



London Borough
of Hounslow

Statement of Accounts 2009-2010



LONDON BOROUGH OF HOUNSLOW
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2010

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FOREWORD

Accounting Statements

The pages that follow are the Authority's accounts for 2009/10 and comprise:

- **Statement of Accounting Policies** – This explains the basis of the figures in the accounts.
- **Statement of Responsibilities for the Statement of Accounts** – This sets out the responsibilities of the council and the chief financial officer in respect of the preparation of the accounts.
- **Income and Expenditure Account** – This reports the cost of performing the council's functions on the basis of UK Generally Accepted Accounting Practice (UK GAAP) and shows how that cost is financed from charges made by the Authority, Council Tax and Central Government. The transactions required under statute, and the use of the Authority's own reserves are shown separately in the notes to the accounts.
- **Housing Revenue Account** – This records the Authority's statutory obligation to account separately for the costs of its landlord role. It shows the major elements of housing revenue expenditure - maintenance, administration, rent rebates - and how these are met by rents, housing subsidy and other income on a UK GAAP basis.
- **Collection Fund** – This shows the transactions of the Authority as a billing authority in relation to non-domestic rates and the council tax and illustrates the way in which they have been distributed to precepting authorities and the consolidated revenue account. The Council's share of the Collection Fund is consolidated with other accounts of the Authority.
- **Balance Sheet** – This statement records the Authority's year-end financial position at 31st March. It shows the assets owned, and amounts owed in the long term, as well as the net current assets and liabilities, and the reserves at the Authority's disposal. It excludes trust funds held on behalf of individuals and organisations and the Pension Fund.
- **Statement of Total Recognised Gains and Losses** – This brings together all the gains and losses in 2009/10. The total movements between revenue and capital reserves are shown as a note to the accounts.
- **The Cash Flow Statement** – This summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes.
- **The Group Accounts** – This provides a group income and expenditure account, balance sheet, statement of recognised gains and losses and cash flow statement for the Authority and its subsidiaries – Hounslow Homes, David Henry Waring Home and Bedfont Lakes Trust. The notes to the accounts are only restated where they are materially different from the Authority's individual accounts.
- **Pension Fund Revenue Account and Net Assets Statement** – The Revenue Account shows the contributions to the fund during 2009/10 and the benefits paid from it. The Net Assets Statement sets out the financial position for the Fund as at 31 March 2010. The Authority acting as trustee separately manages the fund and its accounts are separate from the Authority's accounts.

General Fund revenue spend in 2009/10

The Authority set an original budget for 2009/10 including levies and contingencies of £183.2m including schools, which are fully funded by central government via the Dedicated Schools Grant. The table below shows how this budget was allocated across the Council's departments; and how much was spent in each service.

Department	Approved Budget £m	Out Turn £m	Variance £m
Corporate Services	3.5	3.5	0.0
Finance	5.6	5.1	(0.5)
Central Unit	1.8	1.8	0.0
Childrens Services & Lifelong Learning	57.1	57.3	0.2
Environment	65.1	64.6	(0.5)
Community Services	62.8	62.6	(0.2)
Net Service Spend	195.9	194.9	(1.0)
Other Items	(12.7)	(11.5)	1.2
Net Overspend on General Fund	183.2	183.4	0.2

During the year, the Authority continued work on its performance improvement programme. This involved a major review of its budget. Savings of £16.8m were identified and removed from departmental budgets. The savings achieved were partly used to fund costs arising from the review. The remainder were used to provide £7.0m for new initiatives in 2009/10 or set aside in a Performance Improvement Fund to be used in future years to improve the Council's services.

The Authority's net spend in 2009/10 of £183.4m, included contributions to earmarked reserves. The main variances, compared to the revised budget, were:

Children's Services and Lifelong Learning (CS&LL) shows an over spend of £0.2M. Within this over spend, the Director of CS & LL has drawn attention to the following issues:

- Children's Proceedings Costs (£0.6M)
- Home to School Transport (£0.2M)
- A delayed budget saving in respect of the Hounslow Language Service and Admin work stream savings (£0.7M)
- Placement costs for Looked After Children, mainly due to demographic pressures. (£1.0M)

These over spends are largely offset by the following under spends:

- Peripatetic Teachers (£0.3M)
- Income generated by maximising use of grant (£1.2M)
- Use of unused Area Based Grant carried forward from 2008-09 (£0.2M)
- Under spends and additional income within the Department (£0.6M)

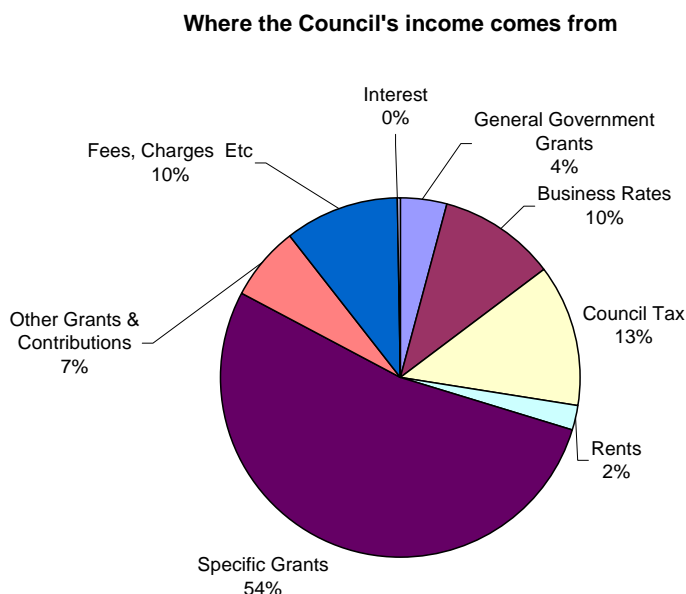
The Environment Directorate has underspent by £0.5m. This is mainly due to an underspend on Leisure Services. In other areas shortfalls in income in respect of Planning Fees, Building Control, and Highways have been largely offset by Waste Management Savings.

Central Services net expenditure for 2009/10 is some £0.5m less than the budget. Net expenditure in Corporate Services and the Central Units is very close to budget. There has been an under spend within the Finance Department. A saving of £0.3m has been achieved as a result of careful management of the budgeted incentive payments to Liberata, the Revenues and Benefits contractor. There have also been some net savings and additional income elsewhere in the Department.

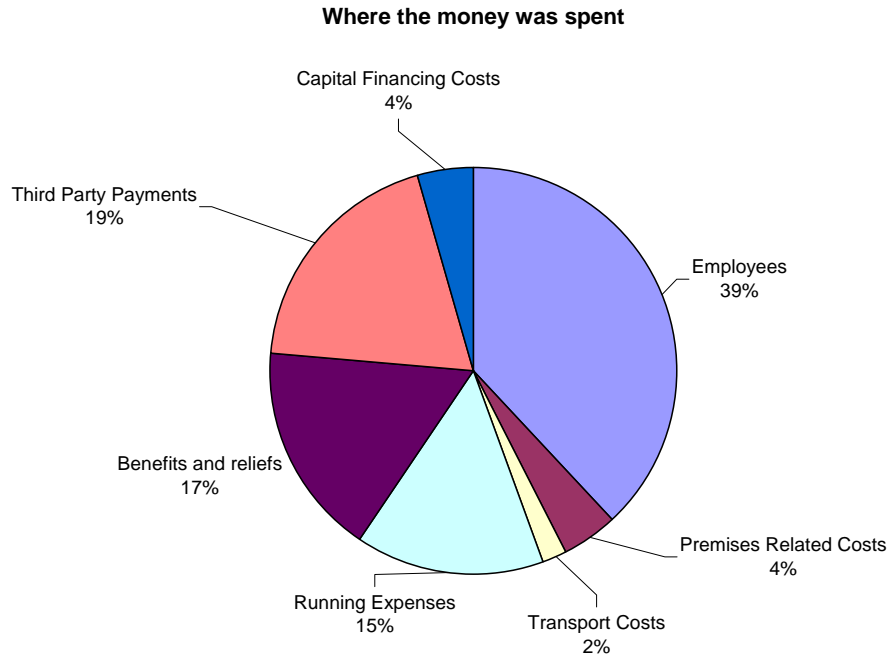
The Community Services Directorate has generated an underspend of £0.2M, where the previously projected over spend on rent allowances has been more than offset by savings in other areas of the Department.

The £1.2M overspend on "Other Items" is mainly attributable to voluntary redundancy payments made during the year. This is largely offset by the £1.0M departmental underspends shown in the Table, resulting in an overall overspend of £0.2M on the General Fund as a whole.

The following diagrams show in broad terms where the Council's income came from, and what the Council spent this money on.



The following diagram illustrates how the council tax was spent, with Housing and Community Services, Children's Services and Lifelong Learning being the largest service spenders. The diagram includes Other Expenditure, which are mainly capital adjustments. The diagram does not include the Housing Revenue Account, which is mainly funded from rents.



Outlook for 2010/11

For the fourth year running the Council set a nil council tax increase for Hounslow's element of the tax for 2010/11 and therefore keeping the Band D Council Tax at £1,090.65. The budget for 2010/11 was set at £187.7m. Like the majority of London Boroughs Hounslow received only the minimum grant increase from the Government. The London Mayor also set a nil increase for the Greater London Assembly's element of the council tax, leaving the GLA precept at £309.82 on a Band D property.

During 2010/11 the Council will continue with its search for efficiencies. This will aim to restrict the council tax burden on residents and achieve the aim of streamlining the Council to focus on front line services and provide investment in areas considered important by our residents.

This will need to be done against a background of financial restrictions on central government support following the current review of public expenditure.

Other Financial Issues

Highways PFI

The Council has been awarded £267m PFI credits for Highways Maintenance under a pathfinder scheme to tackle the backlog of work on the boroughs highway infrastructure. The scheme is intended to be a 'fence-to-fence' project to include bridges, drainage, associated structures, street lighting and street furniture. Work has commenced on the complex procurement to appoint a contractor, who will deliver those improvements; work is expected to start in 2013.

The PFI credits will be used for both the major capital investment in tackling the backlog during the initial five-year core investment period to reach steady state, and for further ongoing capital works during the remainder of the contract term. This option minimises the risk inherent in employing a number of different contractors for different highway activities and possible conflicts of interest and encourages economies of scale and significant efficiencies.

Building Schools for the Future

During 2009/10 the Authority continued preparatory work on a major programme of improvements to school buildings as part of the Government's Building Schools for the Future Programme. It had committed some £5m over a three year period to preparatory work for this programme. In June 2010 the Government announced that support for the planned school improvements had been cancelled and the preparatory work was therefore stopped. All expenditure involved has been charged to the Authority's revenue account.

Capital spending and borrowing in 2009/10

The Authority's capital spending in the year amounts to £66.9m (2008/09: £47.3m) as set out in the following statement. Some 23% of the programme has been funded from borrowing (compared to 17% in 2008/09) with grants and contributions funding a further 43% (55% in 2008/09). The remaining 34% (22% in 2008/09) has been met from other sources, including contributions from revenue and the proceeds from the sale of assets.

Capital spending 2009/10

	2009/10								Total
	REFCUS Grants & Contributions	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure	Community Assets	Investment Properties	Assets Under Construction	
	£' 000	£' 000	£' 000	£' 000	£' 000	£' 000	£' 000	£' 000	£' 000
Corporate Services									
ICT				1,279					1,279
Life Long Learning & Cultural Services									
Schools			7,823	1,569				8,398	17,790
Childrens Services			1,137	120					1,257
Environment									
Corporate Property			310	233	55		69		667
Street Management				773	3,902				4,675
Leisure Services	5		12,418	11	27	216			12,677
Housing & Community Services									
General Fund Housing Expenditure	5,254		842					1,947	8,043
Housing Revenue Account	42	14,017		302				3,447	17,808
Community Services	9		408	1,011				126	1,554
Total Expenditure	5,310	14,017	22,938	5,298	3,984	216	69	13,918	65,750

REFCUS stands for Revenue Expenditure Funded from Capital Under Statute. This is expenditure which enhances assets which are not owned by the authority. The majority of the expenditure during 2009/10 in this category relates to adaptations to private homes allowing the owners to remain living in their own homes. The remaining spend reflects grants given to various community organisations.

Approval of the Accounts

The Accounts and Audit Regulations 2003, require the accounts to be approved by the Authority.

CERTIFICATE OF THE CHIEF FINANCE OFFICER

I certify that the accounts on pages 15 to 53 set out a true and fair view of the financial position of the London Borough of Hounslow as at 31 March 2010 and its income and expenditure for the year then ended and that the accounts on pages 62 to 69 set out the net assets of the London Borough of Hounslow Pension Fund as at 31 March 2010 and its income and expenditure for the year then ended.

S Fitzgerald BA MBA ACIS FCCA
Director of Finance

Dated:

CERTIFICATE FOR THE ADOPTION OF THE 2009/10 ACCOUNTS

I confirm that these accounts were approved at a meeting of the Council on 29 June 2010.

Councillor Colin Ellar
Mayor

Dated:

STATEMENT OF ACCOUNTING POLICIES

The accounting policies in this Statement of Accounts comply with the code of practice issued by the Chartered Institute of Public Finance and Accounting (CIPFA) and its Statement of Recommended Practice on the Application of Accounting Standards to Local Authorities in Great Britain and have been prepared on a going concern basis. Further details are set out below. Separate accounting policies apply in respect of the Authority's Pension Fund; and these are set out on pages 62 to 69.

Fixed assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. In this context enhancement means the carrying out of works to a fixed asset that are intended to increase substantially the life, value or use of the asset. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts. A review is undertaken annually to ensure that expenditure which adds value to fixed assets is capitalised otherwise it is treated as an impairment and charged to revenue.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institute of Chartered Surveyors (RICS). Fixed assets are classified into groupings required by the Code. The balances are stated on the following basis:

- Land, operational properties and other operational assets are included in the balance sheet at the lower of net replacement cost or net realisable value in existing use;
- Council dwellings are valued at existing use for social housing purposes in accordance with Department for Communities and Local Government (CLG) (previously ODPM and DTLR) rules which require the valuation to be adjusted to reflect the ratio at a regional level of local authority rents to those rents in the private sector that are applicable for housing benefit;
- Investment properties (other than those held by the pension fund) and assets that are surplus to requirements and held for disposal, 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 market value. In the case of assets under construction, these are held at historical cost until they are brought into commission;
- Intangible assets, infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation;
- Assets with value of less than £10,000 are considered to be below the de-minimis level and are not recorded in the asset register.

Assets are initially recorded in the Balance Sheet at cost in the year they become operational, but are subsequently revalued to current value at such a time as a material change in circumstances occurs or as part of the five-year rolling revaluation programme. Increases in value are credited to the Revaluation Reserve. The Revaluation Reserve, the purpose of which is to recognise unrealised gains following the revaluation of assets, was established on the 1st April 2007 with a nil balance. Gains arising before that date have been consolidated into the Capital Adjustment Account.

The values of assets are reviewed at the end of each financial year for evidence of impairment (i.e. reduction in value). Where the impairment is caused by damage to an asset (e.g. fire, water, vandalism) or from obsolescence, the loss is charged to the relevant service revenue account. Where the impairment is due to other factors (e.g. changes in market value), the loss is written off against any historical revaluation gains that have been made on the asset in the past, with any excess charged to the relevant service revenue account.

When an asset is disposed of or decommissioned, the value in the balance sheet is written out and set off against any receipts from the disposal - any gain or loss is written back to the Income and Expenditure Account. Any revaluation gains that had been made on the asset would be transferred from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation

FRS 15 requires that depreciation be provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation). Depreciation in these accounts is included according to the following policy:

- In accordance with CIPFA guidelines, the Major Repairs Allowance has been used as a proxy for depreciation on council dwellings;
- Where it can be separately identified, depreciation is not charged for land;
- Depreciation is calculated using the straight-line method over the following periods:

Buildings	5 to 60 years
Vehicles, plant & equipment	3 to 20 years
Infrastructure	40 years
Intangible Fixed Assets	5 to 20 years

- 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. Assets are depreciated in the year of disposal.

Charges to Revenue for Fixed Assets

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

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

The council is not required to raise council tax to cover depreciation, impairment losses or amortisation. However it is required to make an annual provision from revenue to contribute towards the reduction of its overall borrowing requirement (equal to at least 4% of the underlying amount calculated by the Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisation are therefore replaced by the revenue provision in the Statement of Movement on the

General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

Revenue Expenditure Funded from Capital Under Statute

Legislation allows some expenditure to be classified as capital for funding purposes even when it does not result in the expenditure being carried in the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources avoiding a charge to the General Fund and any impact on that year's council tax. This treatment applies to expenditure on grants and property not owned by the authority and statutory redundancy costs when an authority has been granted a directive under the Local Government Act 2003. Expenditure which meets this definition is charged to revenue in the year of expenditure. A credit is made to the General Fund and shown as a reconciling item in the Statement of Movement on General Fund Balance to negate any impact on council tax.

Government Grants and Contributions for the Acquisition of Fixed Assets

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 a government grants deferred account. Amounts are released to services over the useful life of the asset to match the depreciation charged on the asset to which it relates. Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

Financial Instruments

The treatment of financial instruments in these accounts complies with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom – the Statement of Recommended Practice 2007, issued by the Chartered Institute of Public Finance and Accountancy / LASAAC Joint Committee. This has been based on major changes in international accounting standards, which have resulted in this country in the introduction of new U.K. accounting standards for financial instruments - FRS25, 26 and 29.

Most financial instruments (whether borrowing or investment) have to be valued on an amortised costs basis using the Effective Interest Rate (EIR) method.

In these disclosure notes, financial instruments are also required to be shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Compliance

This Authority has complied with the following:

1. it has adopted the CIPFA's Treasury Management in the Public Services: Code of Practice
2. it has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover general contingencies and cash flow management. Each reserve is clearly identifiable as to its purpose and usage. An analysis of reserves showing movements during the year is shown in note 21 to the Core Financial Statements.

There are two specific capital reserves, which represent funds that are not available to spend. These are:

- The fixed asset revaluation reserve, which represents the surplus and deficits arising from the revaluation of fixed assets.
- The capital adjustment account which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and other capital financing transactions.

The HRA Resource Accounting regime also requires the maintenance of a Major Repairs Reserve, which represents the balance of the HRA Major Repairs Allowance not yet used to fund major repairs to housing stock.

Provisions

Provisions are required to be set aside for known, certain or likely obligations arising from past events which are expected to result in future expenditure which can be reliably estimated. An analysis of provisions showing movements during the year is shown in note 20 to the Core Financial Statements.

Income and Expenditure

Revenue - in the revenue account, income and expenditure is generally accounted for in the year in which it arises, on an accruals basis, by the creation of debtors and creditors, using estimates where appropriate.

Overheads - the cost of the Authority's Support Services are fully recharged to services. Charges are based on estimated time allocations or work undertaken with the exception of administrative building costs (floor area basis) and computer services (facility usage) unless stated otherwise. The remaining overhead costs, which comprise the Corporate and Democratic core and certain non-distributable costs, are not recharged, in accordance with CIPFA's Best Value Accounting Code of Practice.

Operating Leases - rentals paid under leasing agreements have been accrued and accounted for through the revenue accounts in the period to which they relate.

Finance Leases - rentals paid under finance leases are apportioned between the finance charge and the reduction of the outstanding obligation with the finance charge being allocated and charged to revenue over the term of the lease. Finance leases are held on the balance sheet as an asset and deferred liability.

Interest Between Funds - cash balances held by the General Fund, HRA and Pension Fund are pooled for the purposes of cash flow management. Interest is payable on overdrawn balances for individual funds and receivable on surplus cash held by individual funds. For Funds other than the HRA the interest rate used is the average 7-day *LIBOR* rate. The rate used for the HRA is the average rate of interest earned in the year on approved investments.

Redundancy and Early Retirement Compensation – certain statutory costs of redundancy and lump sum early retirement payments in the General Fund are capitalised under a directive by the then Secretary of State for the Environment, Transport and the Regions. These are annual pension enhancements for early retirement is accounted for in the year in which they are paid.

Government Grants – revenue government grants, like other revenue income, are accounted for in the year in which they arise. They are credited to the service to which the related expenditure is charged. Grants set aside to fund future expenditure are treated as receipts in advance.

Pensions

Employees are able, subject to certain qualifying criteria, to become members of the Local Government Pension Scheme (LGPS), or in the case of teachers, the pension scheme operated by the Department for Children, Schools and Families (DCSF). The employee and employer make pension contributions in the case of the LGPS and the teachers' scheme. The teachers' scheme is administered by the DCFS, does not form part of the accounts for the Authority, the pension charge to the accounts is the contribution rate set by the DCSF on the basis of a notional fund.

The Authority operates its own Pension Fund under the provisions of the LGPS. The accounts of the Fund are shown on pages 62 to 69. The Authority also has a small pension fund managed by London Pensions Fund Authority; there are no longer any employees contributing to this scheme. All schemes provide members with defined benefits related to pay and service.

The LGPS pension costs are charged to the Authority's accounts are equal to the benefits earned in the year. Council Tax continues to be raised on the basis of cash contributions paid to funded pension scheme for these employees. The Government Stakeholder pension scheme is not applicable to the Authority. The difference is transferred to the Pensions Reserve by way of an adjusting transaction in the Statement of Movement in the General Fund Balance.

Capital Receipts

Disposal of fixed assets of the Authority creates income known as capital receipts. These are held in reserves pending their application to fund new capital expenditure or to redeem loan debt. Capital receipts arise from the sale of assets such as land and council houses. The Government prescribes that 75% of the receipts from the sale of council houses and certain proportions of other capital receipts must be pooled and redistributed by the government. The proportion of the amount not pooled is, as stated, held until applied to finance capital expenditure.

Current Assets

Debtors, creditors and bad debt provision - the Authority's accounts are maintained on an accruals basis. Amounts due to or from the Authority are recognised in the accounts whether or not the cash has actually been received or paid. There are no significant estimates in the sums shown as debtors or creditors at the year end, sums involved relate to individual services or supplies. The Authority maintains a provision for bad and doubtful debts which is used to write-off known uncollectable debts and is adjusted each year to reflect the level of doubtful debts that has been estimated.

Stocks and Work in Progress - the Authority maintains several stores. The stores include highways stock, fuel, vehicle spares, catering provisions and printing and stationery. Issues from stock are valued at latest purchase price. The value of work in progress, which mainly relates to rechargeable works, is recorded in the accounts at historical cost.

Consolidation of Voluntary Aided Schools - Payments to the schools are incorporated within Education Services in the Consolidated Revenue Account. The accounts for Gunnersbury and Gumley schools have not been consolidated into these accounts.

Collection Fund

The Council is required by statute to maintain a separate Collection Fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates (NNDR). These transactions are treated in the Statement of Accounts as follows:-In its capacity as a billing authority the Council acts as agent; it collects and distributes Council Tax income on behalf of the GLA and itself. Cash collected by the billing authority from Council Tax debtors belongs proportionately to the Council and the GLA.

- The Council Tax income for the year in the Collection Fund is the accrued income for the year. However the amounts transferred from the Collection Fund to the General Fund of the billing authority or paid out of the Collection Fund to the GLA are fixed by regulation.
- Up to 2008/09 the Council Tax income included in the Income and Expenditure Account was the sum transferred from the Collection Fund to the Council's General Fund under regulation.
- From the year commencing 1 April 2009 the Council Tax income included in the Income and Expenditure Account is the total accrued income for the year. The difference between the total income included in the Income and Expenditure Account and the amount required to be credited to the General Fund by regulation is included as a reconciling item in the Statement of Movement on the General Fund Balance.

Since the collection of Council Tax and NNDR Income is, in substance, an agency arrangement:

- There will be a debtor/creditor between the Council and the GLA, since the net cash paid to the GLA in the year will not be its share of the cash collected from Council Taxpayers; and
- Cash collected from NNDR taxpayers by the Council (net of the cost of collection allowance) belongs to the Government and the amount due to or from the Government at 31 March is included in the Balance Sheet as a creditor or debtor.

Group Accounts

The subsidiaries of the Authority have been consolidated on a merger accounting basis in accordance with the Statement of Recommended Practice and FRS2. This requires each line on the published statements to be consolidated into the Reporting Authorities Accounts, and removing any intra group transactions. The Accounting Policies of the subsidiaries are largely in line with the Authority's own policies.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority SORP.

The Chief Financial Officer has also:

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

The Chief Financial Officer should sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

S Fitzgerald BA MBA ACIS FCCA

Director of Finance

Dated:

APPROVAL OF STATEMENT OF ACCOUNTS

The Statement of Accounts was approved by the Council on 29 June 2010 and incorporates adjustments requested by the auditors.

Councillor John Chatt
Chairman of the Audit Committee

Dated:

CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

This statement shows the gross expenditure, income and net expenditure analysed by service and how it was financed from the Collection Fund, government grants, contributions from the Non-Domestic Rates Pool and reserves. The analysis reflects the requirements of the Best Value Accounting Code of Practice for Local Authorities.

	2009/10			Restated 2008/09	
	Expenditure	Income	Net Expenditure	Net Expenditure	Note
	£000	£000	£000	£000	
Central services to the public	33,929	(29,232)	4,697	4,620	
Cultural, environmental and planning	49,040	(11,202)	37,838	33,397	
Education and children's services	319,462	(255,686)	63,776	62,793	
Highways, roads and transport	26,028	(14,854)	11,174	12,588	
Local authority housing (HRA)	49,708	(66,750)	(17,042)	(16,098)	
Other housing services	148,857	(143,882)	4,975	5,366	
Adult social care	82,903	(27,401)	55,502	59,758	
Corporate and democratic core	7,014	(11)	7,003	6,584	
Non distributed costs	4,479		4,479	5,388	
Exceptional change in value of assets following revaluation					
General fund assets	18,664		18,664	24,090	9
HRA assets	688		688	32,617	
Net Cost of Services	740,772	(549,018)	191,754	231,103	
Gain/loss on disposal of fixed assets			(2,698)	(2,628)	
Precepts and levies			8,686	7,657	
Surplus from trading operations			(529)	(258)	2
Interest payable and similar charges			14,615	16,152	
Pooled housing capital receipts			305	1,194	
Interest and investment income			(1,271)	(6,535)	
Pension interest cost and expected return on pension assets			12,631	11,156	25
Net Operating Expenditure			223,493	257,841	
Transfers (from) / to the collection fund			(93,559)	(92,263)	
Government grants not attributable to specific services & corporate income			(30,277)	(28,045)	3
Non-domestic rates redistribution			(73,226)	(77,821)	
Net General Fund (surplus) / deficit for the year			26,431	59,712	

STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's financial position measured in terms of the resources consumed and generated over the 12 month period. The council is required to raise council tax on a different accounting basis. The main areas of difference are:

- capital investment is accounted for as it is financed, rather than as the assets are consumed;
- payment of a share of housing capital receipts is met from the usable capital receipts balance, not council tax;
- the costs of pensions are charged as they become payable, rather than when future benefits are earned.

These differences are summarised in the following table, which shows that at the end of 2009/10 the Council has a general fund balance of £9.4m available for use.

	2009/10	Restated 2008/09	Note
	£000	£000	
Loss for the year on the Income and Expenditure Account	26,431	59,712	
Remove impact of exceptional revaluation that should not impact General Fund or HRA balances	(19,017)	(56,707)	7 + 9
Further net additional amount required by statute and non-statutory proper practices transferred to the General Fund balance	(7,181)	(3,679)	7
(Increase)/decrease in General Fund balance for the year	233	(674)	
Balance on General Fund brought forward	(9,612)	(8,938)	21
Balance on General Fund carried forward	(9,379)	(9,612)	

Balances held by governors under schemes to finance schools (school balances) are shown separately in the Balance Sheet and are not therefore included above (see notes 21 and 24).

BALANCE SHEET AS AT 31 MARCH 2010

	31 Mar 10 £000	Restated 31 Mar 2009 £000	Note
Fixed assets			
Operational assets			
Intangible assets	252	462	8 + 14
Council dwellings	880,800	774,666	8
Other land and buildings	930,499	886,310	8 + 14
Vehicles, plant & equipment	86,158	90,627	8
Infrastructure assets	93,514	92,379	8
Community assets	6,447	6,231	8
Non-operational assets			
Investment properties	33,077	37,499	8
Assets under construction	14,621	6,675	8
Total fixed assets	2,045,368	1,894,849	
Long-term investments	9	9	19
Long-term debtors	1,350	1,437	17
Total long-term assets	2,046,727	1,896,295	
Current assets			
Stocks & work in progress	488	412	
Debtors (net of bad debts provision)	57,139	61,798	17
Short-term deposits	98,452	73,428	19
Cash	5,148	5,424	
	161,227	141,062	
Current liabilities			
Creditors	88,313	99,821	18
Temporary borrowing	2,810	483	19
Bank overdraft	4,114	796	
	95,237	101,100	
Net current assets	65,990	39,962	
Long-term liabilities			
Provisions	5,467	4,999	20
Long-term borrowing	261,926	239,738	19
Government grants deferred	72,357	51,171	
Government grants and developers' contributions unapplied	46,334	39,747	
Pension schemes liability	327,157	175,316	25
Total net assets	1,399,476	1,425,286	
Financed by			
Capital Balances			
Deferred capital receipts	261	326	21
Revaluation Reserve	410,476	256,722	21
Capital Adjustment Account	1,219,231	1,252,939	21
Financial Instrument Adjustment Account	(606)	(1,653)	21
Other Capital Reserves	3,079	2,234	21
Usable Capital Receipts Reserve	3,548	5,046	21
Major Repairs Reserve	3,903	6,103	
Pensions Reserve	(327,157)	(175,316)	21 + 25
Revenue Balances			
Collection Fund	372	(1,533)	21
General Fund Balances	37,239	38,611	21
Housing Revenue Account	19,697	14,751	21
Other Earmarked Reserves	29,433	27,056	21
Total Capital and Revenue Reserves	1,399,476	1,425,286	

CASHFLOW STATEMENT

The Cash Flow Statement shows the payments and receipts of the Council during the year. Sums accrued for revenue expenditure and income have been excluded. Also excluded are transfers between the various revenue funds of the Council.

	2009/10	Restated 2008/09
Revenue Activities	£000	£000
Cash Outflows		
Cash paid to & on behalf of employees	292,109	278,866
Other operating cash payments	274,260	256,015
Housing Benefit paid out	127,130	103,687
Payments to the Capital Receipts Pool	305	1,194
	693,804	639,762
Cash inflows		
Rents (after rebates)	(29,970)	(15,142)
Council Tax receipts	(79,696)	(76,986)
NNDR receipts from National Pool	(73,226)	(77,821)
Revenue Support Grant	(16,901)	(10,833)
DWP grants for benefits	(144,436)	(118,718)
Other Government Grants	(244,582)	(233,270)
Cash received for Goods & Services	(152,202)	(142,929)
	(741,013)	(675,699)
Net Cash Inflow from Revenue Activities	(47,209)	(35,937)
Servicing of Finance		
Interest paid	14,566	17,373
Interest received	(1,597)	(6,253)
Net Cash Outflow from Servicing of Finance	12,969	11,120
Capital Activities		
Purchase of Fixed Assets	54,992	39,418
Other Capital Cash Payments	0	0
	54,992	39,418
Sale of Fixed Assets	(4,080)	(6,639)
Capital Grants Received	(27,773)	(19,698)
Other capital cash receipts	0	(450)
	(31,853)	(26,787)
Net Cash Outflow from Capital Activities	23,139	12,631
Net Cash Outflow/(Inflow) before financing	(11,101)	(12,186)
Management of Liquid Resources		
Net increase/(decrease) in short term deposits	25,350	30,382
Net increase/(decrease) in other liquid resources	13,736	(23,661)
Financing		
Repayment of amounts borrowed	150,309	66,280
New loans raised	(174,700)	(64,616)
	(24,391)	1,664
Net (Increase)/Decrease in Cash	3,594	(3,801)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2009/10	Restated 2008/09
	£000	£000
Deficit on the Income and Expenditure Account	26,431	66,817
Surplus arising on revaluation of fixed assets	(145,806)	(224,859)
Actuarial losses/(gains) on pension fund assets and liabilities	145,044	10,386
Surplus in trading repairs and renewals reserve	(112)	(231)
Other changes	253	(286)
Total recognised (gains)/losses for the year	25,810	(148,173)

As set out in Note 1 to the accounts, the 2008/09 balance sheet figures have been restated to reflect a change in the way that the collection fund has been taken into account and to reflect changes made as a result of a review of the Council's balance sheet. The cumulative effect of this change on the reserves of the Council is an increase of £109.2m.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Prior Period Adjustments

The 2008/09 information set out in this statement of accounts has been adjusted to reflect a change in the accounting policy that applies to the collection fund. This has been changed to comply with the new Statement of Recommended Practice (SORP) for local authorities. In addition to this, amendments have been made following a review of amounts shown on the Council's balance sheet to reflect comments raised during the audit of the 2008/09 statement of accounts. The combined effect of these changes to the original 2008/09 statement has been:

- An increase in the overall deficit on the Income & Expenditure for 2008/09 of £4.6m;
- An increase in the adjustments made to the General Fund balance for 2008/09 of £4.6m;
- An increase in the net assets of the Council of £109.2m, mostly as a result of a change to the way that Government grants that have been spent on capital expenditure are recorded on the balance sheet.

Note 2: Trading Services and Operations

The Council maintains a number of separate accounts for individual trading units. For the majority of these areas, contracts were entered into following a competitive tendering process. Where surpluses materially affect service expenditure, these have been charged in the service accounts. The financial results of these trading operations were as follows:

	2009/10			2008/09
	Expenditure	Turnover	(Surplus) / Deficit	(Surplus) / Deficit
	£000	£000	£000	£000
Catering - Schools & Welfare	5,327	5,327	0	0
Highways Maintenance	3,904	3,956	(52)	(37)
Waste Collection	0	0	0	(12)
Street Cleansing	3,509	3,732	(223)	(40)
Vehicle Maintenance	994	961	33	(52)
Fleet Management	2,133	2,193	(60)	(200)
Transport Trading Operations	2,670	2,725	(55)	133
Other Trading Operations	473	646	(173)	(50)
Total	19,010	19,540	(530)	(258)

The Council also operates one market and several trading pitches, as well as a number of industrial estates. Expenditure and income for these services is included in the Income and Expenditure Account as economic development services within Cultural, Environmental and Planning Services. The financial results of these services were as follows:

	2009/10			2008/09
	Markets	Estates	Total	Total
	£000	£000	£000	£000
Income from Rents, Fees and Charges	(3,577)	(705)	(4,282)	(4,302)
Expenditure	2,587	507	3,094	2,931
(Surplus) to General Fund	(990)	(198)	(1,188)	(1,371)

Note 3: General government grants and other corporate income

	2009/10	Restated 2008/09
	£000	£000
Revenue Support Grant	16,901	10,833
Area Based Grant	12,591	11,630
LABGI	313	251
Performance reward grant	472	0
Government grants not attributable to specific services	30,277	22,714
Other corporate income	0	5,331
Government grants not attributable to specific services and other corporate income	30,277	28,045

Note 4: Members Allowances and Officer Emoluments

Members' Allowances paid in the year amounted to £902k (£941k 2008/09).

The numbers of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000 is set out in the following table. A number of employees left the Council during 2008/09 and 2009/10 through voluntary redundancy and the level of remuneration shown includes items such as redundancy and early retirement payments.

£ Banding £			2009/10		2008/09	
			Officers	Teachers	Officers	Teachers
50,000	-	54,999	40	84	49	66
55,000	-	59,999	36	37	35	41
60,000	-	64,999	11	37	6	32
65,000	-	69,999	16	27	11	31
70,000	-	74,999	5	31	6	17
75,000	-	79,999	5	12	2	7
80,000	-	84,999	3	2	2	4
85,000	-	89,999	8	5	2	2
90,000	-	94,999	0	4	2	4
95,000	-	99,999	1	2	1	1
100,000	-	104,999	1	2	1	1
105,000	-	109,999	1	1	0	1
110,000	-	114,999	0	0	5	0
115,000	-	119,999	0	0	0	0
120,000	-	124,999	2	0	1	1
125,000	-	129,999	2	1	2	0
130,000	-	134,999	1	0	1	0
135,000	-	139,999	1	0	0	0
140,000	-	144,999	1	0	1	0
145,000	-	149,999	0	0	0	0
150,000	-	154,999	0	0	0	0
155,000	-	159,999	0	0	0	0
160,000	-	164,999	0	0	0	0
165,000	-	169,999	1	0	1	0

Set out below are the emoluments paid to the officers on the Council's Management Team.

Post holder information	Salary £	Bonus £	Other emoluments £	Total remuneration excluding pension contributions £	Employer's pension contributions £	Total remuneration including pension contributions £
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Information for 2009/10						
Chief Executive - Mark Gilks	164,828	0	700	165,528	35,655	201,183
Director of Finance	126,771	2,100	0	128,871	27,759	156,630
Director of Corporate Services	119,159	2,100	0	121,259	26,119	147,378
Director of Children's Services	126,771	0	0	126,771	27,306	154,077
Director of Community Services	141,994	0	0	141,994	30,585	172,579
Director of Environment	119,159	2,100	0	121,259	26,119	147,378
Borough Solicitor	134,382	2,100	0	136,482	29,398	165,880

Information for 2008/09						
Chief Executive - Mark Gilks	164,828		657	165,485	35,645	201,130
Director of Finance	119,159	2,100		121,259	26,119	147,378
Director of Corporate Services	108,818	4,200		113,018	24,337	137,355
Director of Children's Services	126,771	2,100		128,871	27,758	156,629
Director of Community Services	33,972	0		33,972	7,318	41,290
Director of Environment	110,170	4,200		114,370	24,635	139,005
Borough Solicitor	126,771	4,200		130,971	28,211	159,182

The Director of Community Services joined the Council on 5 January 2009 on an annual salary of £141,994. Prior to that, the role of Director of Community Services was being covered jointly by two employees.

The employees in the above tables have been included, where appropriate, within the figures set out in the previous table showing numbers of employees within each £5,000 band.

Note 5: Related Party Transactions

All Councillors are required to complete declarations to meet the requirements of FRS8 (Transactions with Related Parties). Declarations have been sought from all Councillors.

The Council receives substantial sums by way of grants from various Government departments and pays grants and contract payments to a number of independent organisations providing services on its behalf. Material transactions not specified elsewhere in the accounts include the following:

- Grants amounting to £1.66m (£1.36m 2008/09) were paid to other voluntary organisations. Of these:
 - Hounslow Arts Trust was paid £240k. One councillor (P Carey) is a trustee of this charity.
 - Hounslow Action for Youth was paid £15k. Two councillors (A Barber and T Bruce) are trustees of this charity.
- Agency funding of £32.1m was paid to Hounslow Homes (£31.2m 2008/09).
- The Head of Housing Client and Partnerships is also a director of Locata Ltd, a company that operates in partnership with other London Boroughs a joint lettings scheme for housing tenants (see note 16).

Note 6: Audit Fees

The fees payable to the Audit Commission, the Council's appointed auditor for 2009/10 and 2008/09, in respect of external audit services under the Audit Commission's *Code of Audit Practice* are set out in the following table:

	2009/10	2008/09
	£000	£000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor and in respect of statutory inspection	202	457
Fees payable to the Audit Commission in respect of statutory inspection	133	27
Audit fees payable to the Audit Commission for the certification of grant claims and returns	90	90

Note 7: Reconciliation of Movement on General Fund Balances

Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the movement on the General Fund balance for the year	2009/10	Restated 2008/09
	£000	£000
Exceptional impairment of general fund fixed assets	(11,559)	(24,090)
Other depreciation & impairment of fixed assets	(22,488)	(21,790)
Government grants deferred amortisation	1,733	952
Revenue expenditure funded from capital under statute	(369)	(1,375)
Net gain on disposal of fixed assets	2,468	2,079
Net charges made for retirement benefits in accordance with FRS17	(27,163)	(30,707)
Amount by which council tax income included in the Income & Expenditure account exceeds the amount taken to the General Fund in accordance with regulation	1,905	1,063
	(55,473)	(73,868)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund balance for the year		
Minimum revenue provision for capital financing	3,774	3,692
Capital expenditure charged in year to the general fund balance	3,183	5,331
Transfer from usable capital receipts for Housing Capital Receipts Pool	(305)	(1,194)
Employers contributions payable to the pension fund and retirement benefits payable direct to pensioners	20,365	20,301
	(28,456)	(45,738)
Transfers to or from the General Fund balance that are required to be taken into account when determining the movement on the General Fund balance for the year		
Exceptional impairment of HRA fixed assets	(688)	(32,617)
Other transfer of HRA balances	6,388	4,470
Voluntary revenue provision for capital financing	1,946	1,339
Net contribution to earmarked reserves	1,717	11,030
Net additional amount required to be credited to the General Fund balance for the year	(19,093)	(61,516)

Note 8: Summary of Capital Financing requirement & movement on fixed assets 2009/10

	Intangible Assets	Operational assets					Non-operational assets		Total
		Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure	Community Assets	Investment Properties	Assets Under Construction	
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
Restated position as at 1 April 2009	870	784,674	900,293	103,162	97,576	6,231	37,499	6,675	1,936,980
Opening balance									
changes	0	(14,375)	(589)	0	0	0	(217)	0	(15,181)
Expenditure 2009/10	0	14,860	22,097	5,297	3,984	216	69	13,919	60,442
Disposals	0	(107)	(942)	(1,009)	0	0	(192)	0	(2,250)
Reclassifications	0	1,452	9,046	43	(43)	0	(4,524)	(5,974)	0
Revaluations	0	104,916	22,574	0	0	0	442	0	127,932
At 31 March 2010	870	891,420	952,479	107,493	101,517	6,447	33,077	14,620	2,107,923
Depreciation and impairments									
Restated position as at 1 April 2009	(408)	(10,008)	(13,981)	(12,535)	(5,197)	0	0	0	(42,129)
Depreciation	(209)	(10,621)	(11,711)	(9,354)	(2,806)	0	0	0	(34,701)
Disposals	0	1	0	554	0	0	0	0	555
Revaluations	0	10,008	3,712	0	0	0	0	0	13,720
At 31 March 2010	(617)	(10,620)	(21,980)	(21,335)	(8,003)	0	0	0	(62,555)
Net Book Value 31 March 2010	253	880,800	930,499	86,158	93,514	6,447	33,077	14,620	2,045,368
Net Book Value 1 April 2009	462	774,666	886,312	90,627	92,379	6,231	37,499	6,675	1,894,851

All of the above assets are owned by the Council.

The capital financing requirement, which incorporates the capital expenditure, is funded as follows:

	2009/10	2008/09
	£000	£000
Opening Capital Financing Requirement	334,003	331,012
Capital investment		
Operational assets	46,454	31,768
Non-operational assets	13,988	7,649
Revenue expenditure funded from capital under statute	5,310	7,889
Sources of finance		
Capital receipts	(4,524)	(3,092)
Government grants and other contributions	(27,326)	(26,226)
Sums set aside from revenue	(24,325)	(14,997)
Closing capital financing requirement	343,580	334,003
Explanation of movement		
Increase in government supported borrowing	2,382	3,013
Increase in unsupported borrowing	12,916	5,010
Reduction in debt financed from revenue	(5,720)	(5,031)
Increase/decrease in capital financing requirement	9,578	2,992

Note 9: Exceptional impact of revaluation of fixed assets

Fixed assets have been revalued in accordance with the accounting policy set out on page 9. The overall net impact of these revaluations is a net increase of £140m (2008/09: £168m).

This is comprised of increases amounting to £159.8m (2008/09: £254.2m) and decreases of £19.8m (2008/09: £86.2m).

The 2008/09 accounts included an exceptional item disclosure as a result of the unusually large downwards revaluations to some assets. The revaluations carried out in 2009/10 have also resulted in some downwards revaluations. Downward revaluations are charged first to the revaluation reserve to the extent that the asset has previously had revaluation increases. Any reduction in a specific assets value which exceeds the revaluation gains previously recognised in the revaluation reserve are charged to the Income and Expenditure account. The impact on the Income and Expenditure account is £19.3m in 2009/10 (2008/09: £56.7m).

The most significant reductions in asset values in 2008/09 related to:

- Schools resulting in a charge of £22.1m to the Income and Expenditure account.
- Council dwellings resulting in a charge of £32.6m to the Income and Expenditure account.

The most significant reductions in asset values in 2009/10 relate to:

- Sports Arenas, Leisure Centre's and other buildings related to the Council's leisure services, resulting in a charge of £7.2m to the Income and Expenditure account.
- An additional £7.1m decrease in the valuation of schools, reflecting the impact of information made available after the 2008/09 accounts were signed.

	2009/10	2008/09
	£000	£000
Central services to the public	205	0
Cultural, environmental and planning	9,295	201
Education and children's services	7,671	22,141
General fund (non-HRA) housing services	0	1,555
Adult social care	1,401	193
Non distributed costs	92	0
General fund impact in year	18,664	24,090
Local authority housing HRA	688	32,617
Total impact in year	19,352	56,707

Note 10: Capital Commitments

As at the 31st March 2010, the London Borough of Hounslow was contractually committed to undertake the following major capital schemes;

1. The redevelopment of Heston Secondary School, the outstanding contract value is £10.1m,
2. A number of leisure schemes have been entered into during 2009/10, the remaining value is £11.7m,
3. Phase 3 of a four year roofing programme for council dwellings £344,433,
4. Improvement workings to properties leased to housing associations £104,550.

Note 11: Tangible Fixed Assets

Major fixed assets are as follows:

Assets	31 Mar 2010	31 Mar 2009
Childrens' Services and Lifelong Learning		
Primary and Nursery Schools	58	58
Secondary Schools	14	14
Special Schools	4	4
Education Centres (incl. Youth Centres)	9	9
Community Sports Halls	1	1
Residential and Day Care Establishments	9	9
Housing and Community Services		
Residential and Day Care Establishments	22	22
Community Centres	9	10
Leisure Services		
Leisure Centres and Pools	5	5
Museums and Galleries	2	2
Golf Courses	1	1
Cemeteries	9	9
Libraries	10	10
Sports Hall and Outdoor Arena	1	1
Arts and Craft Centre	1	1
Public Halls	5	5
Other		
Council Offices	2	2
Off Street Car Parks	21	21
Markets	1	1
Council Dwellings		
Houses and Bungalows	4,236	4,208
Flats/ Maisonettes	9,183	9,341
Land		
Parks and Open Spaces	705 hectares	705 hectares
Cemeteries and Allotments	92 hectares	92 hectares
Infrastructure		
Roads	436.3 km	436.3 km

Note 12: Leases

The Council holds computer equipment and a financial management system under finance leases, with charges amounting to £348k for the year (£363k 2008/09). The Council also leases vehicles and computer equipment under operating leases, paying in total £418k in 2009/10 (£546k 2008/09).

There is no outstanding liability for the capital value of these leases at 31 March 2010 (£316k 31 March 2009).

Future payments required under these leases are as follows:

	31 Mar 2010	31 Mar 2009
Commitment expires	£000	£000
within one year	502	691
between second and fifth year	0	502
over five years	0	0
Total outstanding commitments	502	1,193

Note 13: Fixed Asset Valuation

All the freehold and leasehold properties which comprise the Council's property portfolio, with the exception of council dwellings, are subject to a rolling formal revaluation over a five year period by the Council's Asset Registrar and Appointed Valuer – Mr Lee Dawson, ARICS. The Council's dwelling stock is subject to an annual revaluation.

The bases used for valuation accord with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors, except that not all the housing properties are inspected. This is neither practical nor considered by the valuer to be necessary for the purpose of valuation.

Properties regarded by the Council as non-operational have been valued on the basis of open market value. Intangible assets, infrastructure and Community assets have been valued at historical cost, net of depreciation.

Not all expenditure increases the gross book value of assets. Where expenditure is deemed to not add value such amounts are shown within revaluations and written off to the Revaluation Reserve.

The basis for the valuation of the housing stock reflects the use of the assets for social housing purposes, and is based on the ratio of rents to private sector rents.

Fixed assets are depreciated in accordance with the depreciation policies outlined in the Statement of Accounting Policies on page 9.

The table on the following page shows the progress of the Council's rolling programme for the revaluation of its fixed assets.

	Intangible Assets	Operational assets					Non-operational assets		Total
		Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure	Community Assets	Investment Properties	Assets Under Construction	
Valuation or Cost	£000	£000	£000	£000	£000	£000	£000	£000	£000
Historic Cost	252			21,168	93,514	6,447	72	14,621	136,074
2005/06			20,205	225			2,498		22,928
2006/07			48,725	3,447			1,601		53,773
2007/08			3,740	-			11,540		15,280
2008/09			726,760	56,332			1,457		784,549
2009/10		880,800	131,069	4,986			15,910		1,032,765
Total	252	880,800	930,499	86,158	93,514	6,447	33,078	14,621	2,045,369

Note 14: Intangible Assets

The Council installed a replacement financial system in 2004/05. The cost of acquiring the software licence and installing the system has been capitalised and is amortised to the relevant service revenue account over the useful life of the investment.

	2009/10	2008/09
	£000	£000
Balance at 1 April	462	671
Expenditure in year	0	0
Amortisation	(209)	(209)
Balance at 31 March	253	462

Note 15: Analysis of Net Assets Employed

The table below details the total net assets employed by the Council in the year.

	2009/10	Restated 2008/09
	£000	£000
General Fund	892,971	1,025,804
Housing Revenue Account	506,133	401,015
Collection Fund	372	(1,533)
Total	1,399,476	1,425,286

Note 16: Associated Companies

The accounts for the Council's subsidiaries are set out in the Group Accounts on pages 54 to 61. In addition, the Council, in partnership with certain other London Boroughs and Housing Associations, is operating a joint lettings scheme for housing tenants. A company called Locata Ltd. has been set up for this purpose. This company is a controlled company under the Local Government and Housing Act 1989. At the time of writing the accounts of Locata were not available for 2009/10. The Council is liable to contribute to the debts and liabilities of the organisation if it was wound up, up to the value of £10. During 2009/10 the Council paid £90k to Locata Ltd (£103k 2008/09). The company's accounts have not been consolidated into the Council's accounts.

A copy of Locata's accounts can be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ or on-line at www.companies-house.gov.uk.

Note 17: Long Term and Current Debtors

At 31st March 2010 the Council had debts over 365 days of:

	31 Mar 2010	31 Mar 2009
	£000	£000
Mortgages		
Council house sales	172	242
Local Authorities	6	8
	178	250
Other		
Loans to employees	6	27
Loans to organisations and deferred debtors	923	830
Loans for adaptations	0	80
Loan to Hounslow Homes	250	250
	1,179	1,187
	1,357	1,437

And short term debtors of:

	31 Mar 2010	Restated 31 Mar 2009
	£000	£000
Housing Rents	4,458	4,793
Government Departments	17,854	12,749
Local Authorities	3,040	4,054
Council Tax arrears	27,423	26,468
Sundry Debtors	37,737	44,536
Payments in advance	1,582	3,185
Sub Total	92,094	95,785
Less: Provision for Doubtful Debts	(34,955)	(33,987)
Total	57,139	61,798

The sundry debtors balance at 31 March 2010 includes £12,160k of trade debtors (£4,771k at 31 March 2009) that have been analysed as part of note 19 on financial instruments.

Note 18: Creditors

	31 Mar 2010	Restated 31 Mar 2009
	£000	£000
Government Departments	6,061	14,141
Local Authorities	3,608	3,849
Sundry Creditors	55,821	59,541
Council Tax prepayments	5,581	4,248
Receipts in advance	17,242	18,042
Total	88,313	99,821

The sundry creditors balance at 31 March 2010 includes £20,690k of trade creditors (£21,753k at 31 March 2009) that have been analysed as part of note 19 on financial instruments.

Note 19: Investment and Borrowings

Types of financial instruments

Accounting regulations require the “financial instruments” (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. Details about the amount of cash, debtors and creditors of the Council as at 31 March 2010 are separately disclosed throughout this Statement of Accounts. The investments, lending & borrowing disclosed in the balance sheet are made up of the following categories of “financial instruments”.

	31 Mar 2010		31 Mar 2009	
	Long-Term £000	Current £000	Long-Term £000	Current £000
Borrowings				
Bank overdraft	0	4,114	0	796
Trade creditors	0	20,690	0	21,753
Financial liabilities at amortised cost	261,926	2,809	239,553	483
Other borrowing (Finance lease)	0	0	0	185
Total borrowings	261,926	27,613	239,553	23,217
Investments				
Current account	0	5,148	0	5,424
Loans and receivables	9	98,452	9	73,428
Trade debtors	0	12,160	0	4,771
Total investments	9	115,760	9	83,623

Gains and losses on financial instruments

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

	31 Mar 2010			31 Mar 2009
	Financial Liabilities measured at £000	Financial Assets Loans and receivables £000	Total £000	Financial Assets Total £000
Interest expense	(14,290)	0	(14,290)	(14,254)
Interest income	0	1,215	1,215	5,223
Movement in provision for bad debts	79	0	79	(149)
Net income/(expenditure) for the year	(14,211)	1,215	(12,996)	(9,180)

Fair value of assets and liabilities carried at amortised cost

The fair value of each class of financial assets and liabilities that are carried in the balance sheet at amortised cost is disclosed below.

Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the premature repayment rate.

The Council's treasury management consultants from the market obtained the rates quoted in this valuation on 31 March, using bid prices where applicable. The calculations are made with the following assumptions:

- For Public Works Loan Board (PWLB) debt, the discount rate used is the rate for premature repayments as per rate sheet number 063/10.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- Interpolation techniques between available rates were used where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- Fair values were calculated for all instruments in the portfolio, but only disclose those that are materially different from the carrying value.

The fair values are calculated as follows:

	31 Mar 2010		31 Mar 2009	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Public Works Loan Board	192,558	219,392	192,771	232,484
LOBOs	72,119	78,871	47,098	46,587
Finance Lease	0	0	185	185
Short term borrowing	59	59	166	166
Financial liabilities	264,736	298,322	240,220	279,422

Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

Fair value of assets carried at amortised cost

	31 Mar 2010		31 Mar 2009	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Current account	5,148	5,148	5,424	5,424
Loans and receivables	98,452	98,459	73,428	73,663
Trade debtors	12,160	12,160	4,771	4,771
Financial assets	115,760	115,767	83,623	83,858

The fair value is only slightly more than the carrying amount because the Council's portfolio of investments comprises only short-term fixed interest deposits at the Balance Sheet date, with a latest maturity of 30 March 2011.

Nature and extent of risks arising from financial instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as

written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

1. Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of £15m for banks and building societies and £25m for local authorities and similar bodies.

No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

2. Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to limit exposure to loans maturing within any financial year and within any rolling five-year period through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity structure of financial liabilities is as follows (at nominal value i.e. excluding premiums and accrued interest). This is on a different basis than included in the balance sheet.

	31 Mar 2010	31 Mar 2009
	£000	£000
Between 1 and 2 years	7,311	309
Between 2 and 5 years	49,021	20,977
Between 5 and 10 years	18,986	53,897
More than 10 years	187,853	163,297
Long Term Borrowing	263,171	238,480
Less than 1 year	368	668
Total	263,539	239,148

3. Market Risk

Interest rate risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the Council is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.

- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of £60m of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	(51)
Increase in interest receivable on variable rate investments	1,075
Increase in government grant receivable for financing costs	680
Impact on Income and Expenditure Account	1,704
Share of overall impact accruing to the HRA	928
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	474
Decrease in fair value of fixed rate borrowing liabilities (no impact on I&E account or STRGL)	26,186

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies, and thus has no exposure to loss arising from movements in exchange rates.

Note 20: Provisions

These monies have been set aside to cover liabilities as at 31 March 2010

	Transfers In	Transfers Out	31 Mar 2010	31 Mar 2009
	£000	£000	£000	£000
Provisions for Insurance Claims	1,094	(1,054)	3,762	3,722
Provision for Redundancy Costs	385	(655)	385	655
Other Provisions	787	(89)	1,320	622
Total Provisions	2,266	(1,798)	5,467	4,999

The £3.8m provision for insurance claims is a provision for future insurance claims arising from the Council's self-insurance of liability risks and fire damage. The Council self-insures against part of its liability risk (i.e. public, employers, land charges, officials' indemnity, libel and slander) by meeting up to the first £135k of every claim. The Council self-insures against part of its property risk, meeting the first £125k of each and every claim. The liability of the Council in respect of fire damage is limited to a maximum of £700k in total for this year, after which the insurance company will meet all further insurance claims. The liability of the Council in respect of casualty losses is limited to £3m in this policy year.

An additional provision was set up in 2008 for redundancy costs. As part of the Improvement Plan there has been an ongoing programme to reduce the number of employees through voluntary redundancy, deletion of vacant posts, and where necessary compulsory redundancies. At 31 March 2010 an amount of £0.385m has been provided to cover both statutory and enhanced redundancy costs that may become payable during 2010/11 resulting from decisions made before 31 March 2010.

Other provisions include other minor items for which a liability exists and a provision for reimbursement of charges for residential aftercare under Section 117 of the Mental Health Act 1983 following judgement from the House of Lords in May 2002. The provision currently stands at £423k (£423k 2008/09) following guidance from the Local Government Ombudsman. The number of claims will determine the amount and timing of payments.

Note 21: Movement on Reserves

The table overleaf sets out the movements on all reserves; specific reserves include:

- The Parking reserve account represents surpluses set aside from on-street parking income to fund traffic management and transport initiatives as defined by statute. The other funds represent the aggregate of amounts set aside for specific purposes where individually the amounts are non-material.
- The District Heating reserve is funded by contributions from tenants and is used for the repair and maintenance of the District Heating Plant.
- The Market Building Repair Fund was created under the Hounslow Corporation Act 1968 and is required in respect of the Council's Western International Market.
- The Repairs and Renewals reserve is funded by contributions from services and is used to fund purchases of plant, vehicles and equipment.
- The Commissioning Strategy Reserve contains under spends carried forward from 2009/10 which have been earmarked to fund future expenditure.
- The Community Care Reserve reflects the uncertainty over a range of service issues in social services.

- The Deferred Grant Scheme reserve is in respect of grant received from the Department of Health to fund deferred payments due from older people in respect of care packages in residential accommodation.
- The Major Repairs Reserve funds major repairs to the Council's Housing stock.
- The Special Contingency Reserve is an earmarked balance to cover major unforeseen contingencies.
- The other funds represent the aggregate of amounts set aside for specific purposes where individually the amounts are non-material.

	Gains/ Losses	Transfers to/from reserves	31 Mar 2010	31 Mar 2009
	£000	£000	£000	£000 Restated
General Fund Non Earmarked	2,726	(2,959)	9,379	9,612
Schools balances	(636)	1,315	16,503	15,824
Collection Fund	1,905	0	372	(1,533)
Special Contingency	0	(500)	6,511	7,011
Other general fund reserves	(256)	(1,063)	4,846	6,165
Total General Fund	3,739	(3,207)	37,611	37,079
IT Development Fund	0	109	2,249	2,140
Market Building Repair Fund	0	(77)	84	161
Repairs and Renewals	(65)	0	4,066	4,131
Community Care Reserve	0	0	1,697	1,697
Modernisation and Improvement Reserve	(428)	(1,416)	7,417	9,261
Capital Funding Reserve	(730)	730	3,700	3,700
Other Earmarked Funds	(9)	3,861	6,872	3,020
Total Earmarked	(1,232)	3,207	26,085	24,110
HRA Balance	4,948	0	19,699	14,751
District Heating	(204)	0	1,300	1,504
Major Repairs Reserve	(2,200)	0	3,903	6,103
Major Works Reserve	1,705	(1,100)	2,046	1,441
Total HRA	4,249	(1,100)	26,948	23,799
Revaluation Reserve	147,892	0	410,476	262,584
Capital Adjustment Account	(13,765)	1,100	1,219,232	1,231,897
Financial Instruments Account	1,047	0	(606)	(1,653)
Capital Receipts & Allowances	(718)	0	6,888	7,606
Pension Fund	(151,842)	0	(327,158)	(175,316)
Total Capital Reserves	(17,386)	1,100	1,308,832	1,325,118
Total Reserves	(10,630)	0	1,399,476	1,410,106

Note 22: Authorisation of Accounts

The Director of Finance will authorise the Accounts for issue on or before 30 September 2010. No events after this date will be recognised in these accounts.

Note 23: Trust Funds

The Council administers a number of trust funds, not included within the Council's own financial statements. David Henry Waring Home Trust and Bedfont Lakes Trust accounts are included within the Group Accounts on pages 54 to 61. In addition, the Council

administers a number of other small Trust Funds, the most significant of which is the Thomas Layton Collection, established under the Will of the late Thomas Layton (who died in 1911). This is for the purpose of maintaining his collection of early British bronze and other implements, and other books, pictures, curios and articles of vertu. At 31 December 2009 the Trust had funds of £123k. Net income in 2009/10 amounted to £4k.

Note 24: Schools Balances

The earmarked school balances represent the accumulated reserves since the implementation of Local Management of Schools under the Education Reform Act 1988. These are held for the specific use of the school, at 31 March 2010 the balance held totalled £16.503m (at 31 March 2009 the balance was £15.824m).

Note 25: Pension Costs

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make payments to the pension fund for these benefits.

The Council participates in three Local Government Pensions Schemes, the scheme administered by the London Borough of Hounslow, the Teachers Pension Scheme and the London Pension Fund Authority Scheme. All three schemes are defined benefit final salary schemes.

Transactions relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the Income & Expenditure Account when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge that needs to be made against council tax is based on the cash paid to the pension fund in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

In 2009/10 the Council paid an employer's contribution of £19.0m (£19.0 2008/09) into the London Borough of Hounslow Pension Fund representing 21.54% of pensionable pay and added years benefits of £1.3m (£1.3m 2008/09).

The following transactions have been made in the Income & Expenditure Account and Statement of Movement in the General Fund Balance during the year:

Movement on Income & Expenditure Account	2009/10	2008/09
	£000	£000
Net Cost of Services		
Current Service Cost	(11,863)	(15,680)
Past Service Cost	0	(1,523)
Settlement/curtailments	(2,669)	(2,348)
Net Operating Expenditure	(14,532)	(19,551)
Expected Return on Pension Scheme Assets	20,127	23,954
Interest on Pension Scheme Liabilities	(32,758)	(35,110)
Net charge to the Income & Expenditure Account	(27,163)	(30,707)

Movement on Statement of Movement on	2009/10	2008/09
General Fund Balances	£000	£000
Reversal of net charges made for retirement benefits in accordance with FRS17	(27,163)	(30,707)
Actual amount charged to the General Fund balance for pensions: employers' contributions payable to the scheme and retirement benefits payable direct to pensioners	20,365	20,301
Net charge to the Statement of Movement on General Fund Balance	(6,798)	(10,406)

In addition to the recognised gains and losses included in the Income & Expenditure Account set out above, actuarial losses of £145m were included in the Statement of Total Recognised Gains and Losses (£10m for 2008/09).

Assets and Liabilities in Relation to Retirement Benefits

The following tables provide reconciliations for the movement in the present value of the scheme liabilities and fair value of scheme assets.

Present value of funded liabilities	2009/10			2008/09		
	LBH Pension Fund	LPFA Pension Fund	Total	LBH Pension Fund	LPFA Pension Fund	Total
	£m	£m	£m	£m	£m	£m
As at 1 April	487.8	6.0	493.8	527.1	6.4	533.5
Current service cost	11.9	0.0	11.9	15.7	0.0	15.7
Interest cost	32.4	0.3	32.7	34.7	0.4	35.1
Contributions by scheme participants	5.9	0.0	5.9	5.9	0.0	5.9
Actuarial gains and losses	241.7	1.1	242.8	(74.9)	(0.1)	(75.0)
Losses (gains) on curtailments	2.7	0.0	2.7	2.3	0.0	2.3
Benefits paid	(26.1)	(0.6)	(26.7)	(23.2)	(0.7)	(23.9)
Unfunded pension payments	(1.3)	0.0	(1.3)	(1.3)	0.0	(1.3)
Past service costs	0.0	0.0	0.0	1.5	0.0	1.5
As at 31 March	755.0	6.8	761.8	487.8	6.0	493.8

Fair value of scheme assets	2009/10			2008/09		
	LBH Pension Fund	LPFA Pension Fund	Total	LBH Pension Fund	LPFA Pension Fund	Total
	£m	£m	£m	£m	£m	£m
As at 1 April	314.5	4.0	318.5	373.8	5.1	378.9
Expected rate of return	20.0	0.1	20.1	23.7	0.2	23.9
Actuarial gains and losses	97.5	0.3	97.8	(84.7)	(0.6)	(85.3)
Employer contributions including unfunded payments	20.3	0.0	20.3	20.3	0.0	20.3
Contributions by scheme participants	5.9	0.0	5.9	5.9	0.0	5.9
Benefits paid	(27.4)	(0.6)	(28.0)	(24.5)	(0.7)	(25.2)
As at 31 March	430.8	3.8	434.6	314.5	4.0	318.5

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed

interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £118m (a loss of £61m for 2008/09).

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Barnett Waddingham, an independent firm of actuaries, has assessed the position of both the London Borough of Hounslow Fund and the LPFA Fund. The main assumptions used in their calculations are:

The tables below show the assumed life expectations from the age of 65 and assumptions about inflation and increases in salaries and pensions. In calculating these figures, the actuaries made assumptions consistent with those used for the formal funding valuation as at 31 March 2007, using those used for the report for the period to 31 March 2009.

Life expectancy in years from age 65	
Retiring today	
Males	20.41
Females	23.43
Retiring in 20 years	
Males	21.12
Females	24.13

	31-Mar-10		31-Mar-09	
	LBH Fund	LPFA Fund	LBH Fund	LPFA Fund
	% per annum		% per annum	
Rate of Inflation	3.9	3.9	3.0	3.1
Rate of Increase in salaries	5.4	5.4	4.5	4.6
Rate of Increase in pensions	3.9	3.9	3.0	3.1
Rate of Discount	5.5	5.5	6.7	6.9

Assets in the funds are valued at fair value, principally market value for investments, and consist of the following categories by proportion and the expected rate of return assumed for each class as follows:

	LBHounslow Fund				LPFA Fund			
	Proportion of Fund		Rate of Return		Proportion of Fund		Rate of Return	
	31 Mar 2010	31 Mar 2009	31 Mar 2010	31 Mar 2009	31 Mar 2010	31 Mar 2009	31 Mar 2010	31 Mar 2009
	%	%	%	%	%	%	%	%
Equities	73.0	60.2	7.8	7.3	11.0	8.0	7.3	7.0
Gilts	17.0	18.5	4.5	4.0		0.0		
Property	4.0	7.1	5.5	6.8		0.0		
Bonds	1.0	0.6	5.5	6.5		0.0		
Cash	5.0	13.6	3.0	3.0	(3.0)	1.0	3.0	4.0
Cash Flow Matching					38.0	91.0	4.5	4.2
Target Return Portfolio					54.0		5.0	

Expected pension contributions for 2010/11

The Council expects its employer's contributions to the pension fund for 2010/11 to remain at around £20m.

Scheme history

In 1990/91, the Government allowed employers' to reduce their contributions to local Council pension funds to a level sufficient to meet 75% of the Fund's long-term liabilities. In 1993/94 the Government returned that funding requirement to 100% allowing local authorities the option to phase the consequent increase in employers' contributions over a number of years. A triennial valuation at 31st March 2007 has calculated the pension fund to be 84% funded. This is being re-paid by additional contributions from the Council over a twelve-year period. In previous years it has been policy to fund the pension strain arising from early retirements from employers' contributions in the year in which the person retires. But from 2007/08 policy has changed to not pre-fund these liabilities, but to spread the funding in line with the deficit recovery period. This has been agreed with the Actuary. The updated information at 31st March 2009 sets the deficiency at £175.3m.

LBH FUND	31 Mar 10	31 Mar 09	31 Mar 08	31 Mar 07	31 Mar 06
	£000	£000	£000	£000	£000
Defined benefit obligation	(754,987)	(487,831)	(527,057)	(626,278)	(598,481)
Scheme assets	430,848	314,497	373,840	407,477	354,191
Surplus / (deficit)	(324,139)	(173,334)	(153,217)	(218,801)	(244,290)
Experience adjustments on Scheme liabilities			51,347		
Percentage of liabilities			9.7%		
Experience adjustments on Scheme assets	97,509	(84,753)	(62,276)	10,078	49,662
Percentage of assets	22.6%	-26.9%	-16.7%	2.5%	14.0%
Cumulative actuarial gain / (loss)	(155,759)	(11,539)	(1,669)	(1,669)	(4,957)

LPFA FUND	31 Mar 10	31 Mar 09	31 Mar 08	31 Mar 07	31 Mar 06
	£000	£000	£000	£000	£000
Defined benefit obligation	(6,819)	(5,973)	(6,433)	(7,217)	(7,825)
Scheme assets	3,800	3,991	5,126	5,422	6,022
Surplus / (deficit)	(3,019)	(1,982)	(1,307)	(1,795)	(1,803)
Experience adjustments on Scheme liabilities	47	12	704	(9)	(18)
Percentage of liabilities	0.7%	-0.2%	-10.9%	0.1%	0.2%
Experience adjustments on Scheme assets	284	(675)	164		236
Percentage of assets	7.5%	-16.9%	3.2%		3.9%
Cumulative actuarial gain / (loss)	(1,754)	(930)	(414)	(993)	(1,073)

Note 26: Teachers Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions. It provides teachers with defined benefits on their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a

share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2009/10 the Council paid £11.4m (£10.9m 2008/09) to the DCFS in respect of teachers' pension costs which represents 14.1% of teachers pensionable pay. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases, amounting to £0.1m in 2009/10.

Note 27: Post Balance Sheet Events

The Government announced in its Budget on Tuesday 22 June 2010 that the Consumer Price Index (CPI), as opposed to the current Retail Price Index (RPI), will be adopted for the indexation of public service pensions from April 2011. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet Date), this change is deemed to be a non-adjusting post balance sheet event. This change will reduce the value of the net liability (or deficit) in the London Borough of Hounslow Pension Fund by £37.5m.

Note 28: Contingent Liabilities

At 31 March 2010 there were a number of legal claims outstanding against the Council. These claims are disputed and are still the subject of negotiation with the parties concerned. The Council has third party insurance sufficient to cover the majority of any payments likely to arise. As part of its normal accounting policies, the council has set aside a provision to cover payments arising out of any losses or claims that are not covered by insurance. It is considered that the sums set aside are more than adequate to provide for any payments resulting from these claims.

Note 29: Reconciliation of Income & Expenditure Account to Cashflow

In order to reconcile the various revenue surpluses and deficits shown in the accounts with the net cash inflow on revenue activities the following adjustments are needed:

	2009/10	Restated 2008/09
	£000	£000
(Surplus) / Deficit on		
General Fund	1,372	(809)
Collection Fund	(1,905)	(1,062)
Housing Revenue Account	(4,946)	(4,101)
Other Reserves	(177)	(12,496)
Net (Surplus)/Deficit on Revenue Accounts	(5,656)	(18,468)
Adjustments for non cash transactions		
Capital Financing Adjustments	(46,613)	(89,218)
FRS17 Pension costs	(6,798)	(10,405)
Provisions	(469)	3,418
Deferred Grants	1,760	952
Transfers to/from other reserves	26,067	108,509
Debtors	(9,818)	(15,337)
Creditors	8,344	(4,770)
Stock	76	129
Less Net Cash Outflow from Servicing of Finance	(14,102)	(10,747)
Net Cash Inflow from Revenue Activities	(47,209)	(35,937)

Note 30: Reconciliation of Net Cash Flow to the Movement in Net Debt

	2009/10	2008/09
	£000	£000
Net Debt as at 1 April	162,165	198,011
Net Debt as at 31 March	165,250	162,165
(Decrease) / Increase in Net Debt	3,085	(35,846)
Represented by:		
Repayment of amounts borrowed	(150,308)	(63,795)
New loans raised	174,700	62,154
(Increase)/Decrease in short term deposits	(25,350)	(30,100)
(Increase)/Decrease in cash	3,594	(3,801)
Adjustment to carrying amount of borrowing regarding premiums	74	70
Change in accrued interest	375	(373)
Total	3,085	(35,845)

Note 31: Management of Liquid Resources

Liquid resources included in the Cash Flow Statement represent short term deposits placed with banks, building societies and other institutions, repayable within 364 days.

Note 32: Reconciliation of financing and liquid resources

	Short Term Deposits	Temporary Borrowing	Long Term Borrowing	Total
	£000	£000	£000	£000
Balance at 1 April 2009	73,428	(2,875)	(237,346)	(166,793)
Increased Deposits	25,024	0	0	25,024
Loans falling due within one year	0	(309)	309	0
New Loans raised	0	(152,142)	(25,074)	(177,216)
Loans repaid	0	152,516	185	152,701
Balance at 31 March 2010	98,452	(2,810)	(261,926)	(166,284)

Note 33: Other Government Grants Receivable

These can be analysed (reflecting grants due but not necessarily received in the year) as set out in the following table.

	2009/10	2008/09
	£000	£000
Children's Services & Lifelong Learning	227,152	218,414
Community Services	135,538	113,771
Housing Revenue Account	(785)	1,160
Corporate, central services and finance	25,127	23,394
Environment	619	1,573
Total	387,651	358,312

Note 34: Dedicated Schools Grant

	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2009/10			158,733
Brought forward from 2008/09			1,697
Carry forward from 2009/10 agreed in advance			1,429
Agreed budgeted distribution in 2009/10	22,164	136,837	159,001
Actual central expenditure	24,378		
Actual ISB deployed to school		136,823	
Local authority contribution for 2009/10	2,051	0	2,051
Carry forward to 2010/11	(163)	14	1,280

The Council's expenditure on schools is funded by a grant from the Department for Children, Schools and Families (DCSF) – the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and under spends on the two elements are required to be accounted for separately.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) summarises the transactions relating to the management maintenance of the Authority's houses and flats. The account has to be self-financing and there is a legal prohibition on cross subsidy to or from Council Tax payers. The Authority has transferred responsibility for the management of its Housing stock to Hounslow Homes, an arms length management company, wholly owned by the Authority. In 2009/10 the turnover of Hounslow Homes amounted to £50.8m. The Authority retains ownership of the housing stock and has statutory responsibility for the Housing Revenue account. The company's transactions are already incorporated in the Authority's accounts in the form of payments to and receipts from the company. The accounts of the company are consolidated into the Authority's group accounts.

	2009/10	Restated 2008/09	Notes
	£000	£000	
Dwelling rents	56,900	54,628	1
Non-dwelling rents	1,780	1,750	
Charges for services and facilities	5,443	4,945	
Lessees' contributions towards expenditure	3,412	2,749	
HRA subsidy	0	648	6
Total Income	67,535	64,720	
Repairs and maintenance	11,081	11,362	
General management	13,615	12,671	
Special services	11,480	10,974	
Rents, Rates, Taxes and Other Charges	979	1,153	
Provision for bad and doubtful debts	256	631	7
Depreciation of Fixed Assets	12,187	11,744	5
Debt Management costs	110	87	
Negative HRA subsidy payable	785	0	
Exceptional change in value of fixed assets following revaluation	688	32,617	
Total Expenditure	51,181	81,239	
HRA Net (Income) / Cost from Services	(16,354)	16,519	
Gain on disposal of fixed assets	(236)	(587)	
Interest payable and similar charges	11,184	13,949	
Interest and Investment income	(294)	(1,228)	
(Surplus)/deficit for the year	(5,700)	28,653	

STATEMENT OF MOVEMENT ON HRA BALANCE

	2009/10 £000	Restated 2008/09 £000
(Surplus)/deficit for the year	(5,700)	28,653
Additional Items required by statute and non-statutory proper practices to be taken into account in determining the movement on the HRA Balance		
Remove impact of exceptional revaluation that should not impact HRA balance	(688)	(32,617)
Capital Expenditure funded by HRA	1,269	145
Gain on disposal of fixed assets	236	587
Transfer from Major Repairs Reserve	(1,566)	(1,738)
Transfer to Major Works Reserve	1,705	869
Net contribution to/(from) District Heating Reserve	(204)	0
Sub-total	(4,948)	(4,101)
Balance brought forward	(14,751)	(10,650)
Balance carried forward	(19,699)	(14,751)

NOTES TO THE HOUSING REVENUE ACCOUNT

Note 1: Rent of Dwellings

This is the total rent income collectable for the year after allowance is made for empty properties. During the year 2009/10 1.52% (1.38% 2008/09) of lettable properties were vacant.

Note 2: Housing Stock

The Authority was responsible for managing on average 13,484 dwellings during 2009/10 (13,554 2008/09). The stock numbers at the year-end were made up as follows:

	2009/10	2008/09
	Number	Number
Houses/Bungalows	4,236	4,208
Flats/Maisonettes	9,183	9,341
Stock as at 31 March	13,419	13,549

The change in stock can be summarised as follows:

	2009/10	2008/09
	Number	Number
Stock at 1 April	13,549	13,558
Less: Sales	(2)	(8)
Less: Demolitions, Conversions etc.	(128)	0
Less: Demolitions, Conversions etc re 07-08 not previously reported	0	(1)
Stock as at 31 March	13,419	13,549

The balance sheet value of the land, houses and other property are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors (RICS) as follows:

	2009/10	2008/09
	£000	£000
Operational Assets		
Dwellings	880,800	774,666
Other land and buildings	9,115	10,878
Non-operational Assets		
Other land and buildings	8,691	8,443
Total	898,606	793,987

The net book value of dwellings is based on their existing use as social housing. As such, the valuations are lower than those reflecting vacant possession on the open market. The valuation of dwellings on a vacant possession basis as at 31 March 2010 is £2,380m (£2,055m as at 31 March 2009).

Note 3: Major Repairs Reserve

HRA Resource Accounting requires the maintenance of a Major Repairs Reserve (MRR). This represents the balance of the Major Repairs Allowance not used to fund major repairs to Housing stock. The statement below analyses the movement in this reserve.

	2009/10	2008/09
	£000	£000
Balance as at 1 April	6,103	4,803
Amount transferred in	10,621	11,752
Amount transferred out		(1,744)
Amount in respect of capital expenditure:		
Houses	(12,821)	(8,708)
Balance as at 31 March	3,903	6,103

Note 4: Capital Expenditure and Financing

(i) Capital Expenditure

The following statement summarises the total capital expenditure on land, houses and other property within the HRA and how it was funded.

	2009/10			2008/09		
	Houses	Other Property	Total	Houses	Other Property	Total
	£000	£000	£000	£000	£000	£000
Borrowing	0	0	0	0	0	0
Usable capital receipts	1,799	0	1,799	612	0	612
Revenue contributions	800	66	866	0	145	145
Leaseholder reserves	1,100	0	1,100	0	0	0
Major Repairs Reserve	10,895	0	10,895	6,708	1,643	8,351
Section 106	0	0	0	13	0	13
Grants/other contributions	1,326	0	1,326	0	107	107
Capital payments on a cash basis	15,920	66	15,986	7,333	1,895	9,228
Accruals Adjustment	2,097	277	2,374	274	254	528
Expenditure in Year	18,017	343	18,360	7,607	2,149	9,756

ii) Capital Receipts

The following statement summarises the total capital receipts from disposals of land, houses and other property within the HRA during 2008/09 and 2009/10.

	2009/10	2008/09
	£000	£000
Sale of 2 Houses (2 in 2008/09) and 0 flats (6 in 2008/09)	346	1,442
Land Sales	0	0
Other receipts	0	109
Total	346	1,551

Note 5: Depreciation

Depreciation on dwellings and other assets is charged to operational expenditure as set out on Page 9. The Major Repairs Allowance, the estimated average annual running cost

of maintaining the condition of housing stock over a 30-year period, has been used as an estimate of the amount of depreciation to be charged for dwellings. This amount is then set-aside in the Major Repairs Reserve in order to fund major repairs as set out in Note 3 above.

	2009/10	2008/09
	£000	£000
Houses	10,621	10,008
Operational assets	1,566	1,744
Expenditure in Year	12,187	11,752

Note 6: Housing Subsidy

The Government pays a subsidy to the Housing Revenue Account. It is based on a notional account representing the Government's assessment of what the Authority should be collecting and spending. The following statement provides a breakdown of the amount of HRA subsidy payable in the year.

	31 Mar 10	31 Mar 09
	£000	£000
Management and maintenance	26,744	25,602
Charges for capital	8,213	10,193
Admissible Allowance	0	0
ALMO Allowance	7,972	7,972
Rental Constraint Allowance	0	0
Notional rent	(54,316)	(53,076)
Interest on receipts	(19)	(27)
Major repairs allowance	10,621	10,008
Prior year adjustment	0	(23)
Total	(785)	649

Note 7: Rent Arrears

The gross rent arrears at the 31 March 2010 was £3.2m (£3.1m at 31 March 2009). A bad debt provision in respect of current and former tenant arrears has been made in the accounts in respect of potentially uncollectable rent arrears. This provision amounted to £2.61m at 31 March 2010 (£2.56m at 31 March 2009).

Note 8: District Heating

Special Services includes the District Heating Account, which is self-financing and contains the expenditure and income associated with providing communal district heating plant on some of the Authority's housing estates. During 2009/10 expenditure of £2.65m was financed by customer and client receipts of £2.53m.

Note 9: Major Works Reserve

The Major Works Reserve has been set up to account for contributions received from leaseholders to fund major works to their homes but which was not yet been required to fund the capital programme. In 2009/10, £1.705m was transferred in to the fund. The balance will be used to fund the capital programme in 2010/11 or future years, however, it is not available for funding revenue expenditure.

Note 10: Pensions

Each year the Council reviews the policy whether to charge a proportion of gains and losses on the pension fund to HRA in accordance with FRS17. No charges have been made to the HRA in either 2009/10 or 2008/09 in respect of FRS17 retirement benefits.

COLLECTION FUND

These statements represent the transactions of the statutory Collection Fund. The Fund accounts independently for income and expenditure relating to the Council Tax and Non-Domestic Rates on behalf of those bodies (including the Authority's own General Fund) for whom the income has been raised. Administration costs are borne by the General Fund.

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2010

	2009/10	2009/10	2009/10	2009/10	2008/09	2008/09	2008/09	2008/09	Note
	£000	£000	£000	£000	£000	£000	£000	£000	
	LBH	GLA	NNDR	Total	LBH	GLA	NNDR	Total	
Income from Council Tax Payers	94,107	26,729		120,836	93,828	26,650		120,478	1
Income from Non-Domestic Rates			140,074	140,074			133,076	133,076	2
Estimated deficit adjustments	1,413	402		1,815	1,187	337		1,524	
Total Income	95,520	27,131	140,074	262,725	95,015	26,987	133,076	255,078	
Precepts and Demands	93,067	26,438		119,505	92,392	26,246		118,638	
Provision for uncollectable amounts	545	155		700	1,558	442		2,000	
Payment to NDR Pool			139,663	139,663			132,665	132,665	2
NDR cost of collection			411	411			411	411	2
Total Expenditure	93,612	26,593	140,074	260,279	93,950	26,688	133,076	253,714	
Increase/(Decrease) in Fund Balance for the year	1,908	538	0	2,446	1,065	299	0	1,364	
Fund Balance brought forward	(1,533)	(436)	0	(1,969)	(2,596)	(737)		(3,333)	
Fund Balance carried forward	375	102	0	477	(1,531)	(438)	0	(1,969)	

Note 1: Council Tax

The Council Tax Base set by the Authority for 2009/10 was 85,331.86 approved by Executive on 6th January 2009. The number of properties and tax set for each property band is shown below:

	No of Properties	Band D Equivalents	Tax Set
			£ p
Band A	1,055	703	933.65
Band B	6,780	5,273	1,089.25
Band C	20,593	18,305	1,244.87
Band D	32,146	32,147	1,400.47
Band E	12,917	15,787	1,711.69
Band F	4,811	6,949	2,022.90
Band G	3,501	5,835	2,334.12
Band H	725	1,450	2,800.94
Relevant Amount		86,449	
Adjusted for Collection Rate 98.6%		85,239	
Defence Property		93	1,400.47
Total	82,528	85,332	

Actual collectable income from Council Tax was:

	2009/10	2009/10	2009/10	2008/09	2008/09	2008/09
	£000	£000	£000	£000	£000	£000
	LBH	GLA	Total	LBH	GLA	Total
Billed to Tax Payers	77,408	21,986	99,394	78,449	22,281	100,730
Council Tax Benefit Paid by General Fund	16,699	4,743	21,442	15,379	4,368	19,747
Total Income	94,107	26,729	120,836	93,828	26,649	120,477

The cumulative arrears of Council Tax including costs at 31 March 2010 were £34,365k and £2,083k was written off during the year.

Note 2: Non-Domestic Rates (NDR)

Non-domestic rates are organised on a national basis. The Government specifies the rate 48.5p (2008/09 46.2p) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The total rateable value applicable to Hounslow as at 31 March 2010 was £322M. The Authority is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NDR Pool administered by the Government.

The Government redistributes the sums paid into the Pool back to local authorities as part of the formula grant calculation.

The amounts collected on behalf of the Government and paid into the Pool can be analysed as follows:

	2009/10	2008/09
	£000	£000
NNDR Bills Issued	142,071	133,502
Discretionary Reliefs and Remissions	(922)	(751)
General Fund Contribution to Reliefs and Remissions	325	325
Debts Written Off or provided for	(1,400)	0
Net NDR Income	140,074	133,076
Cost of Collection Allowance	(411)	(411)
Total	139,663	132,665

GROUP ACCOUNTS

The 2009 Statement of Recommended Practice for Local Authorities requires the preparation of group accounts for all local authorities that have interests in subsidiaries, associated companies and joint ventures that are material in aggregate.

Many authorities now provide services through partner organisations, which operate under the control of the authority; in these cases the financial statements of the reporting authority alone do not fully present the full picture of its activities and financial position. Group financial statements are therefore required to reflect the service delivery carried out by these separate legal entities on behalf of the authority.

The Authority has reviewed the relationships it has with its partner organisations to determine the scope of the local authority group. There are three organisations that the Authority considers fall within the legal definitions of group. These are:

- o Hounslow Homes Ltd
- o David Henry Waring Home Trust
- o Bedford Lakes Trust

These organisations are all subsidiaries of the Authority, and have a controlling interest through majority voting rights. There are no minority interests in these organisations or acquisitions in new subsidiaries during the year.

The activities and performance of each of the subsidiaries during the year 2009/10 is set out below:

David Henry Waring Home Trust – providing 26 units of sheltered accommodation. At 31 March 2010, net current assets amounted to £1.9m and expenditure in 2008/09 was £150k financed from rents and investment income.

Bedford Lakes Trust – established with the object of promoting public recreation by the provision of resources for the maintenance, improvement, management and preservation of the Bedford Lakes Country Park. At 31 March 2010 the Trust had investments valued at £4.4m, the income from these being used to finance expenditure on the park of £165k in 2009/10.

Hounslow Homes – The Authority transferred responsibility for the management of its housing stock to Hounslow Homes on 1st April 2002. In 2009/10 the turnover of Hounslow Homes amounted to £50.8m (£149k outside the group) and net liabilities were valued at £28.0m including the pension liability. The Authority is liable to contribute to the debts and liabilities of the organisation if it was wound up to the value of £1.

The performance in 2009/10 of the group including subsidiaries before consolidation was as follows:

	2009/10	Restated 2008/09
(Surplus)/Deficit	£000	£000
London Borough of Hounslow	26,431	59,712
Hounslow Homes	(43)	167
David Henry Waring Home Trust	57	17
Bedford Lakes Trust	3	(60)
Total group (surplus)/deficit in year	26,448	59,836

The accounts of these organisations have been consolidated with the financial statements of the London Borough of Hounslow in the following group accounts as subsidiaries, using the merger basis of consolidation. Intra group transactions between the entities have been eliminated from these statements.

Group Financial Statements

The Authority is required to prepare the key statements to the accounts together with the relevant notes where they are materially different to the reporting authority's accounts.

The following Statements have been prepared:

- Group Income and Expenditure Account – Incorporating the London Borough of Hounslow (LBH) income and expenditure account together with profit and loss accounts of the three subsidiaries excluding intra-group transactions.
- Group Statement of Recognised Gains and Losses – consolidates the statements of all four organisations.
- Group Balance Sheet – Consolidates the balance sheets of all four entities.
- Group Cash flow Statement – consolidates the cash flows of LBH and Hounslow Homes only. Both Bedford Lakes Trust and David Henry Waring Home are not required to produce a cash flow statement due to the size of the organisation. Therefore, this would also not be material in the group statements.

Accounting Policies

The same accounting policies have been adopted by the subsidiaries as that of the London Borough of Hounslow, as set out on pages 9-14, with the exception of the method of depreciation used in David Henry Waring Home. Assets owned by David Henry Waring are depreciated over 100 years.

This policy has not been changed to match the Authority's methodology because the change would not be material to the group. The depreciation charge on the Income and Expenditure account for 2009/10 for David Henry Waring Home was £16k.

The basis of consolidation of the group is line-by-line, in accordance with FRS2.

Notes to the Accounts

The notes to each of the accounting statements have been re-produced only where they are materially different to the notes previously provided.

GROUP INCOME AND EXPENDITURE ACCOUNT

This statement shows the expenditure and income for the group analysed by service and how it was financed. The analysis reflects the requirements of the Best Value Accounting Code of Practice for Local Authorities.

	2009/10			Restated 2008/09
	Expenditure	Income	Net Expenditure	Net Expenditure
	£000	£000	£000	£000
Central services to the public	33,929	(29,227)	4,702	4,627
Cultural, environmental and planning	49,206	(11,206)	38,000	33,541
Education and children's services	319,462	(255,686)	63,776	62,793
Highways, roads and transport	26,028	(14,854)	11,174	12,588
Local authority housing (HRA)	49,045	(66,899)	(17,854)	(16,329)
Other housing services	148,857	(143,882)	4,975	5,366
Adult social care	83,037	(27,462)	55,575	59,867
Corporate and democratic core	7,014	(11)	7,003	6,584
Non distributed costs	4,479	0	4,479	5,388
Exceptional change in value of assets following revaluation	19,352	0	19,352	56,707
Net Cost of Services	740,409	(549,227)	191,182	231,132
Gain/loss on disposal of fixed assets			(2,698)	(2,628)
Precepts and levies			8,686	7,657
Surplus from trading operations			(529)	(258)
Interest payable and similar charges			14,615	16,152
Pooled housing capital receipts			305	1,194
Interest and investment income			(1,452)	(6,838)
Pension interest cost and expected return on pension assets			13,390	11,536
Corporation Tax			11	19
Net Operating Expenditure	740,409	(549,227)	223,510	257,965
Transfers (from) / to the collection fund			(93,559)	(92,263)
Government grants not attributable to specific services & corporate income			(30,277)	(28,045)
Non-domestic rate redistribution			(73,226)	(77,821)
Net General Fund (surplus) / deficit for the year			26,448	59,836

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2009/10	Restated 2008/09
	£000	£000
Deficit on the Income and Expenditure Account	26,448	59,836
Surplus arising on revaluation of fixed assets	(146,796)	(224,238)
Actuarial losses/(gains) on pension fund assets and liabilities	163,484	15,594
Prior year adjustment to loss on Hounslow Homes pension scheme		484
Surplus in trading repairs and renewals reserve	(112)	(231)
Other changes	248	(286)
Total recognised gains for the year	43,272	(148,841)

As set out in Note 1 to the Council's accounts, the 2008/09 balance sheet figures have been restated to reflect a change in the way that the collection fund has been taken into account and to reflect changes made as a result of a review of the Council's balance sheet. The cumulative effect of this change on the reserves of the Group is an increase of £94.1m.

GROUP BALANCE SHEET AS AT 31 MARCH 2010

		31 Mar 10 £000	Restated 31 Mar 09 £000
Fixed assets			Restated
Operational assets	Intangible assets	252	462
	Council dwellings	880,800	760,291
	Other land and buildings	931,952	887,189
	Vehicles, plant & equipment	86,158	90,627
	Infrastructure assets	93,514	92,379
	Community assets	6,447	6,231
Non-operational assets	Investment properties	33,077	37,282
	Assets under construction	15,325	7,101
Total fixed assets		2,047,525	1,881,562
	Long-term investments	4,888	3,899
	Long-term debtors	1,100	1,187
Total long-term assets		2,053,513	1,886,648
Current assets	Stocks & work in progress	531	589
	Debtors (net of bad debts provision)	50,252	55,056
	Short-term deposits	100,327	75,302
	Cash	11,603	18,653
		162,713	149,600
Current liabilities	Creditors	87,380	105,676
	Temporary borrowing	2,810	3,060
	Bank overdraft	4,114	796
		94,304	109,532
Net current assets		68,409	40,068
Long-term liabilities	Provisions	6,216	5,718
	Long-term borrowing	261,926	237,161
	Government grants deferred	72,357	51,171
	Government grants and developers' contributions unapplied	46,334	39,747
	Pension schemes liability	355,351	185,090
Total net assets		1,379,738	1,407,829
Financed by			
Capital Balances	Deferred capital receipts	261	326
	Revaluation Reserve	410,476	262,585
	Capital Adjustment Account	1,219,231	1,231,895
	Financial Instrument Adjustment Account	(606)	(1,653)
	Other Capital Reserves	3,079	2,234
	Usable Capital Receipts Reserve	3,548	5,046
	Major Repairs Reserve	3,903	6,103
	Pensions Reserve	(355,134)	(184,853)
Revenue Balances	Collection Fund	372	(1,533)
	General Fund Balances	40,480	41,194
	Housing Revenue Account	19,697	14,751
	Other Earmarked Reserves	34,431	31,734
Total Capital and Revenue Reserves		1,379,738	1,407,829

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	2009/10	Restated 2008/09
Revenue Activities	£000	£000
Cash Outflows		
Net Cash Inflow from Revenue Activities	(40,731)	(72,186)
Servicing of Finance		
Interest paid	14,566	17,373
Interest received	(1,598)	(6,257)
Net Cash Outflow from Servicing of Finance	12,968	11,116
Capital Activities		
Purchase of Fixed Assets	56,151	39,737
Other Capital Cash Payments	19	19
	56,170	39,756
Sale of Fixed Assets	(4,080)	(6,639)
Capital Grants Received	(28,654)	(19,698)
Other capital cash receipts	0	(450)
	(32,734)	(26,787)
Net Cash Outflow from Capital Activities	23,436	12,969
Net Cash Outflow/(Inflow) before financing	(4,327)	(48,101)
Management of Liquid Resources		
Net increase/(decrease) in short term deposits	25,350	54,043
Net increase/(decrease) in other liquid deposits	13,736	(23,661)
Financing		
Repayment of amounts borrowed	150,309	66,280
New loans raised	(174,700)	(64,616)
	(24,391)	1,664
Net (Increase)/Decrease in Cash	10,368	(16,055)

NOTES TO THE GROUP STATEMENTS

The notes to the group statements have been re-produced only where there is a material difference from those in the London Borough of Hounslow's Accounts. The main changes are:

Subsidiary Income and Expenditure

- Inclusion of Hounslow Homes income within Housing Services (net income of £812k)
- Inclusion of David Henry Waring Home in Adult Social Care (net cost £57k)
- Inclusion of Bedfont Lakes in Cultural & Environmental Services (net cost £162k)
- Inclusion of corporation tax, and pensions interest cost and return on assets for Hounslow Homes

Pension Costs

The employees of London Borough of Hounslow, Hounslow Homes and David Henry Waring are all eligible to join the local government pension scheme. Hounslow Homes pension fund is a prescribed body within the LBH pension fund, David Henry Waring forms part of the LB Hounslow scheme. The cost of pension benefits earned during the year were:

Movement on Income & Expenditure Account	LBH	2009/10 HH	Total	2008/09 Total
	£000	£000	£000	£000
Net Cost of Services				
Current Service Cost	(11,863)	(1,977)	(13,840)	(18,155)
Past Service Cost	0	0	0	(1,817)
Settlement/curtailments	(2,669)	(186)	(2,855)	(3,076)
Net Operating Expenditure	(14,532)	(2,163)	(16,695)	(23,048)
Expected Return on Pension Scheme Assets	20,127	2,572	22,699	27,075
Interest on Pension Scheme Liabilities	(32,758)	(3,331)	(36,089)	(38,611)
Net charge to the Income & Expenditure Account	(27,163)	(2,922)	(30,085)	(34,584)

Movement on General Fund Balances	LBH	HH	Total	2008/09 Total
	£000	£000	£000	£000
Reversal of net charges made for retirement benefits in accordance with FRS17	(27,163)	(2,922)	(30,085)	(34,584)
Employers contributions payable to the scheme	20,365	2,947	23,312	23,941
Movement on General Fund Balance	(6,798)	25	(6,773)	(10,643)

The assets and liabilities at 31st March 2010 as estimated by the Actuary Barnett Waddingham were:

	31 Mar 10			31 Mar 09
	Hounslow			
	LBH Pension Funds	Homes	Total	Total
	£m	£m	£m	£m
Estimated Liabilities	761.8	81.9	843.7	542.6
Estimated Assets	434.6	53.7	488.3	357.5
Net Liability	327.2	28.2	355.4	185.1

Debtors and Creditors

The intra-group transactions have been removed from sundry debtors in both the subsidiaries and reporting authority. There were no movements on other types of debtors and creditors. All the debtors and creditors of the subsidiaries were classed as sundry debtors. The outstanding sundry debtors and creditors at 31st March for the Group were:

	31 Mar 10				31 Mar 09	
	LB Hounslow £000	Hounslow Homes £000	DHW £000	Bedfont Lakes £000	Total £000	Total £000
Sundry Debtors	18,371	579	0	73	19,023	33,506
Sundry Creditors	28,363	5,830	0	5	34,198	43,643

PENSION FUND

The Pension Fund provides for the payment of pensions and other benefits to former employees of the Authority and certain admitted and scheduled bodies. A separate annual report is published and is available via the website to all Pension Fund pensioners, people with deferred benefits and employees of the Authority who are members of the pension scheme. The annual report sets out the Fund's Statement of Investment Principles. A separate Annual General Meeting for the fund is also held.

Responsibility for the overall direction of the Fund's investment policy rests with the Authority's Pension Fund Panel, and draft accounts were submitted to the Panel on 16 June 2010, with final accounts being submitted to the Panel on 20 September 2010. These accounts summarise the transactions and net assets of the scheme. In implementing the Fund's investment policy, the Authority has appointed two investment managers (Aberdeen Asset Managers Ltd and Black Rock Investment Management Ltd) to deal at discretion within broad investment objectives laid down by the Authority. The Authority's Corporate Property Division manages the property portfolio.

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	2009/10 £000	2008/09 £000	Notes
Income			
Contributions			20
Employees	6,904	7,909	
Employers	22,094	23,926	2
Augmentation Payments	103	712	3
Transfers from other schemes (individuals)	3,085	2,312	
Transfers from other schemes (group transfers)	58	0	4
Total Income	32,244	34,859	
Expenditure			
Benefits payable:			20
Pensions	20,668	18,989	
Lump sums	5,903	7,046	
Death Benefits	827	391	
Refunds	46	8	
Transfers to other schemes (individuals)	5,237	1,825	
Transfers to other schemes (group transfers)	0	836	
Administrative Expenses	1,144	1,254	5
Total Expenditure	33,825	30,349	
Net additions (withdrawals) from dealing with members	(1,581)	4,510	
Returns on Investments			
Investment income	14,565	16,225	6
Change in market value of realised and unrealised investments	123,668	(88,157)	
Irrecoverable withholding tax	(227)	(288)	
Investment management expenses	(1,115)	(871)	
Property expenses	(184)	(155)	
Net returns on investments	136,707	(73,246)	
Net increase (decrease) in the Fund during the year	135,126	(68,736)	
Opening net assets of the scheme at 1 April	392,315	461,051	
Closing net assets of the scheme at 31 March	527,441	392,315	

NET ASSETS STATEMENT AS AT 31 MARCH 2010

	2009/10 £000	2008/09 £000	Notes
Investments			
Equity investments	329,198	212,868	7
Fixed interest securities	29,263	45,697	8
Unit trusts	119,004	86,008	9
Property	18,800	20,115	10
Private equity	7,308	6,618	
Short term deposits	21,559	18,626	11
Outstanding settlements	293	(2,156)	
Investment income receivable	1,831	2,374	
Total Investments	527,256	390,150	
Current Assets and Current Liabilities			
Debtors	547	611	12
Balance due from General Fund	18	1,948	
Creditors	(380)	(394)	13
Net Current Assets	185	2,165	
Net Assets	527,441	392,315	

The net asset statement includes all assets and liabilities of the Fund at 31 March 2010, but excludes long-term liabilities to pay pensions and benefits in future years.

A note on the actuarial liabilities and the actuarial certificate of technical provisions and adequacy of contribution is included in Note 1 below.

NOTES TO THE PENSION FUND ACCOUNTS 2009/10

Note 1: Accounting Policies

Accounting Standards – The Authority's accounting policies have been drawn up in line with recommended accounting principles as specified in the Code of Practice on Local Authority Accounting and in accordance with the provisions of Chapter 2 of the Pensions SORP and on a going concern basis, except as disclosed below.

Basis of Preparation - except where otherwise stated, the accounts have been prepared on the accruals basis.

Investments – are shown in the accounts at market value, which has been determined as follows:

- Listed securities and securities on the Unlisted Securities Market (USM) are shown by reference to bid price at the close of business on 31 March 2010.
- Other unlisted securities are valued having regard to the latest dealings, professional valuations, asset values and other appropriate financial information.
- Unit Trust investments are stated at the latest bid prices quoted by their respective managers prior to 31 March 2010.
- Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2010.

- Freehold properties are included on the basis of their open market value. There are no leasehold properties. The property portfolio was valued as at 31 March 2010 by Drivers Jonas Deloitte, an established firm of property consultants and chartered surveyors who are regulated by the Royal Institution of Chartered Surveyors.
- Investments were realisable at 31 March 2010, other than property and private equity.
- **Contributions** – represent those amounts receivable from the various employing authorities in respect of their own contributions and those of their pensionable employees. The Actuary on the basis of periodic valuations of the Fund's assets and liabilities determines the employers' contributions. Employees' contributions have been included at rates required by the Local Government Pension Scheme (Amendment) Regulations 2008.

Actuarial Valuations - the accounts summarise the transactions and net assets of the Fund. They do not take account of liabilities to pay pensions and other benefits in the future.

The Authority's Actuary carries out valuations of the Fund's assets and liabilities at three yearly intervals. The last valuation was carried out by Barnett Waddingham as at 31 March 2007 and was effective from 1 April 2008.

The common rate of contribution for all scheduled bodies from 1 April 2008 is 13.9% of payroll. The common rate of contributions is the rate that, in addition to contributions paid by members, is sufficient to meet 100% of the liabilities arising in respect of service after the valuation.

Adjustments to contributions by individual employers are required to make good the deficiency resulting from the change in funding requirement, i.e. £85.1 million as at the date of the actuarial valuation. The Authority has agreed a phased increase in the employer's contribution to meet the 100% funding requirement over a 12-year period. In previous years it has been policy to fund the pension strain arising from early retirements from employers' contributions in the year in which the person retires. But from 2007/08 policy has changed to not pre-fund these liabilities, but to spread the funding in line with the deficit recovery period. This has been agreed with the Actuary.

The actuarial market value of the Fund's assets at the valuation date (31 March 2007) was £455.9m, which represented 84% of the Fund's accrued liabilities, allowing for future pay and pension increases. This differs from the market value shown in the accounts because instead of taking the market price, the actuary makes assumptions about the expected future return on assets based on dividend yields and an allowance for real capital growth in asset values, which smoothes out fluctuations in market prices.

The contribution rates have been calculated using the projected unit actuarial method and the main actuarial assumptions were as follows:

- | | |
|--|---------|
| • Rate of general pay increases | 4.9% pa |
| • Rate of increase of non GMP pensions in payment | 3.4% pa |
| • The increases in the flow of income from ordinary shares, unit trusts and property | 6.9% pa |

Benefits, Refunds of Contributions and Transfer Values - benefits payable and refunds of contributions have been brought into the accounts on the basis of all valid claims paid during the year. Transfer values are those sums paid by, or received from, other pension schemes and relate to periods of previous pensionable employment. Transfer values have not been accrued but have been included in the accounts on the basis of the date when payments were made and receipts received.

Investment Income - rents, dividends and interest on Government stocks, loans and deposits have been accounted for on an accruals basis. Foreign income has been translated into sterling at the date of the transaction.

Investment Management and Administration - The Authority is permitted to charge administration costs of the scheme to the Fund. A proportion of relevant Council officers' salaries, including related on-costs, have been charged to the Fund on the basis of actual time spent on scheme administration and investment related business. The fees of the Fund's general investment managers have been accounted for on the basis contained within their respective management agreements.

Interest Payable/Receivable - interest payable/receivable on sums borrowed/lent from/to the Authority's General Fund is calculated using the average rate of interest earned in the year by the Authority on approved investments.

Note 2: Employers Contributions

Employers Contributions comprise two elements, normal contributions, which are the contributions required to fund future service liabilities and deficit funding, which is the additional contributions required to fund the deficiency as calculated at the last actuarial valuation. Normal contributions are calculated at 13.9% of payroll, and deficit funding will vary for different employers within the Fund. At the last actuarial valuation the Authority agreed to fund the deficiency over a 12-year period.

Note 3: Augmentation

This is a payment to the Pension Fund from Hounslow Homes to make up for the funding shortfall following early retirement.

Note 4: Transfers In

Group transfers represented a receipt of £58k from the Metropolitan Police in respect of nine School Crossing Patrol staff who were transferred to the London Borough of Hounslow.

Note 5: Administration

	2009/10	2008/09
	£000	£000
Scheme Administration	1,123	1,177
Actuary Fees	16	12
Annual Meeting and Report	5	65
Total costs	1,144	1,254

Note 6: Investment Income

	2009/10	2008/09
	£000	£000
Equity investments	9,138	8,353
Fixed interest securities	1,273	2,002
Unit trusts	2,186	3,176
Property	1,639	1,674
Short term deposits	327	1,011
Broker commissions recaptured	2	9
	14,565	16,225

Note 7: Equity Investments

	31 Mar 10	31 Mar 09
	£000	£000
UK Investments (listed)	167,653	118,745
Overseas Investments (listed):		
North America	63,569	33,741
Japan	12,604	9,774
Europe	61,141	35,807
Other	24,231	14,801
	329,198	212,868

Note 8: Fixed Interest Securities

	31 Mar 10	31 Mar 09
	£000	£000
UK Securities		
Government Bonds	25,795	28,280
Government Indexed Linked	0	12,626
Other fixed interest stocks	3,468	4,219
Overseas Securities	0	572
	29,263	45,697

Note 9: Unit Trusts

	31 Mar 10	31 Mar 09
	£000	£000
UK Unit Trusts		
Cash Fund	13,256	24,113
Bond Fund	20,388	14,814
Index Linked	14,783	12,768
Mid Cap Companies	2,603	1,860
Property	330	306
Overseas Unit Trusts		
Fixed Interest	15,739	12,921
Equity	51,905	19,226
	119,004	86,008

Note 10: Property

	31 Mar 10	31 Mar 09
	£000	£000
UK Property Investments: Freehold	18,800	20,115
	18,800	20,115

Note 11: Short term deposits

	31 Mar 10	31 Mar 09
	£000	£000
Certificates of Deposit	0	4,500
Bank Deposits	21,559	14,126
	21,559	18,626

Note 12: Debtors

Debtors represent those sums of money owed to the Pension Fund for contributions due from admitted bodies for 2009/10 but for which payment had not been received by 31 March 2010.

Note 13: Creditors

Creditors represent those sums of money owed by the Pension Fund for fund management services received during 2009/10 but for which payment had not been made by 31 March 2010.

Note 14: Investment Commitments

The Council is committed to making further investments in private equity funds. The total value of commitments outstanding at 31 March 2010 was £6.7m.

Note 15: Taxation

UK Tax – the Fund is an exempt approved fund and is therefore not liable to UK income tax on interest, property income or to capital gains tax. However, from 2 July 1997 the Government withdrew the ability for pension funds to reclaim tax credits on UK dividends. The impact of this change is reflected in the actuarial valuation.

As a local authority is the administering authority for the Fund, VAT input tax is recoverable on all fund activities including expenditure on investment and property expenses.

Overseas Tax – income earned from investments in stocks and securities in the United States is exempt from tax. Similar arrangements exist with Australia and Hong Kong whereby investment income is transmitted to Britain, gross of foreign income tax. Taxation agreements exist between Britain and certain EC and other European countries whereby a proportion of the tax deducted locally from investment earnings may be reclaimed. The proportion reclaimable and the time scale involved vary from country to country.

Note 16: Membership of the Fund

The following summarises the membership of the Pension Fund as at 31 March 2010:

	31 Mar 10	31 Mar 09
Contributors	6,019	5,740
Pensioners	4,974	4,820
Deferred Pensioners	5,481	5,217
Total	16,474	15,777

Note 17: Movement in Funds Managed

A comparison of the movement in investments and amount of funds managed by each fund manager at market value is as follows:

	Aberdeen	BlackRock	LBH	Total
	£000	£000	£000	£000
Opening Balance at 1 April 2009	149,108	209,070	31,972	390,150
Purchases	88,227	252,594	1,415	342,236
Sales	(85,013)	(243,421)	(335)	(328,769)
Corporate Actions	1,777	(4,016)	0	(2,239)
Movement in short term deposits	844	1,366	0	2,210
Change in market value	61,765	63,517	(1,614)	123,668
Closing Balance at 31 March 2010	216,708	279,110	31,438	527,256
Proportion of Fund	41%	53%	6%	100%

Note 18: Additional Voluntary Contributions

The current provider for Additional Voluntary Contributions is Standard Life. Employees can contribute to the fund and Hounslow acts only as an agent, the contract is between the employee and Standard Life. The amount of contributions received in the year is £27,453. The value of these separately invested additional voluntary contributions at 31 March 2010 was £221,992.

There are also separately invested additional voluntary contributions with the previous provider, Equitable Life. The value of these contributions at 31 March 2010 was £241,539.

These amounts are not included in the Pension Fund Accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831).

Note 19: Direct Transaction Costs

The amounts of direct transaction costs suffered by each Fund Manager were as follows:

	31 Mar 10	31 Mar 09
	£000	£000
Aberdeen Asset Managers Ltd	139	143
Blackrock Investment Management Ltd	486	622
	625	765

Note 20: Scheduled and Admitted Bodies

The scheduled bodies to the Fund are:

- Hounslow Magistrates' Courts Committee
- West Thames College
- Gunnersbury Park

- o Cranford Park
- o Hounslow Homes

There were also 19 Admitted Bodies making contributions of £1.7m (£1.2m 2008/09).

The total contributions receivable and benefits payable are as follows:

	31 Mar 10		31 Mar 09	
	Contributions Receivable	Benefits Payable	Contributions Receivable	Benefits Payable
	£000	£000	£000	£000
London Borough of Hounslow	25,207	24,393	24,928	22,760
Scheduled Bodies	2,200	1,744	6,424	2,115
Admitted Bodies	1,689	1,303	1,195	1,559
Total	29,096	27,440	32,547	26,434

From 1 April 2001 following creation of the Greater London Magistrates Courts Authority future pension provision moved from the Authority. The Pension Fund remains liable for pensions entitlement accruing to 31 March 2001.

Note 21: Statement of Investment Principles

The Statement of Investment Principles for the Pension Fund is available on our website at www.hounslow.gov.uk/pensions and is available on request from the Director of Finance.

Note 22: Related Party Transactions

The Council was a related party to the Fund. During 2009/10, surplus Pension Fund monies were invested internally with the Council as a result of the day-to-day administration of the Fund. The Pension Fund received £6k in interest from the Council during 2009/10 on the internally invested cash. The balance of Pension Fund cash held in the Council's account at 31 March 2010 was £18k (£1.948m 31 March 2009).

The Pension Fund incurred administrative expenses of £601k in 2009/10 (£540k 2008/09) for Council officers' time spent in administering the Fund.

No other material transactions with related parties of the Fund during 2009/10 were identified.

GLOSSARY

Accounting Policies

The rules and practices adopted by the Authority that dictate how transactions and events are shown or costed.

Actuarial Gains/Losses

The profits and losses on the pension scheme as calculated by the Actuary because the assumptions made were not the same as the actual performance (e.g. if interest rates were less than anticipated).

Capital Charge

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services made up of interest and depreciation.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure that adds to and not merely maintains the value of an existing fixed asset.

Community Assets

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

Consolidation

The process of adjusting and combining financial information from the individual financial statements of a reporting authority and its subsidiaries to prepare consolidated financial statements that present financial information for the group as a single economic entity.

Contingent Liability

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control (e.g. the outcome of a court case); or
- A present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.

Corporate and Democratic Core

These are activities that local authorities engage in specifically because they are elected, multi-purpose authorities. These costs would not be incurred by a single-purpose organisation and therefore should not be apportioned to services.

Current Service Cost (Pensions)

The increase in value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

Defined Benefit Scheme

A pension or retirement benefit scheme into which an employee pays regular contributions fixed as an amount or as a percentage of pay and will have no legal obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

The reduction in the value of an asset due to wear and tear or obsolescence.

EIR (Effective Interest Rate)

The Effective Interest Rate is the interest rate on a loan or financial product restated from the nominal interest rate as an interest rate with annual compound interest.

Emoluments

All sums paid to or receivable by an employee including salary, expenses, and allowances and the monetary value of any other benefits received other than cash. Pension contributions payable by either employer or employee are excluded.

Fair Value

Fair Value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price.

Finance Lease

A lease that transfers the risks and rewards of ownership to the lessee, but ownership of the asset is retained by the lessor.

Fixed Assets

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Government Grants

Assistance by the government and their agencies in the form of cash or transfer of assets to an authority, which may be in return for past or future compliance with certain conditions relating to the activities of the authority.

Impairment

A reduction in the value of a fixed asset, below the amount it is included at on the balance sheet.

Infrastructure Assets

Fixed assets that are recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Investment Properties

Interest in land and/or buildings that are held for their investment potential or rental income.

Liquid Resources

Investments that can be readily converted to cash without disrupting the business of the organisation.

LOBO

A LOBO is a loan where the lender has the option to change the terms of the loan on specified dates. If the lender exercises its option, then the borrower has the option to repay the loan without penalty.

Merger Accounting

A method of accounting for acquisitions of subsidiaries in which the carrying values of the assets and liabilities of the subsidiary are not required to be adjusted to fair value.

Minority Interest

The interest in an entity included in the consolidation that is attributable to the shares held by persons other than the reporting authority and its subsidiary entities.

Net Book Value

The amount of which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for by depreciation.

Net Current Replacement Cost

The cost of replacing an asset in its existing condition and for its existing use i.e. the cost of buying the item or the nearest equivalent asset.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non distributable Costs

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

Non-Operational Assets

Fixed assets held by an authority that are not directly occupied, used or consumed in providing services. Examples of non-operational assets are investment properties and assets pending sale or redevelopment.

Operating Leases

A lease that stipulates the asset can never become the property of the lessee.

Operational Assets

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of services.

Past Service Cost

For a defined benefit scheme, the increase in the value of benefits payable that were earned in prior years arising because of an improvement to retirement benefits.

Related Party Transaction

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Members are required to declare if they have entered into any such transactions and any relationships of influence with any organisations associated with the Authority. Examples of related party transactions include:

Revenue Expenditure Funded From Capital Under Statute (REFCUS)

Expenditure on grants, property not owned by the authority or statutory redundancy costs when an authority has been granted a directive under the Local Government Act 2003, that is classified as capital for funding purposes, but that does not result in the expenditure being carried in the Balance Sheet as a fixed asset.

Stocks

The amount of unused or unconsumed goods held in expectation of future use within one year. Stocks are valued at the end of each financial year and carried forward to be matched to the use or consumption when it arises. Stock comprises the following categories:

- Goods or other assets purchased for resale.
- Raw materials and other components purchased for the incorporation into products for resale
- Products and services partially or fully completed

Subsidiary

An entity is a subsidiary of the reporting authority if:

- The authority is able to exercise control over the operating and financial policies of the entity, and
- The authority is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.

ANNUAL GOVERNANCE STATEMENT 2009-10

Scope of Responsibility

The London Borough of Hounslow ('the Council') 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. It also has a duty under the Local Government Act 1999 to secure continuous improvement and the way in which functions are exercised having regard to a combination of economy efficiency and effectiveness.

In discharging this overall responsibility the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effect of exercising its functions and which include arrangements for the management of risk.

This statement outlines the key elements of the Council's corporate governance arrangements, which are consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*. It also meets the requirements of regulations of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the Governance Framework

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

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

The London Borough of Hounslow's Governance Framework

Set out below are the key elements of the processes and systems that comprise the Council's governance arrangements that were in place for the year ended 31 March 2010 and up to the date of approval of the statement of accounts by the Borough Council on 26 June 2010. These have been grouped using the six core principles of the CIPFA/SOLACE Framework.

- 1 Focusing on the purpose of the authority and on outcomes for the community; and on creating and implementing a vision for the local area**
 - o The Council produces a Business Plan providing a vision statement, corporate plan and delivery plans to set out a clear vision of how we want to transform the borough for all who live, work and visit.

- o Work is beginning to give effect to the promises set out by the new administration in its vision for Hounslow. This will involve close collaboration between members and officers to achieve these objectives.
- o Productive and fully supported Hounslow Local Strategic Partnership (LSP), which focuses on the shared priorities of the partners.
- o Clear statements of service quality requirements and delivery mechanisms included in Improvement Delivery Plans, combined with objective quality evaluation and reporting processes.
- o A Recession Task Force of multi-agency partners established to work together to mitigate the effects of the downturn on Hounslow's residents and businesses

2 Members and officers working together to achieve a common purpose with clearly defined functions and roles

- o An up to date Constitution is in place, which is supported by fully accessible and open decision making records. The Constitution is published on the Council's web-site and is kept under regular review. The Constitution allows for decisions to be made by Officers (as set out in the Scheme of Delegation), individual Lead Executive Members, the Executive, Borough Council and the various other committees.
- o Members receive clear guidance and training on the statutory Members' Code of Conduct and the Council's Members' Town Planning Code of Good Practice, and there is a Council Protocol on Relationships between Councillors and Officers in place, all of which can be found in the published Constitution.
- o The Constitution provides for the post of Chief Executive who, as Head of the Paid Service, is responsible for operational management. This post has an up to date job descriptions, and terms and conditions of appointment, and has specific and documented delegated authority.
- o The Director of Finance is the Council's Section 151 Officer. The Borough Solicitor is the Council's Monitoring Officer. Both Officers have clear job descriptions (including responsibilities), delegated authorities and both are members of the corporate management team.
- o Arrangements are in place, involving the Leader, Chief Executive and as appropriate other Lead Members and Chief Officers, to discuss key policy issues. Additionally, weekly operational meetings take place between the Leader and Chief Executive to review future Executive business.
- o Clear remuneration frameworks are in place for members and officers.

3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The following codes, protocols and systems have been in use for a number of years, all are regularly reviewed and updated to account for developments in governance arrangements and changes in local government:;

- o Codes of conduct in place for officers and members,

- o Organisation-wide performance appraisal and employee development schemes,
- o Corporate performance management systems,
- o Annual declaration of interests process for Members and senior Officers,
- o Complaints procedure in line with Ombudsman best practice requirements,
- o High profile whistle-blowing, anti-fraud and anti-corruption policies,
- o Effective Standing Orders and financial regulations,
- o An active and effective standards committee system with an independent Chair and majority independent membership,
- o Rules and protocols for all partnership working.

4 Taking informed and transparent decisions which are subject to effective scrutiny; and managing risk

- o Overview and scrutiny function, with four standing panels supporting the Executive and the Council as a whole, and a wider remit to scrutinise major partners e.g. Hounslow PCT; fully supported by the political and officer leadership incorporating active roles for opposition groups,
- o Active audit committee with clear and significant terms of reference and annual work programme for audit, risk management and corporate governance,
- o The comments of the Borough Solicitor, Director of Finance (including, where appropriate, the Head of Procurement) are required on all reports including decisions taken under the scheme of delegation,
- o Effective corporate complaints management and resolution systems are in place, which include the new leisure partners. A new Stage 3 protocol has been introduced, including a Member Panel, ensuring accountability at a political level,
- o Risk Management Strategy in place, with departmental risk registers in nearly all departments. Training in risks to services provided to Senior Managers. Processes and systems are now being embedded into all areas of the Authorities' work. All major projects undertaken have risk registers e.g. Building Schools for the Future and Highways PFI,
- o Robust financial systems and regulations that provide active support to all risk management activity; resulting in no exposure to Iceland banking collapse or other investment losses,
- o Modern corporate performance management system and operational framework in place, linked by a golden thread from the Hounslow business plan through service business plans down to individual delivery targets, which are reported to Executive.

5 Developing the capacity and capability of members and officers to be effective

- o A Leadership framework has been developed with CMT and HMG members, which defines the Leadership qualities and values that are expected from Hounslow Managers,

- o Development of a corporate Workforce Development plan to assess the capability of our staff and future needs of the Council with a view to succession planning and developing the technical and professional skills that are required to deliver the council's priorities over the next few years,
- o Individual training and development plans are an integral part of the staff performance appraisal system. A 100% target for appraisal completion has been set, and is being implemented,
- o Full job descriptions and person specifications in place for all posts including all members of the top management team,
- o A process of Member training is in place, to ensure Members are operating within the Code of Conduct and are aware of their roles and responsibilities. Specific training on the planning regime was delivered during 2008-09,
- o New joiners induction courses provided for all employees.

6 Engaging with local people and other stakeholders to ensure robust public accountability

- o The Council produces a business plan to set out its vision and strategy clearly communicated to all stakeholders and local communities through multiple channels.
- o Broad range of communication channels are in place and undergoing continuous improvement to ensure effective reach across all borough communities – news media, web and digital, residents magazine, reports and briefings, leaflets and brochures.
- o An annual Overview and Scrutiny report is published and widely circulated locally, regionally and nationally.
- o Corporately led programme of community and stakeholder consultation are in place, supported by service led operational consultations delivered to corporate standards and employing effective and tailored feedback mechanisms.
- o The Council's business plan is supported by a communications strategy and delivery plans.
- o Clear systems and processes for employee and employee representatives to be consulted and involved in decision making are in place and subject to regular review and continuous development.

Review of Effectiveness

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

Processes for reviewing the Effectiveness of the Governance Framework

The Council has reviewed its governance arrangements against the principles and standards set out in the *Delivering Good Governance in Local Government, CIPFA 2007*. Each Chief Officer has documented those aspects of the Council's governance framework within their area of responsibility and highlighted those areas where the governance framework including the Council's system of internal control need to be strengthened over the coming year.

The governance framework has been summarised in this governance statement that has been considered by the Audit Committee and the Borough Council.

The Audit Committee has also considered the outcomes of the review of the effectiveness of the Council's governance framework including its system of internal control. This review has reflected the governance issues highlighted by Chief Officers, the Head of Internal Audit's Annual Report, the Annual Audit and Inspection Report and the outcomes of other external reviews undertaken during the year.

The Audit Committee has advised us on the implications of the result of the review of the effectiveness of the governance framework, and a plan to address weaknesses and to ensure the continuous improvement of the systems is in place.

Significant Governance Issues

The Council's governance arrangements substantially reflect the good practice highlighted by CIPFA in its publication *Delivering Good Governance in Local Government: Framework*. These arrangements are documented in a range of documents but are not yet drawn together in a single document in the form of a local code as recommended by CIPFA.

The review of the Council's arrangements has not highlighted any significant governance issues. However, set out below are areas that require attention.

Actions Taken in 2009-10

The following steps were taken during the last year to strengthen the Council's governance arrangements

- o The Council has continued to develop and deliver the Management Leadership programme. This work has informed the development of both the HMG Leadership programme and the Leadership/Management development programme for all other Hounslow managers.
- o There has been a refresh of the cascade Team Brief system. This provides staff with regular key information about what is happening, and why, both across the organisation and in their own service area. It also provides the opportunity for employees to pass their views on to their team leaders, and to the corporate management team (CMT), as well as to ask questions and get answers about the work of the council.
- o The Council continued to embed risk management and business continuity planning across the organisation.

Actions for 2010-11

The following areas will be reviewed during the coming year to strengthen the Council's governance arrangements.

- o To develop the Council's policies and objectives to reflect the ambitions of the newly elected administration and to refresh the Council's business plan to achieve this.
- o Continue to develop plans for efficiency savings throughout the Council's services using, efficiency reviews and bench marking as an aid to achieving this objective
- o The Council needs to continue to embed risk management and business continuity planning across the organisation.
- o A review of the budget and business planning timetables to achieve greater cohesion and integration between financial and service planning.
- o *Develop the Council's project management, monitoring and review systems to improve their effectiveness*
- o *Review the system controls of major systems where the Head of Internal Audit has only been able to provide limited assurance as a result of his audit work.*
- o *Address any issues raised by the Council's external auditors arising from their work*
- o *Prepare an action list for dealing with these issues and report progress to the Council's Audit Committee*

We propose over the coming year to take steps to address the above matters and to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvement that were identified in our review of effectiveness and will monitor the implementation and operation of our next annual review.

Signed:

Councillor Jagdish Sharma, Leader of the Council

Michael Frater, Interim Chief Executive

Dated:

On behalf of the London Borough of Hounslow

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

Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements and related notes of the London Borough of Hounslow for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. The Authority and Group accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the London Borough of Hounslow in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Director of Finance and auditor

The Director of Finance's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority and Group accounting statements and related notes 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 Authority and Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting 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 Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority'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 Authority and Group accounting statements and related notes 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 Authority and Group accounting statements and related notes.

Opinion

In my opinion:

- The Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and
- The Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 and its income and expenditure for the year then ended.

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the London Borough of Hounslow in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Director of Finance and auditor

The Director of Finance's responsibilities for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounting statements and related notes 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 pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the 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 read other information published with the pension fund accounting statements and related notes and consider whether it is consistent with the audited pension fund accounting statements. This other information comprises the Foreword and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounting statements and related notes. 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 pension fund accounts and related notes. It also includes an assessment of the significant

estimates and judgments made by the Authority in the preparation of the pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority'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 pension fund accounts and related notes 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 pension fund accounting statements and related notes.

Opinion

In my opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, the London Borough of Hounslow made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

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.

Andrea White
District Auditor
Audit Commission
1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

30 September 2010

