


# Making a difference

## Hillingdon Council's Statement of Accounts 2005/06



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# Contents

<b>Leader's statement</b>	<b>2</b>
<b>Summary of the 2005/06 financial year</b>	<b>3</b>
<b>Statement of responsibilities for the statement of accounts</b>	<b>9</b>
<b>Statement of internal control</b>	<b>10</b>
<b>Audit certificate and opinion</b>	<b>14</b>
<b>Accounting policies</b>	<b>18</b>
<b>Consolidated revenue account</b>	<b>24</b>
<b>Consolidated balance sheet</b>	<b>37</b>
<b>Statement of total movement in reserves</b>	<b>53</b>
<b>Cash flow statement</b>	<b>58</b>
<b>Housing revenue account</b>	<b>63</b>
<b>Collection fund</b>	<b>68</b>
<b>Group accounts</b>	<b>72</b>
<b>Pension fund accounts</b>	<b>83</b>
<b>Glossary</b>	<b>92</b>

# Statement of accounts 2005/06



Welcome to the London Borough of Hillingdon's Statement of Accounts for the financial year 2005/06. The statement sets out the financial position of the council and details how we spent your money.

My priority has been to get the council's finances into a strong position to ensure that we are able to meet the challenges of having to deliver more for less. We now have a stable and well-managed budget, which has meant in 2006/07, the council was able to invest £1.6m extra in service improvements whilst keeping the council tax increase to under 3%. The investment in service improvements include the following:

- £250k investment in the community equipment service. This investment is a key part of our strategy to help vulnerable people to live longer at home, enabling us to better target and modernise residential social care
- £200k to help the police fund Hillingdon's 14 additional Safer Neighbourhood Teams, and to enable the council to respond to issues residents identify through the teams
- £200k for additional repairs to pavements and footpaths
- £175k for further environmental improvements
- £150k to further expand our services to support vulnerable children, completing an investment programme totalling £400k over the past two years
- £100k for voluntary sector work for the elderly. During 2005/06 we received notification that the Government had broken its promise, made the previous year, to provide adequate funding

for unaccompanied asylum seeking children beyond their eighteenth birthday. This reduction in grant funding was applied retrospectively and resulted in a substantial shortfall of income in 2005/06. The council are in the process of challenging this decision. However, in light of the government persisting with this course of action, to be prudent and to ensure the council's sound financial position is maintained we have needed to make further efficiency savings which we have achieved with minimal effect on service delivery.

The council's Hillingdon Improvement Programme is now in its fourth year and is driving forward changes to help us modernise the way we do things. This has already delivered more than £10m of cash savings and in freeing up staff time and resources so we can deliver more efficient services to our residents.

In the most recent independent government inspection of councils, Hillingdon moved up to a two star rating and we received the second highest rating of "improving well", which assesses our ability to make further improvements. In the same assessment the council was received a three star rating for its performance in the use of resources with only one London Borough with a higher star rating.

Robust financial management continues to provide the bedrock for the future development of the council. Maintaining improvement in this area will continue to be a priority.

*Cllr Ray Puddifoot  
Leader of the Council*

# Summary of the authority's financial position

This document sets out the annual accounts of the London Borough of Hillingdon for the year ended 31 March 2006. The various statements include, where relevant, comparative figures relating to the previous financial year and supporting notes.

## Summary of the authority's financial performance in 2005/06

### Revenue Budget

Hillingdon's net expenditure budget for 2005/06 was set at £305.2m, which was a 6.8% increase on the previous year. The budget included a contingency provision of £2m. The increased expenditure was financed through additional central government support of 8.1% and an increase in council tax of 3.9%. Due to the removal of the ceiling on central government support the increase in government support was the highest percentage increase of any London borough.

The 2005/06 budget contained growth of £8.7m and savings of £7.2m. Major items of additional expenditure agreed in the 2005/06 budget were:

- Increased schools budgets of £12.2m
- Increased funding for projected growth in social care client numbers of £1.2m
- Further growth of £0.5m for the implementation of the youth service development plan
- Additional financing costs of increased capital programme expenditure £0.7m

Throughout 2005/06 Cabinet received regular financial monitoring reports to enable it to ensure spending was being kept within approved budgets. However during the year the Department for Education and Skills (DfES) retrospectively altered the grant conditions of the leaving care grant, which provides funding for unaccompanied asylum seeking

children beyond their 18th birthday. This reduced the grant received in respect of 2004/05 and 2005/06 by a total of £5.35m. Although the council is in the process of challenging this decision expenditure restrictions were put in place to lessen the impact on the council's financial standing of this reduced funding. This resulted in approximately £1.3m of savings.

After accounting for the late receipt of £835k local authority business growth grant the final outturn for the year was £308.1m. This was £2.39m under budget before the extra ordinary reduction in leaving care grant funding which had its impact contained to a £2.9m overspend overall by the council.

The main variances were as follows:

### Social Services & Housing

- Reduction in leaving care grant for unaccompanied asylum seeking children: +£5,335k
- Increase in costs to help older people to live at home: +£2,027k
- Savings on homelessness resulting from improved performance on voids, increased subsidy levels and favourable volume factors: -£1,209k.
- Pressure on children and families services: +£1,030k
- Increase in housing subsidy: -£907k
- Increased grant funding and reduced costs on learning disability & supported employment: -£723k
- Overspend on physical disabilities services: +£598k
- Increase in the benefit subsidy claim in respect of 2004/05: -£520k
- Underspend on concessionary fares: -£175k



### Education, Youth & Leisure

- Increased staffing and legal costs in finance and resources: +£377k
- Provision for reclaimed grant income: +£300k
- Increased income, plus savings on costs, on libraries and cultural services: -£228k
- Underspend due to staff savings on youth services: -£236k
- Increased spending on the music service: +£108k
- Underspend on special educational needs: -£324k

### Environment & Consumer Protection

- Capitalisation of expenditure: -£450k
- Increased spending on graffiti removal: +£160k
- Underspend on waste disposal resulting from increased recycling rates: -£150k
- Additional income in respect of the new licensing regulations: -£130k

### Corporate budgets

- Increase in financing costs: + £1,145k
- Shortfall of local authority business growth initiative grant: + £565k
- Unallocated salaries contingency: -£584k
- Unallocated development contingency: -£1,111k

Details of revenue expenditure across departments plus the sources of council's revenue income are shown below.

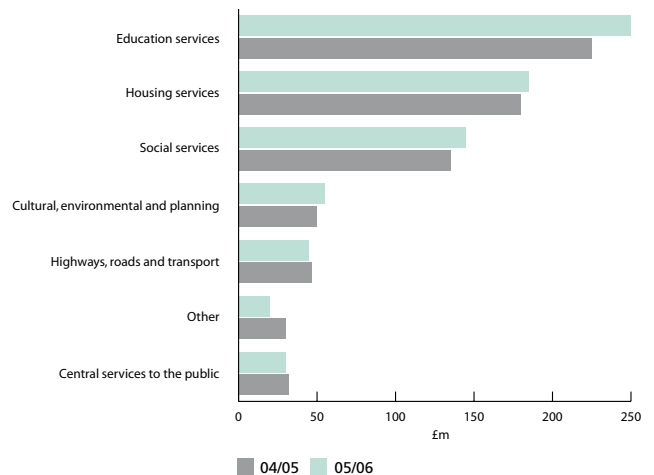


Chart 1 shows the distribution of 2005/06 gross expenditure between the different services of the council.

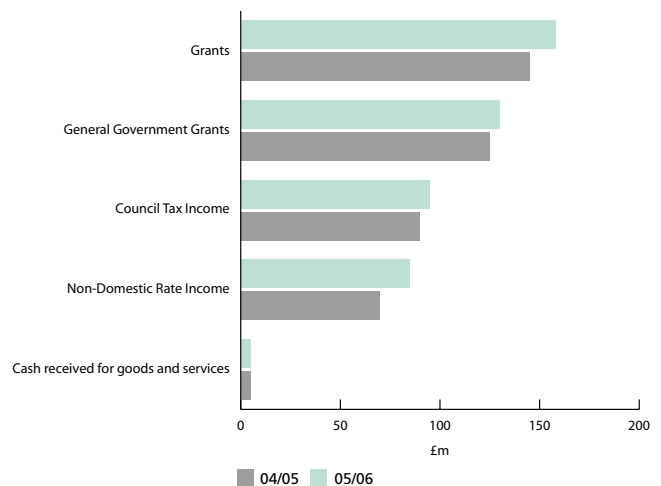


Chart 2 shows the source of the council's revenue income.

## Balances

The Council needs to retain adequate reserves to cover unexpected expenditure and avoid costly short-term borrowing. Equally the council wishes to utilise the maximum resources available to achieve its objectives therefore it plans to maintain reserves at the lowest prudent level. The council has been actively trying to increase balances with the aim of maintaining balances within the recommended range. Due to uncertainties surrounding the leaving care grant from the DfES the recommended range has been increased from £8m to £12m to £8.1m to £16.7m. The loss of £4.3m leaving care grant meant that balances actually decreased by £2.7m to £4.9m.

A further £11.9m balances are earmarked as schools delegated funds. The statutory parking earmarked balance is now £1.2m, an increase of £0.1m on last year, and the new roads and street works act income earmarked reserve is £170k, down £30k on last year. Both these reserves have to be spent on transport improvements as defined by statute.

## Capital budget

The Local Government Act 2003 introduced a new system of capital finance through the introduction of the prudential code. Under the prudential code the council is responsible for deciding its own level of affordable borrowing. In doing so capital investment plans have to be affordable, prudent and sustainable. To demonstrate that the council has fulfilled these objectives a range of prudential indicators are set annually and performance against these indicators is monitored regularly. During 2005/06 in addition to supported borrowing of £30.452m the council undertook unsupported borrowing of £6.298m.

Capital investment for the year totalled £83.776m compared to £69.6m in 2004/05. This increase reflects the progress that has been made with the

construction of the new secondary school in Ruislip (£8.2m) and the leisure centre in Hillingdon (£4.5m). Capital receipts brought forward of £9.154m plus capital receipts in the year of £14.257m made a total of £23.411m available for use during 2005/06 (note 3, page 56). Of this £6.949m was paid into the national housing pool and £16.462m was applied to funding in year, which has reduced the balance on the useable capital receipt reserve to nil. Further details on the treatment of capital receipts are provided in the statement of accounting policies (page 19).

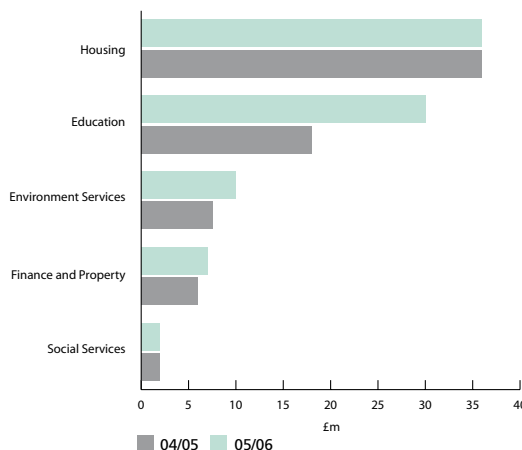


Chart 3 shows the breakdown of the total capital expenditure £83.776m for 2005/06 split between service areas

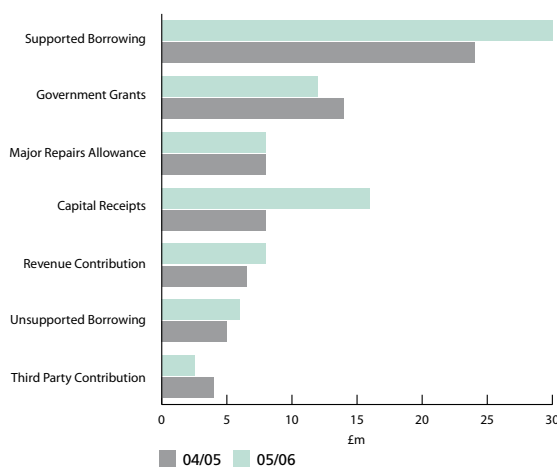


Chart 4 shows the major sources of financing for capital expenditure

## Treasury management

External debt has increased by £90m in order to support capital investment during 2005/06, while the average rate of interest on the loans portfolio reduced by 1.39% from 5.83% to 4.44%. In spite of the lower average rate, the increase in external debt caused external interest costs to rise from £4.45m in 2004/05 to £6.93m in 2005/06. The main source of borrowing is the Public Works Loan Board (£109.6m). The steady reduction in the average rate is a consequence of continuing the strategy of repaying higher rated debt before maturity and also the policy of controlling the amount of debt that has to be refinanced each year.

Investments as at 31 March 2006 stood at £43.5m (£14.5m at 31 March 2005) whilst the average for the year was £39.9m (£30.3m in 2004/05). The rise in average investments reflects the change in policy to use debt, rather than internal funds, to finance new expenditure at this time of especially low, fixed long-term borrowing rates. Total interest earned on council funds in 2005/06 was £1.866m. The average rate of return was 4.62%, 0.09% higher than the benchmark seven day LIBID return of 4.53%.

£24.6m debt was repaid in the year at an average rate of 8.18% and £114.6m borrowed for five to 60 years at an average fixed rate of 4.19% for 2005/06. The replacement in previous years of higher rated loans with significantly lower rated loans will reduce the average cost of debt for 2005/06 and for future years.

The council undertook a debt restructure in 2005/06 to take advantage of historically low interest rates. A premium of £3.661m was payable for the early settlement of the higher rated loans, with £3.1m due to be charged to the general fund and the remaining £0.56m charged to the housing revenue account (HRA). The general fund proportion of

the premium will be written back to revenue over the lifetime of the replacement loan leading to an annual cost of £62k. The HRA proportion of the premium will be written back over the respective lives of the loans that are being replaced.

## Accounting for pensions

The council is required fully to adopt FRS17 on retirement benefits. The council participates in two local government pension schemes, one administered by the London Borough of Hillingdon and the other run by the London Pension Fund Authority. In line with the statement of recommended practice (SORP) requirements the FRS17 disclosures have been calculated using the AA-rated corporate bond yield applicable at 31 March 2005. The total liability at 31 March 2006 of £135.5m has been recognised, compared to £134.3m at 31 March 2005. Details of the FRS17 disclosures are shown in the statement of accounting policies (page 21), revenue account (Note 7, page 29) and in the balance sheet (Note 23, page 49).

The fund's actuary, Hymans Robertson, carried out an actuarial valuation of the fund as at 31 March 2004. The valuation estimated a deficiency at 31 March 2004 of £53m, which has resulted in an increase in employer's contribution rates effective from 1 April 2005. The total common contribution rate is 14.45%, an increase from 9% in 2001, and will be phased in over a four year period. The rate increased to 11.5% in 2005/06 and will increase further in 2006/07 to 13.5%.

The latest funding check, carried out by Hymans Robertson as at 31 March 2006, indicated that the deficit has dropped to £22m and that the funding level had risen to 96%. However, although indicative of the current situation, this was not a full valuation and so cannot be relied upon.



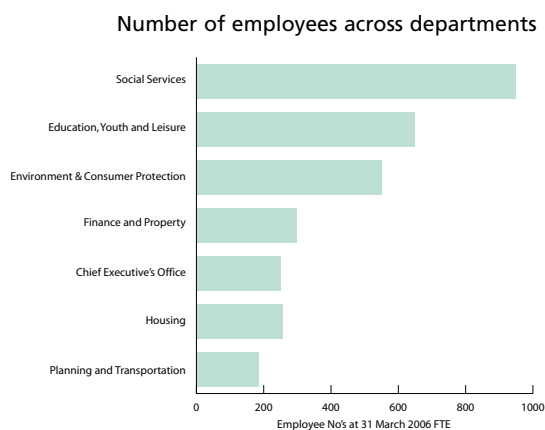
Amending regulations on the removal of the rule of 85 become effective from 1 October 2006. Although the removal of the rule of 85 will apply to new members of the scheme from 1st October 2006, there are extensive transitional protections for existing members as at 30th September 2006. As the next valuation is due on 31 March 2007 it seems unlikely that any further adjustment will be made to the employers' rate in the interim. Further information on London Borough of Hillingdon's pension fund is shown in the pension fund (pages 83 to 91).

## Collection fund

Income from taxpayers amounted to £350m, which includes £16.8m in respect of council tax benefits. Business rate income collectable to be paid over to the national pool amounted to £226m. At the end of the year the collection fund had a deficit of £763k in respect of council tax. This will be distributed in future financial years to the council and the Greater London Authority, in proportion to the value of the respective demands on the collection fund. The fund also had a deficit of £1k relating to prior year community charges that will be transferred to the general fund in future years. The council tax collection rate for 2005/06 was 94.8% compared to 95.3% in 2004/05.

## Review of staffing 2004/05

Recruiting and retaining high calibre employees is essential if the council is to achieve its performance objectives. At 31 March 2006 the number of council employees, excluding schools, totalled 3,041 full time equivalents (FTE) an increase of 157 FTE (5.4%) on 31 March 2005. The following chart shows the breakdown by Department.



Overall labour turnover fell from 10.14% in 2004/5 to 9.81% in 2005/6. This is extremely favourable when compared to the latest information from other London boroughs where the average turnover figure was 15.1% in 2003/04.

The council continues to perform above average on a range of employee related best value performance indicators in particular regarding sickness absence.

	London Borough of Hillingdon	Council average*
Working days lost to sickness absence 2005-2006	7.92 days	9.01 days
Top 5% of earners that are women	43.52%	29.48%
Top 5% earners from ethnic minorities	17.89%	2.87%
Percentage of employees with a disability	2.42%	2.91%
Ethnic minority representatives in the workforce	23.27%	4.70%

\* Council average figures provided by the Audit Commission.

## Future performance

### Future performance

The council has set a gross revenue budget of £669.3 million for 2006/07. In determining the net budget requirement the following key income streams that relate to specific services were taken into account - specific Government grants; rents, fees and charges from users of council services; and contributions from our main partners towards our shared priority services.

Taking into account these sources of income, the council set a net revenue budget of £172.0 million for 2006/07. This budget is funded from three key general sources of income:

- Council tax receipts of £99.4 million from Hillingdon's share of the local council tax (£1,041.46 for a Band 'D' property) raised from an estimated 95,620 Band 'D' equivalent properties in the borough (an increase of 2.9% over 2005/06).
- Business rates (non-domestic rates/NDR) of £60.9 million distributed by central Government on the basis of the resident population of the borough.
- Revenue support grant of £11.7 million provided by central Government from general taxation.

The latter two sources of Government funding were announced in the local government finance settlement for 2006/07 and 2007/08 on 31 January 2006. The Government implemented a new formula grant distribution system based on a 'four block' model the largest of which is the Relative Needs Formula (RNF). In order to reduce the strongly redistributive impact on grants, a 'floor' increase of 2.0% was imposed for 2006/07, compared to an average grant increase of 2.7%. Those authorities with a formula grant increase above 2.0%, including Hillingdon, had their grant increase 'scaled back' by 85% to fund the floor increase – for Hillingdon this equated to £2.25 million in lost grant. Hillingdon's

formula grant increased by 2.6% on a like-for-like basis for 2006/07, and by 4.4% for 2007/08.

The other major feature of the local government finance settlement was the removal of schools funding from the RNF system, through the introduction of the ring-fenced Dedicated Schools Grant (DSG) to cover schools expenditure. However, Hillingdon's per-pupil increases of 6.7% for 2006/07 and 6.6% for 2007/08 were below both the London and national average in each year.

The revenue budget for 2006/07 is based on information developed through the service planning process and captured in the medium term financial forecast (MTFF). The planning process used to develop the current MTFF has enabled Hillingdon to identify efficiency savings of around £7.2 million for 2006/07, before any need to identify service reductions. Savings on this scale are essential if the council is to redirect existing resources towards higher priority areas, while at the same time making provision for significant increases in costs.

Fundamental to the MTFF process is the identification of unavoidable cost pressures facing the authority, including inflation. Compared to general inflation in the national economy, public sector inflation is particularly high. Employee costs have been driven up by pay awards that maintain competitiveness with average earnings, and increased pension contribution costs brought about by an ageing workforce and lower than expected returns on investments.

Other external costs are also increasing rapidly in areas such as social care placements especially for older people, looked after children and adults with learning disabilities, the revenue costs of financing the capital programme, and in external levies. Our robust approach to procurement has significantly reduced the impact of increases in external spending.

# Statement of responsibilities

## 1. 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 director of finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the statement of accounts

## 2. Director of finance's responsibilities

The director of finance is responsible for the preparation of the council's statement of accounts that present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2006.

In preparing this statement of accounts the director of finance 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.

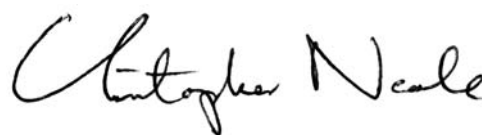
The director of finance has also:

- kept proper accounting records that were up to date;

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

## 3. Director of finance's approval of accounts

I certify these accounts present fairly the financial position of the London Borough of Hillingdon, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), as at the 31st March 2006 and its income and expenditure for the year then ended.



*Christopher Neale, Director of Finance*  
29 June 2006

## Council certificate for the approval of the accounts

I confirm that these accounts were approved by the council at the meeting held on 29 June 2006.

Signed on behalf of London Borough of Hillingdon



*Councillor David Routledge*  
Mayor of Hillingdon  
29 June 2006

# Statement of Internal Control

## 1 Scope of responsibility

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

In discharging these overall responsibilities, London Borough of Hillingdon is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of London Borough of Hillingdon's functions, and which includes arrangements for managing risk.

## 2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable assurance and not absolute assurance of effectiveness. The system of internal control is a continuous process to:

- identify risks to the achievement of London Borough of Hillingdon's policies, aims and objectives
- evaluate the likelihood of the risks being realised, and their potential impact
- prioritise and manage them efficiently, effectively and economically.

## 3 The internal control environment

The key elements of the internal control environment include:

1. A constitution that sets out how the council operates, how it makes decisions, and what procedures it will use to ensure that decisions are effective, efficient, and transparent to the borough's citizens, to whom the council is accountable
2. A corporate code of governance
3. A local code of conduct for members (incorporating the National Code of Conduct for Members and based on the Nolan Principles)
4. A local code of conduct for officers
5. A strategic planning document, Making a Difference, setting out the council's vision and framework for maintaining continuous improvement showing achievement against statutory and local targets and the targets for the next two years
6. Procedure rules for finance, contracts and human resources issues are included in the constitution
7. The council's Hillingdon Improvement Programme (HIP), a major improvements programme focusing on making the best use of resources for the benefit of Hillingdon's residents
8. The performance management structure under the remit of the head of policy. The performance management group of senior officers meets regularly, and report to cabinet and overview and scrutiny committees each quarter
9. An effective service and financial planning and annual budget setting process, running from

the preceding summer to February, with a robust challenge process involving members, the director of finance and corporate directors

10. Monthly budget monitoring built upwards from cost centre managers to monthly revenue and quarterly capital reports to cabinet

11. Risk management including

- a corporate risk management strategy outlining roles and responsibilities
- identification, quantification and treatment of risks to the council's objectives recorded on risk registers
- quarterly review of risk registers through senior management team, management board, cabinet members briefing and overview and scrutiny committee
- defined process for the management of partnership risks
- development of a training programme

12. Ethical governance

The corporate governance arrangements, includes

- a structure of a Leader, cabinet, and overview and scrutiny committee
- Corporate management board
- a schemes of delegation to members and officers with recording and reporting of significant decisions

## 4 Review of effectiveness

London Borough of Hillingdon is responsible for conducting, at least annually, a review of the effectiveness of the system of internal control. It achieves this by considering and approving this statement presented with the annual statement of accounts. Management board is responsible for developing and maintaining the internal control environment, and has produced this statement. The management board recognises that the statement

of internal control (SIC) preparation process for 2005/06 (though developed significantly since the 2004/05 SIC) will evolve further during the 2006/07 financial year.

The system of internal control operated throughout the financial year 2005/06 and accords with good practice. The system is dynamic, seeking continuous improvement. Continuing improvements include:

- annual review of the constitution
- continuing improvements in governance
- improvements in the budgetary control systems for revenue and capital expenditure, including a budget managers toolkit and continued development of the medium term financial forecast (MTFF) process
- continuing improvements in revenue and capital financial planning
- Investor in People accreditation for the whole council.

The review has been informed by:

- the council's development, during the year, of its overview and scrutiny function
- the work of the internal audit section, which follows a four-year rolling plan, based on a risk assessment. The chief internal auditor reported regularly during the year to both the management board and overview and scrutiny committee, and has reported an unqualified opinion on the basis of internal audit work in 2005/06
- the work of the Audit Commission reported in their annual audit letter
- during the 2005/06 Comprehensive Performance Assessment the council achieved three out of four for its use of resources, maintaining its position against the harder test and overall rated the council as two star (out of four) with a direction of travel statement of 'improving well'. The corporate assessment highlighted



the substantial progress made from a low base and the efficiency and effectiveness of previous failing services. The Joint Area Review also rated the council as achieving adequate outcomes for most children and adults and commented on the good support to looked after children and those on the child protection register. This is good evidence of sound control and governance.

- The work of managers in the council, particularly through their implementation of performance management to ensure that each area achieves its targets in service delivery, financial control, and good governance is vital. Highlights include achievement of;
  - 89% of the council plan targets (short term targets)
  - 58% of the best value performance indicator targets

There have been no major governance issues during the year that cause concern. However, there has been one major control issue namely, the late notification by the DfES that it is not prepared to fully fund the council for meeting its statutory obligations towards unaccompanied asylum seeking children. This has placed enormous strain on the council's resources and urgent action has had to be taken in order to address this situation. The action taken by the council has been two-fold. Firstly, a judicial review action has been brought against

the DfES in the High Court and permission has recently been granted by a Judge for the action to proceed. The DfES has also agreed to meet with council representatives for the purpose of discussing the funding shortfall. If a satisfactory agreement cannot be reached with the DfES, the council will continue with its action in the High Court. Secondly, a recovery plan has been developed which to date is projected to deliver £10.3m in savings in 2006/07 which is sufficient to deal both with the £5.3m backdated reduction in the grant for 2004/05 and 2005/06 and the £4.8m reduction in grant for 2006/07. These savings are additional to those which are already being delivered as part of the 2006/07 base budget.

During 2005/6 a partnership register was developed. The risk management strategy set out the process for managing partnership risks and for obtaining assurances from those partnerships identified as presenting a significant risk to the council.

Further improvements are planned for 2006/07 and are detailed below:

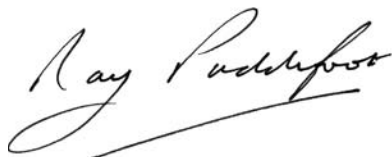
- closer linking of the internal audit plan with the risk management system
- further evolution of the SIC process for 2006/07
- a fundamental review of the constitution
- plans to introduce an audit committee

## 5 Significant internal control issues

The table below shows both the most significant issues for the council, and the planned actions to address them.

No.	Issue	Planned action
1	Failure to obtain full funding for asylum services.	Review of all expenditure and plans put forward to reduce spending and protect services. Judicial Review application.
2	Transfer of children's care services.	Consultation on structure undertaken. Now subject to council reorganisation. Still on target for 1 October 2006.
3	Limited response to public health emergencies by council and partners	Review of all business continuity plans plus meetings with partners from across Hillingdon and London to develop planning assumptions.
4	Impact of Primary Care Trust's financial position on services	Continued close work with the Primary Care Trust and possibly the Strategic Health Authority as changes in the NHS in London are introduced.
5	Failure of cooling towers, legionella outbreak.	Planned replacement begins in June 2006.
6	Lack of resilience in the event of terrorist attack.	Continued work with the Civil Protection Service and the Local Resilience Forum to facilitate an effective combined response to an incident. Review of Business continuity plans.

*Cllr Ray Puddifoot  
Leader of the Council*



*Hugh Dunnachie  
Acting Chief Executive*



# Audit Certificate and opinion

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

### Opinion on the financial statements

I have audited the financial statements and pension fund accounts of the London Borough of Hillingdon and its Group for the year ended 31 March 2006 under the Audit Commission Act 1998. The financial statements comprise the Consolidated Revenue Account, the Housing Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, the Group Account and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and pension fund accounts have been prepared under the accounting policies set out within them.

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 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal

and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements and the pension fund accounts present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005:

- the financial position of the council and its income and expenditure for the year; and
- 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 other benefits after the end of the scheme year.

I review whether the statement on internal control reflects compliance with CIPFA's guidance, 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the council's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent

misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) 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 judgments made by the London Borough of Hillingdon in the preparation of the financial statements, and of whether the accounting policies are appropriate to the London Borough of Hillingdon's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me 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 my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In my opinion:

- The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the London Borough of Hillingdon as at 31 March 2006 and its income and expenditure for the year

then ended; and

- The pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial transactions of the Pension Fund during the year ended 31 March 2006, and the amount and disposition of the fund's assets and liabilities as at 31 March 2006, other than liabilities to pay pensions and other benefits after the end of the scheme year.



*L J Kidner*  
District Auditor

Audit Commission  
1st Floor, Millbank Tower Millbank  
London SW1 P 4HQ  
29 September 2006

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

### Council's responsibilities

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

Under the Local Government Act 1999, the council is required to prepare and publish a best value performance plan summarising the council's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

### Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the council for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the council has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the council's arrangements

for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the council's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

### Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, the London Borough of Hillingdon made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

### Best Value Performance Plan

I issued my statutory report on the audit of the council's best value performance plan for the financial year 2005/06 on 22 December 2005. I did not identify any matters to be reported to the council and did not make any recommendations on procedures in relation to the plan.



## Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



*L J Kidner*  
*District Auditor*

Audit Commission  
1st Floor, Millbank Tower Millbank  
London SW1 p 4HQ  
29 September 2006

# Statement of accounting policies

The accounts have been prepared in accordance with the 2005 Code of Practice on Local Authority Accounting and Statement of Recommended Practice (SORP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), Statements of Standard Accounting Practice (SSAP) and Financial Reporting Standards (FRS). Any departures from recommended practices are stated within this section and/or within the notes to the accounts.

## 1. 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 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 Institute of Chartered Surveyors (RICS). Fixed assets are included in the balance sheet on the following basis:

- land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use.
- non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost or net realisable value. In the case of investment properties this is normally open market value. In some cases where a depreciated replacement cost (DRC) figure has been used, an additional opinion has been sought as to the open market valuation (allowing for alternative uses) if it was

at a figure significantly higher or lower than the DRC figure.

- infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation.

Plant and machinery forming an integral part of the property is included in the valuation of the buildings. Other plant and machinery has been given a value on the basis of historic costs as a proxy for current value.

For expediency, a de minimis 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.

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. Any surpluses arising on the revaluation of fixed assets are credited to the fixed asset restatement account.

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 are recognised in the fixed asset restatement account.

Following the revaluation of the council dwelling stock as at 1 April 2005 values are maintained for individual dwellings. This has enabled disposals to be written out at actual net book value in full compliance with the SORP.

## 2. Intangible assets

Intangible assets, such as software licences, are only

recognised on the balance sheet when they are purchased or where internally developed and they have a readily ascertainable market value. Intangible assets are included at historic cost and only revalued in line with FRS10. Intangible assets are amortised over their economic life, which is reviewed annually.

### 3. Capital receipts

Receipts from the disposal of fixed assets are accounted on an accruals basis. Capital receipts are available to finance capital expenditure and any receipts that have not been used to finance capital expenditure are included in the balance sheet as usable capital receipts.

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

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

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 and non-operational investment properties according to the following policy:

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

Depreciation is calculated using the straight-line method based on the following useful lives:

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

### 5. Capital charges to revenue

Services' 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 to demonstrate to a greater extent their total cost. The total capital charge comprises depreciation plus a capital financing

charge determined by applying a specified notional rate of interest to net asset values. For 2005/06 the notional rates of interest set by CIPFA were 3.5% for assets at current value and 4.95% for assets at historic costs. The aggregate charge to individual services is determined on the basis of the capital employed in each service. Capital charges are calculated on the opening value of the asset as at 1 April 2005. No adjustment to the capital charge is made for disposals and additions of assets made during the year. The capital financing charge to services is credited to the asset management revenue account and the depreciation credited to the contribution to capital financing account. This ensures that capital charges have no impact on the amounts required to be raised from local taxation.

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. These do have an impact on the amount required to be raised for local taxation.

## 6. Deferred charges

Deferred charges represent expenditure that may properly be capitalised, but which does not represent tangible fixed assets, for example housing association grants, capital expenditure on foundation schools and housing improvement grants. From 2004/05 deferred charges are amortised to revenue in the year in which the expenditure is incurred.

## 7. Leasing

Where assets are acquired under finance leases, these assets are recognised in the council's balance sheet together with the liability to pay future rentals. Under the prudential framework these long

term liabilities are included in the capital financing requirement (CFR), which triggers minimum revenue provision (MRP) charges in future years on a 4% reducing balance of the liabilities first recognised. When entering into finance leases the council has decided to make additional MRP contributions so the charge to the consolidated revenue account is in line with the payments of principal over the lease term. This charge is made as an appropriation to the capital financing account after net operating expenditure, as part of the item reconciling depreciation charges to revenue provision.

The council has three finance leases with the Ealing Family Housing Association for 102 dwellings. Following a review of leases undertaken in 2004/05 a number of leases for vehicles and plant have been classified as finance leases under SSAP21. Further details are provided in note 9 to the consolidated revenue account. The council also has acquired vehicles and plant under operating leases.

## 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 14 (page 34) to the consolidated revenue account.

## 9. Debtors and creditors

Both the revenue and capital accounts of the council are maintained on an accruals basis in accordance with the code of accounting practice and FRS18. Sums due to or from the council during the year are included in the revenue account whether or not the cash has actually been received or paid in the year.

## 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 2006. The final claims for grants included in the accounts are subject to audit. The audit of the grant claims 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 account represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.

The capital financing account 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 usable capital receipts reserve includes capital receipts that have not yet been used to finance capital expenditure or to repay debt.

The pension reserve represents the surplus or deficit arising from the valuation of pension assets and liabilities of Hillingdon's interests in the London Borough of Hillingdon pension scheme and the London Pension Fund Authority pension scheme.

The major repairs reserve is a requirement of the HRA resource accounting and holds depreciation charged to the HRA in excess of the major repairs allowance.

## 14. Pensions

The council participates in two defined benefit pension schemes, the London Borough of Hillingdon



pension fund and the London Pension Fund Authority pension fund.

The assets of each scheme have been measured at their fair value as at 31 March 2006. In line with 2005 SORP requirements FRS17 retirement benefit disclosures are calculated using the AA rated corporate bond yield. The attributable scheme liabilities have been measured on an actuarial basis using the projected unit method. This was undertaken by the council's external actuaries, Hyman Robertson. The deficit in the scheme is the shortfall of the value of the assets in the scheme below the present value of the scheme liabilities.

The current service costs and gains and losses on settlements and curtailments have been included within net cost of services (page 26). The net of the interest cost and the expected return on assets has been included within net operating expenditure (page 26). All pension contributions are accounted for on an accruals basis.

Actuarial gains and losses arising from updating the latest actuarial valuation to reflect conditions as at 31 March 2006 have been recognised in the movement to the pension reserve (page 56). The annual report and accounts of the pension fund are shown on pages 83 to 91.

Pensions for teachers are provided through a separate scheme operated by central government. Although the scheme is a defined benefit scheme the employer's contributions are set in relation to the current service period and are not affected by any surplus or deficit in the scheme relating to past service. The SORP permits this scheme to be accounted for as a defined contribution scheme.

The pension costs reported for a year are equal to the contributions payable to the scheme and these costs are shown within net cost of services (page 26).

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

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.

In line with the SORP, premiums incurred on the early settlement of debt will be recognised in the revenue account in the period of repurchase, apart from where the original debt has been fully replaced by new debt which gives the same effective economic result as the original borrowing. In this case the general fund proportion of the premium will be written back to revenue over the lifetime of the replacement loan.

## **17. Group accounts**

The council have to include within their statement of accounts interests in subsidiaries, associates and joint ventures in a set of group accounts. The council has one subsidiary, Hillingdon Homes Ltd, which is responsible for the management of its housing stock. The council's group accounts are shown on pages 72 to 82. Hillingdon Homes' income and expenditure, assets and liabilities have been consolidated on a line by line basis in accordance with FRS2. The operating income and expenditure of Hillingdon Homes has been included in the Housing service line of the Net Cost of services.

Any departures from the accounting policies applicable to the group accounts are detailed on pages 72 to 82.

# Financial statements

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

They summarise the overall financial position of the council and in particular include the following:

## **Consolidated revenue account (page 25)**

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. It does not include interests in related companies, these are included in the group accounts detailed on page 72.

## **Consolidated balance sheet (page 37)**

This sets out the assets and liabilities of the council as at the 31st March 2006, but excludes the assets and liabilities of the pension and trust funds. It does not include interests in related companies, these are included in the group accounts detailed on page 72.

## **Statement of total movement in reserves (page 53)**

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 58)**

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 housing revenue account (page 63)**

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 collection fund (page 68)**

This account reflects the statutory requirement to maintain a separate collection fund, which shows the transactions of the billing authority in relation to national non-domestic rates and council tax, and illustrates the way in which these have been distributed to preceptors and the general fund. The collection fund is consolidated with the other accounts of the authority.

## **Group accounts (page 72)**

This is the first year that the London Borough of Hillingdon has been required to produce a full set of group accounts under the 2004 SORP. The group financial statements include the group income and expenditure account, balance sheet, cash flow statement and the statement of total movement in reserves.

## **Pension fund (page 83)**

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.

## 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.



*John Birdsall*

	Year ended 31 March 2006			Net Expenditure £000's	Year ended 31 March 2005		
	Notes	Expenditure £000's	Income £000's		Expenditure £000's	Income £000's	Net Expenditure £000's
<b>EXPENDITURE ON SERVICES</b>							
Central services to the public		23,469	18,484	4,985	23,515	18,757	4,758
Cultural, environmental and planning services		56,471	20,241	36,230	51,019	17,143	33,876
Education services		248,855	68,121	180,734	221,190	57,794	163,396
Highways, roads and transport services		33,881	6,902	26,979	34,632	9,203	25,429
Housing services		191,618	159,611	32,007	182,675	148,284	34,391
Social services		144,138	53,992	90,146	134,261	56,338	77,923
Court and probation services		171	0	171	679	0	679
Corporate and democratic core		9,095	2,508	6,587	6,765	560	6,205
Non distributed costs		5,967	4,200	1,767	10,222	7,388	2,834
<b>NET COST OF SERVICES</b>		713,665	334,059	379,451	664,958	315,467	349,491
Precepts and levies		255	0	255	250	0	250
Net loss on trading undertakings	1	9,839	9,577	262	9,886	9,632	254
Asset management revenue account	3	0	53,976	(53,976)	0	46,037	(46,037)
Contribution of housing capital receipts to government pool		6,949	0	6,949	8,931	0	8,931
Losses on early settlement of borrowing		31	0	31	0	0	0
Interest and investment income		0	1,578	(1,578)	0	1,023	(1,023)
Pension interest cost & expected return on pensions assets		470	0	470	1,862	0	1,862
<b>NET OPERATING EXPENDITURE</b>		731,209	399,190	332,019	685,887	372,159	313,728
Surplus of HRA transferred to HRA balances				(3,343)			(1,381)
Contribution from other earmarked reserves				80			374
Contribution from usable capital receipts equal to housing pooled capital receipts				(6,949)			(8,931)
Contribution from pensions reserve				(5,929)			(9,486)
Principal payment on finance leases				1,530			1,604
Contribution from capital financing account				(11,378)			(15,019)
<b>AMOUNT TO BE MET FROM GOVERNMENT GRANTS &amp; LOCAL TAXPAYERS</b>				306,030			280,889
FINANCED BY:							
General government grants				(127,861)			(125,100)
Council tax income				(96,028)			91,949
Transfer to collection fund in respect of deficit				57			253
Non-domestic rate income	16			(82,527)			(68,872)
<b>INCOME FROM GENERAL GRANTS AND LOCAL TAXPAYERS</b>				(306,359)			(285,668)
<b>(SURPLUS) / DEFICIT FOR THE YEAR</b>				(329)			(4,779)
Balance at beginning of the year				(16,500)			(11,721)
<b>GENERAL FUND BALANCE AT END OF THE YEAR</b>				(16,829)			(16,500)
Comprising:							
General balances	17			(4,610)			(7,239)
Breakspear crematorium balance	17			(338)			(377)
School budgets balance	17			(11,881)			(8,884)

# Notes to consolidated revenue accounts

## 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	2005/06	Expenditure	Income	2004/05
	£000's	£000's	Deficit/(Surplus) £000's	£000's	£000's	Deficit/(Surplus) £000's
Fleet management	3,015	3,048	(33)	3,053	2,989	64
Passenger services	3,082	2,967	115	2,804	2,702	102
Engineering consultancy	1,259	1,265	(6)	1,240	1,247	(7)
Harlington Road depot & canteen	1,162	1,058	104	1,081	986	95
Building cleaning	581	584	(3)	930	930	0
Property consultancy	740	655	85	778	778	0
	9,839	9,577	262	9,886	9,632	254

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	303	324	(21)	321	261	60
Uxbridge market	46	226	(180)	52	219	(167)
Park Lodge farm *	0	0	0	1	1	0
Highways, sewers and street lighting	3,476	3,487	(11)	3,279	3,279	0
Grounds maintenance	2,659	2,659	0	2,828	2,828	0
On street car parking	1,799	1,799	0	1,543	1,543	0
	8,283	8,495	(212)	8,024	8,131	(107)

\* Park Lodge farm was leased out for 25 years from 1 April 2004. The tenant purchased the livestock, deadstock, machinery, foodstuff, seeds & fertilizer from the council.

## 2. External audit costs

The Audit Commission provides external audit services to the council. During 2005/06 the council incurred the following fees where payable to the Audit Commission relating to external audit and inspection.

	2005/06 £000's	2004/05 £000's
External audit services carried out by the appointed auditor	253	391
Public inspection audit	0	39
Statutory inspection audit	229	104
Grant claims and returns	185	135
<b>Total external audit costs</b>	<b>667</b>	<b>669</b>



### 3. Transactions on the asset management revenue account

The asset management revenue account shows the difference between the charges made to services for the use of assets and the cost of borrowing to fund capital expenditure. The charges to services are based on the value of each asset and consist of depreciation together with a notional interest charge. These charges are then transferred back to the consolidated revenue account (notional interest through the asset management revenue account and depreciation through the capital finance account) to ensure that the notional charges for capital have no impact on the level of council tax. For 2005/06 the notional interest rate set by CIPFA is 3.5% for assets at current value and 4.95%, increased from 4.8% in 2004/05, for assets at historic cost.

	2005/06		2004/05	
	£000's	£000's	£000's	£000's
<b>Income</b>				
Capital charges - General fund	(40,674)		(33,129)	
- Housing revenue account	(39,462)		(36,280)	
- Other	(49)		(37)	
Transfer from government grants deferred account	(5,838)		(5,250)	
		(86,023)		(74,696)
<b>Expenditure</b>				
Provision for depreciation	23,389		23,151	
External interest charges	8,658		5,508	
		32,047		28,659
Balance to consolidated revenue account		(53,976)		(46,037)

### 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:

	2005/06	2004/05
	£000's	£000's
Press section : Salaries	304	292
Other Costs	197	141
Staff recruitment	1,348	1,175
Net expenditure on 'Hillingdon People'	16	0
	<b>1,865</b>	<b>1,608</b>

### 5. Agency services

The Council provides agency services through the London Airport Health Control to British Airports Authority. The cost of this service in 2005/06 was £2,244k (£2,258k in 2004/05) which is fully reimbursable and is not included in the consolidated revenue account on page 26.

## 6. Local authority (goods and services act) 1970

The council is empowered by this act to provide goods and services to other public bodies. The council provides payroll services to Hillingdon Homes Ltd and foundation and voluntary schools. The income and expenditure in respect of this service is included in the consolidated revenue account.

## 7. Pension schemes

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

The authority participates in two local government pension schemes:

- London Borough of Hillingdon pension fund
- London Pension Fund Authority fund

Both these schemes are funded schemes, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. During 2005/06 the council contributed £12.2m to the Hillingdon pension fund.

Teachers employed by the authority are members of the teachers' pension fund, administered by the Department of Education and Skills. It provides teachers with defined benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. During 2005/06 the employers' contribution rate was 13.5% (13.5% in 2004/05) resulting in an employers' contribution of £ 7.55m ( £7.21m in 2004/05).

The council recognises the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the council is required to make against council tax is based on the cash payable to the pension fund in the year, so the real cost of retirement benefits is reversed out of the consolidated revenue account (CRA) after net operating expenditure. The following transactions have been made in the CRA during the year to make this adjustment:

	London Borough of Hillingdon Pension Fund		London Pension Fund Authority Pension Fund		Total
	31 March 2006 £000s	31 March 2005 £000s	31 March 2006 £000s	31 March 2005 £000s	31 March 2006 £000s
	<b>Net cost of services</b>				
Current service costs	16,054	14,700	15	17	16,069
Past service costs	24	500	0	0	24
Settlements and curtailments		900	0	0	0
<b>Total Net Cost Of Services</b>	<b>16,078</b>	<b>16,100</b>	<b>15</b>	<b>17</b>	<b>16,093</b>
<b>Net Operating Expenditure</b>					
Interest costs	29,062	25,000	384	38	29,446
Expected return on assets in the scheme	(28,678)	(26,900)	(298)	0	(28,976)
<b>Total Net Operating Expenditure</b>	<b>384</b>	<b>1,900</b>	<b>86</b>	<b>38</b>	<b>470</b>
<b>Amounts to be met from Government Grants and Local Taxation:</b>					
Movement on pension reserve	(5,828)	(9,530)	(101)	44	(5,929)
<b>Actual amount charged against council tax for pensions in the year:</b>					
Employer's contributions payable to scheme	10,634	8,470	11	11	10,645
Contributions in respect of unfunded benefits	0	0	12	12	12

Note 23 to the consolidated balance sheet (page 49) contains details of the assumptions made in estimating the figures included in this note. Note 4 to the statement of total movements in reserves (page 56) details the costs that have arisen through the year.

## 8. Minimum revenue provision

Although services are charged with depreciation these charges are credited out through the capital financing account and do not have an impact on the amount required to be raised from local taxation. The depreciation charge is replaced by the minimum revenue provision (MRP), which is a statutory charge that the council has to set aside for the redemption of external debt. From 1st April 2004 this calculation has changed from charges to the general fund and HRA based on their respective credit ceilings to a single charge to the general fund based on its share of the authority's overall capital financing requirement (CFR). In 2005/06 MRP of £3,825k had to be financed from council tax. Further details of the capital financing account are shown in Note 2 to the statement of total movement in reserves (page 55).

	2005/06 £000's	2004/05 £000's
General fund MRP	3,825	3,629
HRA MRP	0	0
Total MRP	3,825	3,629
Less depreciation charged to general fund	(14,626)	(14,375)
Less HRA depreciation greater than MRA	(847)	(775)
Net contribution to capital financing account	(11,648)	(11,521)

## 9. Operating and finance leases

### Vehicles, plant and equipment

During 2005/06 the council made payments totalling £144k (£111k 2004/2005) under operating leases for 25 vehicles. In addition the council made finance lease payments in respect of 84 vehicles totalling £588k, (£744k). This was charged to the Consolidated Revenue Account as £71k finance costs (debited to the Asset Management Revenue Account) and £517k relating to the write-down of obligations to the lessor (debited as part of the appropriation to the Capital Financing Account). Depreciation of £517k, equal to the write-down of obligation, is charged to the service.

### Dwellings

The Council leases 102 dwellings from the Ealing Family Housing Association under finance leases. The finance lease payments for 2005/06 amounted to £1,085k. This was separated between write-down of obligations of £729k and finance costs of £356k. Depreciation of £729k, equal to the write-down of obligation, is charged to the service.

## 10. Member allowances

During 2005/06 the total allowances paid to Members was £1,123k (£1,060k 2004/2005).

## 11. Officer emoluments

The number of employees in 2005/06 whose remuneration, excluding pension contributions, was £50k or more, are detailed below in bands of £10k. The number of employees included in the totals that exceeded the £50k threshold due to lump sum termination payments are indicated in brackets. These employees left the employment of the council during the financial year.

Remuneration Band	2005/06 Number of employees		2004/05 Number of employees	
	Total	Due to Lump Sum	Total	Due to Lump Sum
£50,000 - £59,999	60	0	49	0
£60,000 - £69,999	23	(1)	16	(1)
£70,000 - £79,999	12	0	9	(1)
£80,000 - £89,999	8	0	3	0
£90,000 - £99,999	1	0	0	0
£100,000 - £109,999	0	0	0	0
£110,000 - £119,999	4	0	4	(1)
£120,000 - £129,999	1	0	0	0
£130,000 - £139,999	0	0	1	(1)
	<b>109</b>	<b>(1)</b>	<b>82</b>	<b>(4)</b>

## 12. 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 following members held a position of influence, as defined by FRS8, in a voluntary organisation that received grant from the council.

ORGANISATION	NAME	PAYMENT £
Project 2041 navigator	Cllr Anthony Burles	728,380
Central middlesex skills centre - cmss	Cllr David Bishop	264,917
Hillingdon assoc of voluntary serv.	Cllr Geoff Courtenay	236,566
	Cllr John Major	
Dash	Cllr David Bishop	178,492
	Cllr George Cooper	
Hillingdon race equality council	Cllr Phoday Jarjussey	77,537
Hillingdon women's centre	Cllr Paramjit Sethi	75,597
Groundwork thames valley	Cllr George Cooper	75,032
Hillingdon law centre	Cllr Phoday Jarjussey	59,500
	Cllr O'Conner	
	Cllr R Ghei	
Hillingdon & ealing citizens advice	Cllr George Cooper	57,597
Hillingdon outdoor activities centre	Cllr Catherine Dann	53,428
Homestart hillington	Cllr Michael Cox	42,000
Hillingdon asian women's group	Cllr Paramjit Sethi	20,200

During 2005/06 Cllr G Cooper and Cllr D Bishop had a close relative/member of household that held a position of influence in DASH, a voluntary organisation that received grant of £178,492 from the council.

Cllr M Usher was in receipt of income from a company, Trinity Mirror Southern, that contracts with the council. In 2005/06 contract payments totalled £23,632. Cllr J Duncan had a close relative/member of household in receipt of income from a company, Grundons, that contracts with the Council. Contract payments totalled £474,405 in 2005/06.

Declaration forms have not been received from the two councillors, who no longer serve on the council, and a chief officer who has since left the council. However, in previous years neither the councillors nor the chief officer declared transactions falling within the scope of FRS8.

## Hillingdon Homes Ltd

During 2005/06 payments totalling £60m were made to Hillingdon Homes Ltd, a subsidiary of the council.

The following councillors have been on the board of Hillingdon Homes Ltd during 2005/06 :

Cllr A Retter,

Cllr L Allen,

Cllr Dubrow-Marshall (up to 16/3/06),

Cllr M Usher (from 16/3/06)

Cllr P Filgate,

Cllr G Courtenay.

They do not receive any remuneration.

## London Housing Consortium

The Council, in partnership with other councils and housing associations, is involved in the London Housing Consortium (LHC). The LHC provides specialist architectural services and bulk procurement arrangements for the public sector. Further details are provided in note 24 to the consolidated balance sheet on page 51.

## The pension fund

The London Borough of Hillingdon pension fund is considered a related party. The employer's contribution to the pension fund in 2005/2006 was £12,178k (£9,773k 2004/05).

## Government grants

The Council received a number of grants from central government which is considered a related party. These are detailed on page 61 in note 5 to the cash flow statement.

## Precepts

In 2005/06 the following precepts and levies are considered related party transactions:

Greater London Authority Precept	£24.14m
Environment Agency	£.17m
West London Waste Authority Levy	£5.94m
Lee Valley Regional Park Authority	£.27m



### 13. 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.

Notes	2005/06 £			2004/05 £			
	Chargeable	Non Chargeable	Total Building Control	Chargeable	Non Chargeable	Total Building Control	
Expenditure							
Building control costs	1	564,599	304,015	868,614	603,705	201,235	804,940
Directorate costs		59,365	31,965	91,330	77,600	25,866	103,466
Corporate costs	2	93,885	50,554	144,439	108,413	36,138	144,551
<b>TOTAL EXPENDITURE</b>		<b>717,849</b>	<b>386,534</b>	<b>1,104,383</b>	<b>789,718</b>	<b>263,239</b>	<b>1,052,957</b>
<b>TOTAL INCOME</b>		<b>717,991</b>	<b>10,039</b>	<b>728,030</b>	<b>791,785</b>	<b>12,757</b>	<b>804,542</b>
<b>Surplus/(Deficit) for Year</b>		<b>142</b>	<b>(376,495)</b>	<b>(376,353)</b>	<b>2,067</b>	<b>(250,482)</b>	<b>(248,415)</b>

#### Notes

1. Includes all employee, transport and other building control service costs.
2. Includes premises, supplies and services.

### 14. 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 people residential and nursing care. The estimated gross cost for the remaining 6 years of the contract is £20m.
- b. On 29th February 2000 the council entered into a 10 year contract with Lifestyle Care Plc for older people residential and nursing care. The estimated gross cost for the remaining 4 years of the contract is £11.4m.
- 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 (PFI) arrangement. The school opened in September 1999. Under the contract the council incurred principal of £283k and interest of £1,240k in 2005/06. The net present value of outstanding contract payments to be made over the remaining 18 years of the contract, assuming satisfactory performance, totals £26.7m. 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.

Jarvis has recently appointed SMIF as managing agents for the Jarvis Barnhill special purpose company. This does not affect the contract. It is still understood that it is Jarvis's intention to withdraw from the school's PFI market. In the unlikely event that Jarvis were not able to fulfil their contractual duties there would be an interruption to the facilities management of the school until an alternative provider could be arranged. Contingency arrangements are in place to manage this risk.

- d. The Council has three 20 year finance leases with the Ealing Family Housing Association for 102 dwellings. The estimated outstanding liability cost for the remaining 4 years of the contract is £2.85m.

## 15. 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	2005/06 £000s	2004/05 £000s
<b>Funding</b>		
Contribution from Primary Care Trust	9,650	8,446
Contribution from council (social services)	12,901	10,984
Income from client charges & grants	3,226	3,698
Allocation of Underspend		
- PCT	(228)	773
- Council (social services)	(228)	773
<b>GROSS EXPENDITURE</b>	<b>25,321</b>	<b>24,675</b>

Underspend at the year end is carried forward to the next year to reduce the 2006/07 contribution from the PCT. There was no capital expenditure incurred as part of this partnership.

## 16. Non-domestic rate income

Non Domestic Rates are collected by the council on behalf of central government and paid into a central pool. The final payment to the NNDR pool in 2005/06 was £228.92m and the collection fund account (page 68) accounts for this. The council received a payment from the pool of £82.53m in 2005/06 as part of the government revenue support grant settlement.

## 17. General fund balance

Further analysis of the balances are shown in the statement of total movements in reserves on page 54.

## 18. Section 137 expenditure

Under section 137 of the Local Government Act 1972 (as amended), the council is empowered to incur expenditure which in its opinion is of benefit to local taxpayers and which cannot be justified under any other local authority power.

	2005/2006 £000s	2004/2005 £000s
Expenditure:		
Careline service	240	220
Grants to the voluntary sector	379	362

# Consolidated balance sheet

This statement summarises the council's financial position as at 31st March 2006. It sets out the assets and liabilities of the council and shows the balances and reserves. It excludes the pension and trust funds but does include the council's asset or liability in the local government pension scheme.



	Notes	At 31st March 2006		At 31st March 2005	
		£000's	£000's	£000's	£000's
<b>FIXED ASSETS</b>					
<b>Operational Assets</b>	1				
Council dwellings		693,123		872,444	
Other land and buildings		533,858		529,765	
Vehicles, plant and equipment		12,316		10,352	
Community assets		10,092		10,130	
Infrastructure assets		142,224	1,391,613	138,972	1,561,663
<b>Non Operational Assets</b>	1				
Investment properties		5,323		5,404	
Assets under construction		12,139		1,918	
Surplus assets, held for disposal		25,448	42,910	6,325	13,647
<b>Intangible Assets</b>	2	787	787		0
Long term investments	7		76		76
Long term debtors	8		1,171		1,979
<b>Total Long Term Assets</b>			1,436,557		1,577,365
<b>Current Assets</b>					
Stocks & works in progress	9	178		337	
Debtors and payments in advance	10	96,436		65,019	
Short term investments	7	43,500		14,500	
Cash in hand		740	140,854	1,775	81,631
<b>Current Liabilities</b>					
Temporary borrowing	12	(13,372)		(6,016)	
Creditors and receipts in advance	11	(99,832)		(82,239)	
Bank overdraft		0	(113,204)	0	(88,255)
<b>Total Assets less Current Liabilities</b>			1,464,207		1,570,741
Provisions	14		(3,704)		(4,001)
Long term borrowing	12		(164,103)		(81,475)
Deferred liabilities	20 & 21		(7,472)		(8,839)
Liabilities related to defined benefit pension schemes			(135,502)		(134,318)
<b>Total Assets less Liabilities</b>			1,153,426		1,342,108
<b>Financed By:</b>					
Fixed asset restatement account			962,162		1,148,415
Capital financing account			191,088		184,473
Usable capital receipts account			0		9,158
Deferred credits			310		375
Government grants deferred account			111,896		103,605
Pension reserve	23		(135,502)		(134,318)
Fund balances and reserves	13		23,472		30,400
<b>Total Net Worth</b>			1,153,426		1,342,108

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, 29 September 2006**

# Notes to consolidated balance sheet

## 1. Movement of fixed assets 2005/06

Operational Assets	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Gross book value as at 1 April 2005	914,047	563,209	25,463	180,045	10,130	1,692,894
Accumulated depreciation & impairment	(41,603)	(33,444)	(15,111)	(41,073)	0	(131,231)
Net book value as at 1 April 2005	<b>872,444</b>	<b>529,765</b>	<b>10,352</b>	<b>138,972</b>	<b>10,130</b>	<b>1,561,663</b>
Transfers		1,700			188	1,888
Depreciation on transfers		881				881
Additions	31,962	7,600	4,798	7,723	704	52,787
Revaluations	(230,711)	26,626	0	0	361	(203,724)
Disposals	(13,010)	(27,987)	0	0	(114)	(41,111)
Impairments	0	(5,063)	0	0	(1,177)	(6,240)
Depreciation on assets sold	142	3,136	0	0	0	3,278
Depreciation on assets revalued	40,940	4,596	0	0	0	45,536
Depreciation for year	(8,644)	(7,396)	(2,834)	(4,471)	0	(23,345)
Gross book value as at 31 March 2006	702,288	566,085	30,261	187,768	10,092	1,496,494
Accumulated depreciation & impairment	(9,165)	(32,227)	(17,945)	(45,544)	0	(104,881)
Net book value as at 31 March 2006	<b>693,123</b>	<b>533,858</b>	<b>12,316</b>	<b>142,224</b>	<b>10,092</b>	<b>1,391,613</b>
<b>Non-Operational Assets</b>			Investment Properties	Assets under	Surplus Assets	Total Construction
			£000's	£000's	£000's	£000's
Gross book value as at 1 April 2005			5,404	1,918	6,344	13,666
Accumulated depreciation & impairment			0	0	(19)	(19)
Net book value as at 1 April 2005			5,404	1,918	6,325	13,647
Transfers			(99)	(6,528)	4,739	(1,888)
Depreciation on transfers					(881)	(881)
Additions			24	16,028	16	16,068
Revaluations			1	857	18,062	18,920
Disposals			(7)	0	(607)	(614)
Impairments			0	(136)	(2,167)	(2,303)
Depreciation on assets sold			0	0	0	0
Depreciation on assets revalued			0	0	4	4
Depreciation for year			0	0	(43)	(43)
Gross book value as at 31 March 2006			5,323	12,139	26,387	43,849
Accumulated depreciation & impairment			0	0	(939)	(939)
Net book value as at 31 March 2006			5,323	12,139	25,448	42,910

Council dwellings are valued using a vacant property basis, which is then adjusted using a factor set by the DCLG. The adjusting factor measures the difference between market rented and social rented property at a regional level. The factor for London reduced from 47% for the April 2000 valuation to 37% for the April 2005 valuation. This change in estimation technique has significantly reduced the value of the council dwelling stock which has been written off to the Fixed Asset Restatement Account in line with the SORP.



## 2. Intangible asset

	2005/06		2004/05
	Purchased Software	Total	
	£000's	£000's	£000's
Original Cost	0	0	0
Amortisations to 1 April 2005	0	0	0
Balance at 1 April 2005	0	0	0
Expenditure in Year	787	787	0
Written off to Revenue in Year	0	0	0
Balance at 31 March 2006	787	787	0

Software licences costing £787k were purchased in 2005/06. The cost is being written off over the five-year life of the licence on a straight line basis.

## 3. Statement of sources of finance

Capital expenditure of £83.776m has been incurred in 2005/06 on fixed & intangible assets and deferred charges. The expenditure on fixed assets is recognised as an addition in the movement of fixed assets. The sources of finance detailed below were used to fund capital expenditure incurred during the year and the principal element of finance lease payments.

	2005/06 £000s	2004/05 £000s
<b>Opening Capital Financing Requirement</b>	<b>139,152</b>	110,092
<b>Capital investment</b>		
Intangible Assets	787	0
Operational assets	52,563	52,595
Non-operational assets	16,068	599
Deferred charges	14,135	16,437
Finance Leases	223	4,784
<b>Sources of finance</b>		
Capital receipts	(16,462)	(8,207)
Government grants and other contributions	(22,043)	(24,215)
Revenue provision	(13,942)	(12,933)
<b>Closing Capital Financing Requirement</b>	<b>170,481</b>	139,152
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow :		
- supported by Government financial assistance	30,452	24,554
- unsupported by Government financial assistance	877	4,506
<b>Increase in Capital Financing Requirement</b>	<b>31,329</b>	29,060

## 4. Depreciation

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

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

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

## 5. 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 2005 by the Estate and Valuation service of the authority. Revaluations are made on a rolling 5 year period. The only external valuation included is of council dwellings which were revalued as at 1st April 2005 by Drivers Jonas. A valuation certificate has been given by the estates manager that the properties have been valued in accordance with the appraisal and valuation manual of the Royal Institute of Chartered Surveyors, and with guidance notes issued by the Chartered Institute of Public Finance and Accountancy. Property inspections in accordance with the rolling valuation programme were carried out between April 2005 and March 2006. Full details of the basis of valuation for each asset category is provided in statement of accounting policies (page 18).

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Non Operational Assets	Total
	£000's	£000's	£000's	£000's	£000's
Value at historical cost	0	0	12,316	0	12,316
Valued at current value in:					
2005/2006	693,123	533,858	0	42,910	1,269,891
2004/2005	872,444	529,765	0	13,647	1,415,856
2003/2004	781,672	322,139	0	24,569	1,128,380
2002/2003	767,470	318,658	0	25,523	1,111,651
2001/2002	644,816	322,880	0	26,648	994,344
2000/2001	566,498	369,131	0	21,364	956,993
1999/2000	533,369	365,254	0	26,171	924,794
1998/1999	433,942	324,789	0	22,906	781,637
1997/1998	386,725	324,148	0	24,112	734,985

## 6. Deferred charges

From 2004/05 deferred charges, expenditure classified as capital under the capital financing regulations but which does not result in either a tangible or intangible fixed asset, has been charged to revenue in year.

	Improvement Grants £000's	Other £000's	2005/06 Total £000's	2004/05 Total £000's
Balance as at 1 April	0	0	0	0
Expenditure	3,591	10,544	14,135	16,437
Charged to revenue in year	(3,591)	(10,544)	(14,135)	(16,437)
Balance as at 31 March	0	0	0	0

## 7. Investments

	Book Value at 31st March 2006 £000's	Market Value at 31st March 2006 £000's	Book Value at 31st March 2005 £000's	Market Value at 31st March 2005 £000's
Loans to non public organisations	43,500	43,500	14,500	14,500
Government securities (long term)	76	103	76	94
	43,576	43,603	14,576	14,594

## 8. Long term debtors

	At 1st April 2005 £000's	New Advances £000's	Repayments £000's	At 31st March 2006 £000's
Housing advances & associations	53	0	(16)	37
Sale of council houses	385	0	(64)	321
Other loans & advances	1,541	121	(849)	813
	1,979	121	(929)	1,171

## 9. Stocks and work in progress

	At 31st March 2006 £000's	At 31st March 2005 £000's
Stocks:		
Building maintenance/highways	124	235
Printing & stationery	17	24
Other stocks	23	39
	164	298
Work In Progress:		
Other rechargeable works	14	39
	178	337

## 10. Debtors

	At 31st March 2006 £000's	At 31st March 2005 £000's
Government departments	48,439	19,902
Other public bodies	501	7,220
Hillingdon Homes Ltd	12,355	2,237
Housing rents	6,694	5,456
Non-domestic ratepayers	20,403	20,347
Community chargepayers	86	86
Council taxpayers	14,650	12,543
Sundry debtors	26,018	22,653
Car & other loans	87	63
	129,233	90,507
Less: Provision for doubtful debts	(32,797)	(25,488)
	<b>96,436</b>	<b>65,019</b>

## 11. Creditors

	At 31st March 2006 £000's	At 31st March 2005 £000's
Government departments	14,444	14,833
Other public bodies	6,999	5,211
Hillingdon Homes Ltd	10,597	1,459
Housing rents prepaid	243	938
Sundry creditors	51,578	45,705
Non-domestic ratepayers	12,769	11,722
Council taxpayers	3,202	2,371
	<b>99,832</b>	<b>82,239</b>

## 12. Long term borrowing

	At 31st March 2006 £000's	At 31st March 2005 £000's
<b>Sources of borrowing:</b>		
Public Works Loan Board (PWLB)	139,694	57,048
Mortgage / Special	409	427
Other loans	24,000	24,000
	<b>164,103</b>	<b>81,475</b>
<b>Analysis of loans by maturity</b>		
Maturing in 1-2 years	10,212	8,371
Maturing in 2-5 years	21,964	16,777
Maturing in 5-10 years	18,128	12,128
Maturing in more than 10 years	113,799	44,199
	<b>164,103</b>	<b>81,475</b>

£8,372k (£6,016k in 2004/2005) of long term borrowing will be maturing within one year so has been included in short term borrowing. Of this £8,354k relates to PWLB and the remaining £18k to Mortgage/Special. A further £5,000k of market loans may be called for repayment during 2006/07 and so have also been included in short term borrowing.

## 13. Fund balances and reserves

	At 31st March 2006 £000's	At 31st March 2005 £000's
General Fund :		
- Working balance	4,610	7,239
- Schools delegated funds	11,881	8,884
- Breakspear Crematorium	338	377
Earmarked Reserves		
- Parking fund	1,199	1,087
- New Road & Streetworks Act fund	168	200
- Premia on the repurchase of debt	(3,630)	0
Housing Revenue Account	9,670	13,013
Collection Fund		
- Council	(763)	(398)
- GLA	(1)	(2)
	<b>23,472</b>	<b>30,400</b>

### Reserves

Further analysis of all reserves is given in the statement of total movement in reserves on page 53.

## 14. Provisions

	As at 31 March 2006 £000's	As at 31 March 2005 £000's
Insurance	2,379	2,020
Asylum seeker grant claim	0	1110
Other	1,325	871
Total	<b>3,704</b>	<b>4,001</b>

The Council has external insurance for major risks such as buildings, liability indemnity and motor vehicles. The policy has an excess clause that requires the council to meet the first part of each claim before the insurance company becomes liable to make payments. The excess level was £89.5k, increasing to £100k in December 2005. The council self funds liability claims which fall under the insurance policy excess. The insurance fund provision is to provide for outstanding liability claims against the council as at 31 March 2006. For 2005/06 the provision has been calculated using a discounted cashflow basis at a discount rate 5.84%.

### Other provisions

Following the House of Lords ruling in May 2002 that local authorities have no power to charge for care provided under s117 of Mental Health Act 1983 the council has made of a provision of £525k for the reimbursement of charges. The amount and timing of payments will be determined by the number of claims.

In April 2003 the council entered into a contract to lease homes for use by the council as temporary accommodation. The contract requires the payment of dilapidation costs and a provision of £500k has been made to finance these costs.

In 2005/06 a provision of £300k has been made to cover the potential disqualification of grant income following the audit of two grant claims.

## 15. Contingent liabilities and assets

There are a couple of significant legal actions pending against the council arising from the exercise by the council of its statutory functions. They are as follows:

1. The Council is in the process of settling a claim from British Waterways Board in respect of the Hayes by-pass. The final settlement amount has been agreed at £360k, excluding interest and fees. The Council has budgeted for this expenditure in the 2006/07 capital programme. Under the terms of the agreement between the London Borough of Ealing, Hillingdon and Hounslow a proportion of this liability will have to be borne by London Borough of Ealing. Their exact liability will be determined following settlement.



2. During 1992/93 the council's then insurers, Municipal Mutual Insurance (MMI), ceased accepting new business. During 1993/94 a scheme of arrangement was set up to try to 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 2006, the sum potentially subject to 'clawback' was £2,193k (£2,137k as at 31 March 2005). Further claims totalling £35k were outstanding (£66k in 2004/2005).
3. The recent court ruling against the GMB – British General Union, in respect of a union agreement with Middlesbrough Borough Council, has increased the risk of equal pay claims for all councils. The case is currently subject to appeal. If upheld it is possible that the council may face future claims although it is not currently possible to quantify the number or size of any potential claims. Hillingdon is in a strong position to defend any future claims as it implemented single status in July 2003 and remains the only council to have implemented local conditions of service to replace the discretionary national conditions. The council is currently reviewing its bonus schemes and is carrying out an equal pay audit. Although we could face claims following these reviews, the council considers that it may be able to justify its position by drawing attention to genuine market factor considerations.

## 16. Analysis of net assets employed

	As at 31 March 2006 £000's	As at 31 March 2005 £000's
General fund	407,527	445,869
HRA	745,064	896,239
Total	1,152,591	1,342,108

## 17. Information on assets held

Fixed assets owned by the council and on the asset register include the following:

	Number as at 31.3.2006	Number as at 31.3.2005 * Restated
<b>Council Dwellings</b>	10,936	11,116
<b>Operational Buildings</b>		
Cemeteries (Buildings only)	5	5
Crematoria (Buildings only)	1	1
Depots and workshops	10	9
Golf courses	4	4
Libraries	17	17
Museums and galleries	1	1
Nurseries and playgroups	13	11
Office buildings	21	15
Other buildings	152	154
Residential homes and day centres	36	38
Schools	52	53
Sports centres and swimming pools	13	11
Tenanted farms	9	8
<b>Operational Equipment</b>		
Vehicles	91	86
CCTV	11	11
Computer terminals	2,700	2,600
Heavy plant	10	10
<b>Infrastructure Assets</b>		
Highways (kilometres)	736	736
Bridges	246	246
<b>Community Assets</b>		
Allotments	34	33
Cemeteries and crematorium - Land only	9	9
Historic buildings	1	1
Parks & open spaces - Area (Hectares)	1,096	1,105
<b>Non-Operational Assets</b>		
Car Parks	25	27
Investment Properties	81	75
Land awaiting development	4	0
Surplus Assets	4	0

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

\* Hillingdon has developed an integrated property management database in 2005/06 to provide a single source for property management information. The categorisation of assets used on the database has been used to produce the above analysis. This has led to the comparative figures for 2004/05 being reclassified into the new categories.

## 18. Commitments under capital contracts

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

Year	2004/05 £000s	2003/04 £000s
2005/06		7,894
2006/07	11,030	208
2007/08	187	
	<b>11,207</b>	<b>8,102</b>

## 19. Trust Funds

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

	At 31st March 2006 £	At 31st March 2005 £
Education trusts - providing academic prizes	3,587	3,498
Library trusts - purchase of library books	7,561	7,110
Total	<b>11,148</b>	<b>10,608</b>

The legal agreement in respect of Phase 3 of the Stockley Park development required the developers to undertake and pay for works to the highway. The developers agreed to deposit £512.9k with the Council in January 2002. These monies are held in trust to be repaid, with interest, when the works are completed. In the event that they default the council will be entitled to use the money to complete the works. The balance on the account as at 31st March 2006 was £548k.

## 20. Finance and operating leases

The Council has three 20 year leases with the Ealing Family Housing Association for 102 dwellings. The net value of the leases has been accounted for as part of tangible assets. The outstanding liability for the capital value of these leases at 31 March 2006 is £2.849m. Of this £803k is due within a year and therefore included in creditors and the remaining £2,046k is shown as a deferred liability.

The Council has 84 vehicles leased under finance leases. The net present value of the leases has been included in fixed assets. The outstanding liability for the capital value of these leases at 31 March 2006 is £2.006m. Of this £585k is due within a year and therefore included in creditors and the remaining £1,421k is shown as a deferred liability. At the 31 March 2006 the total undischarged future financial obligations under vehicle finance leases were £2,006k. Of this total £585k is due within a year, £1,408k is due between 2007/08 and 2010/11, and £13k is due in 2011/12.

The Council also has 25 vehicles under operating leases. At the 31 March 2006 the undischarged future financial obligations under vehicle operating leases were £1,381k. Of this total £274k is due within a year, £765k is due between 2007/08 and 2010/11, and £342k is due in 2011/12.

## 21. Long term contracts including PFI

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 £6,052k, with accumulated depreciation totaling £1,768k. The outstanding liability of the capital value at 31 March 2006 is £4,284k, of this £279k is due within a year and therefore included in creditors and the remaining £4,005k is shown as a deferred liability. Further details of the contract are shown in note 14 of the consolidated revenue account (page 34).

## 22. 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.

## 23. 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. The funds are administered in accordance with the Local Government Pension Scheme regulations 1997 as amended. The schemes are funded, meaning that both the employers and employees pay contributions into a fund. These contributions are calculated at a level intended to balance the pension liabilities with the investment assets. A formal actuarial valuation of both funds was undertaken as at 31 March 2004 by Hymans Robertson, an independent firm of actuaries. This actuarial value of liabilities is used to assess the net pension liability as at 31 March 2006 under Financial Reporting Standard 17 (FRS 17), 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 2004, are designed to bridge the funding gap measured at this point over the course of 25 years (£53.5m). The suitability of this funding regime will be re-assessed at the next actuarial valuation due to take place using figures at 31 March 2007.

Note 7 to the consolidated revenue account contains details of the London Borough of Hillingdon and London Pension Fund Authority pension schemes in providing retirement benefits.

Liabilities have been assessed on an actuarial basis using the projected unit method and an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The main assumptions used in their calculations have been:

	London Borough of Hillingdon Pension Fund		London Pension Fund Authority Pension Fund	
	31 March 2006 % per annum	31 March 2005 % per annum	31 March 2006 % per annum	31 March 2005 % per annum
Price increases	3.1%	2.9%	14.0%	2.9%
Salary increases	4.6%	4.4%	83.0%	4.4%
Pension increases	3.1%	2.9%	0.0%	2.9%
Discount rate	4.9%	5.4%	3.0%	5.4%

The attributable assets of the two pension funds (to cover their scheme liabilities) are valued at fair value - principally market value for investments - and consist of the following categories by proportion of the total assets held:

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have taken the view that there is insufficient reliable evidence to assume a level of take-up of the change in the pension scheme. Consequently the valuation of the Council's retirement benefit liabilities as at 31 March 2006 does not include any allowance for this change.

	Expected Long Term Return	London Borough of Hillingdon Pension Fund		London Pension Fund Authority Pension Fund	
		31 March 2006	31 March 2006	31 March 2006	31 March 2006
Equities	7.4	77.0	14.0	7.7	15.0
Bonds	4.6	12.0		4.8	77.0
Property	5.5	7.0	0.0	5.7	0.0
Cash	4.6	4.0	3.0	4.8	8.0
<b>TOTAL</b>		<b>100</b>	<b>17</b>		<b>100</b>

The expected long term return is based on the long term future expected investment return for each asset class as at 31st March 2006.

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March are as follows:

	London Borough of Hillingdon Pension Fund		London Pension Fund Authority Pension Fund	
	31 March 2006 £000's	31 March 2005 £000's	31 March 2006 £000's	31 March 2005 £000's
Estimated Employer Assets	503,879	405,000	5,840	6,071
Present Value of Scheme Liabilities	603,969	507,300	7,200	7,391
Present Value of Unfunded Liabilities	33,962	30,600	90	98
Total Value of Liabilities	637,931	537,900	7,290	7,489
Net Pension Deficit	(134,052)	(132,900)	(1,450)	(1,418)

The liabilities show the long term underlying commitments that the authority has to pay in retirement benefits. The total liability of £645.2m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a £135.5m reduction in value as at 31st March 2006. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

### Defined contribution schemes

With regard to the teachers' pensions scheme there were no contributions remaining payable at the year end. The teachers' pension scheme is a defined benefit scheme. Although the scheme is unfunded a notional fund is used as a basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this statement of accounts it is therefore accounted on the same basis as a defined contribution scheme. The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. Lump sums paid in respect of this in 2005/06 totalled £128k and on-going payments were £147k.

## 24. London Housing Consortium

London Housing Consortium (LHC) was set up by the London Boroughs of Barnet, Brent, Camden, Ealing, Hackney, Haringey, Hillingdon, Islington and Tower Hamlets and the Anchor Trust. It exists to provide specialist architectural services and bulk procurement arrangements for the public sector. The major source of income is a levy on companies supplying goods for the public sector users through the LHC arrangements. Under the current membership Hillingdon has 10% of the voting rights. Revenue surpluses are shared between members on a formula basis. In 2005/06 Hillingdon's share of the surplus was £155k. Copies of London Consortium's Statement of Accounts 2005/06 can be obtained from London Housing Consortium, Building Components & Services, 464 Uxbridge Road, Hayes, Middx UB4 0PT.

## 25. Asylum seekers grant income

Expenditure incurred by the council in respect of asylum seekers is reimbursed by grant funding from the National Asylum Support Service (NASS). Based on expenditure incurred in 2005/06 the Council is submitting 2 grant claims totalling £13.5m in respect of 2005/06.

In addition for unaccompanied asylum seeking children that have reached the age of 18, and that were referred between the ages of 16 and 17, the Department for Education and Skills (DFES) provide a Leaving Care grant to support the ruling of the Hillingdon judgment. Although the Council incurred costs of £8.65m on this service in 2005/06, due to the reduction in grant funding the council is currently only eligible for a grant of £3m to fund this expenditure.

At 31 March 2006 the total amount of these grant claims still outstanding was £10.7m, being £6.8m for NASS and the £3.9m for DfES. The audit of the outstanding asylum seeker grant claims resulted in grant income from the DfES reducing by £989k and the Home Office grant claim reducing by £235k. The asylum seeker grant claim provision of £1,235k was used to finance this shortfall.

## 26. Post balance sheet events

The accounts were authorised for issue on the 27 June by the director of finance. During the audit the accounts have been amended to take account of the late receipt of £835k of local authority business growth initiative grant plus the application of provisions to cover the shortfall in asylum seeker related grant claims following the grant claim audit.



## 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.



Note	Fixed Asset Restatement Account £'000	Capital Financing Account £'000	Usable Capital Receipts £'000	Pension Reserve £'000	General Fund £'000	Specific Reserves £'000	HRA £'000	Total £'000
	1	2	3	4		5		
Balance at 1/4/2005	1,148,415	184,473	9,158	(134,318)	7,239	10,148	13,013	1,238,128
Net surplus/(deficit) for the year	0	(9,577)	(4)	(1,184)	(2,629)	(956)	(3,343)	(17,693)
Unrealised gains/(loss), from revaluations of fixed assets	(139,264)	0	0	0	0	0	0	(139,264)
Impairment losses arising from revaluations	(8,543)	0	0	0	0	0	0	(8,543)
Effects of disposals of fixed assets:								
Amounts payable to housing capital receipts pool	0	0	(6,949)	0	0	0	0	(6,949)
Cost or value of assets disposed	(38,446)	0	0	0	0	0	0	(38,446)
Proceeds of disposal	0	0	14,257	0	0	0	0	14,257
Net effect of disposals of fixed assets	(38,446)	0	7,308					(31,138)
Financing of fixed assets	0	16,192	(16,462)	0	0	0	0	(270)
Balance at 31/3/2006	962,162	191,088	0	(135,502)	4,610	9,192	9,670	1,041,220

Analysis of specific reserves	As at 1/4/2005 £000's	Net Surplus/ (Deficit) for year £000's	As at 31/03/2006 £000's
Schools delegated funds (included in general fund)	8,884	2,997	11,881
Breakspeak Crematorium (included in general fund)	377	(39)	338
Collection Fund	(400)	(364)	(764)
Major repairs reserve	0	0	0
Parking fund	1,087	112	1,199
New Roads and Streetworks Act fund	200	(32)	168
Premia on the repurchase of debt	0	(3,630)	(3,630)
<b>TOTAL SPECIFIC RESERVES</b>	<b>10,148</b>	<b>(956)</b>	<b>9,192</b>

## 1. Fixed asset restatement account

	General Fund £000s	HRA £000s	Total £000s
Balance as at 1st April 2005	499,315	649,100	1,148,415
Surplus on revaluation in year	48,677	(187,940)	(139,263)
Impairments on fixed assets	(8,543)	0	(8,543)
Disposal of fixed assets in year	(25,580)	(12,867)	(38,447)
Balance as at 31st March 2006	513,869	448,293	962,162

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 account

	£000s	£000s Total
Balance as at 1st April 2005		184,473
Capital receipts - applied for capital financing		16,192
- applied to reduce indebtedness		271
Adjustment for finance lease principal		1,530
Capital financing - revenue	8,567	
Minimum Revenue Provision (less general fund depreciation)	(11,648)	
Write down of deferred charges	(14,135)	
Government grants written down	4,431	
Contributions written down	1,407	(11,378)
Balance as at 31st March 2006		191,088

The capital financing account 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 capital receipts. It also contains the £11,378k contribution to the capital financing account credited from the consolidated revenue account (page 25). This contribution consists of the statutory minimum revenue provision less general fund depreciation, the amount of capital expenditure financed from revenue, the losses on the early settlement of borrowing and deferred charges, contributions and grants written off to revenue. The balance on the account is reduced as loan debt is repaid.

### 3. Usable capital receipts reserve

	£000's
Balance as at 1st April 2005	9,158
Adjustment to opening balance	(4)
Capital receipts received in year	14,257
	23,411
<b>Less:</b>	
Pooled capital receipts	(6,949)
Capital receipts used for financing	(16,462)
Balance as at 31st March 2006	0

The usable 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.

### 4. Pension reserve

	London Borough of Hillingdon Pension Fund £000's	London Pension Fund Authority Pension Fund £000's	Total £000's
Balance as at 1st April 2005	(132,900)	(1,418)	(134,318)
Current Service Cost	(16,054)	(15)	(16,069)
Employers' contributions	10,634	11	10,645
Contributions in respect of Unfunded Benefits	0	12	12
Past Service Costs	(24)	0	(24)
Impact of Settlements and Curtailments	0	0	0
Net Return on Assets	(384)	(86)	(470)
Actuarial Losses (see below)	4,676	46	4,722
Balance as at 31st March 2006	(134,052)	(1,450)	(135,502)

The actuarial losses identified as movements on the Pension Reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006:

	London Borough of Hillingdon Pension Fund							
	2005/06		2004/05		2003/04		2002/03	
	£000's	%	£000's	%	£000's	%	£000's	%
Actual Return less expected return on pension scheme assets	73,032	14.5	16,200	4.0	61,300	16.6	(113,900)	(37.1)
Differences between actuarial assumptions about liabilities and actual experience	254	0.0	15,300	2.8	(2,800)	(0.6)	(15,000)	(3.4)
Changes in assumptions underlying the present value of scheme liabilities	(68,610)	-	(74,700)	-	-	-	-	-
<b>Actuarial Losses</b>	<b>4,676</b>	<b>14.5</b>	<b>(43,200)</b>	<b>(8.0)</b>	<b>58,500</b>	<b>12.9</b>	<b>(128,900)</b>	<b>(29.2)</b>

	London Pension Fund Authority Pension Fund							
	2005/06		2004/05		2003/04		2002/03	
	£000's	%	£000's	%	£000's	%	£000's	%
Actual Return less expected return on pension scheme assets	229	3.9	34	0.6	205	3.2	(63)	(0.9)
Differences between actuarial assumptions about liabilities and actual experience	2	0.0	(502)	(6.7)	20	0.3	(53)	(0.7)
Changes in assumptions underlying the present value of scheme liabilities	(185)	-	(346)	-	0	-	-	-
<b>Actuarial Losses</b>	<b>46</b>	<b>3.9</b>	<b>(814)</b>	<b>(10.9)</b>	<b>225</b>	<b>3.2</b>	<b>(116)</b>	<b>(1.6)</b>

## 5. Specific reserves

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

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

**New Roads & Streetworks Act fund** - Income raised under s74 of the New Roads & Streetworks Act is required by statute to be ring fenced for maintaining the highways. Income not spent within the year is set aside in the New Roads and Streetworks Act fund.

**Premia on the repurchase of debt** - This relates to a premium on the early settlement of debt following a debt restructure undertaken in 2005/06. The premium will be written back to revenue over the life time of the replacement loan.

**Breakspear Crematorium** - The crematorium is run as a joint committee with the London Borough of Harrow. This balance represents Hillingdon's proportion of the surplus generated which is currently set aside for future use by the crematorium.

## 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.



	Notes	£000's	2005/06 £000's	Restated £000's	2004/05 £000's
<b>REVENUE ACTIVITIES</b>					
<b>Cash Outflows</b>					
Cash paid to and on behalf of employees		242,418		223,079	
Housing benefit paid out		38,677		33,935	
RSG / NNDR payments payable to Secretary of State		70,937		71,733	
Precepts paid		32,983		31,738	
Payments to the capital receipts pool		6,949		8,931	
Other operating cash payments		321,069	713,033	194,348	563,963
<b>Cash Inflows</b>					
Rents (after rebates)		(45,063)		(45,978)	
Council tax income		(102,522)		(99,129)	
Non-domestic rate Receipts from Pool		(82,526)		(68,872)	
Non-domestic rate Receipts		(45,170)		(64,488)	
Revenue Support Grant		(127,026)		(125,100)	
DWP grants for benefits		(98,840)		0	
Other government grants	5	(158,855)		(143,849)	
Cash received for goods & services		(3,431)		(3,125)	
Other operating cash receipts		(48,218)	(711,651)	(58,072)	(608,613)
<b>Net Cash (Inflow) / Outflow from Revenue Activities</b>	1		1,382		(44,650)
<b>SERVICING OF FINANCE</b>					
<b>Expenditure</b>					
Interest paid		6,117		5,405	
<b>Income</b>					
Interest received		(1,690)		(1,034)	
<b>Servicing of Finance Net Cash Outflows</b>			4,427		4,371
<b>CAPITAL ACTIVITIES</b>					
<b>Cash Outflows</b>					
Purchase of fixed assets		69,418		53,194	
Purchase of long term investments		0		0	
Other capital cash payments		14,135	83,553	16,437	69,631
<b>Cash Inflows</b>					
Sale of fixed assets		(14,791)		(16,027)	
Capital grants received		(12,192)		(12,937)	
Other capital cash payments/income		(1,936)	(28,919)	(3,277)	(32,241)
<b>Capital Activities Net Cash Outflow</b>			54,634		37,390
<b>Net Cash Inflow Before Financing / Management of Liquid Resources</b>			60,443		(2,889)
<b>MANAGEMENT OF LIQUID RESOURCES</b>					
<b>Net Increase in Short-Term Investments</b>			29,000		7,900
<b>FINANCING</b>					
<b>Cash Outflows</b>					
Repayments of amounts borrowed	7		24,617		6,716
Capital element of finance lease rental payments			1,575		1,604
<b>Cash Inflows</b>					
Long term loans raised	7		(114,600)		(15,000)
Short term loans raised			0		(4,700)
<b>(Increase)/Decrease in cash</b>	2		1,035		(6,369)



## 1. Reconciliation of revenue cash flow

	Note	Year ended 31st March 2006		Year ended 31st March 2005	
		£000's	£000's	£000's	£000's
General fund net deficit / (surplus)		(329)		(4,779)	
HRA deficit		3,343		1,380	
Collection fund deficit		364		33	
<b>Total deficit / (surplus)</b>			<b>3,378</b>		<b>(3,366)</b>
<b>Add items not resulting in cashflow</b>					
Minimum Revenue Provision		(3,825)		(3,629)	
Contributions from reserves		80		374	
Provisions set aside in year		297		(873)	
Other non cash items		145		205	
			<b>(3,303)</b>		<b>(3,923)</b>
<b>Movements in working capital</b>					
(Increase) / decrease in creditors	3	(17,593)		(14,499)	
Increase / (decrease) in stocks & work in progress	3	(159)		(110)	
Increase / (decrease) in debtors	3	31,417		(10,694)	
			<b>13,665</b>		<b>(25,303)</b>
<b>Items Classified elsewhere on Cashflow Statement</b>					
Capital expenditure financed from revenue		(7,931)		(7,687)	
Deduct interest received		1,690		1,034	
Interest paid		(6,117)		(5,405)	
			<b>(12,358)</b>		<b>(12,058)</b>
<b>Revenue activities cash outflow / (inflow)</b>			<b>1,382</b>		<b>(44,650)</b>

## 2. Movement in liquid resources

	31st March 2006 £000's	31st March 2005 £000's	Movement 2005/06 £000's	Movement 2004/2005 £000's
Cash with accounting officers	0	0	0	(1,718)
Cash in hand / (overdrawn)	740	1,775	(1,035)	8,087
	<b>740</b>	<b>1,775</b>	<b>(1,035)</b>	<b>6,369</b>

### 3. Movement in other current assets

	31st March 2006 £000's	31st March 2005 £000's	Movement 2005/06 £000's	Movement 2004/2005 £000's
Debtors	94,436	65,019	31,417	(10,694)
Creditors	(99,832)	(82,239)	(17,593)	(14,499)
Stocks and work in progress	178	337	(159)	(110)
	<b>(3,218)</b>	<b>(16,883)</b>	<b>13,665</b>	<b>(25,303)</b>

### 4. Movement in borrowing

	31st March 2006 £000's	31st March 2005 £000's	Movement 2005/06 £000's	Movement 2004/2005 £000's
Public works loans board	153,475	63,491	(89,984)	(12,984)
Other loans	24,000	24,000	0	0
	<b>177,475</b>	<b>87,491</b>	<b>(89,984)</b>	<b>(12,984)</b>

### 5. Analysis of government grants

	31st March 2006 £000's	31st March 2005 £000's
Rent allowances	38,772	33,700
Council tax & housing benefits	32,709	17,733
Mandatory student awards	1	18
Schools standards fund	22,989	21,010
Homelessness	9,048	18,407
NNDR cost of collection	617	629
Refugee children	12,659	14,443
Adult asylum seekers	3,714	3,034
Other grants	38,346	34,875
	<b>158,855</b>	<b>143,849</b>

### 6. Agency expenditure

The gross revenue expenditure and revenue income have been grossed up to include agency expenditure (see Note 5 page 28), as this is not included in the consolidated revenue account.

## 7. Reconciliation of net cashflow to the movement in net debt

	2005/06 £000's	2004/05 £000's
Net Debt as at 1st April 2005	71,216	72,501
Net Debt as at 31st March 2006	133,234	71,216
<b>Increase / (Decrease) in net debt</b>	<b>62,108</b>	<b>(1,285)</b>
Represented by:		
Repayments of amount borrowed	(24,617)	(6,716)
New loans raised	114,600	19,700
	89,983	12,984
(Increase) / decrease in short term deposits	(29,000)	(7,900)
(Increase) / decrease in cash (see note 2 - page 60)	1,035	(6,369)
	<b>62,018</b>	<b>(1,285)</b>

# 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 (HRA) thereby preventing any cross subsidy with the general fund. The HRA statements have been prepared on a resource accounting basis.



Third Avenue

	Notes	Year ended 31st March 2006 £000's	Year ended 31st March 2005 £000's
<b>Income</b>			
Gross dwelling rents		43,336	44,146
Gross non dwelling rents		1,726	1,832
Charges for services and facilities		1,745	1,350
HRA subsidy receivable including MRA		0	32
		<b>46,807</b>	<b>47,360</b>
<b>Expenditure</b>			
Contribution to housing repairs		9,649	10,053
Supervision and management		13,270	12,804
Rents, rates,taxes & other charges		864	240
Increase in provision for bad debts	7	84	583
Cost of capital charge	4	30,700	27,504
Transfer of assumed surplus to ODPM	5	7,831	8,168
Debt management costs		12	16
Depreciation of fixed assets		8,762	8,776
		<b>71,172</b>	<b>68,144</b>
<b>Sub-Total : Net Cost of Services</b>			
		<b>24,365</b>	<b>20,784</b>
Net HRA income on the asset management revenue account		(28,829)	(26,349)
Amortised premiums and discounts		19	
HRA investment income		(309)	(387)
<b>Sub-Total : Net Operating Income</b>			
		<b>(29,119)</b>	<b>(26,736)</b>
Revenue contribution to capital expenditure		8,311	7,603
Contribution to pension reserve	9	(96)	(158)
HRA contribution to capital finance account		(118)	(112)
<b>Deficit/(Surplus) for the year</b>			
		<b>3,343</b>	<b>1,381</b>
Balance brought forward		(13,013)	(14,394)
Balance carried forward		<b>(9,670)</b>	<b>(13,013)</b>

# Notes to housing revenue account

## 1. Housing stock

The Council was responsible at 31 March 2006 for managing dwellings and hostels. The stock was as follows:

	Total at 31st March 2006	Total at 31st March 2005 Restated
1 Bed Properties	3,761	3,793
2 Bed Properties	3,848	3,926
3 Bed Properties	3,063	3,133
4 plus Bed Properties	193	193
Hostels	71	71
<b>Total</b>	<b>10,936</b>	<b>11,116</b>

The stock figures as at 31 March 2005 were restated following the finalising of the housing subsidy grant claim for 2003/04.

## 2. Value of HRA assets

	Net Book Value at 31st March 2006 £000's	Net Book Value at 31st March 2005 £000's
<b>Operational Assets</b>		
Council dwellings	693,123	872,444
Other land & buildings	6,855	5,135
Community assets	0	0
Vehicle, plant & equipment	26	32
<b>Non-Operational Assets</b>	<b>70</b>	<b>69</b>
<b>Total</b>	<b>700,074</b>	<b>877,680</b>

The vacant possession value of dwellings within the authority's HRA as at 1 April 2005 was £1,856m. The difference of £984m between this and the balance sheet value of £872m is the economic cost of providing council housing at less than open market rents.

## 3. Capital expenditure

Capital Expenditure on HRA council dwellings during 2005/06 totalled £32.1m. This was financed by:

	Total at 31st March 2006 £000's	Total at 31st March 2005 £000's
Revenue contribution	8,311	7,604
Major repairs allowance	7,915	8,001
Supported capital expenditure (revenue)	15,830	14,200
Supported capital expenditure (capital)	72	10
	<b>32,128</b>	<b>29,815</b>

Capital receipts from the sale of HRA properties during 2005/06 totalled £8.772m and land of £92k.

#### 4. Transactions on the asset management revenue account

The HRA is charged interest based on debt levels in accordance with legislation and this is known as the Item 8 debit. In addition the HRA is charged a notional capital financing charge for fixed assets calculated at 3.5% of the opening balance sheet values of the HRA's operational assets. This charge is credited to the asset management revenue account to ensure a neutral impact on HRA balances.

	2005/06 £000's	2004/05 £000's
Capital charges - nominal interest	(30,700)	(27,504)
Less : Item 8 Debit	1,515	732
Finance lease interest	356	423
Credit to the asset management revenue account	<b>(28,829)</b>	(26,349)

For 2005/06 depreciation of £7,915k in respect of council dwellings, £841k in respect of other land and buildings and £6k in respect of vehicles, plant, furniture and equipment was charged to the HRA.

#### 5. Housing subsidy

HRA Subsidy is a government grant paid towards the net cost of management, maintenance and financing costs. For 2005/06 it was based on the following:

	2005/06 £000's	2004/05 £000's
<b>Expenditure</b>		
Management	5,459	5,420
Maintenance	10,836	9,903
Allowance for major repairs	7,915	8,001
Charges to capital	1,183	2,455
ALMO allowance	3,840	1,328
Admissable allowance	173	260
ASB allowance	0	1
Other expenditure	900	972
<b>Income</b>		
Rent	(38,114)	(36,474)
Interest on receipts	(24)	(34)
<b>Subsidy payable</b>	<b>(7,831)</b>	(8,168)

#### 6. Rent arrears

At 31 March 2006 the gross HRA rent arrears amounted to £2.22m all of which relates to dwellings.



## 7. Bad debt provision

The provision for bad debts on all HRA debts as at 31st March 2006 is £2.195m. Of this £1.6m relates to dwellings and £0.6m to non-dwellings.

## 8. Major repairs reserve

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

	2005/06 £000's	2004/05 £000's
Balance as at 1 April	0	0
Depreciation transferred to reserve	8,762	8,776
Amount used to finance capital expenditure	(7,915)	(8,001)
Transfer to the capital finance account	(847)	(775)
<b>Balance as at 31 March</b>	<b>0</b>	<b>0</b>

All the £7,915k used to finance capital expenditure was spent on dwellings.

## 9. Contributions to pension reserve

To comply with FRS17 the HRA is charged additional pension costs, totalling £96k in 2005/06. However, in line with legislation, these costs are credited out through the pension reserve so only the pension fund contributions and discretionary benefits actually payable in the year are charged to rent payers.

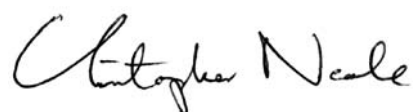
## Collection fund account

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.



	Note	Year ended 31st March 2006		Year ended 31st March 2005	
		£000's	£000's	£000's	£000's
<b>Income</b>					
Council tax	2		104,085		99,665
Transfers from general fund:					
Council tax benefits			16,798		15,855
Income collectable from business ratepayers	1		228,921		243,436
Adjustment of previous years' community charges	3		0		0
			349,804		358,956
<b>Expenditure</b>					
Precepts & demands:					
London Borough of Hillingdon		96,028		91,949	
Greater London Authority		24,158	120,186	22,781	114,730
Business rates:					
Cost of collection			617		629
Payment to national pool			226,045		242,807
Provision for doubtful debts			3,392		1,143
Towards previous years' estimated collection fund deficit			(72)		(319)
			350,168		358,990
<b>Deficit for the Year</b>			364		34
<b>Collection fund balance</b>					
Fund deficit at beginning of year			400		366
Deficit for the year			364		34
Fund deficit at end of year:			764		400
Analysis of year end deficit:					
Council tax	4		763		398
Previous years' community charges	4		1		2
			764		400

Christopher Neale, Director of Finance, 29 September 2006



# 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 national non-domestic rate (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 2006 was £675.9m. The national non-domestic multiplier for the year was 42.2p and 41.5p for small businesses. 2005/06 was a revaluation year for all properties subject to the national non-domestic rate.

## 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	Estimated number of Properties	Discounts & Exemptions	Net estimated number of	Ratio	Band D Equivalent	Band D Equivalent
A	676	175	501	6/9	334	327
B	5,251	1,115	4,136	7/9	3,217	3,224
C	20,476	3,401	17,075	8/9	15,178	15,146
D	44,250	4,801	39,449	9/9	39,449	39,184
E	17,281	1,630	15,651	11/9	19,129	18,965
F	9,207	943	8,264	13/9	11,936	11,920
G	4,456	447	4,009	15/9	6,682	6,676
H	369	54	315	18/9	630	622
<b>Total</b>					<b>96,555</b>	<b>96,064</b>
<b>Adjustment for non-collection</b>					<b>(1,676)</b>	<b>(1,667)</b>
<b>Council tax base</b>					<b>94,879</b>	<b>94,397</b>

## 3. Adjustment for previous years' community charges

Although council tax has replaced community charge since 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 deficit of £1k relating to prior year community charges will be transferred to the general fund in future years. The deficit of £763k relating to the council tax will be charged in subsequent financial years to the council and the GLA in proportion to the value of the respective demands on the Collection Fund.

## 5. Write-offs

	2005/06 £000s	2004/05 £000s
Council tax	812	1,024
NDR	0	0

## Group accounts

The summarised group financial statements presented on the following pages show the consolidated financial position of the authority and its interest in Hillingdon Homes Ltd. The group financial statements include the income and expenditure account, balance sheet, cash flow statement and movement in reserves for the group as a whole. There are no significant effects due to group consolidation.



## 1. Introduction

The council is required from 2005/06 to produce a full set of group accounts under the 2005 SORP. The group financial statements required include the group income and expenditure account, balance sheet, cashflow statement and statement of total movement in reserves which are shown on the following pages.

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

Hillingdon Homes was set up to manage and maintain the housing stock of the LBH and to manage the investment programme for the modernisation of the housing stock.

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

## 2. Share holdings

### Hillingdon Homes Ltd (wholly owned subsidiary)

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

	Members	% of Voting Rights
LBH	5	1/3 rd
Tenants	5	1/3 rd (max)
Independent	5	1/3 rd
	<b>15</b>	<b>100%</b>

Council members on the board of Hillingdon Homes are detailed in Note 12 page 32.

### Policy decisions concerning the LBH commitment:

The Council as the sole member of the company undertakes, in the event of the company being wound up, to contribute such amounts as may be required for the payment of the debts and liabilities of the company providing this does not exceed one pound. After the satisfaction of all the debts and liabilities the remaining assets will be transferred to the council's housing revenue account.



### 3. Basis of consolidation

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

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

Hillingdon Homes' financial year runs from 1 April 2005 to 31 March 2006 therefore no adjustments are required regarding the accounting year. Hillingdon Homes' statement of accounts are to be submitted to their board in 13 September 2006 for approval and are subject to audit by their appointed auditor KPMG. Copies of Hillingdon Homes Ltd 2005/06 statement of accounts can be obtained from Hillingdon Homes Finance Department, Ruslip Housing Office, 130 High Street, Ruislip HA4 8LP.

### 4. Adjustment of accounting policies

To enable consolidation the council's accounts have to be adjusted to comply with UKGAAP, which differs in a number of areas from the 2005 SORP. To achieve this the following adjustments were made to the council's accounts:

- i. **Goodwill:** Subsidiary is formed by LBH and there wasn't any goodwill on formation.
- ii. **Retirement Benefits:** The employees of Hillingdon Homes are members of the London Borough of Hillingdon occupational pension scheme, which is a defined benefits scheme. Accounting policies consistent with those of the council have been adopted.

#### **Tangible Fixed Assets**

- iii. **Measurement:** Increases in the valuations of fixed assets held by Hillingdon Homes and impairments not charged to the group income and expenditure account are written off to the fixed assets revaluation account.
- iv. **Profit/loss on disposal of assets.** These are credited or debited to the group income and expenditure account. For 2005/06 the loss totalled £23,656k which was included in the net cost of services. They are then netted out after net operating expenditure to the usable capital receipts reserve so as to ensure it does not impact on the amount to be raised from taxation.
- v. **Grants and Contributions:** Amounts credited to the group income and expenditure account from the government grants deferred account are included in the net cost of services. Government grants deferred amortised in 2005/06 of £5.8m has been shown separately in the net cost of services.
- vi. **Capital Charges:** Notional interest, which is in the gross expenditure in the reporting authority's consolidated revenue account, has been removed from the group income and expenditure account. Depreciation is charged directly to services in line with UKGAAP. With the removal of notional interest and the separation of government grants deferred the asset management revenue account (AMRA) is not required and is replaced by external interest payable.

### 5. FRS17 retirement benefits

Hillingdon Homes Ltd is a scheduled body of the Hillingdon local government pension fund. The full FRS17 obligation and related deficit in respect of the pension scheme, and both the current and past service costs for Hillingdon Homes' employees, passed to Hillingdon Homes when it started trading in May 2003. Should Hillingdon Homes cease trading the full FRS17 obligation and related deficit/surplus will pass back to the council as an integral part of the general business transfer. As at 31 March 2006 the net pension deficit in respect of Hillingdon Homes totalled £4.91m, which is included in the Group Balance Sheet.

# Group income and expenditure account

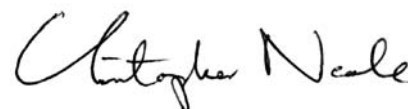
	Year ended 31 March 2006			2004/05
	Expenditure	Income	Net	Net
	£000's	£000's	Expenditure	Expenditure
			£000's	£000's
<b>Expenditure on services</b>				
Central services to the public	23,442	18,484	4,958	4,744
Cultural, environmental and planning services	53,817	20,241	33,576	31,431
Education services	235,410	68,121	167,289	156,298
Highways, roads and transport services	26,471	6,902	19,569	18,215
Housing services	160,713	159,766	947	5,973
Social services	142,395	53,992	88,403	76,753
Court and Probation services	171	0	171	679
Corporate and democratic core	8,594	2,508	6,086	5,895
Non distributed costs	5,885	4,200	1,685	2,617
Operating income	0	0	0	0
Other operating income & expenditure	0	0	0	0
Government grant deferred	(5,838)	0	(5,838)	(5,250)
Loss on sale of fixed assets	23,656	0	23,656	984
<b>Net cost of services</b>	<b>674,716</b>	<b>334,214</b>	<b>340,502</b>	<b>298,339</b>
Precepts and levies	255	0	255	250
Net loss on trading undertakings	9,839	9,577	262	254
Interest payable	8,628	0	8,628	6,099
Contribution to housing pooled capital receipts	6,949	0	6,949	8,931
Losses on repurchase/early settlement of borrowing	31	0	31	0
Interest and investment income	0	1,807	(1,807)	(1,303)
Pension interest cost & expected return on pensions assets	470	579	(109)	1,699
Taxation of group	45		45	21
<b>Net operating expenditure</b>	<b>700,933</b>	<b>346,177</b>	<b>354,756</b>	<b>314,290</b>
Surplus of HRA transferred to HRA balances			(3,343)	(1,380)
Contribution to other earmarked reserves			80	374
Contribution from usable capital receipts equal to housing pooled capital receipts			(6,949)	(8,931)
Contribution to pensions reserve			(5,929)	(9,486)
Principal payments to finance lease			1,530	1,604
Contribution to capital financing account			(11,378)	(15,020)
Reversal of losses on disposal of fixed assets			(23,656)	(984)
Contribution in respect of subsidiary entities			919	421
Appropriations to group income & expenditure reserve				
<b>Amount to be met from government grants &amp; local taxpayers</b>			<b>306,030</b>	<b>280,889</b>
<b>Financed by:</b>				
Revenue support grant			(127,861)	(125,100)
Council tax income			(96,028)	(91,949)
Transfer to collection fund in respect of deficit			57	253
Non-domestic rate income			(82,527)	(68,872)
<b>Income from general grants &amp; local taxpayers</b>			<b>(306,359)</b>	<b>(285,668)</b>
<b>Deficit / (surplus) for the year</b>			<b>(329)</b>	<b>(4,779)</b>
<b>Balance at beginning of the year</b>			<b>(16,500)</b>	<b>(11,721)</b>
<b>General fund balance at end of the year</b>			<b>(16,829)</b>	<b>(16,500)</b>
Comprising:				
Balance excluding school budgets			(4,610)	(7,239)
School budgets balance			(11,881)	(8,884)
Breakspear crematorium balance			(338)	(377)

# Group balance sheet

	Notes	At 31st March 2006		At 31st March 2005	
		£000's	£000's	£000's	£000's
<b>Fixed assets</b>			0		0
Intangible assets					
<b>Operational Assets</b>	2				
Council dwellings		693,123		872,444	
Other land and buildings		533,858		529,765	
Vehicles, plant and equipment		12,445		10,387	
Community assets		10,092		10,130	
Infrastructure assets		142,224	1,391,742	1,561,698	
<b>Non Operational Assets</b>			42,910		13,647
Intangible Assets			787		
Long term investments			76		76
Long term debtors			1,171		1,979
<b>Total Long Term Assets</b>			1,436,686		1,577,400
<b>Current Assets</b>					
Stocks & works in progress		305		337	
Debtors and payments in advance	3	94,911		63,281	
Short term investments		43,500		14,500	
Cash in hand and at bank		740	139,456	5,015	83,133
<b>Current Liabilities</b>					
Borrowing repayable on demand or within 12 months		(13,372)		(6,016)	
Creditors and receipts in advance	4	(97,958)		(83,147)	
Bank overdraft		0	(111,330)	0	(89,163)
<b>Total Assets less Current Liabilities</b>			1,464,812		1,571,370
Provisions of liabilities and charges	5		(4,026)		(4,139)
Borrowing repayable within a period in excess of 12 months			(164,103)		(81,475)
Deferred liabilities			(7,472)		(8,839)
Liability related to defined benefit pension schemes			(140,412)		(137,827)
<b>Total Assets less Liabilities</b>			1,148,799		1,339,090
Fixed asset restatement account			962,162		1,148,415
Capital financing account			191,088		184,473
Usable capital receipts reserve			0		9,158
Deferred credits			310		375
Government grants deferred account			111,896		103,605
Pension reserve			(140,412)		(137,224)
Fund balances and reserves	6		23,755		30,289
<b>Total Net Worth</b>			1,148,799		1,339,090

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, 29 September 2006**



## Group statement of total movements in reserves

	2005/06		2004/05
	LBH £'000	HH £'000	Total £'000
Balance as at 1 April	1,238,128	(4,307)	1,233,821
Net surplus/(deficit) for the year	(18,528)	(332)	(18,860)
Unrealised gains/(loss), from revaluations of fixed assets	(130,230)	0	(130,230)
Impairment Losses Arising from Revaluation of fixed assets	(17,577)	0	(17,577)
Effects of disposals of fixed assets:			
Amounts Payable to Housing Capital Pool	(6,949)	0	(6,949)
Cost or value of assets disposed	(38,446)	0	(38,446)
Proceeds of disposal	14,257	0	14,257
Net effect of disposals of fixed assets	(24,189)	0	(24,189)
Financing of fixed assets	(270)	118	(152)
<b>Balance as at 31 March</b>	<b>1,040,385</b>	<b>(4,521)</b>	<b>1,035,864</b>

# Group cash flow statement

	Note	2005/06 £000's	Restated £000's	2004/05 £000's
<b>REVENUE ACTIVITIES</b>				
<b>Expenditure</b>				
Cash paid to and on behalf of employees		242,418	223,079	
Housing Benefit paid out		38,677	33,935	
RSG /NNDR payments payable to Secretary of State		70,937	71,733	
Precepts Paid		32,983	31,738	
Payments to the capital receipts pool		6,949	8,931	
Other operating cash payments		321,069	194,547	563,963
<b>Income</b>				
Rents (after rebates)		(45,063)	(45,978)	
Council Tax Income		(102,522)	(99,129)	
RSG /NNDR receipts payable by Secretary of State		(82,526)	(68,872)	
Non-domestic rate income		(45,170)	(64,488)	
Revenue Support Grant		(127,026)	(125,100)	
DWP grants for benefits		(98,840)	0	
Other government grants		(158,855)	(143,849)	
Cash received for goods & services		(3,431)	(3,125)	
Other operating cash receipts		(48,218)	(58,036)	
Other Revenue Activities		4,353	8,430	(600,147)
<b>Revenue Activities Net Cash (Inflow) / Outflow</b>	1		5,735	(36,184)
<b>SERVICING OF FINANCE</b>				
<b>Expenditure</b>				
Interest paid		6,117	3,620	
Interest element finance lease rental payments			1,749	
<b>Income</b>				
Interest received		(1,927)	(1,314)	
<b>Servicing of Finance Net Cash Outflows</b>			4,190	4,055
<b>Taxation</b>			53	21
<b>CAPITAL ACTIVITIES</b>				
<b>Cash Outflows</b>				
Purchase of fixed assets		69,536	53,194	
Purchase of long term investments		0	0	
Other capital cash payments		14,135	16,437	69,631
<b>Cash Inflows</b>				
Sale of fixed assets		(14,791)	(16,027)	
Capital grants received		(12,192)	(12,937)	
Other capital cash payments/income		(1,936)	(3,277)	(32,241)
<b>Capital</b>			54,752	37,390
Net cash outflow			64,730	5,282
Net increase in short term investments			29,000	7,900
<b>FINANCING</b>				
<b>Cash Outflows</b>				
Repayments of amounts borrowed		24,617	6,716	
Capital element of finance lease rental payments		1,575	1,604	8,320
<b>Cash Inflows</b>				
Long term loans raised			(114,600)	(15,000)
Short term loans raised			0	(4,700)
<b>Increase/(decrease) in cash and cash equivalents</b>			5,322	1,802

# Notes to group accounts

## 1. Reconciliation of revenue cash flow

	Year ended 31st March 2006		Year ended 31st March 2005	
	£000's	£000's	£000's	£000's
General fund net surplus	(329)		(4,779)	
HRA surplus	3,343		1,380	
Hillingdon Homes Ltd	(631)		327	
Collection fund	364		33	
<b>Total Surplus</b>		<b>2,747</b>		<b>(3,039)</b>
<b>Add items not resulting in cashflow</b>				
Minimum revenue provision	(3,825)		(3,629)	
Contributions from reserves	80		374	
Provisions set aside in year	113		(990)	
Other non cash items	1,807	(1825)	(240)	(4,485)
<b>Movements in working capital</b>				
(Increase) / decrease in creditors	(14,811)		(4,176)	
Increase / (decrease) in stocks & work in progress	(32)		(110)	
Increase / (decrease) in debtors	31,630		(12,352)	
		<b>16,787</b>		<b>(16,638)</b>
<b>Items Classified elsewhere on Cashflow Statement</b>				
Capital expenditure financed from revenue	(7,931)		(7,687)	
Deduct interest received	2,074		1,034	
Interest paid	(6,117)	(11,974)	(5,369)	(12,022)
<b>Revenue activities net cash flow</b>		<b>5,735</b>		<b>(36,184)</b>

## 2. Movement of fixed assets

	LBH Council Dwellings £000's	LBH Other Land & Buildings £000's	LBH Vehicles, Plant & Equipment £000's	HH Vehicles, Plant & Equipment £000's	LBH Infrastructure Assets £000's	LBH Community Assets £000's	Group Total £000's
Gross book value as at 1 April 2005	914,047	563,209	25,463	51	180,045	10,130	1,692,945
Accumulated depreciation & impairment	(41,603)	(33,444)	(15,111)	(16)	(41,073)	0	(131,247)
Net book value as at 1 April 2005	<b>872,444</b>	<b>529,765</b>	<b>10,352</b>	<b>35</b>	<b>138,972</b>	<b>10,130</b>	<b>1,561,698</b>
Adjustments due to reclassification	0	1,700	0	0	0	188	1,888
Depreciation on reclassified assets	0	881	0	0	0	0	881
Additions	31,962	7,600	4,798	118	7,723	704	52,905
Revaluations	(230,711)	26,626	0	0	0	361	(203,724)
Disposals	(13,010)	(27,987)	0	0	0	(114)	(41,111)
Impairments	0	5,063	0	0	0	(1,177)	(6,240)
Depreciation on assets sold	142	3,136	0	0	0	0	3,278
Depreciation on assets revalued	40,940	4,596	0	0	0	0	45,536
Depreciation for year	(8,644)	(7,396)	(2,834)	(24)	(4,471)	0	(23,369)
Net book value as at 31 March 2006	<b>693,123</b>	<b>533,858</b>	<b>12,316</b>	<b>129</b>	<b>142,224</b>	<b>10,092</b>	<b>1,391,742</b>

### 3. Debtors

	LBH At 31st March 2006 £000's	HH At 31st March 2006 £000's	Total Group At 31st March 2006 £000's	Total Group At 31st March 2005 £000's
Government departments	48,439	0	48,439	19,902
Other public bodies	501	5,492	5,993	7,220
Hillingdon Homes Ltd	12,355	0	12,355	2,237
Housing rents	6,694	0	6,694	5,456
Non-domestic ratepayers	20,403	0	20,403	20,347
Community chargepayers	86	0	86	86
Council taxpayers	14,650	0	14,650	12,543
Sundry debtors	26,018	50	26,068	24,238
Car & other loans	87	0	87	63
Other debtors & prepayments	0	615	615	373
Less: Intra group transactions	(2,190)	(5,492)	(7,682)	(3,696)
	127,043	665	127,708	88,769
Less: Provision for doubtful debts	(32,797)	0	(32,797)	(25,488)
	<b>94,246</b>	<b>665</b>	<b>94,911</b>	<b>63,281</b>

### 4. Creditors

	LBH At 31st March 2006 £000's	HH At 31st March 2006 £000's	Total Group At 31st March 2006 £000's	Total Group At 31st March 2005 £000's
Government departments	14,444	0	14,444	14,833
Other public bodies	6,999	2,190	9,189	5,233
Hillingdon Homes Ltd	10,597	0	10,597	1,459
Housing rents prepaid	243	0	243	938
Sundry creditors	51,578	1,115	52,693	48,865
Non-domestic ratepayers	12,769	0	12,769	11,722
Council taxpayers	3,202	0	3,202	2,371
Accruals & others	0	2,503	2,503	1,422
Less: Intra group transactions	(5,492)	(2,190)	(7,682)	(3,696)
	<b>94,340</b>	<b>3,618</b>	<b>97,958</b>	<b>83,147</b>



## 5. Provisions

In addition to the council's provision detailed in Note 14, page 45, Hillingdon Homes Ltd has provided for insurance liability (£281k) and deferred tax (£2k).

## 6. Fund balances and reserves

		At 31st March 2006 £000's	At 31st March 2005 £000's
General Fund :	- Working balance	4,610	7,239
	- Schools delegated funds	11,881	8,884
	- Breakspear Crematorium	338	377
Earmarked Reserves	- Parking fund	1,199	1,087
	- New Road & Streetworks Act fund	168	200
	- Premia on the repurchase of debt	(3,630)	0
Housing Revenue Account		9,670	13,013
Collection Fund	- Council	(763)	(398)
	- GLA	(1)	(2)
Hillingdon Homes		283	(111)
		<b>23,755</b>	<b>30,289</b>

## 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.



Graham Mullett

Fund account	Note	Year ended 31st March 2006		Year ended 31st March 2005	
		£000's	£000's	£000's	£000's
<b>Contributions Receivable</b>	3				
- From Employers					
Normal		12,178		9,773	
Special		22		0	
- From Employees					
Normal		6,355		5,874	
Additional Voluntary		13		(2)	
<b>Transfers In</b>					
Individual Transfers In		5,896		5,730	
<b>Other Income</b>					
Cep Recovered		6		11	
			<b>24,470</b>		<b>21,386</b>
<b>Benefits Payable</b>	3				
Pensions Payable		17,012		16,186	
Commutation of Pensions and Lump sum retirements benefits		1,949		1,926	
Lump Sum death benefits		336		376	
			<b>19,297</b>		<b>18,488</b>
<b>Payments to and on account of leavers</b>					
Refunds of Contributions		44		71	
State Scheme Premiums		35		48	
Individual transfers out to other schemes		3,924		3,599	
Group transfers out to other shemes		493		0	
			<b>4,496</b>		<b>3,718</b>
<b>Administrative Expenses</b>	7		732		782
			<b>24,525</b>		<b>22,988</b>
<b>Net withdrawals from dealings with members</b>			(55)		(1,602)
<b>Return on Investments</b>					
<b>Investment Income</b>					
Interest from fixed interest securities		200		634	
Dividends from equities		9,637		8,298	
Income from index-linked securities		299		332	
Income from pooled investment vehicles		1,341		992	
Interest on cash deposits		770		543	
Other (for example from stock lending or underwriting)		2,697	14,944	1,323	12,122
<b>Changes in market value of investments</b>					
- Realised		46,663		12,520	
- Unrealised		48,200		21,516	
<b>Investment Management Expenses</b>					
Fund managers fees	8	(1,724)		(1,535)	
Pooled funds investment expenses		(194)		0	
<b>Net Return/(Loss) on Investments</b>			<b>107,889</b>		<b>44,623</b>
<b>Net (Decrease)/Increase in the fund during the year</b>			<b>107,834</b>		<b>43,021</b>
<b>Net Assets at start of year</b>			<b>435,693</b>		<b>392,672</b>
<b>Net Assets at end of year</b>			<b>543,527</b>		<b>435,693</b>

	Note	Year ended 31st March 2006		Year ended 31st March 2005	
		£000's	£000's	£000's	£000's
<b>Investments at Market Value</b>					
Fixed Interest Securities	- Government	26,224		5,092	
	- Other	13,433		55,095	
			39,657		60,187
UK Equities	- UK	201,655		204,170	
	- Overseas	149,070		100,710	
			350,725		304,880
Index Linked Securities	- UK	15,457		13,082	
	- Overseas	0		0	
			15,457		13,082
Pooled Investment Vehicles	- Unit trusts	77,684		11,826	
	- Private Equity	3,436		1,112	
	- Property	40,190		33,587	
			121,310		46,525
Fund manager's Cash	- Cash		17,739		8,596
<b>Net current assets and liabilities</b>					
Debtors	- Due from the authority	0		(358)	
	- Sundry Debtors	5	5,438	3,698	
Creditors	- Due to the authority	(441)		0	
	- Sundry Creditors	6	(6,358)	(917)	2,423
<b>TOTAL NET ASSETS</b>			<b>543,527</b>		<b>435,693</b>

Christopher Neale, Director of Finance, 29 September 2006



# Notes to pension fund accounts

The following information is intended to give a broad outline of the activities of the pension fund. Please refer to the Pension Fund Annual Report, which is published separately, for more detailed information.

## 1. Accounting policies

- a) The accounts have been prepared in accordance with the recommendations of the Chartered Institute of Public Finance and Accountancy and comply with the Local Authority Accounting Statement of Recommended Practice.
- b) Accruals concept - Income and expenditure are recorded on an accruals basis, except for transfer values which are accounted on a cash basis.
- c) Valuation of assets - 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.
- d) Foreign currency translation of 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.
- e) Acquisition costs of investments occur as brokerage commission when investments are purchased. They are recorded in the cash figure on an accruals basis.
- f) Investment management expenses are recorded at cost when the fund managers / custodian invoice the Council on a quarterly basis. Expenses are recorded on an accruals basis.
- g) Administration expenses recharged to the pension fund are monitored throughout the year in accordance with the budget and are charged to the pension fund at the end of the financial year.
- h) Interest on property developments - property is held in unit trusts for the pension fund, the return received is calculated in accordance with the unit price at the balance sheet date.

## 2. Fund operation and membership

The Pension Fund is administered under the provisions of the Local Government Pension Scheme Regulations 1997 to provide benefits for employees and former employees. The benefits include

retirement allowances and pensions payable to former employees and their dependants.

The scheme is administered locally by the council through its pension fund, but the fund is a separate entity from the council and its accounts and balance sheet are separate financial statements.

The fund is financed by contributions from the council and its employees and by income from the fund's investments. The contributions from the council and other participating employers are set through the triennial actuarial valuation at a rate sufficient to meet the long-term liabilities of the fund.

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

Admitted Bodies:

Hillingdon Citizens Advice Bureau (CAB)  
Heathrow Travel Care  
Central Parking Systems (CPS)  
Park Lodge Farm

Scheduled Bodies:

Hillingdon Homes  
Uxbridge College  
Stockley Academy  
Harefield Academy

As at 31 March 2006 there were 6,120 employees contributing to the fund, with 4,364 in receipt of benefit and 3,437 entitled to deferred benefits.

The pension fund investments are managed by four fund managers: UBS Global Asset Management, Goldman Sachs Asset Management, Capital International and Alliance Bernstein, and two Private equity managers: Adam Street Partners and LGT Capital Partners. The performance of the fund managers are monitored by the Pensions Committee that consisted of the following members in 2005/06:

Cllr P Corthorne	(Chairman)
Cllr R Lewis	(Vice Chairman)
Cllr M Cox	
Cllr J Duncan	
Cllr P Harmsworth	
Mr J Thomas (UNISON)	(Non Voting)

### 3. Contributions receivable & pensions payable to the fund

Contributions	2005/06			2004/05		
	Employers £000	Employees £000	Total £000	Employers £000	Employees £000	Total £000
L B Hillingdon	10,538	5,585	16,123	8,455	5,222	13,677
Scheduled bodies	1,491	690	2,181	1,245	617	1,862
Admitted bodies	149	80	229	73	33	106
Total Contributions	12,178	6,355	18,533	9,773	5,872	15,645
<b>Benefits</b>	<b>£000</b>			<b>£000</b>		
L B Hillingdon			19,050			18,324
Scheduled bodies			247			160
Admitted bodies			0			4
Total Benefits			19,297			18,488

### 4. Additional voluntary contributions (AVC's)

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

### 5. Debtors

	31 March 2006 £000's	31 March 2005 £000's
Amount outstanding on sales of investments	2,216	517
Investment income due	3,132	3,078
Employers' / Employees' contributions due	0	0
Recoverable tax	90	103
	<b>5,438</b>	<b>3,698</b>

### 6. Creditors

	31 March 2006 £000's	31 March 2005 £000's
Amount outstanding on purchase of investments	5,691	501
Fund managers' fees	517	383
Tax payable	0	13
Retirement grants payable	150	0
	<b>6,358</b>	<b>897</b>

**7. Administration and investment costs**

	31 March 2006 £000's	31 March 2005 £000's
Administration and processing	703	712
Actuarial fees	29	70
	<b>732</b>	<b>782</b>

**8. Investment management expenses**

	31 March 2006 £000's	31 March 2005 £000's
Investment managers' fees	1,621	1,476
Investment advice	74	28
Other costs	29	31
	<b>1,724</b>	<b>1,535</b>

## 9. Investment report

The level of activity of the fund's investments during the year to 31 March 2006 is as follows:-

	31st March 2006 £000's	31st March 2005 £000's
Market value B/fwd	424,674	382,760
Less UBS residual account	0	(20)
Purchase of investments	239,748	220,860
Sale of investments	(232,137)	(212,981)
Realised profit/(loss) on sales	46,663	12,519
Unrealised profit/(loss) in market value	48,201	21,536
<b>Market value at 31 March</b>	<b>527,149</b>	<b>424,674</b>

The market value and proportion of investments managed by each fund manager at the year end is disclosed as follows:-

	31st March 2006		31st March 2005	
	Market value £000's	Total %	Market value	Total %
UBS Global Asset Management	206,530	39.18	192,051	45.22
Goldman Sachs Asset Management	51,560	9.78	112,269	26.44
Capital International	134,949	25.60	119,242	28.08
Alliance Bernstein	130,674	24.79	0	0.00
Private Equity - LGT Capital Partners	2,076	0.39	0	0.00
- Adam Street Partners	1,360	0.26	1,112	0.26
	<b>527,149</b>	<b>100.00</b>	<b>424,674</b>	<b>100.00</b>



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 2006		31st March 2005	
	%	£000's	%	£000's
<b>UNITED KINGDOM</b>				
<b>Listed Securities</b>				
Fixed interest - government	12.81	67,548	1.20	5,092
Fixed interest - non government	1.14	6,029	2.71	11,504
Equities	30.42	160,331	48.08	204,170
Index linked securities	2.93	15,457	3.08	13,082
Internally managed funds	1.28	6,729	4.40	18,669
<b>Unlisted Securities</b>				
Unit trusts - Property	7.62	40,190	7.91	33,587
Unit trusts - Equities	1.15	6,042	0.38	1,609
	<b>57.35</b>	<b>302,326</b>	<b>67.75</b>	<b>287,713</b>
<b>OVERSEAS</b>				
Fixed interest - Government	1.41	7,404	1.20	9,966
Equities	28.28	149,070	23.71	100,710
Managed fund - fixed interest	1.90	10,032	0.00	0
Managed fund - equity	0.00	0	3.78	16,068
Unit trusts - other	10.41	54,881	2.41	10,217
Unit trusts - other	0.65	3,436	0	0
	<b>42.65</b>	<b>224,823</b>	<b>32.25</b>	<b>136,961</b>
<b>TOTAL</b>	<b>100.00</b>	<b>527,149</b>	<b>100.00</b>	<b>424,674</b>
<b>Made up of:</b>				
	Listed	<b>480,917</b>		<b>389,478</b>
	Unlisted	<b>46,232</b>		<b>35,196</b>

## 10. Actuarial position

The Fund's actuary, Hymans Robertson, carried out an actuarial valuation of the fund as at 31 March 2004. On the basis of the assumptions adopted, the valuation showed that the value of the fund represented 88% of the fund's accrued liabilities at the valuation date. The market value of the fund's assets at the valuation date, 31 March 2004, was £393m. The value of the deficit at that date was £53m.

The revised employers' contribution rates were effective from 1 April 2005 and were set to recover the deficiency over a period of 25 years. The total common contribution rate is 14.45%.

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

Investment Return	6.3%
Earnings Growth	4.4%
Price Inflation	2.9%

## 13. Related party transactions

The Pension Fund is required to disclose material transactions by related parties with deemed membership.

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 7 to the consolidated revenue account on page 18. The council provides the administration service for the pension fund. In 2005/06 a charge of £703k (£712k in 2004/2005) was made for these services.

A specific declaration form was used to collect information from key chief officers of the administering authority (London Borough of Hillingdon) and from members of the pension fund committee.

No senior officers had any interest with any related parties in relation to the pension fund. From the Pension Committee only one Member had an interest in a related party in relation to the pension fund, Cllr J Duncan, who is the Labour representative on the CAB management committee.

## 14. Stock lending arrangements

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

## 15. 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/central/pensions](http://www.hillingdon.gov.uk/central/pensions)

## 16. Bulk transfer

The bulk transfer shown in the accounts relates to the transfer of the Magistrates Court staff, which occurred in 2001/02. The income and expenditure transaction should have been recorded in the 2001/02 accounts and then an accrual should have been raised until the monies were actually transferred. A very unusual set of circumstances caused an extended delay in the actual transfer that resulted in this isolated error.

# 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 account

An account that records capital transactions relating to capital expenditure. The account is not available for general use in the financing of capital expenditure. It provides a balancing mechanism between the different rates at which assets are depreciated under the statement of recommended practice (sorp) and are financed through the capital controls system.

## 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 charge made to services in the revenue account to reflect the value of assets used during the year. It is reversed out of through the capital financing account to ensure that it has a neutral impact on the amounts required to be raised from local taxation.

## Earmarked reserves

Reserves set aside for specific purposes.

## Expected return on assets (pensions)

The average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the

related obligation on the actual assets held by the scheme.

### **Fixed assets**

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

### **Fixed asset 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.

### **Gains or losses on curtailments**

An event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

### **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.

### **Item 8**

Item 8 refers to item 8 of parts i and ii of schedule 4 to the 1989 act. These require authorities to credit/debit (respectively) to their hra amounts in accordance with a formula determined by the secretary of state. The formula provides for amounts to be credited in respect of interest and debited in respect of capital charges in relation to hra property.

### **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.

### **Pension interest costs**

The expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to the settlement.

### **Precepts**

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

### **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.

### **Usable 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. Expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

## Further information

If you have queries about these accounts, or require further information, please contact:

Corporate Accountancy  
Hillingdon Council  
Finance and Property Services (4N/06)  
Civic Centre  
High Street  
Uxbridge UB8 1UW

Telephone 01895 250816  
Email: [establer@hillington.gov.uk](mailto:establer@hillington.gov.uk)  
or visit [www.hillingdon.gov.uk](http://www.hillingdon.gov.uk)

## Obtaining information in your language

If you would like information about Hillingdon Council's services in your own language please ask an English speaker to phone 01895 250111 on your behalf.

**Albanian** Ne se kerkoni informacion ne gjuhen tuaj rreth sherbimeve qe ofron Keshilli i Hillingdon-it, ju lutem kerkojini dikujt qe flet anglisht te telefonoje ne emrin tuaj ne numrin 01895 250111.

**Bengali** আপনি যদি হিলিংডন কাউন্সিলের সেবাসমূহের ব্যাপারে আপনার নিজের ভাষায় তথ্য পেতে চান, তাহলে ইংরেজী ভাষায় কথা বলেন, এমন কাউকে আপনার পক্ষ থেকে 01896 250111 নম্বরে টেলিফোন করার জন্য দয়া করে অনুরোধ করুন।

**Chinese** 如果你想得到以你说用的语言供给有关希灵顿市议会提供服务的信息，请托一名能说英语的人替你打电话提出要求，号码 01895 250111。

**Punjabi** ਜੇ ਤੁਹਾਨੂੰ ਹਿਲਿੰਗਡਨ ਕਾਉਂਸਿਲ ਵਲੋਂ ਦਿੱਤੀਆਂ ਜਾਣ ਵਾਲੀਆਂ ਸੇਵਾਵਾਂ ਬਾਰੇ ਜਾਣਕਾਰੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਕਿਸੇ ਅੰਗਰੇਜ਼ੀ ਬੋਲਣ ਵਾਲੇ ਨੂੰ ਕਹੋ ਕਿ ਉਹ ਤੁਹਾਡੇ ਵਲੋਂ ਇਸ ਨੰਬਰ 'ਤੇ ਫੋਨ ਕਰੇ - 01895 250111

**Somali** Haddii aad jeclaanlahayd wararka ku saabsan adeegyada Hillingdon Council in aad ku heshid Luqaddaada, fadlan waydiiso qof ku hadlo luqada af ingiriiska in u ku diro Teleefoonkan 01895 250111.

**Tamil** உங்கள் சொந்த மொழியில் ஹிலிங்டன் உள்ளூராட்சி மன்றத்தின் சேவைகளைப் பற்றி நீங்கள் அறிய வேண்டுமானால் தயவுசெய்து உங்களுக்காக ஒரு ஆங்கிலம் பேசுவரை 01895 250111 தொலைபேசியில் அழைக்கச் செய்யவும்.

**Urdu** اگر آپ ہلنگڈن کونسل کی خدمات کے بارے میں، اپنی زبان میں معلومات حاصل کرنا چاہتے ہیں تو براہ کرم انگریزی بولنے والے کسی فرد سے گزارش کیجئے کہ وہ آپ کی طرف سے 01895 250111 پر ٹیلیفون کریں۔

