956,993
As at 31 March 2000	533,369	365,254	0	26,171	924,794
As at 31 March 1999	433,942	324,789	0	22,906	781,637
As at 31 March 1998	386,725	324,148	0	24,112	734,985
As at 31 March 1997	347,168	323,735	0	20,438	691,341

3. Depreciation

Depreciation is charged on all fixed assets (other than non-depreciable land and non-operational assets) where the useful life of the asset has been ascertained. 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.

Depreciation of Council Dwellings is provided at the level of Maintenance Repairs Allowance in line with CIPFA recommended practice.

4. Deferred charges

	Improvement Grants as at 31/3/03	Other as at 31/3/03	Total as at 31/3/03	Total as at 31/3/02
	£000's	£000's	£000's	£000's
Balance as at 1 April 2002	0	39,845	39,845	36,499
Expenditure	2,743	7,291	10,034	9,120
Charged to Revenue in Year	(2,743)	(3,631)	(6,374)	(5,774)
Charged to Capital Financing Reserve	0	(24,804)	(24,804)	0
Balance as at 31 March 2003	0	18,701	18,701	39,845

Following a review of amortisation periods in 2002/03 the period for charging Local Authority Social Housing Grants (LASHG) to revenue has been reduced from 25 years to 5 years. This has resulted in an additional charge to the Capital Finance Reserve of £24.8m in respect of LASHG expenditure.

Notes to Consolidated Balance Sheet

5. Investments

	Book Value at 31st March 2003 £000's	Market Value at 31st March 2003 £000's	Book Value at 31st March 2002 £000's	Market Value at 31st March 2002 £000's
Loans to Other LA's & Public Organisations	0	0	0	0
Loans to Non Public Organisations	6,000	6,000	22,100	22,100
Government Securities (Long Term)	76	89	61	60
	6,076	6,089	22,161	22,160

6. Long term debtors

	At 1st April 2002 £000's	New Advances £000's	Repayments £000's	At 31st March 2003 £000's
Housing Advances & Associations	260	0	(32)	228
Sale of Council Houses	910	0	(264)	646
Other Loans & Advances	1,648	575	(753)	1,470
	2,818	575	(1,049)	2,344

7. Stocks and work in progress

	At 31st March 2003 £000's	At 31st March 2002 £000's
<i>Stocks:</i>		
Building Maintenance/Highways	226	157
Printing & Stationery	30	24
Other Stocks - (includes Park Lodge Farm Stock)	276	337
	532	518
<i>Work In Progress:</i>		
Other Rechargeable Works	426	351
	958	869

8. Debtors

	At 31st March 2003 £000's	At 31st March 2002 £000's
Government Departments	36,007	24,745
Other Public Bodies	1,181	853
Housing Rents	5,802	4,536
Non-Domestic Ratepayers	16,912	23,911
Community ChargePAYERS	87	89
Council TaxPAYERS	10,783	10,916
Sundry Debtors	22,204	12,780
Car & Other Loans	60	46
	93,036	77,876
Less Provision for doubtful debts	(17,233)	(20,301)
	75,803	57,575

Notes to Consolidated Balance Sheet

12. Provision for credit liabilities (Memorandum account)

	2002/03 £000s	2001/02 £000s
Balance brought forward	0	28,015
Amount set aside for Minimum Revenue Provision	12,414	3,027
Reserved capital receipts	2,955	10,693
	15,369	41,735
Applied to premiums on debt redemption	(1,207)	(1,499)
Amounts applied to repay loans	(14,162)	(40,236)
Balance carried forward	0	0

13. Insurance fund

In 2000/2001 the Council introduced a system of risk management and devolved budgetary responsibility for self insurance claims to individual service departments. Estimated outstanding potential claims totalled £2.903m as at 31.3.2003 (£2.947m as at 31.3.2002). During 2002/03 an earmarked reserve of £2.947m was established to cover this potential liability.

14. MMI insurance

During 1992/93 the Council's insurers, Municipal Mutual Insurance, ceased accepting new business. During 1993/94 a scheme of arrangements was set up to try and ensure an orderly settlement of outstanding claims. Under this arrangement the Council may be required to repay MMI part of any claims met since 1st October 1993. This would only occur if MMI could not meet all claims against it, which is not expected to be the case. At 31 March 2003, the sum potentially subject to 'clawback' was £1,963k (£1,956k as at 31 March 2002). Further claims totalling £395k were outstanding (£140k in 2001/2002).

15. Analysis of net assets employed

	As at 31 March 2003 £000's	As at 31 March 2002 £000's
General Fund	330,070	346,069
HRA	781,761	585,218
Total	1,111,831	931,287

Notes to Consolidated Balance Sheet

16. Information on assets held

Fixed Assets owned by the Council and on the asset register include the following:

	Number as at 31.3.2003	Number as at 31.3.2002
Council Dwellings	11,523	11,662
Operational Buildings		
Civic Centre	1	1
Other Offices	8	8
Magistrates Court	0	0
Depots	2	2
Nurseries & Playgroups	5	5
Social Services Day Centres	21	21
Social Services Homes & Hostels	25	27
Primary Schools	47	47
Secondary Schools	2	2
Special Schools	5	5
Other Education Establishments	31	31
Sports Centres	5	5
Swimming Pools	4	4
Golf Courses	4	4
Youth Centres	4	4
Community Centres	12	12
Meeting Halls	8	8
Libraries	17	17
Theatres & Museums	2	2
Citizens Advice Bureau	1	1
Public Conveniences	12	12
Multi Storey Car Parks	1	1
Car Parks	20	21
Cemeteries	8	8
Crematorium	2	2
Playgrounds & Playing Fields	10	9
Farms & Other Land	14	14
Allotments	34	35
Other Operational Establishments	4	5
Operational Equipment		
Vehicles	16	11
CCTV	9	4
Computer Terminals	2,900	2,700
Heavy Plant	9	11
Infrastructure Assets		
Highways (kilometres)	736	736
Bridges	246	246
Community Assets		
Parks & Open Spaces	185	185

* The number as at 31 March 2002 has been reclassified.

17. Commitments under capital contracts

The Council has approved the following expenditure on the Capital Investment Strategy :-

Year	2002/03 £000s	2001/02 £000s
2003/04	57	36
2004/05	27	28
2005/06	24	
2006/07	23	
	131	63

Notes to Consolidated Balance Sheet

18. Contingent liabilities and assets

There are several significant legal actions pending against the Council arising from the exercise by the Council of its statutory functions but these are being strongly contested. They are as follows:

1. The Council is awaiting a response from the Government Office for London relating to a claim in relation to the Hayes Bypass (estimated at £5,390k excluding costs and fees). However following the creation of the Greater London Authority (GLA) the Council is awaiting clarification of the statutory provisions governing the transfer of the properties to the GLA.

2. There are approximately 34 claims still outstanding against the Council in respect of part time pension rights. The total potential contingent liability is estimated at £510k. Test cases are still in the Employment Tribunal however it is likely that the Council will settle the claims. There is no provision for this liability.

3. The Department of Works and Pensions is presently considering whether £978k previously paid to the Council in respect of Housing Benefit claims for Social Service clients was properly owed to the Council. The Council is providing supplementary information to support the claim and expect to retain the majority of this sum.

4. A claim for damages relating to an agreement under section 106 of the Town and Country Planning Act 1990 has been made against the Council. The value of the claim is £1.7m (excluding interest and fees). The Council successfully made an application to the District Judge in June 2002 to strike out the claim. However, the Claimants have appealed to overturn the decision and the matter has been adjourned to the first open date after the 1.10.03. Advice from leading Counsel is that there are good prospects of success for the Council in this matter.

19. Trust funds

The Council is responsible for a number of small trust funds which are not consolidated in the accounts.

	At 31st March 2003 £	At 31st March 2002 £
Education Trusts	3,220	3,103
Library Trusts	6,055	5,582
Balance C/F	9,275	8,685

20. Euro costs

The Council's integrated general ledger and creditors system has the capacity to handle currencies including the Euro in addition to sterling.

No assessment, and therefore no provision, has been made yet in relation to any cost implications associated with the introduction of the Euro.

21. Long term contracts including PFI

The Council has three 20 year leases with the Ealing Family Housing Association for 102 dwellings. The net value of the leases at 31 March 2003 has been included in Fixed Assets. The outstanding liability for the capital value of these leases of £3.3m is shown as a deferred liability.

The Barnhill Community High School, which was built under the private finance initiative, 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 £6m, with accumulated depreciation totaling £726k. Further details of the contract are shown in note 13 of the Consolidated Revenue Account.

Notes to Consolidated Balance Sheet

22. Pensions FRS17 disclosure

The Council has employees with pensions in the London Borough of Hillingdon Pension Fund and the London Pension Fund Authority Pension Fund. Both these schemes are funded, meaning that the employers and employees pay contributions into a fund. These contributions are calculated at a level intended to balance the pensions liabilities with the investment assets. A formal actuarial valuation of both funds was undertaken as at 31 March 2001 by Hymans Robertson, an independent firm of actuaries. The next actuarial valuation is due in 2004. In order to assess the net pension liability as at 31 March 2003 under Financial Reporting Standard 17 (FRS 17) Hymans Robertson rolled forward the actuarial value of the liabilities as at 31 March 2001, allowing for changes in financial assumptions as prescribed under FRS17.

FRS 17 requires the fund's assets to be expressed at their market value as at the date of disclosure. This will inevitably lead to significant levels of variation from year-to-year in the value of the net pension asset or liability based on the short-term fluctuation in the value of the fund's assets, particularly that proportion held in equity-type investments.

Contribution rates, set at the last actuarial valuation as at 31 March 2001, were designed to reduce the surplus measured at the point (£24.4m) over the course of 12 years. The suitability of this funding regime will be re-assessed at the next actuarial valuation due to take place at 31 March 2004, preliminary estimates suggest that the employer contribution rate will significantly increase at the next valuation date.

The financial assumptions used for the purpose of the FRS17 calculations as at 31st March 2002 and 31 March 2003 are as follows:

	London Borough of Hillingdon Pension Fund		London Pension Fund Authority Pension Fund	
	31 March 2003 % per annum	31 March 2002 % per annum	31 March 2003 % per annum	31 March 2002 % per annum
Price increases	2.5%	2.8%	2.5%	2.8%
Salary increases	4.5%	4.3%	4.0%	4.3%
Pension increases	2.5%	2.8%	2.5%	2.8%
Discount rate	6.1%	6.4%	6.1%	6.4%

Employees of London Borough of Hillingdon may participate in the London Borough of Hillingdon Pension Fund and the Council also currently has 4 members in the London Pension Fund Authority Pension Fund. Both funds are part of the Local Government Pension Scheme, a defined benefit statutory scheme. The funds are administered in accordance with the Local Government Pension Scheme regulations 1997 as amended.

The attributable assets of the two pension funds, to cover their scheme liabilities, are valued at fair value and consist of the following categories, by proportion of the total assets held:

	London Borough of Hillingdon		London Pension Fund Authority		London Borough of Hillingdon		London Pension Fund Authority	
	Long term Return %	31 March 2003 %	31 March 2003 %	Long term Return %	31 March 2002 %	31 March 2002 %	Long term Return %	31 March 2002 %
Equities	8.0	77.0	9.0	7.5	76.0	48.0	7.5	48.0
Bonds	4.8	14.0	85.0	5.5	14.0	48.0	5.5	48.0
Property	6.0	6.0	0.0	6.0	6.0	0.0	6.0	0.0
Cash	4.0	3.0	6.0	4.0	4.0	4.0	4.0	4.0
TOTAL		100	100		100	100		100

At 31 March 2003 the two pension funds had the following overall assets and liabilities for pensions:

	London Borough of Hillingdon Pension Fund		London Pension Fund Authority Pension Fund	
	31 March 2003 £000's	31 March 2002 £000's	31 March 2003 £000's	31 March 2002 £000's
Estimated Employer Assets (A)	307,000	396,781	6,666	7,212
Present Value of Scheme Liabilities	421,900	398,486	7,227	7,645
Present Value of Unfunded Liabilities (B)	18,900	0	139	117
Total Value of Liabilities	440,800	398,486	7,366	7,762
Net Pension (Deficit)/Surplus (A)-(B)	(133,800)	(1,705)	(700)	(550)

Notes to Consolidated Balance Sheet

The movement in the net pension liability for the year to 31 March 2003 is as follows:

	London Borough of Hillingdon	London Pension Fund Authority
	31 March 2003 £000's	31 March 2003 £000's
Surplus /(deficit) at beginning of the year B/fwd	(1,705)	
Adjustment Breakspear Crematorium	105	
Surplus /(deficit) at beginning of the year	(1,600)	(550)
<i>Movements in the year:</i>		
Current Service Cost	(10,500)	(16)
Employer contributions	6,700	17
Other income	-	-
Other outgoings (e.g. expenses,etc)	-	-
Past Service costs	(300)	-
Impact of Settlements and curtailments	(1,300)	-
Expected return on Employer assets	27,700	462
Interest on Pension Scheme Liabilities	(25,600)	(497)
Actuarial gains / (losses)	(128,900)	(116)
Surplus/(deficit) at end of year	(134,500)	(700)

Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL).

The actuarial gains / losses are measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2003:

	London Borough of Hillingdon		London Pension Fund Authority	
	£000's	%	£000's	%
Actual Return less expected return on pension scheme assets	(113,900)	(37.1)	(63)	(0.9)
Differences between actuarial assumptions about liabilities and actual experience	(15,000)	(3.4)	(53)	(0.7)
Changes in assumptions underlying the present value of scheme liabilities	-	-	-	-
Actuarial gains / (loss) recognised in STRGL	(128,900)	(29.2)	(116)	(1.6)

Statement of Total Movements in Reserves

This statement brings together all the recognised gains and losses of the authority during the period and identifies those that have and have not been recognised in the consolidated revenue account. The statement separates the movements between revenue and capital reserves.



Crown & Treaty, Uxbridge

Statement of Total Movements in Reserves

Revenue reserves

	Fixed Asset Restatement £'000	Capital Financing Reserve £'000	Useable Capital Receipts £'000	General Fund Reserve £'000	Specific Reserves £'000	HRA £'000	Total £'000
Balance as at 1/4/2002	765,350	222,142	5,405	4,477	7,055	7,744	1,012,173
Net surplus/ (deficit) for the year	0	(39,635)	0	(832)	1,345	2,512	(36,610)
Unrealised gains/(loss), from revaluations of fixed assets	131,642	0	0	0	0	0	131,642
Effects of disposals of fixed asset:							
Cost or value of assets disposed of	(18,899)	0	0	0	0	0	(18,899)
Proceeds of disposal	0	12,415	16,553	0	0	0	28,968
Net (surplus)/ deficit	(18,899)	12,415	16,553				10,069
Financing of fixed assets	0	13,177	(18,305)	0	0	0	(5,128)
Balance as at 31/3/2003	878,093	208,099	3,653	3,645	8,400	10,256	1,112,146

Analysis of reserves:

	As at 1/4/2002 £000's	Net Surplus/ (Deficit) for year £000's	As at 31/03/2003 £000's
Schools Delegated Funds (Inc in GF)	5,673	(1,413)	4,260
Insurance Reserve	0	2,947	2,947
Major Repairs Reserve	0	0	0
Parking Fund	1,382	(189)	1,193
Total specific reserves	7,055	1,345	8,400

Notes To Statement of Total Movements in Reserves

1. Fixed asset restatement reserve

	General Fund £000s	HRA £000s	Total £000s
Balance as at 1st April 2002	315,026	450,324	765,350
Surplus/(Deficit) on revaluation in year	3,439	130,409	133,848
Impairments	(2,206)	0	(2,206)
Disposal of fixed assets in year	(5,774)	(13,125)	(18,899)
Balance as at 31st March 2003	310,485	567,608	878,093

The balance represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation as at 1 April 1994. The reserve is written down by the net book value of assets as they are disposed and debited or credited with the deficits or surpluses arising from revaluations.

2. Capital financing reserve

	£000's	£000s
Balance as at 1st April 2002		222,143
Capital receipts set aside		12,414
Capital financing - capital receipts	7,638	
- revenue	5,539	
		13,177
MRP (less General Fund depreciation provision)		(11,697)
Less deferred charges		
- written down in year		(31,177)
- capital grant adjustment		4,446
- early debt redemption		(1,207)
Balance as at 31st March 2003		208,099

The capital financing reserve contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as loan debt is repaid. The contribution to capital financing reserves charged to the consolidated revenue account of £8m includes the statutory minimum revenue provision less general fund depreciation, the amount of capital expenditure financed from revenue, deferred charges written off to revenue and the losses on the early settlement of borrowing.

3. Useable capital receipts reserve

	£000's
Balance as at 1st April 2002	5,405
Capital receipts	28,967
	34,372
Less:	
Capital Receipts used for financing	(7,638)
- Capital Receipts	(10,667)
- Government Grants	(12,414)
Capital Receipts set aside	(30,719)
Balance as at 31st March 2003	3,653

The useable capital receipts reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.

Cash Flow Statement

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.



Cash Flow Statement

	Note	2002/03		2001/02	
		£000's	£000's	£000's	£000's
Revenue activities					
Cash outflows					
Cash paid to and on behalf of employees		171,136		161,010	
Housing Benefit paid out		12,184		11,250	
RSG /NNDR payments payable to Secretary of State		92,046		77,056	
Precepts Paid		24,121		21,540	
Other operating cash payments		267,641	567,128	214,986	485,842
Cash inflows					
Rents (after rebates)		(16,131)		(15,576)	
Council Tax Income		(81,236)		(74,869)	
RSG /NNDR receipts payable by Secretary of State		(16,791)		(18,120)	
Non-domestic rate income		(237,310)		(240,150)	
DSS grants for benefits		(46,265)		(40,441)	
Other government grants	5	(112,906)		(86,807)	
Cash received for goods & services		(3,403)		(3,264)	
Other operating cash receipts		(53,349)	(567,391)	(45,964)	(525,191)
Net cash inflow from revenue activities	1		(263)		(39,349)
Servicing of finance					
Expenditure					
Interest Paid			7,783		9,204
Income					
Interest received			(1,050)		(1,381)
Servicing of finance net cash outflows			6,733		7,823
Capital activities					
Cash outflows					
Purchase of fixed assets		29,950		25,857	
Purchase of long term investments		0		0	
Other capital cash payments		10,167	40,117	9,010	34,867
Cash Inflows					
Sale of fixed assets		(19,117)		(17,225)	
Capital grants received		(9,378)		(4,970)	
Other capital cash payments/income		(473)	(28,968)	(492)	(22,687)
Capital Activities Net Cash Outflow			11,149		12,180
Net Cash Outflow/(Inflow) Before Financing/ Management of Liquid Resources			17,619		(19,346)
Management of liquid resources					
Net (Decrease)/Increase in Short-Term Investments			(16,100)		12,450
Financing					
Cash Outflows					
Repayments of amounts borrowed	4		64,638		19,272
Cash Inflows					
Long Term Loans Raised			(10,000)		(4,900)
Short Term Loans Raised			(53,400)		
Increase/(Decrease) in cash	2		2,757		7,476

Notes to Cash Flow Statement

1. Reconciliation of revenue cash flow

	Year ended 31st March 2003 £000's		Year ended 31st March 2002 £000's	
Gross revenue expenditure per Revenue Accounts	583,310		522,253	
Deduct interest paid	(7,783)		(9,204)	
Deduct contributions to provisions and reserves	(1,233)		(2,928)	
Deduct contributions to capital outlay (inc MRA)	(13,730)		(11,073)	
Other non cash activities	1,515		(316)	
		562,079		498,732
Increase /(Decrease) in creditors	3	4,943		(12,780)
Increase / (Decrease) in stocks & work in progress	3	106		(110)
		567,128		485,842
Revenue income per Summary Revenue Account	(582,143)		(531,023)	
Deduct interest received	1,050		1,381	
	(581,093)		(529,642)	
Increase in debtors	3	13,702		4,451
Other non cash activities		0		
		(567,391)		(525,191)
Revenue activities net cash flow		(263)		(39,349)

2. Movement in liquid resources

	31st March 2003 £000's	31st March 2002 £000's	Movement 2002/03 £000's	Movement 2001/02 £000's
Cash with accounting officers	6,055	14,801	(8,746)	1,002
Cash in Hand / (overdrawn)	(343)	(11,846)	11,503	6,474
	5,712	2,955	2,757	7,476

3. Movement of other current assets

	31st March 2003 £000's	31st March 2002 £000's	Movement 2002/03 £000's	Movement 2001/02 £000's
Debtors	75,803	62,101	13,702	4,451
Creditors	(78,170)	(83,113)	4,943	(12,780)
Stocks and work in progress	958	852	106	(110)
	(1,409)	(20,160)	18,751	(8,439)

Notes to Cash Flow Statement

4. Movement in borrowing

	31st March 2003 £000's	31st March 2002 £000's	Movement 2002/03 £000's	Movement 2001/02 £000's
Public Works Loans Board	88,213	94,272	6,059	14,360
Other Loans	5,474	652	(4,822)	13
	93,687	94,924	1,237	14,373

5. Analysis of government grants

	31/3/2003 £000's	31/3/2002 £000's
Rent Allowances	32,529	29,226
Mandatory Student Awards	283	577
Homelessness	6,522	3,590
NNDR Cost of Collection	635	628
Refugee Children	8,963	7,557
Adult Asylum Seekers	4,015	3,814
Other grants	59,959	41,415
	112,906	86,807

6. Agency expenditure

The gross revenue expenditure and revenue income have been grossed up to include agency expenditure (see Note 14 page 18), as this is not included in the Consolidated Revenue Account.

Housing Revenue Account

The Council has a statutory duty to maintain a separate revenue account for the provision of Council housing. The account shows the expenditure on housing and how this has been financed by rents, government subsidies and other income.

The Local Government and Housing Act 1989 ring fenced the Housing Revenue Account thereby preventing any cross subsidy with the General Fund. As from 2001/02 the Housing Revenue Accounts are prepared on a Resource Accounting basis.



De Burgh Arms, West Drayton

Housing Revenue Account

	Notes	Year ended 31st March 2003 £000's	Year ended 31st March 2002 £000's
Income			
Gross dwelling rents		43,148	42,080
Gross non dwelling rents		1,762	1,868
Charges for services and facilities		483	500
HRA Subsidy receivable including MRA	5	20,454	21,086
		65,847	65,534
Expenditure			
Contribution to housing repairs		8,972	9,001
Supervision and management		10,430	10,539
Rents, rates,taxes & other charges		1,409	1,290
Rent rebates (Housing benefits)		27,172	26,504
Increase/(Decrease) in provision for bad debts	7	0	0
Cost of capital charge	4	47,703	38,723
Depreciation & impairment of fixed assets		8,191	8,137
		103,877	94,194
Sub-total: net cost of services		38,030	28,660
Net HRA income on the Asset Management Revenue Account		(46,087)	(36,238)
HRA Investment income		(485)	(399)
Sub-total: net operating expenditure/(income)		(8,542)	(7,977)
Revenue contribution to capital expenditure		5,519	2,936
HRA contribution to MRP		511	695
(Surplus)/deficit for the year		(2,512)	(4,346)
Balance brought forward		(7,744)	(3,398)
Balance carried forward		(10,256)	(7,744)

Notes to Housing Revenue Account

1. Housing stock

The Council was responsible at 31 March 2003 for managing dwellings and hostels.

The stock was as follows:

	Total at 31st March 2003	Total at 31st March 2002
1 Bed Properties	3,901	3,938
2 Bed "	4,085	4,146
3 Bed "	3,268	3,316
4 plus Bed "	191	189
Hostels	71	73
Total	11,516	11,662

2. Value of HRA assets

	Net Book Value at 31st March 2003 £000's	Net Book Value at 31st March 2002 £000's
Operational Assets		
Council Dwellings	767,470	644,816
Other Land & Buildings	577	571
Community Assets	76	76
Non-Operational Assets	3,697	3,722
Total	771,820	649,185

The vacant possession value of dwellings within the authority's HRA as at 1 April 2002 was £1,632.9m. The difference of £865.4m between this and the balance sheet value of £767.5m is the economic cost of providing council housing at less than open market rents.

3. Capital expenditure

Capital Expenditure on HRA council dwellings during 2002/03 totalled £13,686k. This was financed by:

	£000's
Revenue Contribution	5,519
Major Repairs Allowance	8,191
Capital Receipts	472
Movement in Creditors	(496)
	<hr/> 13,686 <hr/>

Capital receipts from the sale of HRA properties during 2002/03 totalled £13m.

4. Cost of capital charges

	£000's
Capital Charges Nominal Interest	46,087
Item 8 Debit	1,616
Cost of Capital Charges	<hr/> 47,703 <hr/>
Item 8 Credit	(400)
External Interest	(85)
HRA Investment Income	<hr/> (485) <hr/>

Depreciation of £8,191k was charged to the HRA for 2002/03 in respect of Council Dwellings.

Housing Revenue Account

5. Housing subsidy

HRA Subsidy is a government grant paid towards the net cost of management, maintenance and financing costs. For 2002/03 it was based on the following:

Expenditure	£000's
Management & Maintenance	13,855
Allowance for Major Repairs	8,191
Rent Rebates	27,044
Charges to Capital	4,241
Other Expenditure	933
Income	
Rent	(33,745)
Interest On Receipts	(65)
Subsidy Payable	20,454

6. Rent arrears

At 31 March 2003 the gross HRA rent arrears amounted to £2.499m (31 March 2002 £2.774m). £2.422m (£2.648m) relates to dwellings and £0.077m (£0.126m) to non dwellings.

7. Bad debt provision

The provision for bad debts on all HRA debts as at 31st March 2003 remains unchanged at £1.131m. £1.014m relates to dwellings and £0.117m to non-dwellings.

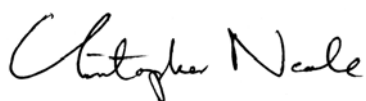
Collection Fund Account

This account reflects the statutory requirement to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to the 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.



Collection Fund Account

	Notes	Year ended 31st March 2003		Year ended 31st March 2002	
		£000's	£000's	£000's	£000's
Income					
Council Tax	2		80,623		74,869
Transfers from General Fund:					
Council Tax Benefits			12,184		11,250
Income collectable from business ratepayers	1		231,335		240,150
Adjustment of previous year's community charges	3		2		(365)
			<u>324,144</u>		<u>325,904</u>
Expenditure					
Precepts & Demands:					
London Borough of Hillingdon		77,417		71,935	
Greater London Authority		<u>16,445</u>	<u>93,862</u>	<u>14,265</u>	<u>86,200</u>
Business rates:					
Cost of Collection			635		628
Payment to national pool			230,700		239,522
Provision for doubtful debts			(128)		(230)
Towards previous year's estimated collection fund surplus			<u>509</u>		<u>1,533</u>
			<u>325,578</u>		<u>327,653</u>
Deficit/(Surplus) for the Year			<u>1,434</u>		<u>1,749</u>
Collection fund balance					
Fund Balance at beginning of year			(1,119)		(2,868)
Movement on fund balance			<u>1,434</u>		<u>1,749</u>
			<u>315</u>		<u>(1,119)</u>
Fund Balance at end of year:					
Council tax	4		329		(1,107)
Previous years' Community Charges	4		<u>(14)</u>		<u>(12)</u>
			<u>315</u>		<u>(1,119)</u>



Christopher Neale
Director of Finance
22nd December 2003

Notes to Collection Fund Account

1. Income from non-domestic rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values multiplied by a national uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR Pool) managed by Central Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. The total non-domestic rateable value at 31st March 2003 was £605.1m. The national non-domestic multiplier for the year was 43.7p.

2. Council tax

The Council's tax base (i.e. the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of band D dwellings) was calculated as follows:

Band of Properties	Estimated number Exemptions	Discounts & number of	Net estimated Equivalent Properties	Ratio	Band D
A	666	172	494	6/9	329
B	5,191	1,077	4,114	7/9	3,200
C	20,025	3,193	16,832	8/9	14,962
D	43,075	3,548	39,527	9/9	39,527
E	17,086	1,432	15,654	11/9	19,133
F	9,138	843	8,295	13/9	11,982
G	4,436	387	4,049	15/9	6,749
H	361	49	312	18/9	624
Total					96,506
Adjustment for Non-Collection					(1,930)
Council Tax Base					94,576

3. Adjustment of previous years community charges

Although council tax has replaced community charge from 1 April 1993, the Council continues to account for residual adjustments in relation to the community charges raised in earlier years in the Collection Fund. These adjustments are transferred to the General Fund in future financial years.

4. Contributions to collection fund surpluses and deficits

The surplus of £14k relating to prior year community charges will be transferred to the General Fund in future years. The deficit of £329k relating to the Council Tax will be distributed in subsequent financial years to the Council and other preceptors in proportion to the value of the respective demands on the Collection Fund.

5. Write offs

	2002/03 £000s	2001/02 £000s
Council Tax	1,477	527
NNDR	26	7

Pension Fund Accounts

This Fund is not included within the Council's consolidated Balance Sheet, but is maintained separately. It provides for pensions and other benefits to Council employees, excluding teachers who have a separate national scheme.



Pension Fund Accounts

Fund account	Note	Year Ended 31st March 2003 £000's	Year Ended 31st March 2002 £000's
Contributions and Benefits			
Contributions Receivable - From Employers	3	7,037	6,237
- From Employees	2	4,847	4,465
Transfers In	12	3,845	3,786
Other Income		2	3
		<u>15,731</u>	<u>14,491</u>
Benefits Payable			
Pensions Payable		14,832	14,131
Lump Sums Payable		2,319	1,998
		17,151	16,129
Payments to and on account of leavers			
Refunds of Contributions		144	110
Transfers Out	12	4,145	1,779
		4,289	1,889
Administrative Expenses	13	815	751
		<u>22,255</u>	<u>18,769</u>
Net withdrawals from dealings with members			
		<u>(6,524)</u>	<u>(4,278)</u>
Return on Investments			
Investment Income	9	11,029	17,626
Changes in market value of investments			
- Realised		(12,286)	7,749
- Unrealised		(88,871)	(28,257)
Investment Management Expenses	13	(1,449)	(588)
		<u>(91,577)</u>	<u>(3,470)</u>
Net Return/(Loss) on Investments			
		<u>(98,101)</u>	<u>(7,748)</u>
Net (Decrease)/Increase in the fund during the year			
		<u>407,887</u>	<u>415,635</u>
Net Assets at start of year			
Net Assets at end of year			
		<u>309,786</u>	<u>407,887</u>
Net Assets statement			
Investments at Market Value			
Fixed Interest Securities - Government		5,985	9,590
- Other		897	1,255
- Overseas		7,223	23,629
Local authorities - UK		20	45
UK Equities - UK		182,118	228,220
Overseas - Overseas		48,920	58,294
Index Linked Securities - UK		17,648	20,422
- Overseas		511	1,793
Unit Trusts - UK Property		18,823	22,364
- UK Other		28	0
- Overseas Other		1,329	20,282
Managed Funds - UK Other		0	5,277
- Overseas Other		20,461	0
Investments at Market Value	5	303,963	391,171
Fund manager's Cash		7,014	14,151
		<u>310,977</u>	<u>405,322</u>
Current Net Assets			
Debtors - Due from the authority		0	641
- Sundry Debtors	7	2,549	2,120
Creditors - Due to the authority		(2,506)	0
- Sundry Creditors	8	(1,234)	(196)
		<u>(1,191)</u>	<u>2,565</u>
Total Net Assets			
		<u>309,786</u>	<u>407,887</u>

Christopher Neale

Christopher Neale, Director of Finance. 22nd December 2003

Notes To Pension Fund Accounts

1. Accounting policies

The accounts have been prepared in accordance with the recommendations of the Chartered Institute of Public Finance and Accountancy and comply with the Statement of Standard Accounting Practice as applicable to local authorities. Income and expenditure are recorded on an accruals basis, except for transfer values which are accounted on a cash basis. Investments are valued on the basis of middle market prices, or where unavailable, on the most appropriate basis in the opinion of the Fund Managers. Unlisted investments are recorded at the value advised by the Fund Managers. Foreign currency assets and liabilities are converted into sterling at the closing middle rates of exchange on the balance sheet date. Overseas income is converted at rates of exchange ruling when remitted.

2. Funding operation and membership

The Pension Fund is administered under the provisions of the Local Government Pension Scheme Regulations 1995 to provide benefits for employees. The benefits include retirement and widow's pensions and retirement and death grants. The Fund is financed by contributions from the Council and its employees and by interest and dividends from investments. It does not form part of the Council's General Fund. The accounts do not take account of liabilities to pay pensions and other benefits in the future. However, the fund is subject to professional actuarial valuation every 3 years regarding the employer's contribution. The employees' basic contribution is 6% (prior to 1/4/98 contributions for manual workers was 5% and 6% for officers). The following other bodies contribute to the fund:-

- 1 Hillingdon Citizens Advice Bureau (CAB)
- 2 Heathrow Travel Care
- 3 Uxbridge College

The Total number of active members & beneficiaries at 31 March 2003, with comparative figures for the previous year, are as follows:-

	31/3/0203	31/3/2002
Active members	5,388	4,933
Pensioners & Dependents	4,072	4,061
Former Employees- Deferred Benefits	2,885	2,756

The basis of calculation for the number of active members has been revised in line with CIPFA guidance. The figure now relates to the number of contributing posts, previously the number of paid employees. The 2001/2002 figure has also been revised in accordance with the guidance.

3. Contribution receivable and pensions payable to the fund

The table below shows the total contributions receivable and benefits payable analysed between the administering authority, scheduled bodies and admitted bodies:-

	London Borough of Hillingdon Administrating (£000)	Hillingdon CAB Admitted (£000)	Heathrow Travel Care Admitted (£000)	Uxbridge College Scheduled (£000)	Total (£000)
Expenditure					
Retirement Pensions	14,830	0	0	2	14,832
Lump Sums	2,314	0	0	5	2,319
Outward Transfers	4,116	17	4	8	4,145
Refunds/CEPs	134	2	0	6	142
Income					
Employers' Contributions	6,753	53	6	225	7,037
Employees' Contributions	4,647	28	3	169	4,847
Inward Transfers	3,773	6	0	66	3,845

4. Additional voluntary contributions (AVC's)

Additional Voluntary Contributions paid by scheme members (£667,112 in 2002/2003) are not included within the accounts as these are managed independently of the fund by specialist AVC fund providers i.e. Prudential and Nationwide.

Notes To Pension Fund Accounts

5. Investment report

The level of activity of the Fund's investments during 2002/2003 is as follows:-

	31/3/03 £000's	31/3/02 £000's
Market Value B/fwd	391,171	392,165
Purchase of Investments	152,655	726,621
Sale of Investments	(138,706)	(707,107)
Realised Profit on Sales	(12,286)	7,749
Unrealised Loss in Market Value	(88,871)	(28,257)
Market Value at 31 March	303,963	391,171

The Market Value and proportion of investments managed by each Fund manager at the year end is disclosed as follows:-

	31/3/2003		31/3/0202	
	Market Value £000's	Total %	Market Value £000's	Total %
UBS Global Asset Management	140,251	46.14	165,739	42.37
Schroders Investment Management	0	0.00	0	0.00
Goldman Sachs Asset Management	79,781	26.25	110,880	28.35
Capital International	83,911	27.61	114,507	29.27
Internally Managed Funds	20	0.01	45	0.01
	303,963	100.00	391,171	100.00

An analysis of the different types of investment split between 'UK' and 'Overseas' and between 'Listed and 'Unlisted' at the year end is disclosed as follows:-

	31st March 2003		31st March 2002	
	%	£000's	%	£000's
United Kingdom				
Listed Securities				
Fixed Interest - Govt	1.97	5,985	2.45	9,590
Fixed Interest - Non Govt	0.30	897	0.32	1,255
Equities	59.91	182,118	59.68	233,444
Index Linked Securities	5.81	17,648	5.22	20,422
Internally Managed Funds	0.01	20	0.01	45
Unlisted Securities				
Unit Trusts - Property	6.19	18,823	5.72	22,364
Unit Trusts - Equities	0.01	28	0.01	53
	74.20	225,519	73.41	287,173
Overseas				
Fixed Interest - Govt	2.14	6,509	3.37	13,164
Fixed Interest - Non Govt	0.23	714	0.30	1,186
Equities	16.09	48,920	14.28	55,838
Index Linked Securities	0.17	511	0.46	1,793
Managed Fund - Fixed Interest	1.97	5,986	2.16	8,462
Managed Fund - Equity	4.76	14,475	5.53	21,627
Unit Trusts - Other	0.44	1,329	0.49	1,928
	25.80	78,444	26.59	103,998
Total	100.00	303,963	100.00	391,171
Made up of:				
Listed		285,112		368,754
Unlisted		18,851		22,417

Notes To Pension Fund Accounts

5. Investment report continued

The classification of Investments at Market Value have been changed from that originally detailed in the 01/02 pension fund accounts. Increased information provided by the fund managers defined the classification of investments in more detail, which lead to the changes in the accounts. The overall value of the investments, and therefore the fund, remains the same and the changes in classification do not breach any of the stated percentages for permitted investments.

Investment income includes a currency loss of approximately £1m relating to 2001/2002 but accounted in 2002/2003. This was due to a restatement of the pension fund's mutual funds during the year.

6. Administrators' report

The Pensions Committee administers the pension fund and monitors its performance. The administration service is provided to a total of 12,360 members. Timely and accurate payment of benefits is the fund's most critical task. Payment of these benefits is made possible by the strategic management of the funds investments. The pension fund investments are managed by three fund managers in accordance with the policy guidelines set down by the Pension Committee; UBS Global Asset Management (1988), Goldman Sachs Asset Management (2001) and Capital International (2001). The fund managers report quarterly on their performance and attend meetings with the Pension Committee on a periodic basis.

7. Debtors

	31/3/03 £000's	31/3/02 £000's
Amount Outstanding on Sales of Investments	81	2,123
Investment Income due	2,224	2,049
Recoverable Tax	244	71
	2,549	4,243

Debtors have been reanalysed from that originally stated in the 01/02 accounts. At the end of the financial year 01/02, transaction sales have occurred which have not yet been processed, therefore causing an amount to be outstanding on the sales of investments.

8. Creditors

	31/3/03 £000's	31/3/02 £000's
Amount Outstanding on Purchase of Investments	915	3,399
Fund Managers Fees	319	196
	1,234	3,595

Creditors have been reanalysed from that originally stated in the 01/02 accounts. At the end of the financial year 01/02, purchase transactions have occurred which have not yet been processed, therefore causing an amount to be outstanding on the purchase of investments.

9. Investment market conditions

The UK FTSE 100 Share Index stood at 5271.8 at the beginning of the year. The hopes that the 2001 world downturn would be followed by the usual recovery, wilted during the first 2 quarters of 2002. US corporate accounting worries spectacularly climaxed on 26 June 2002 when news broke of yet more accounting irregularities, this time at WorldCom. This dealt a devastating blow to equity markets and caused a worldwide flight into the relative safety of government bonds. The US Stock Exchange Commission's deadline of August 14, for corporate managers to certify their accounts, was successfully passed without major incidence and so temporarily underpinned equity values. However, in quarter 4 of 2002 worries of the impending military action over Iraq started to grow, increasing concerns about the weakness of the international economic outlook. This weakness provoked the US Federal Reserve to cut its rates in November from 1.75% to 1.25%, a 41 year low. Increasingly ominous anti-Saddam comments from the US weighed down business, investor and consumer confidence. This became severe in the UK and abroad during the first quarter of 2003 and UK equity values consequently plunged in mid March to under half of their January 2000 peak of 6,931 to 3,277. In February 2003 the MPC, focused on weak global economic conditions, cut the base rate from 4% to 3.75%. By the end of March, the coalition forces had made major progress in the war and investor worries had been largely dissipated. Equity values consequently staged their strongest rally since 1940 and the UK FTSE 100 share index closed at 3613.

Notes To Pension Fund Accounts

10. Actual position

The Actuary to the Fund is Hymans Robertson & Co. The purpose of the actuarial valuation is to assess the level of contribution required in order to finance the benefits payable by the Fund. The Local Government Pension Scheme Regulations 1995 set out the legal requirements for Actuarial valuations. The last Actuarial valuation was at 31st March 2001 at which date the market value of assets was £415.6m. The rise in employer's contribution is being phased in on a stepped basis. The rate for 2002/2003 was 9% with further increases of 9.5% and 10% for the next two years respectively to 31 March 2005. The employer's rate was previously 8.5% in 2001/2002. The actuarial valuation showed a surplus of £24.4m as at 31st March 2002. The Actuary's Statement was published in March 2002, when the Pension Fund was funded at 106% of its liabilities.

11. Investment performance analysis

The latest annual performance review of the Council's Pension Fund combined investments portfolio, carried out independently by Russell/Mellon CAPS (Combined Actuarial Performance Services) Ltd shows that for the year ended 31 December 2002 the fund's total return was -16.0%. This exceeded the benchmark return by 0.8%. Favourable stock selection in UK and overseas equities contributed 0.2% and 0.3% respectively. Favourable strategy enhanced the overall return by 0.3%. The Funds overall return exceeded the benchmark return over the past three, five and ten years.

	Overall Return	Benchmark Return	Exceeded Benchmark Return
3 years	-6.9%	-9.5%	2.6%
5 years	0.7%	0.2%	0.5%
10 years	7.5%	6.9%	0.6%

12. Transfers in and out

Transfers into and out of the Pension Fund are treated on a cash basis rather than an accruals basis.

13. Administration costs

Scheme administration costs total £815k (£751k in 2001/02) and include the pension scheme actuarial costs. Investment management expenses of £1,449k (£588k in 2001/02), include the three fund managers' fees, the custodian's costs, investment advice, performance monitoring and pension investment system costs. All the costs are accounted on an accruals basis.

14. Related party transactions

The Council is a related party to the Pension Fund. The revenue contributions the Council has made into the Pension Fund are set out in note 5 to the Consolidated Revenue Account on page 14. The Council provides the administration service for the Pension Fund. In 2002/03 a charge of £815k (£751k in 2001/2002) was made for these services.

No Senior Officers or Members have undertaken any material transactions with any related parties in relation to the Pension Fund.

15. Stock lending arrangements

No stock was released to third parties under stock lending arrangements.

16. Contingent liabilities and assets

The Inland Revenue is investigating the entitlement of the Pension Fund to retain tax credits totalling £337K on five sales of shares effected in 1995 and 1996. A test case involving a public company in a similar issue has been heard by the special commissioners, which found in favour of the company. An appeal to the high court found in favour of the Inland Revenue. The public company then appealed to the Court of Appeal that found favour with the original decision of the special commissioners. There may be a further appeal to the House of Lords by the Inland Revenue, but unless this happens the Court of Appeal decision will be the authoritative legal position. An assessment has been raised against the Council but no provision has been made to repay all or part of the tax credits received.

17. Statement of investment principles (SIP)

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

Glossary of terms

Accruals

Amounts charged to the accounts for goods or services attributable to a financial year for which payments have not yet been made and income due not yet received.

Audit

An independent examination of the Council's accounts to ensure that they comply with the necessary legislation and follow best accounting practice. The Council's accounts are audited by the Operations Directorate of the Audit Commission.

Balances

The capital or revenue reserves of the Council, made up of the accumulated surplus of income over expenditure.

Capital charges

Charges that are made to service revenue accounts for the use of capital assets.

Capital expenditure

Expenditure on the acquisition or enhancement of fixed assets e.g. land and buildings.

Capital financing reserve

A reserve that records capital transactions relating to capital expenditure. The reserve is not available for general use in the financing of capital expenditure.

Capital receipts

Income received from the sale of fixed assets. A specified amount must be set aside to repay existing debt whilst the balance can be used to finance new capital expenditure.

CIPFA

The Chartered Institute of Public Finance and Accountancy. The Institute produces standards and codes that the Council must follow in preparing its financial statements.

Collection fund

This is a statutory account that discloses income and expenditure relating to Community Charge, Council Tax and National Non-Domestic Rate Collection.

Contingent liabilities and assets

Sums of money which the Council will be liable to pay or are owed in certain circumstances e.g. as a result of losing or winning a court case.

Creditors

Amounts owed by the Council for goods and services received but for which payment has not been made at the end of the financial year.

Debtors

Amounts due to the Council but not received at the end of the financial year.

Deferred charges

Capital expenditure that does not give rise to a tangible asset e.g. improvement grants.

Depreciation

A provision made in the accounts to reflect the value of assets used during the year.

Earmarked reserves

Reserves set aside for specific purposes.

Fixed assets

Tangible assets that yield benefit to the Council for a period of more than one year.

Fixed assets restatement reserve

A reserve showing the surpluses or deficits arising on the periodic revaluation of fixed assets. The reserve is not available for general use in the financing of capital expenditure.

General fund

The Council's main revenue account that summarises the cost of providing the Council's services (excludes the Housing Revenue Account)

Government grant deferred

Government grant income received in advance.

Housing revenue account

A statutory account that contains all income and expenditure relating to the Council's direct provision of council housing.

Minimum revenue provision (MRP)

The minimum amount to be charged to the revenue account as defined by Government regulation for the repayment of debt.

National non-domestic rates (NNDR)

The rates paid by businesses. The money is collected by the Council and paid into a central pool administered by the Government. The total collected is then redistributed to authorities on the basis of population.

Precepts

A charge made by another authority (e.g. Greater London Authority) on the Council to finance that other authority's net expenditure.

Provision for credit liabilities

The amounts which Government require the Council to set aside each year from Revenue and new capital receipts in order to meet credit liabilities.

Revenue expenditure

Expenditure on day-to-day items such as salaries, wages and running costs.

Revenue support grant (RSG)

The main grant paid by the Government to authorities in support of the Council's revenue expenditure.

Unapportionable central overheads

These are overheads for which no user now benefits and should not be apportioned to services.

Useable capital receipts

The amount of capital receipts which the Council is able to use for capital spending and which is not required to be set aside to pay back debt.

