



London Borough
of Hounslow

Statement of Accounts 2008-2009



LONDON BOROUGH OF HOUNSLOW
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2009

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FOREWORD

Accounting Statements

The pages that follow are the Authority's accounts for 2008/09 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 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 2008/09. 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 2008/09 and the benefits paid from it. The Net Assets Statement sets out the financial position for the Fund as at 31 March 2009. The Authority acting as trustee separately manages the fund and its accounts are separate from the Authority's accounts.

General Fund revenue spend in 2008/09

The Authority set an original budget for 2008/09 including levies and contingencies of £179.9m including schools, which service is now 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.

Service	Revised Budget	2008/09	
		Actual	Variance
	£m	£m	£m
Corporate & Central Services	12.7	12.3	(0.4)
Childrens Services and Lifelong Learning	75.7	77.1	1.4
Leisure Services	17.9	17.6	(0.3)
Environment	33.2	33.7	0.5
Community Services	63.9	62.7	(1.2)
Departmental expenditure	203.4	203.4	(0.0)
Other	(23.5)	(23.5)	0.0
Total Net Expenditure	179.9	179.9	(0.0)

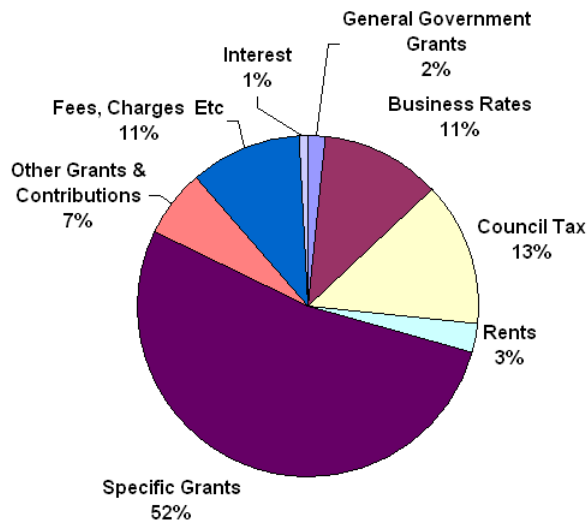
During the year, the Authority undertook a performance improvement programme. This involved a major review of its budget. Savings of nearly £6.0m were identified and removed from departmental budgets. The savings achieved were partly used to fund costs arising from the review. The remainder were set aside in a Performance Improvement Fund to be used in future years to improve the Council's services.

The Authority's net spend in 2008/09 was £179.9m, including contributions to earmarked reserves. The main variances, compared to the revised budget, were:

- Additional expenditure of £1.4m on Children's Services, as a result of various service pressures
- Savings on the net cost of providing housing benefits (£1.2m)
- Savings of £0.4m in Corporate and Central Services, as a result of staff reductions.

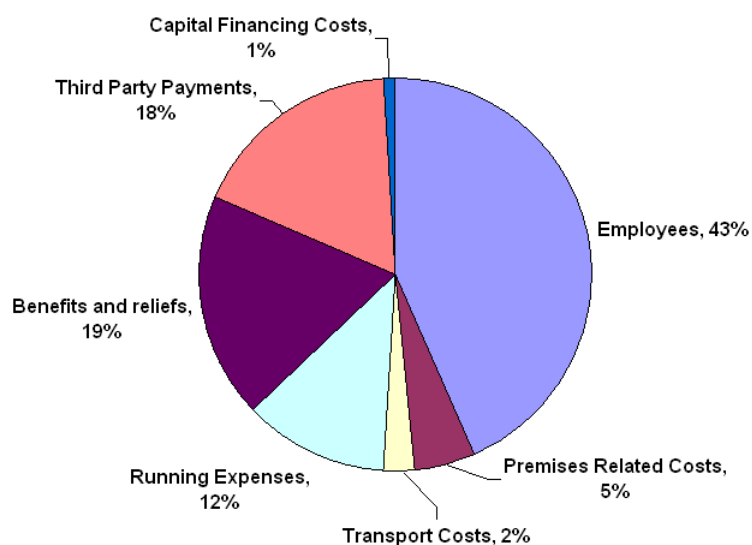
The following diagrams show in broad terms where the Council's income came from, and what the Council spent this money on.

Where the money comes from



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.

Where the money was spent



Outlook for 2009/10

For the third year running the Council set a nil council tax increase for Hounslow's element of the tax for 2009/10 and therefore keeping the Band D Council Tax at £1,090.65. The budget for 2009/10 was set at £183.1m. 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 2009/10 the Council will continue with its Improvement Programme and the aim of streamlining the Council to focus on front line services and provide investment in areas considered important by our residents. This will have a significant impact on the Council's financial position as we look to reduce costs by £53m over three years.

Other Financial Issues

Highways PFI

The Council has recently been awarded £198m PFI credits for Highways Maintenance under a pathfinder scheme to tackle the backlog of work on the boroughs highway infrastructure. The Council has applied for an additional PFI credit to increase the total to £242m. 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 2011.

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

The Authority is implementing a major programme of improvements to school buildings as part of the Government's Building Schools for the Future Programme. It has committed some £5m over the next three years to preparatory work for this programme.

Capital spending and borrowing in 2008/09

The Authority's capital spending in the year amounts to £39.4m (07/08: £41.8m) as set out in the following statement. Some 20% of the programme has been funded from borrowing (compared to 21% in 2007/08) with grants and contributions funding a further 72% (51% in 2007/08). The remaining 8% (28% in 2007/08) has been met from other sources, including contributions from reserves and the proceeds from the sale of assets.

Capital spending 2008/09

	2008/09								Total
	Intangible Assets	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
Housing									
General Fund Expenditure			41	1,563					1,604
Housing Revenue Account		11,073	1					2,688	13,762
Life Long Learning & Cultural Services									
Schools			9,317	1,928				3,649	14,894
Childrens Services									
Environment									
Leisure Services			1,253	16	81	118		37	1,505
Other environment			197	1,061	4,973		1,275		7,506
Other Services									
Housing and Community Services				147					147
Other									
Total Expenditure	0	11,073	10,809	4,715	5,054	118	1,275	6,374	39,418

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 14 to 56 set out the financial position of the London Borough of Hounslow as at 31 March 2009 and its income and expenditure for the year then ended and that the accounts on pages 57 to 64 set out the net assets of the London Borough of Hounslow Pension Fund as at 31 March 2009 and its income and expenditure for the year then ended.

S Fitzgerald BA MBA ACIS FCCA
Director of Finance

CERTIFICATE OF THE CHAIRMAN OF THE COUNCIL MEETING

I confirm that these accounts were approved at a meeting of the Council on 23 June 2009.

Councillor P Lynch
Mayor

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 58-60.

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 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 24 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 23 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 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.

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 57-64. 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.

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

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 - The accounts for Gunnersbury and Gumley schools have not been consolidated into these accounts. Payments to the schools are incorporated within Education Services in the Consolidated Revenue Account. Formal accounts have not yet been received from Gunnersbury; these are expected once the accounts have been through their approval processes.

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 presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2009.

S Fitzgerald BA MBA ACIS FCCA

Director of Finance

30 September 2009

APPROVAL OF STATEMENT OF ACCOUNTS

The Statement of Accounts was approved by the Council on 23 June 2009 and incorporates adjustments requested by the auditors.

Councillor John Todd

Chairman of the Audit Committee

30 September 2009

CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

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.

	2008/09			2007/08	Note
	Expenditure	Income	Net Expenditure	Net Expenditure	
	£000	£000	£000	£000	
Central services to the public	32,006	(27,386)	4,620	4,270	
Cultural, environmental and planning	45,503	(12,276)	33,227	34,514	
Education and children's services	261,249	(200,119)	61,130	46,445	
Highways, roads and transport	26,497	(14,405)	12,092	13,245	
Local authority housing (HRA)	48,116	(64,720)	(16,604)	(17,875)	
Other housing services	132,404	(127,039)	5,365	4,027	
Adult social care	85,697	(25,972)	59,725	56,696	
Corporate and democratic core	6,592	(8)	6,584	6,647	
Non distributed costs	5,388	0	5,388	5,363	
Exceptional change in value of assets following revaluation					12
General fund assets	24,090	0	24,090	-	
HRA assets	32,617		32,617	-	
Net Cost of Services	700,159	(471,925)	228,234	153,332	
Gain/loss on disposal of fixed assets			(2,628)	0	
Precepts and levies			7,657	6,263	
Surplus from trading operations			(258)	(662)	2
Interest payable and similar charges			17,282	17,605	
Pooled housing capital receipts			1,194	2,409	
Interest and investment income			(6,535)	(4,536)	
Pension interest cost and expected return on pension assets			11,156	6,945	28
Net Operating Expenditure			256,102	181,356	
Transfers (from) / to the collection fund			(91,200)	(91,383)	
Government grants not attributable to specific services & corporate income			(22,714)	(17,149)	6
Non-domestic rates redistribution			(77,821)	(70,957)	
Net General Fund (surplus) / deficit for the year			64,367	1,867	

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:

- o capital investment is accounted for as it is financed, rather than as the assets are consumed;
- o payment of a share of housing capital receipts is met from the usable capital receipts balance, not council tax;
- o 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 2008/09 the Council has a general fund balance of £9.6m available for use.

	2008/09	2007/08	Note
	£000	£000	
Loss for the year on the Income and Expenditure Account	64,367	1,867	
Remove impact of exceptional revaluation that should not impact General Fund or HRA balances	(56,707)	0	10 + 12
Further net additional amount required by statute and non-statutory proper practices transferred to the General Fund balance	(8,334)	(2,576)	10
(Increase)/decrease in General Fund balance for the year	(674)	(709)	
Balance on General Fund brought forward	(8,938)	(8,229)	24
Balance on General Fund carried forward	(9,612)	(8,938)	

BALANCE SHEET AS AT 31 MARCH 2009

		31-Mar-09 £000	31-Mar-08 £000	Note
Fixed assets			Restated	
Operational assets	Intangible assets	462	671	11 + 17
	Council dwellings	774,666	834,236	11
	Other land and buildings	957,038	733,394	11 + 14
	Vehicles, plant & equipment	19,899	18,820	11
	Infrastructure assets	92,379	90,005	11
	Community assets	6,231	6,113	11
Non-operational assets	Investment properties	37,499	39,199	11
	Assets under construction	6,675	2,346	11
Total fixed assets		1,894,849	1,724,784	
	Long-term investments	9	9	22
	Long-term debtors	1,437	1,888	20
Total long-term assets		1,896,295	1,726,681	
Current assets	Stocks & work in progress	412	283	
	Debtors (net of bad debts provision)	68,035	83,090	20
	Short-term deposits	73,428	43,046	22
	Cash	5,424	5,742	
		147,299	132,161	
Current liabilities	Creditors	146,241	141,562	21
	Temporary borrowing	483	1,479	22
	Bank overdraft	796	4,915	
		147,520	147,956	
Net current assets		(221)	(15,795)	
Long-term liabilities	Provisions	4,999	8,417	23
	Long-term borrowing	239,738	240,406	22
	Government grants deferred	159,971	144,606	
	Pension schemes liability	175,316	154,524	28
Total net assets		1,316,050	1,162,933	
Financed by				
Capital Balances	Deferred capital receipts	326	403	24
	Revaluation Reserve	256,722	39,473	24
	Capital Adjustment Account	1,144,139	1,209,692	24
	Financial Instrument Adjustment Account	(1,653)	(2,783)	24
	Other Capital Reserves	2,234	2,466	24
	Usable Capital Receipts Reserve	5,046	2,423	24
	Major Repairs Reserve	6,103	4,804	
	Pensions Reserve	(175,316)	(154,524)	24 + 29
Revenue Balances	Collection Fund	(1,969)	(3,333)	24
	General Fund Balances	38,611	37,803	24
	Housing Revenue Account	14,751	10,650	24
	Other Earmarked Reserves	27,056	15,859	24
Total Capital and Revenue Reserves		1,316,050	1,162,933	

CASHFLOW STATEMENT

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

	2008/09	2007/08
Revenue Activities	£000	£000
Cash Outflows		
Cash paid to & on behalf of employees	278,866	273,566
Other operating cash payments	215,589	190,425
Housing Benefit paid out	103,687	91,578
NNDR payments to National Pool	107,039	114,711
Precepts paid	25,914	25,469
Payments to the Capital Receipts Pool	1,194	2,409
	732,289	698,158
Cash inflows		
Rents (after rebates)	(15,142)	(22,981)
Council Tax receipts	(98,852)	(96,808)
NNDR receipts from National Pool	(77,821)	(70,957)
Non-Domestic Rate receipts	(130,700)	(108,623)
Revenue Support Grant	(10,833)	(11,908)
DWP grants for benefits	(122,766)	(111,706)
Other Government Grants	(233,270)	(210,373)
Cash received for Goods & Services	(102,503)	(122,355)
	(791,887)	(755,711)
Net Cash Inflow from Revenue Activities	(59,598)	(57,553)
Servicing of Finance		
Interest paid	17,373	17,597
Interest received	(6,253)	(4,347)
Net Cash Outflow from Servicing of Finance	11,120	13,250
Capital Activities		
Purchase of Fixed Assets	39,418	37,154
Other Capital Cash Payments	0	38
	39,418	37,192
Sale of Fixed Assets	(6,639)	(3,969)
Capital Grants Received	(19,698)	(39,292)
Other capital cash receipts	(450)	0
	(26,787)	(43,261)
Net Cash Outflow from Capital Activities	12,631	(6,069)
Net Cash Outflow/(Inflow) before financing	(35,847)	(50,372)
Management of Liquid Resources		
Net increase/(decrease) in short term deposits	30,382	33,046
Financing		
Repayment of amounts borrowed	66,280	131,668
New loans raised	(64,616)	(116,216)
	1,664	15,452
Net (Increase)/Decrease in Cash	(3,801)	(1,874)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2008/09	2007/08
	£000	£000
Deficit on the Income and Expenditure Account	64,367	1,867
(Surplus)/deficit on the Collection Fund	(1,364)	1,691
Surplus arising on revaluation of fixed assets	(224,859)	(40,218)
Surplus on Financial Instruments Account	(1,130)	(1,197)
Actuarial losses/(gains) on pension fund assets and liabilities	10,386	(70,976)
Surplus in trading repairs and renewals reserve	(231)	(225)
Other changes	(286)	(111)
Total recognised gains for the year	(153,117)	(109,169)

As set out in Note 1 to the accounts, the 2007/08 balance sheet figures have been restated to reflect a change in the way that pension fund assets and liabilities are valued. The cumulative effect of this change on the reserves of the Council is a reduction of £3.8m.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Prior Period Adjustments

This statement of accounts takes into account the latest Financial Reporting Standard applying to the way that pension fund assets and liabilities are valued. Previously, actuaries were required to apply a 'mid-market value' when calculating the value of assets. This has now been changed to a 'current bid value' approach. The 2007/08 balance sheet comparison figures have been restated to show the pension schemes liability and pensions reserve amounts as at 31 March 2008 on this new basis. The impact of the change in valuation method is to increase the pension schemes liability from £150.724m to £154.524m. An equivalent increase has also been applied to the Pensions Reserves.

Note 2: Trading Services and Operations

The Authority 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:

	2008/09			2007/08
	Turnover	Expenditure	Surplus	Surplus
	£000	£000	£000	£000
Catering - Schools & Welfare	5,053	5,053	0	145
Highways Maintenance	4,042	4,005	37	0
Waste Collection	1,591	1,579	12	0
Street Cleansing	3,564	3,524	40	0
Vehicle Maintenance	1,063	1,011	52	16
Fleet Management	2,912	2,712	200	102
Transport Trading Operations	2,574	2,707	(133)	24
Other Trading Operations	1,126	1,076	50	375
Total	21,925	21,667	258	662

The Authority 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:

	2008/09			2007/08
	Markets	Estates	Total	Total
	£000	£000	£000	£000
Income from Rents, Fees and Charges	(3,400)	(902)	(4,302)	(3,767)
Expenditure	2,358	573	2,931	2,553
(Surplus) to General Fund	(1,042)	(329)	(1,371)	(1,214)

Note 3: Expenditure on Charities - Section 137(3)

Section 137(3) of the Local Government Act 1972, as amended, enables local authorities to incur expenditure for certain purposes not otherwise authorised. Largely such expenditure contributes to the economic, social or environmental well-being of the local area and its residents.

For the financial year 2008/09 the London Borough of Hounslow has incurred no expenditure under this section.

Note 4: Expenditure on Publicity

The Local Government Act 1986, Section 5(i) requires local authorities to disclose any publicity expenditure that is not exempted by this act. The total of such expenditure for the financial year 2008/09 is £1,073k. (2007/08 £953k)

Note 5: Building Regulation Charging Statement

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

	2008/09			2007/08		
	Charge-able	Non Charge-able	Total	Charge-able	Non Charge-able	Total
	£000	£000	£000	£000	£000	£000
Expenditure						
Employee costs	494	172	666	547	173	720
Transport	10	2	12	10	3	13
Supplies and Services	17	4	21	20	7	27
Support Costs	177	43	220	172	54	226
Expenditure	698	221	919	749	237	986
Income						
Building Regulation Charges	724	0	724	700	0	700
Other Income	0	20	20	0	27	27
Total Income	724	20	744	700	27	727
Deficit for the Year	(26)	201	175	49	210	259

Note 6: General government grants and other corporate income

	2008/09	2007/08
	£000	£000
Revenue Support Grant	10,833	11,908
Area Based Grant	11,630	0
LABGI	251	282
Performance reward grant	0	613
Deferred government grants	0	3,273
Government grants not attributable to specific services	22,714	16,076
Other corporate income		1,073
Government grants not attributable to specific services and other corporate income	22,714	17,149

Note 7: Members Allowances and Officer Emoluments

Members' Allowances paid in the year amounted to £941k (£897k 2007/08).

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

£	Banding	£	2008/09	2007/08
			Total	
50,000	-	59,999	84	55
60,000	-	69,999	17	17
70,000	-	79,999	8	7
80,000	-	89,999	4	5
90,000	-	99,999	3	4
100,000	-	109,999	1	4
110,000	-	119,999	5	3
120,000	-	129,999	3	0
130,000	-	139,999	1	2
140,000	-	149,999	1	0
150,000	-	159,999	0	1
160,000	-	169,999	1	0

Note 8: 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 Authority 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:

- o Grants amounting to £1.36m (£1.33m 2007/08) were paid to other voluntary organisations.
- o Agency funding of £31.2m was paid to Hounslow Homes (£36.8m 2007/08)

Note 9: Audit Fees

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

	2008/09	2007/08
	£000	£000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	457	326
Fees payable to the Audit Commission in respect of statutory inspection	27	27
Audit fees payable to the Audit Commission for the certification of grant claims and returns	90	90

The Authority's appointed auditor for 2008/09 was the Audit Commission and in 2007/08 was KPMG. Amounts payable in respect of external audit services are shown in the above table.

Note 10: 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	2008/09	2007/08
	£000	£000
Exceptional impairment of general fund fixed assets	(24,090)	0
Other depreciation & impairment of fixed assets	(21,790)	(16,026)
Government grants deferred amortisation	3,821	3,273
Revenue expenditure funded from capital under statute	(1,375)	(1,109)
Net gain on disposal of fixed assets	2,079	0
Net charges made for retirement benefits in accordance with FRS17	(30,707)	(25,272)
	(72,062)	(39,134)
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	3,692	3,565
Capital expenditure charged in year to the general fund balance	0	0
Transfer from usable capital receipts for Housing Capital Receipts Pool	(1,194)	(2,409)
Employers contributions payable to the pension fund and retirement benefits payable direct to pensioners	20,301	20,026
	(49,263)	(17,952)
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	(32,617)	0
Other transfer of HRA balances	4,470	3,928
Voluntary revenue provision for capital financing	1,339	1,034
Net contribution to earmarked reserves	11,030	10,414
	(65,041)	(2,576)

Note 11: Summary of Capital Financing requirement & movement on fixed assets 2008/09

	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									
At 1 April 2008	870	844,356	744,588	21,746	92,522	6,113	39,199	2,346	1,751,740
Expenditure 2008/09	0	11,073	10,809	4,715	5,054	118	1,275	6,374	39,418
Disposals	0	(1,612)	(576)	(60)	0	0	(1,777)	0	(4,025)
Reclassifications	0	0	2,045	0	0	7	0	(2,045)	7
Revaluations	0	(26,425)	250,627	0	0	(7)	(1,198)	0	222,997
At 31 March 2009	870	827,392	1,007,493	26,401	97,576	6,231	37,499	6,675	2,010,137
Depreciation and impairments									
At 1 April 2008	(199)	(10,120)	(11,194)	(2,926)	(2,517)	0	0	0	(26,956)
Depreciation	(209)	(10,008)	(17,056)	(3,595)	(2,680)	0	0	0	(33,548)
Disposals	0	19	30	19	0	0	0	0	68
Revaluations	0	(32,617)	(22,235)	0	0	0	0	0	(54,852)
At 31 March 2009	(408)	(52,726)	(50,455)	(6,502)	(5,197)	0	0	0	(115,288)
Net Book Value 31 March 2009	462	774,666	957,038	19,899	92,379	6,231	37,499	6,675	1,894,849
Net Book Value 1 April 2008	671	834,236	733,394	18,820	90,005	6,113	39,199	2,346	1,724,784

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

	2008/09	2007/08
	£000	£000
Opening Capital Financing Requirement	331,012	327,109
Capital investment		
Operational assets	31,769	36,083
Non-operational assets	7,649	804
Revenue expenditure funded from capital under statute	7,889	4,947
Sources of finance		
Capital receipts	(3,092)	(1,515)
Government grants and other contributions	(26,226)	(22,460)
Sums set aside from revenue	(14,997)	(13,956)
Closing capital financing requirement	334,004	331,012
Explanation of movement		
Increase in government supported borrowing	3,013	5,124
Increase in unsupported borrowing	5,010	3,378
Reduction in debt financed from revenue	(5,031)	(4,599)
Increase/decrease in capital financing requirement	2,992	3,903

Note 12: Exceptional impact of revaluation of fixed assets

Fixed assets have been revalued in accordance with the accounting policy set out on page 8. The overall net impact of these revaluations is a net increase of £168.0m. This is comprised of increases amounting to £254.2m and decreases of £86.2m.

Only decreases in valuation in excess of the revaluation reserve attributable to that asset are charged to the Income and Expenditure Account. Overall, the impact on the Income and Expenditure Account for 2008/09 is £56.7m. The table below sets out the detail of the exceptional item in the Income and Expenditure Account relating to impairments resulting from revaluations carried out during 2008/09. The total impact on Income and Expenditure Account due to revaluation in 2007/08 was less than £0.1m.

All the impairments disclosed in the accounts are as a result of downward revaluations and do not reflect any consumption of economic benefit (such as a building being damaged by fire or no longer being suitable for use in delivering services). The significant impairments are:

- Residential housing owned by the authority. Assets in this class are revalued annually and the impairment reflects the fall in the market value of residential property in the wider economy, this impairment will be reversed as the housing market recovers.
- The impairment relating to schools is the result of a more detailed valuation method being used for the land surrounding the schools valuing hard landscaping at £1.25m/acre while soft landscaping is valued at £0.025m/acre.
- The impairment to shops is the only revaluation which has been carried out as a result of the current economic conditions. This class of asset were revalued in 2007/08 as part of the 5 year rolling programme of revaluations at the peak of the market. After carrying out an impairment review the authority's valuer has

revalued these assets to reflect the prevailing market conditions in the local economy.

	2008/09
	£000
Cultural, environmental and planning	201
Education and children's services	22,141
General fund (non-HRA) housing services	1,555
Adult social care	193
General fund impact in year	24,090
Local authority housing HRA	32,617
Total impact in year	56,707

Note 13: Capital Commitments

Major commitments under capital contracts at 31 March 2009 relate to the following schemes:

	2008/09	2007/08
	£000	£000
Housing Schemes		
Ivybridge Regeneration	0	232
DH - Claud Duval Hse., Lambert Ladge, Burlington Hse., Nursery Close, Rectory Crt. (Fernside)	216	0
Clements Court	1,721	0
Heston Area Estate Improvements	101	0
Decent Estates - Midsummer Avenue	370	0
Roofing and General - 4 year roofing programme (Phase 1)	228	0
Roofing and General - 4 year roofing programme (Phase 2)	736	0
Co-Op Homes - Various	118	0
Extensions and Conversions - Phase 1	468	0
Housing General Fund		
Heatstreets	0	0
London Cyrenian's Housing for Apple Tree Cottage	126	0
London Cyrenian's Housing for Cherry Tree Cottage	110	0
CS&LL		
Heathland School	0	149
Feltham Community	0	198
Isleworth & Syon	0	296
South Isleworth	0	114
Hounslow Town	0	394
Dukes Meadow	0	502
	4,194	1,885

Note 14: Tangible Fixed Assets

Major fixed assets are as follows:

Assets	31-Mar-09	31-Mar-08
Childrens' Services and Lifelong Learning		
Primary and Nursery Schools	58	59
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	7
Housing and Community Services		
Residential and Day Care Establishments	22	23
Community Centres	10	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	2
Arts and Craft Centre	1	1
Public Halls	5	5
Other		
Council Offices	2	2
Off Street Car Parks	21	20
Markets	1	1
Council Dwellings		
Houses and Bungalows	4,208	4,208
Flats/ Maisonettes	9,341	9,350
Land		
Parks and Open Spaces	705 hectares	705 hectares
Cemeteries and Allotments	92 hectares	92 hectares
Infrastructure		
Roads	436.3 km	435.5 km

Note 15: Leases

The Authority holds computer equipment and a financial management system under finance leases, with charges amounting to £363k for the year (£356k 2007/08). The Authority also leases vehicles and computer equipment under operating leases, paying in total £546k in 2008/09 (£925k 2007/08).

The outstanding liability for the capital value of these leases at 31 March 2009 is £316k (£646k 31 March 2008).

Future payments required under these leases are as follows:

	31-Mar-09	31-Mar-08
Commitment expires	£000	£000
within one year	691	879
between second and fifth year	502	626
over five years	0	0
Total outstanding commitments	1,193	1,505

Note 16: Fixed Asset Valuation

All the freehold and leasehold properties which comprise the Authority's property portfolio, with the exception of council dwellings, are subject to a rolling formal revaluation over a five year period by the Authority's Asset Registrar and Appointed Valuer – Mr Lee Dawson, ARICS. The Authority'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 Authority as non-operational have been valued on the basis of open market value. Furniture and equipment within operational buildings have been included in the valuation for the building. 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 8.

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	
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valued at Historic Cost	462	0	0	19,899	92,379	6,231	154	6,675	125,800
Valued in:									
2004/05			92,565				15,315		107,880
2005/06			22,844				2,568		25,411
2006/07			51,881				1,727		53,608
2007/08			2,435				16,278		18,712
2008/09		774,666	787,313				1,457		1,563,436
Total	462	774,666	957,038	19,899	92,379	6,231	37,499	6,675	1,894,849

Note 17: 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.

	2008/09	2007/08
	£000	£000
Balance at 1 April	671	815
Expenditure in year	0	54
Amortisation	(209)	(198)
Balance at 31 March	462	671

Note 18: Analysis of Net Assets Employed

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

	2008/09	2007/08
	£000	£000
		Re stated
General Fund	917,513	709,984
Housing Revenue Account	400,506	456,282
Collection Fund	(1,969)	(3,333)
Total	1,316,050	1,162,933

Note 19: Associated Companies

The accounts for the Authority's subsidiaries are set out in the Group Accounts on pages 49-56. In addition, the Authority, 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 2008/09. The Authority is liable to contribute to the debts and liabilities of the organisation if it was wound up, up to the value of £10. During 2008/09 the Authority paid £103k to Locata Ltd (£107k 2007/08). The company's accounts have not been consolidated into the Authority'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 20: Long Term and Current Debtors

At 31st March 2009 the Council had debts over 365 days of:

	31-Mar-09	31-Mar-08
	£000	£000
Mortgages		
Council house sales	242	318
Local Authorities	8	9
	250	327
Other		
Loans to employees	27	84
Loans to organisations and deferred debtors	830	1,139
Loans for adaptations	80	88
Loan to Hounslow Homes	250	250
	1,187	1,561
	1,437	1,888

And short term debtors of:

	31-Mar-09	31-Mar-08
	£000	£000
Housing Rents	4,793	4,702
Government Departments	13,055	38,723
Local Authorities	4,054	6,057
Non Domestic Rate arrears	11,065	7,847
Council Tax arrears	33,161	32,545
Sundry Debtors	42,502	33,653
Payments in advance	3,185	2,199
Sub Total	111,815	125,726
Less: Provision for Doubtful Debts	(43,780)	(42,636)
Total	68,035	83,090

Note 21: Creditors

	31-Mar-09	31-Mar-08
	£000	£000
Government Departments	14,401	12,385
Local Authorities	3,849	2,857
Sundry Creditors	80,891	78,064
Non Domestic Rate prepayments	14,135	13,293
Council Tax prepayments	5,450	6,712
Receipts in advance	27,515	28,251
Total	146,241	141,562

Note 22: 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 2009 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”.

	Long-Term 31-Mar-09 £000	Current 31-Mar-09 £000	Long-Term 31-Mar-08 £000	Current 31-Mar-08 £000
Borrowings				
Financial liabilities at amortised cost	239,553	483	239,892	1,479
Other borrowing (Finance lease)	185		514	
Total borrowings	239,738	483	240,406	1,479
Investments				
Loans and receivables	9	73,428	9	43,046
Total investments	9	73,428	9	43,046

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-09			31-Mar-08
	Liabilities measured at amortised cost £000	Financial Assets Loans and receivables £000	Total £000	Financial Assets Total £000
Interest expense	(14,254)	0	(14,254)	(14,466)
Interest income	0	5,223	5,223	3,387
Net income/(expenditure) for the year	(14,254)	5,223	(9,031)	(11,079)

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 072/09.
- 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-09		31-Mar-08	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Public Works Loan Board	192,771	232,484	194,093	220,241
LOBOs	47,098	46,587	47,102	47,407
Finance Lease	185	185	514	514
Short term borrowing	166	166	175	175
Financial liabilities	240,220	279,422	241,884	268,337

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-09		31-Mar-08	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Deposits with banks and building societies	73,428	73,663	43,046	43,046
Financial assets	73,428	73,663	43,046	43,046

The fair value is the same as 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 14 January 2010.

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.

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-09	31-Mar-08
	£000	£000
Between 1 and 2 years	309	962
Between 2 and 5 years	20,977	10,946
Between 5 and 10 years	53,897	58,812
More than 10 years	163,297	168,722
Long Term Borrowing	238,480	239,442
Less than 1 year	668	1,479
Total	239,148	240,921

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 authority 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 authority'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 2009, 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	(9)
Increase in interest receivable on variable rate investments	1,001
Increase in government grant receivable for financing costs	680
Impact on Income and Expenditure Account	1,672
Share of overall impact accruing to the HRA	911
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	189
Decrease in fair value of fixed rate borrowing liabilities (no impact on I&E account or STRGL)	26,640

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 23: Provisions

These monies have been set aside to cover liabilities as at 31 March 2009

	Transfers In	Transfers Out	31-Mar 2009	31-Mar 2008
	£000	£000	£000	£000
Provisions for Insurance Claims	1,933	1,430	3,722	3,219
Provision for Redundancy	0	2,095	655	2,750
Other Provisions	360	2,186	622	2,448
Total Provisions	2,293	5,711	4,999	8,417

The £3.7m provision for insurance claims is a provision for future insurance claims arising from the Authority's self-insurance of liability risks and fire damage. The Authority 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 Authority self-insures against part of its property risk, meeting the first £125k of each and every claim. The liability of the Authority 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 Authority 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 a reduction in the number of employees through voluntary redundancy, deletion of vacant posts, and where necessary compulsory redundancies. A provision of £2.75m was created during 2008 to cover both statutory and enhanced redundancy costs which will be payable.

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 (£311k 2007/08) following guidance from the Local Government Ombudsman. The number of claims will determine the amount and timing of payments.

Note 24: 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 Authority'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 2008/09 which has 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 Authority'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-09	31-Mar-08
	£000	£000	£000	£000 Restated
General Fund Non Earmarked	674	0	9,612	8,938
Schools balances	596	0	15,824	15,228
Collection Fund	1,364	0	(1,969)	(3,333)
Special Contingency	(253)	0	7,011	7,264
Other general fund reserves	(718)	512	6,165	6,371
Total General Fund	1,663	512	36,643	34,468
IT Development Fund	158	0	2,140	1,982
Market Building Repair Fund	6	0	161	155
Repairs and Renewals	231	0	4,131	3,900
Community Care Reserve	0	0	1,697	1,697
Modernisation Reserve	768	0	4,659	3,891
Capital Funding Reserve	3,700	0	3,700	0
Improvement Plan Reserve	4,602	0	4,602	0
Other Earmarked Funds	861	0	3,020	2,159
Total Earmarked	10,326	0	24,110	13,784
HRA Balance	3,883	218	14,751	10,650
District Heating	0	0	1,504	1,504
Major Repairs Reserve	0	1,299	6,103	4,804
Major Works Reserve	0	869	1,441	572
Total HRA	3,883	2,386	23,799	17,530
Revaluation Reserve	171,436	45,813	256,722	39,473
Capital Adjustment Account	(16,091)	(49,462)	1,144,139	1,209,692
Financial Instruments Account	1,130	0	(1,653)	(2,783)
Capital Receipts & Allowances	1,562	751	7,606	5,293
Pension Fund	(20,792)	0	(175,316)	(154,524)
Total Capital Reserves	137,245	(2,898)	1,231,498	1,097,151
Total Reserves	153,117	0	1,316,050	1,162,933

Note 25: Authorisation of Accounts

The Director of Finance will authorise the Accounts for issue on or before 30th September 2009. No events after this date will be recognised in these accounts.

Note 26: Trust Funds

The Authority administers a number of trust funds, not included within the Authority's own financial statements. David Henry Waring Home Trust and Bedfont Lakes Trust accounts are included within the Group Accounts on pages 49-56. 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 2008 the Trust had funds of £108k. Expenditure in 2008 amounted to £1k.

Note 27: 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 31st March the balance held totalled £15.824m.

Note 28: Pension Costs

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

The Authority 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.

Transactions relating to Retirement Benefits

The Authority 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 required to make 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 2008/09 the Authority paid an employer's contribution of £19.0m (£18.8m 2007/08) into the Pension Fund representing 21.54% of pensionable pay and added years benefits of £1.3m (£1.2m 2007/08).

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	2008/09	2007/08
	£000	£000
Net Cost of Services		
Current Service Cost	(15,680)	(17,966)
Past Service Cost	(1,523)	(3)
Settlement/curtailments	(2,348)	(358)
Net Operating Expenditure	(19,551)	(18,327)
Expected Return on Pension Scheme Assets	23,954	24,524
Interest on Pension Scheme Liabilities	(35,110)	(31,469)
Net charge to the Income & Expenditure Account	(30,707)	(25,272)
Movement on Statement of Movement on	2008/09	2007/08
General Fund Balances	£000	£000
Reversal of net charges made for retirement benefits in accordance with FRS17	(30,707)	(25,272)
Employers contributions payable to the scheme	20,301	20,026
Net charge to the Statement of Movement on General Fund Balance	(10,406)	(5,246)

The expected return on pension scheme assets of £24.524k for 2007/08 quoted in the above table represents the original amount charged when preparing the 2007/08 statement of accounts. The change in valuation methodology set out in Note 1 has an impact on the calculated expected return. On a restated basis, the expected return on pension scheme assets for 2007/08 would be £24,863k (a difference of £339k).

Assets and Liabilities in Relation to Retirement Benefits

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

	31-Mar-09			31-Mar-08		
	LBH Pension Fund	LPFA Pension Fund	Total	LBH Pension Fund	LPFA Pension Fund	Total
	£m	£m	£m	£m	£m	£m
Estimated Liabilities	487.8	6.0	493.8	527.0	6.4	533.4
Estimated Assets	314.5	4.0	318.5	373.8	5.1	378.9
Net Liability	173.3	2.0	175.3	153.2	1.3	154.5

In 1990/91, the Government allowed employers' to reduce their contributions to local authority 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 authority 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.

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 has assessed the London Borough of Hounslow Fund liabilities and Hymans Robertson has assessed the LPFA Fund liabilities, both are independent firms of actuaries. The main assumptions used in their calculations are:

	31-Mar-09		31-Mar-08	
	LBH Fund % per annum	LPFA Fund % per annum	LBH Fund % per annum	LPFA Fund % per annum
Rate of Inflation	3.0	3.1	3.7	3.6
Rate of Increase in salaries	4.5	4.6	5.2	5.1
Rate of Increase in pensions	3.0	3.1	3.7	3.6
Rate of Discount	6.7	6.9	6.6	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 2009	31-Mar 2008	31-Mar 2009	31-Mar 2008	31-Mar 2009	31-Mar 2008	31-Mar 2009	31-Mar 2008
	%	%	%	%	%	%	%	%
Equities	60.2	64.7	7.3	7.1	8.0	12.0	7.0	7.7
Gilts	18.5	17.8	4.0	4.3	0.0	0.0		
Property	7.1	6.1	6.8	6.6	0.0	0.0		
Bonds	0.6	0.0	6.5		0.0	0.0		
Cash	13.6	11.4	3.0	5.0	1.0	2.0	4.0	4.8
Cash Flow Matching					91.0	86.0	4.2	4.5

Actuarial Gains and Losses

The actuarial gains and losses identified as movements on the pensions reserve can be analysed into the following categories:

LBH FUND	31-Mar-05	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09
	£000	£000	£000	£000	£000
Actual Return Less Expected Return on Assets	18,895	49,662	10,078	(23,412)	(84,753)
Experience Gains and Losses Arising on Liabilities	22,198	(7,086)	0	12,484	0
Changes in Assumptions Underlying the Present Value of Liabilities	(5,394)	(54,978)	22,677	81,328	74,883
Actuarial Gains/Losses	35,699	(12,402)	32,755	70,400	(9,870)
LPFA FUND	31-Mar-05	31-Mar-06	31-Mar-07	31-Mar-08	31-Mar-09
	£000	£000	£000	£000	£000
Actual Return Less Expected Return on Assets	36	237	0	45	(675)
Experience Gains and Losses Arising on liabilities	(719)	(18)	(9)	820	0
Changes in Assumptions Underlying the Present Value of Liabilities	(404)	(204)	89	(289)	159
Actuarial Gains/Losses	(1,087)	15	80	576	(516)

Note 29: Teachers Pension Scheme

Teachers employed by the authority are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions. It provides teachers with defined benefits on their retirement, and the authority 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 authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2008/09 the Authority paid £10.7m (£10.8m 2007/08) to the DCFS in respect of teachers' pension costs.

Note 30: 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:

	2008/09	2007/08
	£000	£000
(Surplus) / Deficit on		
General Fund	(809)	(8,011)
Collection Fund	(1,364)	1,691
Housing Revenue Account	(4,101)	(3,693)
Other Reserves	(13,795)	(5,056)
Net (Surplus)/Deficit on Revenue Accounts	(20,069)	(15,069)
Adjustments for non cash transactions		
Capital Financing Adjustments	(89,218)	(31,254)
FRS17 Pension costs	(10,405)	(5,246)
Provisions	3,418	(4,551)
Deferred Grants	4,333	3,273
Transfers to/from other reserves	83,068	18,405
Debtors	(15,337)	14,792
Creditors	(4,770)	(24,636)
Stock	129	(198)
Less Net Cash Outflow from Servicing of Finance	(10,747)	(13,069)
Net Cash Inflow from Revenue Activities	(59,598)	(57,553)

Note 31: Reconciliation of Net Cash Flow to the Movement in Net Debt

	2008/09	2007/08
	£000	£000
Net Debt as at 1 April	198,011	246,147
Net Debt as at 31 March	162,165	198,011
(Decrease) / Increase in Net Debt	(35,846)	(48,136)
Represented by:		
Repayment of amounts borrowed	(63,795)	(131,982)
New loans raised	62,154	116,216
(Increase)/Decrease in short term deposits	(30,100)	(32,800)
(Increase)/Decrease in cash	(3,801)	(1,874)
Adjustment to carrying amount of borrowing regarding premiums	70	67
Change in accrued interest	(373)	2,237
Total	(35,845)	(48,136)

Note 32: 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 33: Reconciliation of financing and liquid resources

	Short Term Deposits	Temporary Borrowing	Long Term Borrowing	Total
	£000	£000	£000	£000
Balance at 1 April 2008	43,046	(1,479)	(240,406)	(198,839)
Increased Deposits	30,382			30,382
Loans falling due within one year		(316)	316	0
New Loans raised		(62,154)	(2,462)	(64,616)
Loans repaid		63,466	2,814	66,280
Balance at 31 March 2009	73,428	(483)	(239,738)	(166,793)

Note 34: 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. Figures for 2007/08 have been restated to reflect the current departmental structure.

	2008/09	2007/08
	£000	£000 Restated
Children's Services & Lifelong Learning	218,414	184,463
Community Services	113,771	103,082
Housing Revenue Account	1,160	4,623
Chief Executive's Directorate	23,394	27,285
Environment	1,573	658
Total	358,312	320,111

Note 35: Dedicated Schools Grant

	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2008/09			151,919
Brought forward from 2007/08			1,402
Carry forward from 2008/09 agreed in advance			1,170
Agreed budgeted distribution in 2008/09	20,748	131,403	152,151
Actual central expenditure	20,221		
Actual ISB deployed to school		131,403	
Local authority contribution for 2008/09	0	0	0
Carry forward to 2009/10	527	0	1,697

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 2008/09 the turnover of Hounslow Homes amounted to £41.6m. 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.

	2008/09 £000	2007/08 £000	Notes
Dwelling rents	54,628	52,834	1
Non-dwelling rents	1,750	1,704	
Charges for services and facilities	4,945	5,087	
Lessees' contributions towards expenditure	2,749	3,312	
HRA subsidy	648	4,623	6
Total Income	64,720	67,560	
Repairs and maintenance	11,362	12,226	
General management	12,671	12,541	
Special services	10,974	11,424	
Rents, Rates, Taxes and Other Charges	1,153	903	
Provision for bad and doubtful debts	631	826	7
Depreciation of Fixed Assets	11,238	11,679	5
Debt Management costs	87	86	
Exceptional change in value of fixed assets following revaluation	32,617	0	
Total Expenditure	80,733	49,685	
HRA Net (Income) / Cost from Services	16,013	(17,875)	
Gain on disposal of fixed assets	(587)	0	
Interest payable and similar charges	13,949	14,982	
Interest and Investment income	(1,228)	(1,035)	
(Surplus)/deficit for the year	28,147	(3,928)	

STATEMENT OF MOVEMENT ON HRA BALANCE

	2008/09 £000	2007/08 £000
(Surplus)/deficit for the year	28,147	(3,928)
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	(32,617)	0
Capital Expenditure funded by HRA	145	390
Gain on disposal of fixed assets	587	0
Transfer from Major Repairs Reserve	(1,232)	(1,569)
Transfer to Major Works Reserve	869	1,290
Net contribution to/(from) District Heating Reserve	0	124
Sub-total	(4,101)	(3,693)
Balance brought forward	(10,650)	(6,957)
Balance carried forward	(14,751)	(10,650)

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 2008/09 1.38% (1.35% 2007/08) of lettable properties were vacant.

Note 2: Housing Stock

The Authority was responsible for managing on average 13,554 dwellings during 2008/09 (13,569 2007/08). The stock numbers at the year-end were made up as follows:

	2008/09	2007/08
	Number	Number
Houses/Bungalows	4,208	4,208
Flats/Maisonettes	9,341	9,350
Stock as at 31 March	13,549	13,558

The change in stock can be summarised as follows:

	2008/09	2007/08
	Number	Number
Stock at 1 April	13,558	13,579
Less: Sales	(8)	(21)
Less: Demolitions, Conversions etc.	0	0
Less: Demolitions, Conversions etc re 07-08 not previously reported	(1)	0
Stock as at 31 March	13,549	13,558

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:

	2008/09	2007/08
	£000	£000
Operational Assets		
Dwellings	778,546	834,236
Other land and buildings	10,878	12,636
Non-operational Assets		
Other land and buildings	8,443	4,053
Total	797,867	850,925

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.

	2008/09	2007/08
	£000	£000
Balance as at 1 April	4,803	0
Amount transferred in	11,752	11,679
Amount transferred out	(1,744)	(1,569)
Amount in respect of capital expenditure:		
Houses	(8,708)	(5,307)
Balance as at 31 March	6,103	4,803

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.

	2008/09			2007/08		
	Houses	Other Property	Total	Houses	Other Property	Total
	£000	£000	£000	£000	£000	£000
Borrowing	0	0	0	1,589	831	2,420
Usable capital receipts	612	0	612	789	0	789
Revenue contributions	0	145	145	0	390	390
Leaseholder reserves	0	0	0	646	228	874
Major Repairs Reserve	6,708	1,643	8,351	4,649	616	5,265
Section 106	13	0	13	0	0	0
Grants/other contributions	0	107	107	451	218	669
Capital payments on a cash basis	7,333	1,895	9,228	8,124	2,283	10,407
Accruals Adjustment	274	254	528	544	119	663
Expenditure in Year	7,607	2,149	9,756	8,668	2,402	11,070

ii) Capital Receipts

The following statement summarises the total capital receipts from disposals of land, houses and other property within the HRA during 2007/08.

	2008/09	2007/08
	£000	£000
Sale of 2 houses (6 in 2007/08) & 6 flats (15 in 2007/08)	1,442	3,203
Land Sales	0	0
Other receipts	109	122
Total	1,551	3,325

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.

	2008/09	2007/08
	£000	£000
Houses	10,008	10,110
Operational assets	1,744	1,569
Expenditure in Year	11,752	11,679

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-09	31-Mar-08
	£000	£000
Management and maintenance	25,602	25,521
Charges for capital	10,193	10,914
Admissible Allowance	0	0
ALMO Allowance	7,972	7,976
Rental Constraint Allowance	0	495
Notional rent	(53,077)	(50,504)
Interest on receipts	(27)	(33)
Major repairs allowance	10,008	10,110
Prior year adjustment	(23)	144
Total	648	4,623

Note 7: Rent Arrears

The gross rent arrears at the 31 March 2009 was £3.1m (£3.0m at 31 March 2008). 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 £2.56m at 31 March 2009 (£2.38m at 31 March 2008).

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 2008/09 expenditure of £2.47m was financed by customer and client receipts of £2.38m.

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 2008/09, £0.869m was transferred in to the fund. The balance will be used to fund the capital programme in 2009/10 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 2008/09 or 2007/08 in respect of FRS17 retirement benefits.

COLLECTION FUND

These statements represent the transactions of the statutory Collection Fund. The Fund accounts independently for income 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 2009

	2008/09	2007/08	Note
	£000	£000	
Income from Council Tax Payers	120,477	118,961	1
Income from Non-Domestic Rates	133,077	107,365	2
Estimated deficit adjustments	1,524	687	4
Total Income	255,078	227,013	
Precepts and Demands	118,638	117,539	3
Provision for uncollectable amounts	2,000	3,800	
Payment to NDR Pool	132,665	106,942	2
NDR cost of collection	411	423	2
Total Expenditure	253,714	228,704	
Increase/(Decrease) in Fund Balance for the year	1,364	(1,691)	
Fund Balance brought forward	(3,333)	(1,642)	
Fund Balance carried forward	(1,969)	(3,333)	

Note 1: Council Tax

The Council Tax Base set by the Authority for 2008/09 was 84,713 approved by Executive on 8th January 2008. 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	1,150	766	933.65
Band B	7,421	5,772	1,089.25
Band C	20,891	18,570	1,244.87
Band D	31,620	31,620	1,400.47
Band E	12,611	15,414	1,711.69
Band F	4,666	6,740	2,022.90
Band G	3,318	5,529	2,334.12
Band H	695	1,389	2,800.94
Relevant Amount		85,800	
Adjusted for Collection Rate 98.6%		84,599	
Defence Property		114	1,400.47
Total	82,372	84,713	

Actual collectable income from Council Tax was:

	2008/09	2007/08
	£000	£000
Billed to Tax Payers	100,730	99,890
Council Tax Benefit Paid by General Fund	19,747	19,071
Total Income	120,477	118,961

The cumulative arrears of Council Tax including costs at 31 March 2009 were £30,260k and £777k 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 46.2p (2007/08 44.4p) 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 2009 was £325M. 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:

	2008/09	2007/08
	£000	£000
NNDR Bills Issued	133,502	107,479
Discretionary Reliefs and Remissions	(751)	(361)
General Fund Contribution to Reliefs and Remissions	325	247
Debts Written Off or provided for	0	0
Net NDR Income	133,076	107,365
Cost of Collection Allowance	(411)	(423)
Total	132,665	106,942

Note 3: Precepts and Demands

The London Borough of Hounslow makes a demand and the Greater London Authority precepts on the Collection Fund.

	2008/09	2007/08
	£000	£000
London Borough of Hounslow	92,392	91,926
Greater London Authority	26,246	25,613
Total	118,638	117,539

Note 4: Estimated Surplus and Deficit

An adjustment is also made for each Authority in respect of the estimated surplus or deficit for the previous year on the Collection Fund.

	2008/09	2007/08
	£000	£000
London Borough of Hounslow	(1,192)	(543)
Greater London Authority	(332)	(144)
Total	(1,524)	(687)

GROUP ACCOUNTS

The 2008 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 Bedfont 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 2008/09 is set out below:

David Henry Waring Home Trust – providing 26 units of sheltered accommodation. At 31 March 2009, net current assets amounted to £1.8m and expenditure in 2008/09 was £170k financed from rents and investment income.

Bedfont Lakes Trust – established with the object of promoting public recreation by the provision of resources for the maintenance, improvement, management and preservation of the Bedfont Lakes Country Park. At 31 March 2009 the Trust had investments valued at £3.6m, the income from these being used to finance expenditure on the park of £213k in 2008/09.

Hounslow Homes – The Authority transferred responsibility for the management of its housing stock to Hounslow Homes on 1st April 2002. In 2008/09 the turnover of Hounslow Homes amounted to £42m (£372k outside the group) and net liabilities were valued at £9.6m 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 2008/09 of the group including subsidiaries before consolidation was as follows:

(Surplus)/Deficit	2008/09	2007/08
	£000	£000
London Borough of Hounslow	64,367	1,867
Hounslow Homes	167	72
David Henry Waring Home Trust	17	(5)
Bedfont Lakes Trust	(60)	(73)
Total group (surplus)/deficit in year	64,491	1,861

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 Bedfont 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 8-13, 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 2008/09 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.

	2008/09			2007/08
	Expenditure	Income	Net	Net
	£000	£000	Expenditure	Expenditure
	£000	£000	£000	£000
Central services to the public	32,006	(27,379)	4,627	4,261
Cultural, environmental and planning	45,610	(12,238)	33,371	34,644
Education and children's services	261,249	(200,119)	61,130	46,445
Highways, roads and transport	26,497	(14,405)	12,092	13,245
Local authority housing (HRA)	48,257	(65,093)	(16,835)	(14,407)
Other housing services	132,404	(127,039)	5,365	56,797
Adult social care	85,852	(26,018)	59,834	15
Corporate and democratic core	6,592	(8)	6,584	6,647
Non distributed costs	5,388	0	5,388	5,363
Exceptional change in value of assets following revaluation	56,707	0	56,707	
Net Cost of Services	700,562	(472,299)	228,263	153,010
Gain/loss on disposal of fixed assets			(2,628)	0
Precepts and levies			7,657	6,263
Surplus from trading operations			(258)	(662)
Interest payable and similar charges			17,282	17,605
Pooled housing capital receipts			1,194	2,409
Interest and investment income			(6,838)	(4,851)
Pension interest cost and expected return on pension assets			11,536	7,037
Corporation Tax			19	539
Net Operating Expenditure	700,562	(472,299)	256,226	181,350
Transfers (from) / to the collection fund			(91,200)	(91,383)
Government grants not attributable to specific services & corporate income			(22,714)	(17,149)
Non-domestic rate redistribution			(77,821)	(70,957)
Net General Fund (surplus) / deficit for the year			64,491	1,861

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2008/09	2007/08
	£000	£000
Deficit on the Income and Expenditure Account	64,491	1,861
(Surplus)/deficit on the Collection Fund	(1,364)	1,691
Surplus arising on revaluation of fixed assets	(224,238)	(39,683)
Actuarial losses/(gains) on pension fund assets and liabilities	15,594	(71,694)
Surplus on Financial Instruments Account	(1,130)	(1,197)
Prior year adjustment to loss on Hounslow Homes pension scheme	484	0
Reversal of deferred tax	0	948
Surplus in trading repairs and renewals reserve	(231)	(225)
Other changes	(286)	(111)
Total recognised gains for the year	(146,680)	(108,410)

As set out in Note 1 to the Council's accounts, the 2007/08 balance sheet figures have been restated to reflect a change in the way that pension fund assets and liabilities are valued. The cumulative effect of this change on the reserves of the Group is a reduction of £3.8m.

GROUP BALANCE SHEET AS AT 31 MARCH 2009

		31-Mar-09 £000	31-Mar-08 £000
Fixed assets			Restated
Operational assets	Intangible assets	462	671
	Council dwellings	774,666	834,236
	Other land and buildings	958,507	734,881
	Vehicles, plant & equipment	19,899	18,820
	Infrastructure assets	92,379	90,005
	Community assets	6,231	6,113
Non-operational assets	Investment properties	37,499	39,199
	Assets under construction	7,101	2,453
Total fixed assets		1,896,744	1,726,378
	Long-term investments	3,899	4,519
	Long-term debtors	1,187	1,638
Total long-term assets		1,901,830	1,732,535
Current assets	Stocks & work in progress	589	436
	Debtors (net of bad debts provision)	61,293	74,620
	Short-term deposits	75,302	44,870
	Cash	18,653	6,718
		155,836	126,644
Current liabilities	Creditors	152,096	132,638
	Temporary borrowing	483	1,479
	Bank overdraft	796	4,915
		153,375	139,032
Net current assets		2,461	(12,388)
Long-term liabilities	Provisions	5,718	9,672
	Long-term borrowing	239,738	240,406
	Government grants deferred	159,971	144,606
	Pension schemes liability	185,090	158,369
Total net assets		1,313,774	1,167,094
Financed by			
Capital Balances	Deferred capital receipts	326	403
	Revaluation Reserve	256,722	39,473
	Capital Adjustment Account	1,144,139	1,209,692
	Financial Instrument Adjustment Account	(1,653)	(2,783)
	Other Capital Reserves	2,234	2,466
	Usable Capital Receipts Reserve	5,046	2,423
	Major Repairs Reserve	6,103	4,804
	Pensions Reserve	(184,853)	(158,369)
Revenue Balances	Collection Fund	(1,969)	(3,333)
	General Fund Balances	41,194	40,859
	Housing Revenue Account	14,751	10,650
	Other Earmarked Reserves	31,734	20,809
Total Capital and Revenue Reserves		1,313,774	1,167,094

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	2008/09	2007/08
Revenue Activities	£000	£000
Cash Outflows		
Net Cash Inflow from Revenue Activities	(72,186)	(56,158)
Servicing of Finance		
Interest paid	17,373	17,597
Interest received	(6,257)	(4,350)
Net Cash Outflow from Servicing of Finance	11,116	13,247
Capital Activities		
Purchase of Fixed Assets	39,737	37,208
Other Capital Cash Payments	19	47
	39,756	37,255
Sale of Fixed Assets	(6,639)	(3,969)
Capital Grants Received	(19,698)	(39,292)
Other capital cash receipts	(450)	0
	(26,787)	(43,261)
Net Cash Outflow from Capital Activities	12,969	(6,006)
Net Cash Outflow/(Inflow) before financing	(48,101)	(48,917)
Management of Liquid Resources		
Net increase/(decrease) in short term deposits	30,382	33,046
Financing		
Repayment of amounts borrowed	66,280	131,668
New loans raised	(64,616)	(116,216)
	1,664	15,452
Net (Increase)/Decrease in Cash	(16,055)	(419)

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 £232k)
- Inclusion of David Henry Waring Home in Adult Social Care (net cost £93k)
- Inclusion of Bedfont Lakes in Cultural & Environmental Services (net cost £104k)
- 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	2008/09		Total	2007/08
	LBH	HH		Total
	£000	£000	£000	£000
Net Cost of Services				
Current Service Cost	(15,680)	(2,475)	(18,155)	(20,969)
Past Service Cost	(1,523)	(294)	(1,817)	(3)
Settlement/curtailments	(2,348)	(728)	(3,076)	(801)
Net Operating Expenditure	(19,551)	(3,497)	(23,048)	(21,773)
Expected Return on Pension Scheme Assets	23,954	3,121	27,075	27,580
Interest on Pension Scheme Liabilities	(35,110)	(3,501)	(38,611)	(34,617)
Net charge to the Income & Expenditure Account	(30,707)	(3,877)	(34,584)	(28,810)

Movement on General Fund Balances	2008/09		Total	2007/08
	LBH	HH		Total
	£000	£000	£000	£000
Reversal of net charges made for retirement benefits in accordance with FRS17	(30,707)	(3,877)	(34,584)	(28,810)
Employers contributions payable to the scheme	20,301	3,640	23,941	23,074
Movement on General Fund Balance	(10,406)	(237)	(10,643)	(5,736)

The assets and liabilities at 31st March 2009 as estimated by the Actuary Barnett Waddingham were:

	31-Mar-09		31 Mar 08	
	LBH Pension Funds	Hounslow Homes	Total	Restated Total
	£m	£m	£m	£m
Estimated Liabilities	493.8	48.8	542.6	585.5
Estimated Assets	318.5	39.0	357.5	427.1
Net Liability	175.3	9.8	185.1	158.4

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 09				31 Mar 08	
	LB Hounslow £000	Hounslow Homes £000	DHW £000	Bedfont Lakes £000	Total £000	Total £000
Sundry Debtors	36,021	137	2	83	36,243	23,641
Sundry Creditors	78,168	8,537	37	4	86,746	68,694

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 sent 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 these accounts were submitted to the Panel on 23 September 2009. 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.

REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	2008/09 £000	2007/08 £000	Notes
Income			
Contributions			13
Employees	7,909	7,272	
Employers	23,926	24,404	2
Augmentation Payments	712	454	3
Transfers from other schemes	2,312	2,336	
Total Income	34,859	34,466	
Expenditure			
Benefits payable:			13
Pensions	18,989	17,416	
Lump sums	7,046	4,415	
Death Benefits	391	614	
Refunds	8	114	
Transfers to other schemes (individuals)	1,825	5,312	
Transfers to other schemes (group transfers)	836	0	4
Administrative Expenses	1,254	1,194	5
Other	123	108	
Total Expenditure	30,472	29,173	
Net additions (withdrawals) from dealing with members	4,387	5,293	
Returns on Investments			
Investment income	16,070	16,301	6
Change in market value of realised and unrealised investments	(88,290)	(10,706)	
Investment management expenses	(748)	(741)	
Property expenses	(155)	(179)	
Net returns on investments	(73,123)	4,675	
Net increase (decrease) in the Fund during the year	(68,736)	9,968	
Opening net assets of the scheme at 1 April	461,051	451,083	
Closing net assets of the scheme at 31 March	392,315	461,051	

NET ASSETS STATEMENT AS AT 31 MARCH 2009

	2008/09 £000	2007/08 £000	Notes
Investments			
Equity investments	212,868	260,493	7
Fixed interest securities	45,697	38,923	8
Unit trusts	86,008	109,528	9
Property	20,115	25,301	10
Private equity	6,618	7,333	
Short term deposits	18,844	16,930	
Total Investments	390,150	458,508	
Current Assets and Current Liabilities			
Debtors	611	0	11
Balance due from General Fund	1,948	2,604	
Creditors	(394)	(61)	12
Net Current Assets	2,165	2,543	
Net Assets	392,315	461,051	

NOTES TO THE PENSION FUND ACCOUNTS 2008/09

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 2009.
- 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 2009.
- Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2009.
- 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 2009 by Roger Flavell in the Authority’s Corporate Property Division.

- **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 Superannuation Regulations 1995.

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. 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 7-day rate for deposit in the London Money Market.

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 Out

Group transfers included a payment of £817k to the London Pensions Fund Authority in respect of Magistrates Court staff formerly employed by the Authority who moved to the Greater London Magistrates Courts Authority on 1 April 2001.

Note 5: Administration

	2008/09	2007/08
	£000	£000
Scheme Administration	1,177	1,095
Actuary Fees	12	17
Annual Meeting and Report	65	82
Total costs	1,254	1,194

Note 6: Investment Income

	2008/09	2007/08
	£000	£000
Currency Profit / (Loss)	133	(199)
Interest	1,020	645
Dividends	13,243	14,285
Rents	1,674	1,570
	16,070	16,301

Note 7: Equity Investments

	31-Mar-09	31-Mar-08
	£000	£000
UK Investments (listed)	118,745	153,850
Overseas Investments (listed):		
North America	33,741	30,998
Japan	9,774	10,112
Europe	35,807	45,631
Other	14,801	19,902
	212,868	260,493

Note 8: Fixed Interest Securities

	31-Mar-09	31-Mar-08
	£000	£000
UK Securities		
Government Bonds	28,280	26,248
Government Indexed Linked	12,626	12,675
Other fixed interest stocks	4,219	0
Overseas Securities	572	0
	45,697	38,923

Note 9: Unit Trusts

	31-Mar-09	31-Mar-08
	£000	£000
UK Unit Trusts		
Cash Fund	24,113	33,299
Bond Fund	14,814	19,655
Index Linked	12,768	15,552
Mid Cap Companies	1,860	2,573
Property	306	505
Overseas Unit Trusts		
Fixed Interest	12,921	10,028
Equity	19,226	27,916
	86,008	109,528

Note 10: Property

	31-Mar-09	31-Mar-08
	£000	£000
UK Property Investments: Freehold	20,115	25,301
	20,115	25,301

Note 11: Debtors

Debtors represent those sums of money owed to the Pension Fund for contributions due from admitted bodies for 2008/09 but for which payment had not been received by 31 March 2009.

Note 12: Creditors

Creditors represent those sums of money owed by the Pension Fund for fund management services received during 2008/09 but for which payment had not been made by 31 March 2009.

Note 13: 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 14: Membership of the Fund

The following summarises the membership of the Pension Fund as at 31 March 2009:

	31-Mar-09	31-Mar-08
Contributors	5,740	5,820
Pensioners	4,820	4,621
Deferred Pensioners	5,217	4,916
Total	15,777	15,357

Note 15: Investment Activity

During the year the following transactions were carried out:

	31-Mar-09	31-Mar-08
	£000	£000
Sales	284,532	277,199
Purchases	302,573	307,356
Net Investment Activity	18,041	30,157

A comparison of book cost and market value of investments held excluding cash is as follows:

	31-Mar-09	31-Mar-08
	£000	£000
Book cost at year end	350,900	359,009
Market value at year end	371,306	441,578
Difference between book cost and market value	(20,406)	(82,569)

Note 16: Funds Management

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

	31-Mar-09		31-Mar-08	
	£000	%	£000	%
Aberdeen Asset Managers Ltd	149,108	38	183,032	40
Blackrock Investment Management Ltd	209,070	54	237,593	52
London Borough of Hounslow	31,972	8	37,883	8
Total	390,150	100	458,508	100

Note 17: Scheduled and Admitted Bodies

The scheduled bodies to the Fund are:

- o Hounslow Magistrates' Courts Committee
- o West Thames College
- o Gunnersbury Park
- o Cranford Park
- o Hounslow Homes

There were also 16 Admitted Bodies making contributions of £1.2m (£1.4m 2007/08).

The total contributions receivable and benefits payable are as follows:

	31-Mar-09		31-Mar-08	
	Contributions Receivable	Benefits Payable	Contributions Receivable	Benefits Payable
	£000	£000	£000	£000
London Borough of Hounslow	24,928	22,760	25,705	19,232
Scheduled Bodies	6,424	2,115	5,017	2,269
Admitted Bodies	1,195	1,559	1,408	1,058
Total	32,547	26,434	32,130	22,559

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 18: Statement of Investment Principles

The Statement of Investment Principles for the Pension Fund is available on request from the Director of Finance.

Note 19: Related Party Transactions

The Council was a related party to the Fund. During 2008/09, 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 £152k in interest from the Council during 2008/09 on the internally invested cash. No other material transactions with related parties of the Fund during 2008/09 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 2008/09

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

The key elements of the governance framework that has been in place at the Council for the year ended of 31st March 2009 and up to the date of approval of the statement of accounts on 26 June 2009.

The key elements of the processes and systems that comprise the authority's governance arrangements are set out below, under the umbrella of 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 Building Pride Borough Wide 10 Promises vision statement, corporate plan and delivery plans provide a clear vision of how we want to transform the borough for all who live, work and visit.
 - o A Member led Building Pride Borough Wide Delivery Board that drives the 10 promises through a corporately driven performance management and review system
 - 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 Council constitution is in place, which is supported by fully accessible and open decision making records. A review/refresh of the Constitution is underway by Members and Officers.
- o All Members were trained on the Code of Conduct during 2008/09, which includes a handbook on the approved member/officer protocol in place that deals with relationships between members and officers.
- o The constitution allows for the post of Chief Executive, whose responsibility is for operational management, supported by clear and up to date employment conditions, job descriptions and scheme of delegation.
- o The Section 151 Officer and Monitoring Officer posts are in place with full statutory accountabilities, clear job descriptions, and form part of the corporate management team.
- o Joint delivery board involving the Leader, Chief Executive and as appropriate other Lead Members and Chief Officers, to discuss key policy issues. Additionally, weekly operational meetings between the Leader and Chief Executive.
- 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 and complied with by 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 practise requirements
- o High profile whistle-blowing, anti-fraud and anti-corruption policies
- o Effective up to date Standing Orders and financial regulations
- o An active and effective standards committee system
- 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, and 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 to involve Members on the 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, e.g. Madoff.

- o Modern corporate performance management system and operational framework in place, linked by a golden thread from The Hounslow 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 rolling programme 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 Training of over 300 budget managers across the organisation in budget management: to develop the strategic approach to budget setting and management in future years and embed a culture of continuous efficiency and improvement.
- o New joiners induction courses provided for all employees

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

- o Building Pride Borough Wide vision and strategy clearly communicated to all stakeholders and local communities through multiple channels.
- o Broad range of communication channels 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, supported by service led operational consultations delivered to corporate standards and employing effective and tailored feedback mechanisms.
- o Building Pride Borough Wide communications strategy and delivery plans in place and mid way through execution
- o Clear systems and processes for employee and employee representative 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, the areas set out below will be reviewed during the coming year to strengthen the Council's governance arrangements:

Actions for 2009/10

- o Develop and deliver the Management Leadership programme identified in Building Pride Borough Wide Improvement Plan Delivery. This work will now inform the development of both the HMG Leadership programme and the Leadership/Management development programme for all other Hounslow managers. The core elements will focus on political and tactical skills to ensure effective leadership for the future.
- o Refresh of the cascade Team Brief system to provide staff with regular key information about what is happening, and why, both across the organisation and in their own service area, and provide 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 needs to continue to embed risk management, 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.

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 Peter Thompson, Leader of the Council

Mark Gilks, Chief Executive

Date

On behalf of the London Borough of Hounslow

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

Opinion on the Authority accounting statements

I have audited the Authority and Group accounting statements and related notes of London Borough of Hounslow for the year ended 31 March 2009 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 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 prepared by the Audit Commission.

Respective responsibilities of the Director of Finance and auditor

The Director of Finance's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 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 present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- 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 financial 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 related notes and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory 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 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 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 financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Group as at 31 March 2009 and its income and expenditure for the year then ended.

Opinion on the pension fund accounts

I have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of 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 prepared by the Audit Commission.

Respective responsibilities of the Director of Finance and auditor

The Director of Finance's responsibilities for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounts 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 accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, 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 accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other

information comprises the Explanatory Foreword published in the financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounts 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 accounts 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 accounts and related notes.

Opinion

In my opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, 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 relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the 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 February 2009, I am satisfied that, in all significant respects,

London Borough of Hounslow made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Delay in certification of completion of the audit

I am required to give an opinion on the financial statements of the pension fund included in the Pension Fund Annual Report of [name of pension fund]. The Local Government Pension Scheme (Administration) Regulations 2008 require authorities to publish the Pension Fund Annual Report by 1 December 2009. As the authority has not yet prepared the Annual Report I have not yet been able to read the other information to be published with those financial statements and I have not issued my report on those financial statements. Until I have done so, I am unable to 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.

Kash Pandya
District Auditor

Audit Commission, 1st Floor Millbank Tower, Millbank, London. SW1P 4HQ.

30 September 2009

London Borough of Hounslow 2008/09

Issue of audit opinion

In my audit report for the year ended 31 March 2009 issued on 30 September 2009 I reported that, in my opinion, the financial statements presented fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of the Authority and its Group as at 31 March 2009 and its income and expenditure for the year then ended.

Issue of conclusion

As stated in my audit report for the year ended 31 March 2009 issued on 30 September 2009, I reported that in my opinion, 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 2009.

Certificate

In my report dated 30 September 2009, I explained that the audit could not be formally concluded on that date until I was able to complete my audit of the Council's Pension Fund Annual Report. I have now completed my work in this area. No other matters have come to my attention since that date that would have a material impact on the financial statements on which I gave an unqualified opinion and value for money conclusion.

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.

Kash Pandya
District Auditor

25 November 2009