



London Borough
of Hounslow

STATEMENT OF ACCOUNTS 2007-2008



LONDON BOROUGH OF HOUNSLOW
STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2008

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FOREWORD

Changes to the Statement of Accounts

There have been significant changes in the accounts in relation to the valuation and disclosure of financial instruments and to the capital accounting regime and valuation of assets. These changes are discussed further in the Authority's accounting policies set out on pages 8-13.

Accounting Statements

The pages that follow are the Authority's accounts for 2007/08 and comprise:

- **Statement of Accounting Policies** – This explains the basis of the figures in 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 2007/08. 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 LBH's individual accounts.

- **Pension Fund Revenue Account and Net Assets Statement** – The Revenue Account shows the contributions to the fund during 2007/08 and the benefits paid from it. The Net Assets Statement sets out the financial position for the Fund as at 31 March 2008. The Authority acting as trustee separately manages the fund and its accounts are separate from the Authority’s accounts.

General Fund revenue spend in 2007/08

The Authority set an original budget for 2007/08 including levies and contingencies of £174.2m 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.

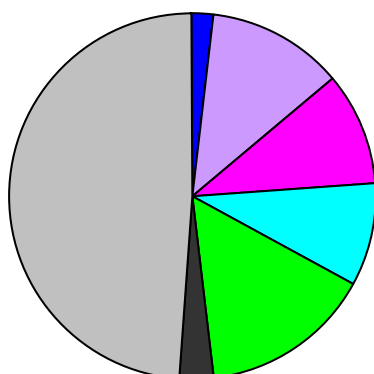
Service	Revised Budget	2007/08		2006/07
		Actual	Variance	Actual
	£m	£m	£m	£m
Chief Executive's Directorate	16.0	15.8	(0.2)	11.7
Childrens Services and Lifelong Learning	51.6	51.5	(0.1)	52.8
Leisure Services	14.3	18.6	4.3	14.4
Street Management and Public Protection	34.4	34.6	0.2	33.8
Housing and Community Services	62.9	59.4	(3.5)	62.6
Other	(5.3)	(6.4)	(1.1)	(2.6)
Total Net Expenditure	173.9	173.5	(0.4)	172.7

The Authority’s net spend was £173.5m, resulting in an under spend of £0.4m (0.2%) against the revised budget. The main reasons for the under spend were:

- Interest costs were less than anticipated (£4.0m)
- Savings on the net cost of providing housing benefits (£1.5m)
- Savings on the cost of temporary accommodation (£1.2m)
- Additional legal costs from additional/more complex children’s caseloads £1m
- Additional costs of leisure services including provision for committed costs and the costs of re-tendering the contract in 2008/09 of £4.7m

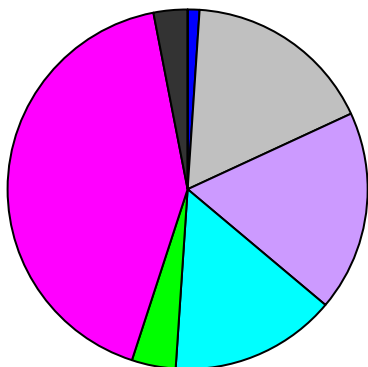
The following diagrams show in broad terms where the Council’s income came from, and what the Council spent this money on.

WHERE THE MONEY COMES FROM



Analysis of Income		
	£m	
General Government Grants	11.9	2%
Business Rates	71.0	12%
Fees, Charges Etc	60.4	10%
Other Grants and Contributions	60.1	9%
Council Tax	91.4	15%
Rents	17.4	3%
Specific Grants	298.6	49%

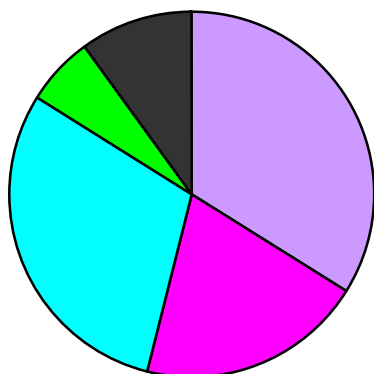
WHERE THE MONEY WAS SPENT



<u>Analysis of Expenditure</u>		
	£m	
Capital Financing Costs	5.4	1%
Third Party Payments	106.7	17%
Benefits and Reliefs	111.5	18%
Running Expenses	90.6	15%
Premises Related Costs	25.6	4%
Employees	257.1	42%
Transport Costs	25.6	3%

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.

NET EXPENDITURE BY SERVICE



<u>Net Expenditure</u>		
	£m	
Housing and Community Services	59.4	34%
Street Management and Public Protection	34.6	20%
Children's Services and Lifelong Learning	51.5	30%
Chief Executive's Directorate + Other	9.4	6%
Leisure	18.6	100%

Outlook for 2008-09

For the second year running the Council set a nil council tax increase for Hounslow's element of the tax for 2008/09 and therefore keeping the Band D Council Tax at £1,090.65. The budget was set at £180,610k; like the majority of London Boroughs Hounslow received only the minimum grant increase from the Government. The London Mayor set an increase of 2% on the Greater London Assembly's element of the council tax, increasing that GLA precept to £309.82 on a Band D property.

During 2008/09 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 £62m over three years.

Other Financial Issues

Improvement Plan

During 2006/07 the Council committed to undertake an Improvement Programme, in partnership with KPMG, with a view to restructuring the Council to improve efficiency and generate savings to reinvest into front line services, with a target of achieving £53m savings over a three-year period from 2008/09 onwards.

The 2008/09 budget was set taking account of the costs and savings based on a number of work streams; approved by the Council. These work streams involve a number of redundancies, the decisions of which will be taken before the 2007/08 Accounts have been signed. A provision for both statutory and non-statutory redundancy costs of £1.8m and £950k respectively has been included in the 2007/08 Accounts in accordance with FRS 12. Statutory costs of redundancy have been capitalised; and the non statutory element are included in non-distributed costs in the Income & Expenditure Account. Both elements are included as part of the provisions in the balance sheet.

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 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.

Leisure Services

In November 2006 the Executive agreed to tender the leisure and cultural services provided on its behalf by the CIP group of companies. The new contractors will begin providing parks management and library services, and leisure services including community halls respectively from 1st July 2008. This will involve investment over the life of the contracts and will improve the standards of grounds maintenance, the backlog of maintenance on libraries and other leisure facilities.

In 2007/08 Accounts the Council has included additional settlement costs of £1.7m; and a further provision for payments during 2008/09 of £1.7m in accordance with FRS 12.

Capital spending and borrowing in 2007/08

The Authority's capital spending in the year amounts to £41.8m (06/07: £60.4m) as set out in the following statement. Some 21% of the programme has been funded from borrowing (compared to 20% in 2006/07) with grants and contributions funding a further 51% (32% in 2006/07). The remaining 28% (48% in 2006/07) has been met from other sources, including contributions from reserves and the proceeds from the sale of assets.

Capital spending 2007/08

2007-08								
	Dwellings	Other Land & Buildings	Intangible Fixed Assets	Infrastructure	Community Assets	Vehicles Plant & Equipment	Deferred Charges	Total
	£' 000	£' 000	£' 000	£' 000	£' 000	£' 000	£' 000	£' 000
Housing								
General Fund Expenditure	21	0	0	0	0	0	3,807	3,828
Housing Revenue Account	9,028	0	0	95	0	1,948	0	11,071
Life Long Learning & Cultural Services								
Schools	0	12,554	0	0	0	1,599	0	14,153
Leisure Services	0	342	0	20	195	54	0	611
Childrens Services	0	30	0	0	0	164	0	194
Street Management & Public Protection	0	172	0	6,162	0	941	0	7,275
Other Services								
Housing and Community Services	0	161	0	0	0	838	0	999
Other	0	1,006	54	263	0	1,240	1,140	3,703
Total Expenditure	9,049	14,265	54	6,540	195	6,784	4,947	41,834

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

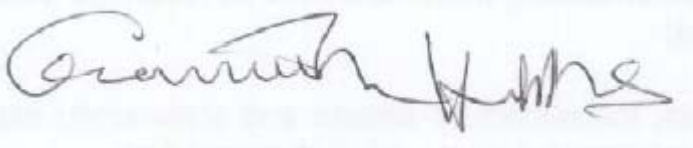
I certify that the accounts on pages 14 to 50 set out the financial position of the London Borough of Hounslow as at 31 March 2008 and its income and expenditure for the year then ended and that the accounts on pages 51 to 59 set out the net assets of the London Borough of Hounslow Pension Fund as at 31 March 2008 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 24th June 2008.



Councillor G Hibbs
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. 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 51-57.

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

- 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.

During the year the useful lives of all furniture recorded in the Land and Buildings values have been reviewed. The useful lives for these elements of the assets have been reduced resulting in an increase in the depreciation charged of £2.6m over the charge that would have been made had this change not occurred.

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.

Deferred Charges

Deferred charges represent expenditure which may properly be capitalised, but which does not represent tangible fixed assets. Deferred charges are amortised to revenue over an appropriate period consistent with the consumption of the economic benefits controlled by the Authority, usually this will be in the same year the expenditure occurred.

During the year the Council changed its policy on capital deferred charges relating to redundancy costs, and discontinued the practice of writing down redundancy costs over a 7-year period to writing off any costs in the year they are incurred in line with the SORP

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

With effect from 1 April 2007, local authorities have had to adopt a major change of accounting policy in order to comply 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.

This has caused major changes in the accounting treatment of financial instruments, soft loans and guarantees, which have been designed to present a higher quality of information on financial instruments, in line with the private sector. In addition, in order to help identify, quantify and inform on the exposure to and management of risk, new “fair value” disclosure requirements have been introduced. The need for this has arisen in recent years through the high profile failure of a number of financial institutions e.g. Barings, Enron, World Com etc.

Amortised Cost

This change in accounting standards has meant that most financial instruments (whether borrowing or investment) have, in 2007/08, to be valued on an amortised costs basis using the Effective Interest Rate (EIR) method.

However, it should be noted that figures for 31.3.07 which appear in these disclosure notes are shown unaltered from those which were published in the accounts for 2006/07 i.e. they have not been restated to amortised cost etc. Consequently, the figures for 31.3.07 and 31.3.08 are not properly comparable, as they have been produced on two different bases. This is a one off problem, which will not occur in the accounts for future years when two years' figures will be properly comparable.

Fair Value

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.

Guidance from CIPFA states that as fair value valuations were not calculated as at 31.3.07, the column for fair value as at 31.3.07 in these disclosure notes cannot be filled in and so no figures appear.

For the very same reasons, no figures appear under 'Gains and losses on financial instruments' for 2006/07.

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. 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 - 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 51-59. 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 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.

CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

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 NDR Pool and reserves. The analysis reflects the requirements of the Best Value Accounting Code of Practice for Local Authorities.

	2007/08			2006/07	
	Expenditure	Income	Net	Restated Net	Note
	£000	£000	Expenditure	Expenditure	
Central Services to the Public	31,540	(27,285)	4,255	4,885	
Cultural, Environmental and Planning	47,510	(12,996)	34,514	30,704	
Education and Children's Services	248,217	(201,772)	46,445	47,760	
Highways, Roads and Transport	26,738	(13,493)	13,245	13,462	
Housing Services	166,941	(180,789)	(13,848)	(3,894)	
Adult Social Care	87,140	(30,444)	56,696	55,806	
Law and Order	16	(1)	15	10	
Corporate and Democratic Core	6,662	(15)	6,647	7,451	
Non-distributed costs	5,363	0	5,363	2,281	
Net Cost of Services	620,127	(466,795)	153,332	158,465	
Gain/loss on disposal of fixed assets			0	0	
Precepts and Levies	6,263		6,263	5,724	
Surplus from Trading Operations	23,788	(24,450)	(662)	(1,100)	2
Interest payable and Similar Charges	17,605		17,605	16,761	
Pooled Housing capital receipts	2,409		2,409	3,884	
Interest and Investment Income		(4,536)	(4,536)	(1,797)	
Pension interest cost & expected return on assets	6,945		6,945	6,969	28
Net Operating Expenditure	677,137	(495,781)	181,356	188,906	
Transfers (From) / To the Collection Fund		(91,383)	(91,383)	(89,187)	
Government grants not attributable to specific services & corporate income		(88,106)	(88,106)	(85,838)	
Net General Fund (Surplus) / Deficit	677,137	(675,270)	1,867	13,881	

STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE

	2007/08	2006/07	Note
	£000	£000	
Loss for the year on the Income and Expenditure a/c	1,867	13,881	
Net additional amount required by statute and non-statutory proper practices transferred to the General Fund Balance	(2,576)	(13,119)	10
(Increase)/Decrease in General Fund Balance for the year	(709)	762	
Balance on General Fund Brought Forward	(8,229)	(8,991)	24
Balance on General Fund Carried Forward	(8,938)	(8,229)	

The Income and Expenditure Account includes items that are required under statute but not funded from council tax. These have to be removed from the surplus/deficit to show the value of funds available to spend in the future. These amounted to £2.576m in 2008/09 giving a general fund balance of £8.9m available for use.

BALANCE SHEET AS AT 31 MARCH 2008

	31-Mar-08 £000	31-Mar-07 £000	Note
Operational Assets			
		Restated	
Intangible Assets	671	815	11 + 17
Council Dwellings	834,236	811,875	11
Other Land and Buildings	733,394	733,085	11 + 14
Vehicles, Plant & Equipment	18,820	14,961	11
Infrastructure Assets	90,005	85,981	11
Community Assets	6,113	5,918	11
Non Operational Assets	1,683,239	1,652,635	
Investment Properties	39,199	26,721	11
Assets under Construction	2,346	0	11
Net Fixed Assets	1,724,784	1,679,356	
Long Term Investments	9	9	
Long Term Debtors	1,888	1,849	20
Total Long Term Assets	1,726,681	1,681,214	
Current Assets			
Stocks & Work In Progress	283	481	
Debtors (Net of Bad Debts Provision)	83,090	72,010	20
Short Term Deposits	43,046	10,000	
Cash	5,742	3,787	
	132,161	86,278	
Current Liabilities			
Creditors	141,562	100,416	21
Temporary Borrowing	1,479	15,627	22
Bank Overdraft	4,915	4,834	
	147,956	120,877	
Net Current Assets	(15,795)	(34,599)	
Provisions	8,417	3,866	23
Long Term Borrowing	240,406	239,473	22
Government Grants deferred	144,606	129,258	
Pension schemes liability	150,724	216,454	28
Total Net Assets	1,166,733	1,057,564	
Representing			
Deferred Capital Receipts	403	515	24
Revaluation Reserve	39,473	0	24
Capital Adjustment Account	1,209,692	1,222,991	24
Financial Instrument Adjustment Account	(2,783)	(3,980)	12
Other Capital Reserves	2,466	2,588	24
Usable Capital Receipts Reserve	2,423	1,191	24
Pensions reserve	(150,724)	(216,454)	24 + 29
Revenue Balances			
Collection Fund	(3,333)	(1,642)	24
General Fund Balances	37,803	29,791	24
Housing Revenue Account	10,650	6,959	24
Other Earmarked Reserves	20,663	15,605	24
Total Capital and Revenue Reserves	1,166,733	1,057,564	

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.

Revenue Activities	2007/08 £000	2006/07 £000
Cash Outflows		
Cash paid to & on behalf of employees	273,566	270,818
Other operating cash payments	190,425	198,955
Housing Benefit paid out	91,578	85,704
NNDR payments to National Pool	114,711	108,633
Precepts paid	25,469	23,664
Payments to the Capital Receipts Pool	2,409	4,271
	698,158	692,045
Cash inflows		
Rents (after rebates)	(22,981)	(27,413)
Council Tax receipts	(96,808)	(94,389)
NNDR receipts from National Pool	(70,957)	(67,764)
Non-Domestic Rate receipts	(108,623)	(113,083)
Revenue Support Grant	(11,908)	(12,531)
DWP grants for benefits	(111,706)	(105,308)
Other Government Grants	(210,373)	(200,142)
Cash received for Goods & Services	(122,355)	(122,275)
	(755,711)	(742,905)
Net Cash Inflow from Revenue Activities	(57,553)	(50,860)
Servicing of Finance		
Interest paid	17,597	17,246
Interest received	(4,347)	(1,741)
Net Cash Outflow from Servicing of Finance	13,250	15,505
Capital Activities		
Purchase of Fixed Assets	37,154	55,840
Other Capital Cash Payments	38	4,437
	37,192	60,277
Sale of Fixed Assets	(3,969)	(5,220)
Capital Grants Received	(39,292)	(20,670)
	(43,261)	(25,890)
Net Cash Outflow from Capital Activities	(6,069)	34,387
Net Cash Outflow/(Inflow) before financing	(50,372)	(968)
Management of Liquid Resources		
Net increase/(decrease) in short term deposits	33,046	3,700
Financing		
Repayment of amounts borrowed	131,668	193,881
New loans raised	(116,216)	(198,294)
	15,452	(4,413)
Net (Increase)/Decrease in Cash	(1,874)	(1,681)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007/08	2006/07
	£000	£000
Deficit on the Income and Expenditure Account	1,867	13,881
(Surplus)/deficit on the Collection Fund	1,691	(1,752)
Surplus arising on revaluation of fixed assets	(40,218)	(40,988)
Surplus on Financial Instruments Account	(1,197)	(1,375)
Actuarial gains on pension fund assets and liabilities	(70,976)	(32,835)
Total recognised gains for the year	(108,833)	(63,069)

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Prior Period Adjustments

The major amendment to the 2006/07 balances has been in the changes required under the 2007 SORP in relation to capital accounting with the closure of the fixed asset restatement reserves and capital financing accounts. The balances have been transferred to the new capital adjustment accounts; and revaluation reserves established with zero opening balances for all transactions relating to the revaluation of fixed assets from 1 April 2007.

During the year the Council took the decision to write off the capital deferred charges relating to redundancy costs as at 31st March 2007; and discontinue the policy of writing down redundancy costs over a 7-year period. These amounted to £527k.

A further two reserves relating to sponsored trees and contractors retentions were reviewed and reclassified as receipts in advance and provisions respectively.

In previous years the balance of premiums and discounts occurring before 1 April 2006 were included in the Balance Sheet as Deferred Charges and written off over appropriate periods using the straight-line method, taking account of their associated economic benefits. The 2007 SORP implemented the requirements of FRS 25, FRS 26 and FRS 29, dealing with the recognition, measurement, presentation and disclosure of financial instruments. The Balance Sheet as at 1 April 2007 has been restated, so that premiums that can be associated with a replacement loan are allocated to the carrying amount of the loan and written off using the Effective Interest Rate method. Where premiums cannot be associated with an existing replacement loan they are classed as 'over-hanging' and the 2007 SORP requires them to be derecognised (written out) and the General Fund Balance adjusted accordingly for the loss. As a result of the Local Authorities (Capital Financing and Accounting)(Amendment)(England) Regulations 2007 this loss is reversed out and transferred to the Financial Instruments Adjustment Account, and will continue to be written off over appropriate periods.

Note 14 regarding the number of assets held at 31st March 2007 has been updated to reflect the correct numbers of assets held.

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:

	Turnover	Expenditure	Surplus	2006/07 Surplus
	£000	£000	£000	£000
Catering - Schools & Welfare	5,198	5,053	145	11
Highways Maintenance*	4,270	4,270	0	0
Waste Collection*	2,644	2,644	0	0
Street Cleansing	3,596	3,596	0	0
Vehicle Maintenance	1,077	1,061	16	51
Fleet Management	3,435	3,333	102	199
Transport Trading Operations	3,070	3,046	24	8
Other Trading Operations	1,160	785	375	831
Total	24,450	23,788	662	1,100

*Services are charged on the basis of actual costs therefore there is no surplus or deficits on these accounts.

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:

	Markets	Estates	Total 2007/08	Total 2006/07
	£000	£000	£000	£000
Income from Rents, Fees and Charges	(3,010)	(757)	(3,767)	(3,762)
Expenditure	2,014	539	2,553	2,770
(Surplus) to General Fund	(996)	(218)	(1,214)	(992)

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

Section 137(3) of the Local Government Act 1972 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 2007/08 the London Borough of Hounslow has incurred no expenditure under this section, against the allowed limit of £869,542.

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 2007/08 is £953k. (2006/07 £977k)

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.

	2007/08			2006/07		
	Charge-able	Non Charge-able	Total	Charge-able	Non Charge-able	Total
	£000	£000	£000	£000	£000	£000
Expenditure						
Employee costs	547	173	720	573	182	755
Transport	10	3	13	10	3	13
Supplies and Services	20	7	27	56	17	73
Support Costs	172	54	226	151	46	197
Expenditure	749	237	986	790	248	1,038
Income						
Building Regulation Charges	700	0	700	712	0	712
Other Income	0	27	27	0	27	27
Total Income	700	27	727	712	27	739
Deficit for the Year	49	210	259	78	221	299

Note 6: Local Area Agreements

The Council is a participant in a Local Area Agreement (LAA) - a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the second year of its 2006-2009 agreement. The LAA partners are:

- London Borough of Hounslow
- Metropolitan Police
- Learning and Skills Council
- London Fire Brigade
- Hounslow Primary Care Trust
- West London Business
- Voluntary Services Hounslow
- Hounslow Racial Equality Council

The purpose of the LAA is to form an agreement between the Hounslow Local Strategic Partnership and central government to improve the way services are delivered locally. It provides an opportunity to join up goals and aspirations set out in the last Hounslow Community Plan 2004-2007 and the current plan 2007-2010. The LAA includes targets for improvement to be achieved by 2009/10. Delivery of these targets is key to successfully achieving the vision and objectives set out in this 2007-2010 Hounslow Community Plan. The LAA enables partners to target funding to areas most in need to effectively manage performance.

The London Borough of Hounslow acts as the accountable body and in the role of principal. The Council recognises LAA grant as income in its own accounts and the related outgoing cash as expenditure.

As the accountable body, the Council is potentially responsible for repaying the grant to the Government if any element of grant is found to have been misused by its partners. Systems for distributing the grant are designed to limit the possibility that this will happen. It has not been necessary to recognise any contingent liabilities for possible repayments and no provisions have been made for any such eventuality.

The total amount of LAA grant received by the Council in 2007/08 was £5,589,467.

Note 7: Members Allowances and Officer Emoluments

Members' Allowances paid in the year amounted to £896,863 (£728k 2006/07).

The numbers of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 were:

£	Banding	£	2007/08	2006/07
50,000	-	59,999	55	112
60,000	-	69,999	17	32
70,000	-	79,999	7	10
80,000	-	89,999	5	6
90,000	-	99,999	4	10
100,000	-	109,999	4	2
110,000	-	119,999	3	0
120,000	-	129,999	0	0
130,000	-	139,999	2	1
140,000	-	149,999	0	0
150,000	-	159,999	1	0

Note 8: Related Party Transactions

All Councillors and relevant officers are required to complete declarations to meet the requirements of FRS8 (Transactions with Related Parties). Declarations from all Councillors were received, from which there were no material declarations to disclose.

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 includes the following:

- Specific grants amounting to £316m (£296m in 2006/07) including £144m Dedicated Schools Grant (£134m 2006/07) were received from Government departments.
- Grants and Contract Funding amounting to £9.0m (£8.6m 2006/07) were paid to Community Initiative Partnerships and its associated companies.
- Grants amounting to £1.33m (£1.37m 2006/07) were paid to other voluntary organisations.
- Agency funding of £36.8m was paid to Hounslow Homes (£36.2m 2006/07)

Note 9: Audit Fees

The fees payable to KPMG, the Audit Commission's appointed auditor, in respect of external audit services under the Audit Commission's *Code of Audit Practice* amounted to:

	2007/08	2006/07
	£000	£000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	326	321
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

In addition, KPMG were paid fees for a consultancy project to develop an Improvement Programme for the Council, to secure improved value for money. The consultancy fees due in 2007-08 amounted to £3,553k.

Note 10: Reconciliation of Movement on General Fund Balances

Amounts included in the Income & Expenditure a/c but required by statute to be excluded when determining the movement on the General Fund Balance	2007/08	2006/07
	£000	£000
Depreciation & Impairment of fixed assets	(16,026)	(11,966)
Government grants deferred amortisation	3,273	2,844
Write downs of deferred charges to be financed from capital resources	(1,109)	(1,456)
Net gain on disposal of fixed assets	0	0
Net charges made for retirement benefits in accordance with frs17	(25,272)	(25,849)
	(39,134)	(36,427)
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	3,565	3,281
Capital Expenditure charged in year to the general fund balance	0	0
Transfer from usable capital receipts for HPCR	(2,409)	(3,884)
Employers contributions payable to the pension fund and retirement benefits payable direct to pensioners	20,026	19,046
	(17,952)	(17,984)
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		
Transfer of HRA Balances	3,928	(1,533)
Voluntary revenue provision for capital financing	1,034	714
Net Contribution to Earmarked Reserves	10,414	5,684
Net additional amount required to be credited to the General Fund Balance for the year	(2,576)	(13,119)

Note 11: Summary of Capital Financing requirement & movement on fixed assets 2007/08

	Intangible Assets	Council Dwellings	Other Land & Buildings	Vehicles Plants & Equipment	Infrastructure Assets	Community Assets	Investment Properties	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net Book Value 1 April 2007	815	811,875	733,085	14,961	85,981	5,918	26,721	0	1,679,356
Expenditure 2007/08	54	8,733	11,430	6,785	6,541	195	803	2,346	36,887
Revaluations		27,072	1,006				12,130		40,208
Disposals		(3,324)	(249)				(396)		(3,969)
Transfers			65				(59)		6
Gross Book Value	869	844,356	745,337	21,746	92,522	6,113	39,199	2,346	1,752,488
Depreciation	(198)	(10,120)	(11,194)	(2,926)	(2,517)				(26,955)
Impairment			(749)						(749)
Net Book Value 31 March 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:

	2007/08	2006/07
	£000	£000
Opening Capital Financing Requirement	327,109	319,143
Capital Investment		
Operational assets	36,083	53,702
Non operational assets	804	2,239
Deferred Charges	4,947	4,437
Sources of finance		
Capital Receipts	(1,515)	(3,618)
Government grants and other contributions	(22,460)	(19,252)
Sums set aside from revenue	(13,956)	(29,542)
Closing capital financing requirement	331,012	327,109
Explanation of Movement		
Increase in government supported borrowing	5,124	5,509
Increase in unsupported borrowing	3,378	6,452
Reduction in debt financed from revenue	(4,599)	(3,995)
Increase/decrease in capital financing requirement	3,903	7,966

Note 12: Deferred Charges – Capital and Revenue

In 2007/08 all expenditure on capital deferred charges was written out in the year. In addition, the balance of deferred charges brought forward from 2006/07 of £827k was written out of the balance sheet. This was treated as a prior year adjustment and the opening balances for 2007/08 adjusted accordingly.

	Debt Restructuring	Improve ment	Capitalised Redundancy/	Other Grants	Total
	£000	£000	£000	£000	£000
Balance as at 1/4/07	3,980	0	0	0	3,980
Expenditure 2007/08	0	3,807	1,105	35	4,947
Amortised 2007/08	(1,197)	(3,807)	(1,105)	(35)	(6,144)
Balance as at 31/3/08	2,783	0	0	0	2,783

Revenue deferred charges represent discounts and premiums on early redemption of debt. These are being written off over appropriate periods, taking into account of their associated economic benefits; and are shown in the Financial Instruments Adjustment Account.

Note 13: Capital Commitments

Major commitments under capital contracts at 31 March 2008 relate to the following schemes:

		2007/08	2006/07
		£000	£000
Housing Schemes	Ivybridge Regeneration	232	155
	Convent Way Regeneration	0	461
	Other	0	347
Housing General Fund	Heatstreets	0	465
SMPP	London Road Bus Priority	0	245
H&CS	Clifton Gardens Dementia Unit		550
CS&LL	Heathland School	149	0
	Feltham Community	198	0
	Isleworth & Syon	296	0
	South Isleworth	114	0
	Hounslow Town	394	0
	Dukes Meadow	502	0
CED	Lampton Park Conference Centre	0	150
	New IT system for HR/Payroll	0	350
		1,885	2,723

Note 14: Tangible Fixed Assets

Major fixed assets are as follows:

Assets	31-Mar-08	31-Mar-07
Childrens' Services and Lifelong Learning		
Primary and Nursery Schools	59	60
Secondary Schools	14	14
Special Schools	4	5
Education Centres (incl. Youth Centres)	9	8
Community Sports Halls	1	1
Residential and Day Care Establishments	7	7
Housing and Community Services		
Residential and Day Care Establishments	23	23
Community Centres	9	9
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	2	2
Arts and Craft Centre	1	1
Public Halls	5	5
Other		
Council Offices	2	2
Off Street Car Parks	20	20
Markets	1	1
Asian Women's Centre	1	1
Council Dwellings		
Houses and Bungalows	4,208	4,213
Flats/ Maisonettes	9,350	9,366

Parks and Open Spaces	705 hectares	705 hectares
Cemeteries and Allotments	92 hectares	92 hectares
Infrastructure		
Roads	435.5 km	433.2 km

Note 15: Leases

The Authority holds vehicles and a financial management system under finance leases, with charges amounting to £356k for the year (£385k 2006/07). The Authority also leases vehicles and computer equipment under operating leases, paying in total £925k in 2007/08 (£1.8m 2006/07).

The outstanding liability for the capital value of these leases at 31 March 2007 is £646k (£959k 2006/07).

Future payments required under these leases are as follows:

	31-Mar-08	31-Mar-07
Commitment expires	£000	£000
within one year	879	1,099
between second and fifth year	626	1,440
over five years	0	0
Total outstanding commitments	1,505	2,539

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 9.

Note 17: Intangible Assets

The council installed a replacement financial ledger 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.

	2007/08	2006/07
	£000	£000
Balance at 1 April	815	889
Expenditure in year	54	104
Amortisation	(198)	(178)
Balance at 31 March 2008	671	815

Note 18: Analysis of Net Assets Employed

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

	2007/08	2006/07
	£000	£000
General Fund	713,784	630,694
Housing Revenue Account	456,282	428,511
Collection Fund	(3,333)	(1,641)
Total	1,166,733	1,057,564

Note 19: Associated Companies

Details of this Authority's subsidiaries are set out in the Group Accounts on pages 45-50. 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 2007/08. 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 2007/08 the Authority paid £107k to Locata Ltd (£174k 2006/07). The company's accounts have not been consolidated into the Authority's accounts.

A copy 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 2008 the Council had debts over 365 days of:

	31-Mar-08	31-Mar-07
	£000	£000
Mortgages		
Council house sales	318	418
Local Authorities: Recoupment	9	10
	327	428
Other		
Car loans to employees	84	131
Loans to organisations and deferred debtors	1,139	942
Loans for adaptations	88	98
Loan to Hounslow Homes	250	250
	1,561	1,421
	1,888	1,849

And short term debtors of:

	31-Mar-08	31-Mar-07
	£000	£000
Housing Rents	4,702	4,964
Government Departments	38,723	32,554
Local Authorities: Recoupment	1,073	1,132
Local Authorities: Other	4,984	5,046
Non Domestic Rate arrears	7,847	10,340
Council Tax arrears	32,545	28,250
Sundry Debtors	33,653	26,204
Payments in advance	2,199	2,486
Sub Total	125,726	110,976
Less: Provision for Doubtful Debts	(42,636)	(38,966)
Total	83,090	72,010

Note 21: Creditors

	31-Mar-08	31-Mar-07
	£000	£000
Government Departments	12,385	8,743
Local Authorities: Recoupment	2,850	2,284
Local Authorities: Other (excluding NHS)	7	8
Sundry Creditors	78,064	61,267
Non Domestic Rate prepayments	13,293	14,529
Council Tax prepayments	6,712	4,068
Receipts in advance	28,251	9,517
Total	141,562	100,416

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. The investments, lending & borrowing disclosed in the balance sheet are made up of the following categories of “financial instruments”.

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

NOTES

1. Since the balances at 31.03.07 are not reclassified into the SORP 2007 categories, only the total borrowing and investment figures are shown in the table above (see introduction).

2. LOBOs of £5m have been included in long-term borrowing but have a call date in the next 12 months.

The above long term figures are based on para B12 of SORP 2007, which states that in undertaking EIR calculations the maturity period for a LOBO should be taken as being the contractual period to maturity.

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:

	Liabilities measured at amortised cost £000	Financial Assets Loans and receivables £000	Total £000
Interest expense	(14,466)	0	(14,466)
Interest income	0	3,387	3,387
Net income/(expenditure) for the year	(14,466)	3,387	(11,079)

Comparable figures are not available for 2006/07 due to the change in accounting standards.

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. We have not calculated fair values as at 31.03.07.

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.

Our 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 064/08.
- 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.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values 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-08		31-Mar-07	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Public Works Loan Board	194,093	220,241	191,937	209,866
LOBOs	47,102	47,407	47,000	N/A
Finance Lease	514	514	828	N/A
Short term borrowing	175	175	15,335	N/A
Financial liabilities	241,884	268,337	255,100	209,866

NOTE. As a result of changes in accounting policy, premiums and discounts existing as at 31.3.07 were re-examined and £1.8m of premiums were used to adjust the carrying value of the instrument, resulting in a net decrease in the total Balance Sheet value at 1.4.07 of £1.5m. The carrying amount of financial liabilities as at 31.03.08 was £241.8m.

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-08		31-Mar-07	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Deposits with banks and building societies	43,046	43,046	10,000	N/A
Financial assets	43,046	43,046	10,000	N/A

The fair value is the same as the carrying amount because the Councils portfolio of investments comprises only short-term fixed interest deposits at the Balance Sheet date, with a latest maturity of 30 July 2008.

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 £10m and a limit on the maximum size of one transaction in placing a deposit of £10m.

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-08	31-Mar-07
	£000	£000
Between 1 and 2 years	962	1,304
Between 2 and 5 years	10,946	8,765
Between 5 and 10 years	58,812	61,731
More than 10 years	168,722	167,673
Long Term Borrowing	239,442	239,473
Less than 1 year	1,479	15,627
Total	240,921	255,100

In the more than 10 years category there are £5m of LOBOs that have a call date in the next 12 months.

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 £70m 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 2008, 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	(20)
Increase in interest receivable on variable rate investments	569
Increase in government grant receivable for financing costs	606
Impact on Income and Expenditure Account	1,155
Share of overall impact accruing to the HRA	778
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	64
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 2008

	Transfers In	Transfers Out	31-Mar 2008	31-Mar 2007
	£000	£000	£000	£000
Provisions for Insurance Claims	1,291	1,005	3,219	2,933
Provision for Redundancy	2,750	0	2,750	0
Other Provisions	1,910	395	2,448	933
Total Provisions	5,951	1,400	8,417	3,866

The 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 maximum liability of the provision for this policy year for this risk is £3m. 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.

An additional provision was set up in 2008 for redundancy costs. As part of the Improvement Plan there will be a reduction in the number of employees through voluntary redundancy, deletion of vacant posts, and where necessary compulsory redundancies. The provision of £2.75m covers both statutory and enhanced redundancy costs which will be payable in 2008/09.

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 £311k (444k 2006/07) 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 2007/08 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.

	Gains/ Losses	Transfers to/from reserves	Other Move- ments	31-Mar-08	31-Mar-07
	£000	£000	£000	£000	£000
General Fund Non Earmarked	1,867	(2,576)	0	8,938	8,229
Schools balances	0	(1,766)	0	15,228	13,462
Collection Fund	1,691	0	0	(3,333)	(1,642)
Special Contingency	0	(4,237)	0	7,264	3,027
Other general fund reserves	0	(1,299)	0	6,371	5,072
Total General Fund	3,558	(9,878)	0	34,468	28,148
IT Development Fund	0	0	0	1,982	1,982
Market Building Repair Fund	0	71	0	155	226
Repairs and Renewals	0	73	(225)	3,900	3,748
Community Care Reserve	0	0	0	1,697	1,697
Modernisation Reserve	0	(962)	0	3,891	2,929
Other Earmarked Funds	0	1,102	0	2,159	3,261
Total Earmarked	0	284	(225)	13,784	13,843
HRA Balance	0	(3,693)	0	10,650	6,957
District Heating	0	(124)	0	1,504	1,380
Major Repairs Reserve	0	(4,804)	0	4,804	0
Major Works Reserve	0	(190)	0	572	382
Total HRA	0	(8,811)	0	17,530	8,719
Revaluation Reserve	(40,218)	745	0	39,473	0
Capital Adjustment Account	0	13,413	(114)	1,209,692	1,222,991
Financial Instruments Account	(1,197)			(2,783)	(3,980)
Capital Receipts & Allowances	0	(999)	0	5,293	4,294
Pension Fund	(70,976)	5,246		(150,724)	(216,454)
Total Capital Reserves	(112,391)	18,405	(114)	1,100,951	1,006,851
Total Reserves	(108,833)	0	(339)	1,166,733	1,057,561

Note 25: Authorisation of Accounts

The Acting Director of Finance will authorise the Accounts for issue on or before 30th September 2008. 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 45-50. In addition, the Council administers a number of other small Trust Funds, the most significant of which are:

- **Hayburn Bequest** – was established when a property was bequeathed for the provision of social housing. The Trust spent £175k in year. As at 31 March 2008 it had assets of £12k with net income of £10k from investments during the year.
- **The Thomas Layton Collection** – established under the Will of the late Thomas Layton (who died in 1911) 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 2007 the Trust had funds of £127k. Expenditure in 2007 amounted to £16k.

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 £15.2m.

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 2007/08 the Authority paid an employer's contribution of £18.8m (£16.8m 2006/07) into the Pension Fund representing 21.54% of pensionable pay and added years benefits of £1.2m (£1.3m 2006/07).

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	2007/08	2006/07
	£000	£000
Net Cost of Services		
Current Service Cost	(17,966)	(18,600)
Past Service Cost	(3)	(28)
Settlement/curtailments	(358)	(252)
Net Operating Expenditure	(18,327)	(18,880)
Expected Return on Pension Scheme Assets	24,524	23,212
Interest on Pension Scheme Liabilities	(31,469)	(30,181)
Net charge to the Income & Expenditure Account	(25,272)	(25,849)

Movement on Statement of Movement on	2007/08	2006/07
General Fund Balances	£000	£000
Reversal of net charges made for retirement benefits in accordance with FRS17	(25,272)	(25,849)
Employers contributions payable to the scheme	20,026	19,046
Net charge to the Statement of Movement on General Fund Balance	(5,246)	(6,803)

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-08			31-Mar-07		
	LBH Pension Fund	LPFA Pension Fund	Total	LBH Pension Fund	LPFA Pension Fund	Total
	£m	£m	£m	£m	£m	£m
Estimated Liabilities	527.0	6.4	533.4	626.2	7.2	633.4
Estimated Assets	377.6	5.1	382.7	411.6	5.4	417.0
Net Liability	149.4	1.3	150.7	214.6	1.8	216.4

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 2007/08 these amounted to £8.3m. The updated information at 31st March 2008 sets the deficiency at £149.4m.

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-08		31-Mar-07	
	LBH Fund % per annum	LPFA Fund % per annum	LBH Fund % per annum	LPFA Fund % per annum
Rate of Inflation	3.7	3.6	3.3	3.2
Rate of Increase in salaries	5.2	5.1	5.1	4.7
Rate of Increase in pensions	3.7	3.6	3.3	3.2
Rate of Discount	6.6	6.9	5.4	5.4

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:

Actuarial Gains and Losses

	LBHounslow Fund				LPFA Fund			
	Proportion of Fund		Rate of Return		Proportion of Fund		Rate of Return	
	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar	31-Mar
	2008	2007	2008	2007	2008	2007	2008	2007
	%	%	%	%	%	%	%	
Equities	64.7	66.4	7.1	7.2	12.0	14.5	7.7	7.8
Gilts	17.8	14.3	4.3	4.4	0.0	0.0		
Property	6.1	5.9	6.6	6.7	0.0	0.0		
Bonds	0.0	0.4		5.4	0.0	0.0		
Cash	11.4	13.0	5.0	5.0	2.0	1.7	4.8	4.9
Cash Flow Matching	0.0	0.0			86.0	83.8	4.5	4.5

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

LBH FUND	31-Mar-04	31-Mar-05	31-Mar-06	31-Mar-07	31-Mar-08
	£000	£000	£000	£000	£000
Actual Return Less Expected Return on Assets	27,158	18,895	49,662	10,078	(23,412)
Experience Gains and Losses Arising on Liabilities	0	22,198	(7,086)	0	12,484
Changes in Assumptions Underlying the Present Value of Liabilities	(8,165)	(5,394)	(54,978)	22,677	81,328
Actuarial Gains/Losses	18,993	35,699	(12,402)	32,755	70,400

LPFA FUND	31-Mar-04	31-Mar-05	31-Mar-06	31-Mar-07	31-Mar-08
	£000	£000	£000	£000	£000
Actual Return Less Expected Return on Assets	233	36	237	0	45
Experience Gains and Losses Arising on liabilities	0	(719)	(18)	(9)	820
Changes in Assumptions Underlying the Present Value of Liabilities	(18)	(404)	(204)	89	(289)
Actuarial Gains/Losses	215	(1,087)	15	80	576

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 2007/08 the Authority paid £10.5m (£9.9m 2006/07) to the DCFS in respect of teachers' pension costs, which represents 14.1% of teachers pensionable pay. In addition, the Authority is responsible for all pension payments relating to added years it has awarded, together with the related increases, amounting to £0.3m in 2007/08 (£0.3m 2006/07) equivalent to 0.4% of pensionable pay.

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:

	2007/08	2006/07
	£000	£000
(Surplus) / Deficit on		
General Fund	(8,011)	(1,158)
Collection Fund	1,691	(1,752)
Housing Revenue Account	(3,693)	3,614
Other Reserves	(5,056)	8,421
Net (Surplus)/Deficit on Revenue Accounts	(15,069)	9,125
Adjustments for non cash transactions		
Housing capital pool	0	3,844
Capital Financing Adjustments	(31,254)	(31,159)
FRS17 Pension costs	(5,246)	(6,802)
Provisions	(4,551)	(137)
Deferred Grants	3,273	0
Transfers to/from other reserves	18,405	3,052
Debtors	14,792	(19,782)
Creditors	(24,636)	6,100
Stock	(198)	49
Less Net Cash Outflow from Servicing of Finance	(13,069)	(15,150)
Net Cash Inflow from Revenue Activities	(57,553)	(50,860)

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

	2007/08	2006/07
	£000	£000
Net Debt as at 1 April	246,147	248,893
Net Debt as at 31 March	198,011	246,147
Increase in Net Debt	(48,136)	(2,746)
Represented by:		
Repayment of amounts borrowed	(131,982)	(194,204)
New loans raised	116,216	198,294
(Increase)/Decrease in short term deposits	(32,800)	(3,700)
(Increase)/Decrease in cash	(1,874)	(1,681)
Adjustment to carrying amount of borrowing regarding premiums	67	(1,455)
Accrued interest	2,237	0
Total	(48,136)	(2,746)

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 1/4/07	10,000	(15,627)	(239,473)	(245,100)
Increased Deposits	33,046	0	0	33,046
Loans falling due within one year	0	(1,304)	1,304	0
New Loans raised	0	(116,216)	(2,237)	(118,453)
Loans repaid	0	131,668	0	131,668
Balance at 31/3/08	43,046	(1,479)	(240,406)	(198,839)

Note 34: Other Government Grants Receivable

These can be analysed (reflecting grants due but not necessarily received in the year) as follows:

	2007/08	2006/07
	£000	£000
Children's Services & Lifelong Learning	184,463	170,256
Housing and Community Services	102,475	96,324
Housing Revenue Account	4,623	5,763
Chief Executive's Directorate	27,957	20,110
Street Management and Public Protection	593	700
Total	320,111	293,153

Note 35: Single European Currency

The Accounting Code of Practice requires the Authority to disclose any action taken in respect of the single European Currency. The Authority has in place a Euro bank account in which payments are received and continues to prepare for the possible introduction of the single European Currency. Costs and work have been kept to a minimum until such times as a firmer timescale for the introduction of the single European currency are established.

Note 36: Dedicated Schools Grant

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. 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.

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Original grant allocation to Schools Budget for the current year in the authority's budget	17,216	127,058	144,274
Adjustment to finalised grant allocation	1,124	0	1,124
DSG Receivable for the year	18,340	127,058	145,398
Actual expenditure in year	17,256	124,780	142,036
(Over)/Under spend for the year	1,084	2,278	3,362
Use of Schools Balances	0	(2,520)	(2,520)
(Over)/Underspend from prior year	560	0	560
(Over)/Underspend carried forward	38	(242)	1,402

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 2007/08 the turnover of Hounslow Homes amounted to £45.6m. 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 accounts.

	2007/08 £000	2006/07 £000	Notes
Dwelling rents	52,834	49,484	1
Non-dwelling rents	1,704	1,686	
Charges for services and facilities	5,087	5,296	
Lessees' contributions towards expenditure	3,312	3,330	
HRA subsidy	4,623	5,763	6
Total Income	67,560	65,559	
Repairs and maintenance	12,226	16,056	
General management	12,541	13,765	
Special services	11,424	11,840	
Rents, Rates, Taxes and Other Charges	903	785	
Provision for bad and doubtful debts	826	(35)	7
Depreciation of Fixed Assets	11,679	11,120	5
Debt Management costs	86	127	
Total Expenditure	49,685	53,658	
HRA Net Income from Services	(17,875)	(11,901)	
Interest payable and similar charges	14,982	14,209	
Interest and Investment income	(1,035)	(774)	
(Surplus)/deficit for the year	(3,928)	1,534	

STATEMENT OF MOVEMENT ON HRA BALANCE

	£000	£000
(Surplus)/deficit for the year	(3,928)	1,534
Additional Items required by statute and non-statutory proper practices to be taken into account in determining the movement on the HRA Balance		
Capital Expenditure funded by HRA	390	2,112
Transfer from Major Repairs Reserve	(1,569)	(1,170)
Transfer to Major Works Reserve	1,290	1,152
Net contribution to/(from) District Heating Reserve	124	(14)
Sub-total	(3,693)	3,614
Balance brought forward	(6,957)	(10,573)
Balance carried forward	(10,650)	(6,959)

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 2007/08 1.35% (1.43% 06/07) of lettable properties were vacant.

Note 2: Housing Stock

The Authority was responsible for managing on average 13,569 dwellings during 2007/08 (13,650 06/07). The stock numbers at the year-end were made up as follows:

	2007/08	2006/07
	Number	Number
Houses/Bungalows	4,208	4,213
Flats/Maisonettes	9,350	9,366
Stock as at 31 March	13,558	13,579

The change in stock can be summarised as follows:

	2007/08	2006/07
	Number	Number
Stock at 1 April	13,579	13,720
Less: Sales	(21)	(30)
Less: Demolitions, Conversions etc.	0	(41)
Less: Demolitions, Conversions etc re 05-06 not previously reported	0	(70)
Stock as at 31 March	13,558	13,579

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:

	2007/08	2006/07
	£000	£000
Operational Assets		
Dwellings	834,236	811,875
Other land and buildings	12,636	12,545
Non-operational Assets		
Other land and buildings	4,053	4,053
Total	850,925	828,473

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.

	2007/08	2006/07
	£000	£000
Balance as at 1 April	0	10,676
Amount transferred in	11,679	11,120
Amount transferred out	(1,569)	(1,170)
Amount in respect of capital expenditure:		
Houses	(5,307)	(20,626)
Balance as at 31 March	4,803	0

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.

	2007/08			2006/07		
	Houses	Other Property	Total	Houses	Other Property	Total
	£000	£000	£000	£000	£000	£000
Borrowing	1,589	831	2,420	0	2,822	2,822
Usable capital receipts	789	0	789	0	93	93
Revenue contributions	0	390	390	0	2,111	2,111
Leaseholder reserves	646	228	874	71	2,685	2,756
Major Repairs Reserve	4,649	616	5,265	20,626	0	20,626
Section 106	0	0	0	70	10	80
Grants/other contributions	451	218	669		264	264
Capital payments on a cash basis	8,124	2,283	10,407	20,767	7,985	28,752
Accruals Adjustment	544	119	663	0	0	0
Expenditure in Year	8,668	2,402	11,070	20,767	7,985	28,752

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.

	2007/08	2006/07
	£000	£000
Sale of 6x houses (15 in 2006/07) & 15x flats (15 in 2006/07)	3,203	4,429
Land Sales	0	10
Other receipts	122	871
Total	3,325	5,310

Note 5: Depreciation

Depreciation on dwellings and other assets is charged to operational expenditure as set out on Page 9. An amount equal to the depreciation on dwellings is then set-aside in the Major Repairs Reserve in order to fund major repairs as set out in Note 3.

	2007/08	2006/07
	£000	£000
Houses	10,110	9,950
Operational assets	1,569	1,170
Expenditure in Year	11,679	11,120

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-08	31-Mar-07
	£000	£000
Management and maintenance	25,521	25,020
Charges for capital	10,914	10,340
Admissible Allowance	0	42
ALMO Allowance	7,976	7,976
Rental Constraint Allowance	495	0
Notional rent	(50,504)	(47,504)
Interest on receipts	(33)	(44)
Major repairs allowance	10,110	9,951
Prior year adjustment	144	(18)
Total	4,623	5,763

Note 7: Rent Arrears

The gross rent arrears at the 31 March 2008 was £3.0m (£3.1m 2006/07). 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 £2.38m at 31 March 2008 (£2.19m 31 March 2007).

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 2007/08 expenditure of £2.374m was financed by customer and client receipts of £2.525m and there was a contribution to the district heating reserve of £124k (see Note 24 to the main statements).

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 2007/08, £1.29m was transferred in to the fund and £1.1m was utilised to fund the capital programme. The remaining balance will be used to fund the capital programme in 2008/09 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 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 2008

	2007/08	2006/07	Note
	£000	£000	
Income from Council Tax Payers	118,961	115,304	1
Income from Non-Domestic Rates	107,365	112,305	2
Total Income	226,326	227,609	
Precepts and Demands	117,539	115,900	3
Estimated surplus/(deficit) adjustments	(687)	(3,048)	4
Provision for uncollectable amounts	3,800	700	
Payment to NDR Pool	106,942	111,893	2
NDR cost of collection	423	412	
Total Expenditure	228,017	225,857	
Increase/(Decrease) in Fund Balance for the year	(1,691)	1,752	
Fund Balance brought forward	(1,642)	(3,394)	
Fund Balance carried forward	(3,333)	(1,642)	

Note 1: Council Tax

The Council Tax Base set by the Authority for 2007/08 was 84,285.88, approved by Executive on 27th January 2007. 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	1,035	690	929.69
Band B	6,935	5,394	1,084.63
Band C	19,896	17,685	1,239.59
Band D	31,780	31,780	1,394.53
Band E	12,815	15,663	1,704.43
Band F	4,817	6,957	2,014.32
Band G	3,458	5,764	2,324.22
Band H	720	1,440	2,789.06
Relevant Amount		85,373	
Adjusted for Collection Rate 98.6%		84,178	
Defence Property		108	1,394.53
Total	81,456	84,286	

Actual collectable income from Council Tax was:

	2007/08	2006/07
	£000	£000
Billed to Tax Payers	99,890	96,035
Council Tax Benefit Paid by General Fund	19,071	19,269
Total Income	118,961	115,304

The cumulative arrears of Council Tax including costs at 31 March 2008 were £32,546k and £293k 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 44.4p (2006/07 43.3p) 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 2008 was £333m. 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 on the basis of a fixed amount per head of adult population.

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

	2007/08	2006/07
	£000	£000
NNDR Bills Issued	107,479	112,400
Discretionary Reliefs and Remissions	(361)	(348)
General Fund Contribution to Reliefs and Remissions	247	253
Debts Written Off or provided for	0	0
Net NDR Income	107,365	112,305
Cost of Collection Allowance	(423)	(412)
Total	106,942	111,893

Note 3: Precepts and Demands

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

	2007/08	2006/07
	£000	£000
London Borough of Hounslow	91,926	91,648
Greater London Authority	25,613	24,252
Total	117,539	115,900

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.

	2007/08	2006/07
	£000	£000
London Borough of Hounslow	(543)	(2,460)
Greater London Authority	(144)	(588)
Total	(687)	(3,048)

GROUP ACCOUNTS

The 2003 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 of the local authority group. There are three organisations that the Authority considers fall within the legal definitions of group. These are:

- Hounslow Homes Ltd
- David Henry Waring Home Trust
- 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 2007/08 is set out below:

David Henry Waring Home Trust – providing 26 units of sheltered accommodation. At 31 March 2008, net current assets amounted to £1.8m and expenditure in 2007/08 was £141k 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 2008 the Trust had investments valued at £4m, the income from these being used to finance expenditure on the park of £222k in 2007/08.

Hounslow Homes - The Authority transferred responsibility for the management of its housing stock to Hounslow Homes on 1st April 2002. In 2007/08 the turnover of Hounslow Homes amounted to £45m (£183k outside the group) and net liabilities were valued at £3.6m 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 2007/08 of the group including subsidiaries before consolidation was as follows:

(Surplus)/Deficit	2007/08	2006/07
	£000	£000
London Borough of Hounslow	1,867	14,067
Hounslow Homes	72	221
David Henry Waring Home Trust	(5)	6
Bedfont Lakes Trust	(73)	(21)
Total group (surplus)/deficit in year	1,861	14,273

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 2007/08 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.

	2007/08		2006/07	
	Expenditure	Income	Net	Net
	£000	£000	Expenditure	Expenditure
	£000	£000	£000	£000
Central Services to the Public	31,540	(27,279)	4,261	4,891
Cultural, Environmental and Planning Services	47,493	(12,849)	34,644	30,882
Education & Children's Services	248,217	(201,772)	46,445	47,942
Highways, Roads and Transport Services	26,738	(13,493)	13,245	13,462
Housing Services	167,072	(181,479)	(14,407)	(3,375)
Adult Social Care	87,281	(30,484)	56,797	55,712
Law and Order*	16	(1)	15	10
Corporate and Democratic Core	6,662	(15)	6,647	7,451
Non-distributed costs	5,363	0	5,363	2,281
Net Cost of Services	620,382	(467,372)	153,010	159,256
Gain or loss on disposal of fixed assets	0	0	0	0
Precepts and Levies	6,263	0	6,263	5,724
Surplus from Trading Operations	23,788	(24,450)	(662)	(1,100)
Interest payable and Similar Charges	17,605	0	17,605	16,947
Contribution to Housing Pooled capital receipt	2,409	0	2,409	3,884
Interest and Investment Income	0	(4,851)	(4,851)	(2,099)
Pension interest cost & return on assets	7,037	0	7,037	6,767
Corporation Tax	539	0	539	(81)
Net Operating Expenditure	678,023	(496,673)	181,350	189,298
Transfers (From) / To the Collection Fund in Respect of Surpluses / Deficits	0	(91,383)	(91,383)	(89,187)
Government grants not attributable to specific services	0	(88,106)	(88,106)	(85,838)
Net General Fund (Surplus) / Deficit	678,023	(676,162)	1,861	14,273

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007/08	2006/07
	£000	£000
Surplus or deficit on the Income and Expenditure Account	1,861	14,273
Surplus or deficit on the Collection Fund	1,691	(1,752)
Surplus or deficit arising on revaluation of fixed assets	(39,683)	(41,071)
Actuarial gains and losses on pension fund assets and liabilities	(71,694)	(35,136)
Surplus on Financial Instruments Account	(1,197)	(1,375)
Reversal of deferred tax	948	0
Total recognised gains and losses for the year	(107,825)	(65,061)

The movement on reserves not represented by the STRGL relate to contributions of £339k to reserves from trading services in the London Borough of Hounslow

GROUP BALANCE SHEET AS AT 31 MARCH 2008

	2007/08			2006/07
	LBH £000	Subsidiaries £000	Group £000	Group £000
Operational Assets				
Intangible Assets	671	0	671	815
Council Dwellings	834,236	0	834,236	811,875
Other Land and Buildings	733,394	1,487	734,881	734,589
Vehicles, Plant & Equipment	18,820	0	18,820	14,961
Infrastructure Assets	90,005	0	90,005	85,981
Community Assets	6,113	0	6,113	5,918
Non Operational Assets				
Non Operational Assets	39,199	0	39,199	26,721
Investment Properties	2,346	107	2,453	53
Net Fixed Assets	1,724,784	1,594	1,726,378	1,680,913
Long Term Investments	9	4,510	4,519	5,030
Long Term Debtors	1,638	0	1,638	1,594
Total Long Term Assets	1,726,431	6,104	1,732,535	1,687,537
Current Assets				
Stocks & Work In Progress	283	153	436	650
Debtors net of Bad Debt Provision	72,339	2,281	74,620	68,000
Short Term Deposits	43,046	1,824	44,870	11,774
Cash	5,742	976	6,718	6,218
	121,410	5,234	126,644	86,642
Current Liabilities				
Creditors	130,003	2,635	132,638	97,682
Temporary Borrowing	1,479	0	1,479	15,627
Bank Overdraft	4,915	0	4,915	4,834
	136,397	2,635	139,032	118,143
Net Current Assets / (Liabilities)	(14,987)	2,599	(12,388)	(31,501)
Provisions	8,417	1,255	9,672	4,916
Long Term Borrowing	240,406	0	240,406	239,473
Government Grants deferred	144,606	0	144,606	129,258
Pension schemes liability	150,724	3,845	154,569	219,905
Total Net Assets	1,167,291	3,603	1,170,894	1,062,484
Representing				
Deferred Capital Receipts	403	0	403	515
Revaluation Reserve	39,473	0	39,473	(5)
Capital Adjustment Account	1,209,692	0	1,209,692	0
Financial Instruments Adjustment	(2,783)	0	(2,783)	(3,980)
Other Capital Reserves	2,466	0	2,466	1,223,303
Useable Capital Receipts	2,423	0	2,423	4,534
Pensions reserve	(150,724)	(3,845)	(154,569)	(220,068)
Revenue Balances				
Collection Fund	(3,333)	0	(3,333)	(1,642)
General Fund Balances	37,803	3,056	40,859	35,759
Housing Revenue Account	10,650	0	10,650	6,959
Other Earmarked Reserves	20,663	4,950	25,613	17,109
Total Capital and Revenue Reserves	1,166,733	4,161	1,170,894	1,062,484

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	2007/08	2006/07
Revenue Activities	£000	£000
Net Cash Inflow from Revenue Activities	(56,158)	(44,100)
Servicing of Finance		
Interest paid	17,597	17,246
Interest received	(4,350)	(1,744)
Net Cash Outflow from Servicing of Finance	13,247	15,502
Capital Activities		
Purchase of Fixed Assets	37,208	55,893
Other Capital Cash Payments	47	4,446
	37,255	60,339
Sale of Fixed Assets	(3,969)	(5,220)
Capital Grants Received	(39,292)	(20,670)
Other Capital Cash Receipts	0	(4,731)
	(43,261)	(30,621)
Net Cash Outflow from Capital Activities	(6,006)	29,718
Net Cash Outflow/(Inflow) before financing	(48,917)	1,120
Management of Liquid Resources	0	0
Net increase/(decrease) in short term deposits	33,046	3,700
Financing	0	0
Repayment of amounts borrowed	131,668	193,881
New loans raised	(116,216)	(198,294)
	15,452	(4,413)
Net (Increase)/Decrease in Cash	(419)	407

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 £557k)
- Inclusion of David Henry Waring Home in Adult Social Care (net cost £85k)
- Inclusion of Bedfont Lakes in Cultural & Environmental Services (net income £4k)
- 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	2007/08			2006/07
	LBH	HH	Total	Total
	£000	£000	£000	£000
Net Cost of Services				
Current Service Cost	(17,966)	(3,003)	(20,969)	(22,102)
Past Service Cost	(3)	0	(3)	(28)
Settlement/curtailments	(358)	(443)	(801)	(486)
Net Operating Expenditure	(18,327)	(3,446)	(21,773)	(22,616)
Expected Return on Pension Scheme Assets	24,524	3,056	27,580	25,994
Interest on Pension Scheme Liabilities	(31,469)	(3,148)	(34,617)	(32,761)
Net charge to the Income & Expenditure Account	(25,272)	(3,538)	(28,810)	(29,383)

Movement on General Fund Balances	2007/08			2006/07
	LBH	HH	Total	Total
	£000	£000	£000	£000
Reversal of net charges made for retirement benefits in accordance with FRS17	(25,272)	(3,538)	(28,810)	(25,550)
Employers contributions payable to the scheme	20,026	3,048	23,074	22,281
Movement on General Fund Balance	(5,246)	(490)	(5,736)	(3,269)

The assets and liabilities at 31st March 2008 as estimated by the Actuary Barnett Waddingham were:

	31-Mar-08			31 Mar 07
	Hounslow		Total	Total
	LBH Pension Funds	Homes	Total	Total
	£m	£m	£m	£m
Estimated Liabilities	533.4	52.1	585.5	687.2
Estimated Assets	382.7	47.8	430.5	467.3
Net Liability	150.7	4.3	155.0	219.9

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-08				31 Mar 07	
	LB Hounslow	Hounslow Homes	DHW	Bedfont Lakes	Total	Total
	£000	£000	£000	£000	£000	£000
Sundry Debtors	23,164	318	36	123	23,641	22,194
Sundry Creditors	66,505	2,163	22	4	68,694	58,532

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. 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 2008

	2007/08 £000	2006/07 £000	Notes
Income			
Contributions			
Employers	24,858	23,176	13
Employees	7,272	6,661	13
Transfers from other schemes	2,336	4,238	
Total Income	34,466	34,075	
Expenditure			
Benefits payable:			13
Pensions	17,416	15,818	
Lump sums	4,415	2,884	
Death Benefits	614	462	
Refunds	114	32	
Transfers to other schemes	5,312	2,669	
Administrative Expenses	1,194	1,054	2
Other	108	23	
Total Expenditure	29,173	22,942	
Net additions (withdrawals) from dealing with members	5,293	11,133	
Returns on Investments			
Investment income	16,301	12,314	3
Change in market value of realised and unrealised investments	(10,706)	20,049	
Investment management expenses	(741)	(538)	
Property expenses	(179)	(151)	
Net returns on investments	4,675	31,674	
Net increase (decrease) in the Fund during the year	9,968	42,807	
Opening net assets of the scheme at 1 April	451,083	408,276	
Closing net assets of the scheme at 31 March	461,051	451,083	

NET ASSETS STATEMENT AS AT 31 MARCH 2008

	2007/08 £000	2006/07 £000	Notes
Investments			
Equity investments	260,493	271,008	4
Fixed equity securities	38,923	57,495	5
Unit trusts	109,528	62,380	6
Property	25,301	25,420	7
Private equity	7,333	5,749	
Short term deposits	16,930	26,267	
Total Investments	458,508	448,319	
Current Assets and Current Liabilities			
Debtors	0	0	
Balance due from General Fund	2,604	2,895	
Creditors	(61)	(131)	8
Net Current Assets	2,543	2,764	
Net Assets	461,051	451,083	

NOTES TO THE PENSION FUND ACCOUNTS 2007/08

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 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 mid market price at the close of business on 31 March 2008.
- 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 mid point of the latest prices quoted by their respective managers prior to 31 March 2008.
- Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2008.
- 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 2008 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 2009 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: Administration

	2007/08	2006/07
	£000	£000
Scheme Administration	1,095	1,048
Actuary Fees	17	6
Annual Meeting and Report	82	0
Total costs	1,194	1,054

Note 3: Investment Income

	2007/08	2006/07
	£000	£000
Currency Profit / (Loss)	(199)	(91)
Interest	645	1,611
Dividends	14,285	9,235
Rents	1,570	1,558
Underwriting Commission	0	0
	16,301	12,313

Note 4: Equity Investments

	31-Mar-08	31-Mar-07
	£000	£000
UK Investments (listed)	153,850	178,023
Overseas Investments (listed):		
North America	30,998	24,335
Japan	10,112	10,836
Europe	45,631	38,738
Other	19,902	19,076
	260,493	271,008

Note 5: Fixed Interest Securities

	31-Mar-08	31-Mar-07
	£000	£000
UK Securities		
Government Bonds	26,248	34,375
Government Indexed Linked	12,675	19,042
Other fixed interest stocks	0	886
Overseas Securities	54	3,192
	38,923	57,495

Note 6: Unit Trusts

	31-Mar-08	31-Mar-07
	£000	£000
UK Unit Trusts		
Cash Fund	33,299	22,114
Bond Fund	19,655	
Index Linked	15,552	7,323
Mid Cap Companies	2,573	2,654
Property	505	577
Overseas Unit Trusts		
Fixed Interest	10,028	2,643
Equity	27,916	27,069
	109,528	62,380

Note 7: Property

	31-Mar-08	31-Mar-07
	£000	£000
UK Property Investments: Freehold	25,301	25,420
	25,301	25,420

Note 8: Creditors

Creditors represent those sums of money owed by the Pension Fund for fund management services received during 2007/08 but for which payment had not been made by 31 March 2008.

Note 9: 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 10: Membership of the Fund

The following summarises the membership of the Pension Fund as at 31 March 2008:

	31-Mar-08	31-Mar-07
Contributors	5,820	5,888
Pensioners	4,621	4,454
Deferred Pensioners	4,916	4,699
Total	15,357	15,041

Note 11: Investment Activity

During the year the following transactions were carried out:

	31-Mar-08	31-Mar-07
	£000	£000
Sales	277,199	171,174
Purchases	307,356	190,567
Net Investment Activity	30,157	19,393

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

	31-Mar-08	31-Mar-07
	£000	£000
Book cost at year end	359,009	354,632
Market value at year end	441,578	422,052
Difference between book cost and market value	(82,569)	(67,420)

Note 12: 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-08		31-Mar-07	
	£000	%	£000	%
Aberdeen Asset Managers Ltd	183,032	40	181,649	41
Blackrock Investment Management Ltd	237,593	52	230,781	51
London Borough of Hounslow	37,883	8	35,889	8
Total	458,508	100	448,319	100

Note 13: Scheduled and Admitted Bodies

The scheduled bodies contributing to the fund are:

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

There were also 11 Admitted Bodies making contributions of £1.4m (£1.4m 2006/07).

The total contributions receivable and benefits payable are as follows:

	31-Mar-08		31-Mar-07	
	Contributions Receivable	Benefits Payable	Contributions Receivable	Benefits Payable
	£000	£000	£000	£000
London Borough of Hounslow	25,705	19,232	23,461	17,084
Scheduled Bodies	5,017	2,269	5,016	962
Admitted Bodies	1,408	1,058	1,360	1,150
Total	32,130	22,559	29,837	19,196

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 14: Statement of Investment Principles

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

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:

- (i) 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
- (ii) 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.

Deferred Charges

Expenditure which may properly be deferred, but which does not result in, or remain matched with tangible assets.

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:

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:

- (i) Goods or other assets purchased for resale.
- (ii) Raw materials and other components purchased for the incorporation into products for resale
- (iii) 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.