Statement of Accounts 2010–11

London Borough of Hounslow

LONDON BOROUGH OF HOUNSLOW

STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2011

Contents

PART1: FOREWORD

Accounting Statements

The pages that follow are the Authority's accounts for 2010/11 and comprise:

- **Comprehensive Income and Expenditure Account** – This reports the cost of performing the Authority‟s functions on the basis of International Financial Reporting Standards (IFRS) 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 Movement in Reserve Statement and accompanying notes.

- **Movement in Reserves Statement** – This records the increases and decreases in the Authority‟s reserves during the course of the year, including surpluses or deficits of expenditure and income and transfers between reserves.

- **Statement of Accounting Policies** – This explains the basis of the figures in 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, - and how these are met by rents, housing subsidy and other income.

- **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 comprehensive income and expenditure statement. The Council‟s share of the Collection Fund is consolidated with other accounts of the Authority.

- **Balance Sheet** – This statement records the Authority's year-end financial position at 31st March. It shows the assets owned, and amounts owed in the long term, as well as the net current assets and liabilities, and the reserves at the Authority's disposal. It excludes trust funds held on behalf of individuals and organisations and the Pension Fund.

- **The Cash Flow Statement** – This summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes.

- **The Group Accounts –** This provides a group income and expenditure account, balance sheet, statement of recognised gains and losses and cash flow statement for the Authority and its subsidiaries – Hounslow Homes, David Henry Waring Home and Bedfont Lakes Trust. The notes to the accounts are only restated where they are materially different from the Authority‟s individual accounts.

- **Pension Fund Revenue Account and Net Assets Statement** – The Revenue Account shows the contributions to the fund during 2010/11 and the benefits paid from it. The Net Assets Statement sets out the financial position for the Fund as at 31st March 2011. The Authority acting as trustee separately manages the fund and its accounts are separate from the Authority‟s accounts.

- **Statement of Responsibilities for the Statement of Accounts** – This sets out the responsibilities of the Council and the Chief Financial Officer in respect of the preparation of the accounts.

General Fund revenue spend in 2010/11

The Authority set an original budget for 2010/11 including levies and contingencies of £185.9m including schools, which are fully funded by central government via the Dedicated Schools Grant. This was revised by Borough Council on 1 March 2011 to reflect the effect of budget changes during the year. The table below shows how this budget was allocated across the Council"s departments and how much was spent in each service.

Department	Approved Estimate	Out Turn	Variance
	£m	£m	£m
Central Units	3.0	2.7	0.3
Corporate Services	3.3	3.0	0.3
Finance	6.8	6.2	0.6
Children"s Services and Lifelong Learning	56.2	56.1	0.1
Community Services	69.0	69.0	-
Environment	58.4	57.5	0.9
Service Expenditure	**196.7**	**194.5**	**2.2**
Other Items	(11.4)	(9.7)	(1.7)
Contribution to Balances	0.6	1.1	(0.5)
Budget Requirement	**185.9**	**185.9**	**-**

During the year the Authority made in year savings of £8.7m with a view to offsetting the loss of government grant arising from the coalition government"s emergency budget and providing for the expected further losses of grant in 2011/12.

The Authority"s revised budget in 2010/11 of £185.9m, included a contribution of £0.6m to general reserves. The Executive received regular monitoring reports during the year. The main issues identified and reported to Executive as part of this process are described below.

- Central Units underspent by £0.3m for 2010/11 mainly due to a £0.2m underspend in Corporate Communications due to delayed recruitment of the Communications Officer, other underspends on salaries, extra income generation from advertising and underspends on printing costs and a £0.1m underspend in Policy and Performance consisting of savings from staff on maternity leave and secondment and savings on the Residents Panel / Place Surveys.

- Corporate Services net expenditure was £0.3m below budget for 2010-11. The main causes were an underspend on salaries and additional income from fees and charges.
- Finance Department underspent by £0.6m for 2010/11. £0.2 was due to savings on salaries due to vacant posts within Children Services Finance and savings in the Shared Services section due to vacant positions and maternity leave. £0.4m was the result of a lower than expected provision for bad debts on recoverable court costs.
- At the 31st March 2011 the Director of Children‟s Services & Lifelong Learning spent within budget. This reflected the action taken to ensure that the department‟s overall expenditure was contained within the budget by the end of 2010/11 including managing, in year, a structural deficit of £0.65m.
- During the year potential overspends on the temporary accommodation and purchasing budgets in the Community Services Department were identified. These pressures were partly offset by salary underspends across the Community Services Department particularly in Partnerships and Commissioning, the Directorate and in Older People.
- The department also took a number of measures across both housing and adult social care to offset the projected overspends so that expenditure was in line with the budget by the year end.
- The Environment Department had identified projected overspend due to budget pressures of £0.5m. These were largely attributed to a projected £0.2m overspend on Parking, due to additional spend on Closed Circuit Television and due to reduced income as a result of the reduction in the number of penalty charge notices being issued, a £0.3m overspend due to a reduction in Environmental Projects chargeable to capital and a £0.2m overspend on Highways due to a reduction in the amount chargeable to capital. These were offset by £0.2m savings on Sustainable Planning staffing costs arising from unfilled vacancies that have been difficult to fill.
- The Environment Department was able to secure additional income from parking charges towards the end of the year and this enabled it to achieve a net underspend against budget of £0.9m.
- The £1.7m overspend on "Other Items" is mainly attributable to voluntary redundancy payments made during the year. This was offset by lower than budgeted Treasury Management costs.

There was thus an overall underspend of £0.5m on the General Fund as a whole. This is reflected in a contribution to balances of £1.1m compared to a contribution of £0.6m in the approved revised estimate.

Outlook for 2011/12

For the fifth year running the Council set a nil council tax increase for Hounslow‟s element of the tax for 2011/12 and therefore keeping the Band D Council Tax at £1,090.65. The London Mayor also set a nil increase for the Greater London Assembly‟s element of the council tax, leaving the GLA precept at £309.82 on a Band D property.

The Council‟s budget for 2011/12 was set at £185.8m. Like all London Boroughs Hounslow suffered significant loss of government grant in 2011/12, the total loss of formula grant for 2011/12 amounted to £13.7m (after taking into account transfers of service funding into and out of formula grant). To offset this grant loss and provide for unavoidable inflationary and other spending pressures the Council approved £18.0m of budget cuts as part of the

2011/12 budget. Further grant reductions are planned in 2012/13 and work is in hand to secure further savings of £18.0m as part of the 2012/13 budget.

Other Financial Issues

Highways PFI

The Council has been awarded £187m 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 is in hand on the complex procurement to appoint a contractor, who will deliver those improvements; work is expected to start in 2013.

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

Capital spending in 2010/11

The Authority's capital spending in the year amounts to £62.7m (2009/10: £66.9m) as set out in the following statement. The major components are the cost of the Housing Developments programme within the Community Services Department and expenditure on improvements to leisure centres within the Environment Department.

Department	Expenditure £m
Children"s Services & Lifelong Learning	15.3
Environment	17.6
Community Services	29.8
	62.7

The Authority"s capital spend is funded through a mixture of grant funding, capital receipts, revenue contributions or borrowing (see Note 29). The Authority"s current borrowing facilities are £305.9m for 2011/12 (£312.2m for 2010/11 and £314.9m for 2009/10).

Accounting for pensions

The Authority records costs related to its pension schemes when they are earned by employees. However, the charge that the Authority is required to make to the general fund is based on the cash payable in the year. In accordance with IAS10, the Authority‟s balance sheet recognises a creditor of £189.8m at 31st March 2011. This represents funded liabilities of £187.8m for the London Borough of Hounslow Pension Fund and £2.0m for the London Pension Fund Authority Scheme. More information about the costs and accounting treatment for the Authority‟s pension schemes is set out in Note 15.

Material amounts affecting the 2010/11 Statement of Accounts

The 2010/11 Statement of Accounts includes the impact of two material amounts in the Comprehensive Income and Expenditure Account, both of which relate to the application of accounting practices rather than in-year expenditure. These are:

- The overall deficit position on the Authority‟s pension schemes has been adjusted to reflect a change in the inflation measure used to increase pension entitlements each year from RPI to CPI, which has resulted in a one-off income to the Net Cost of Services.
- The Authority‟s fixed assets have been revalued in accordance with the accounting policies, which has resulted in a decrease in the value of the assets being charged to the Net Cost of Services.

Neither of these amounts affects any of the Authority‟s usable reserves. More details about these exceptional items are set out in Note 6.

Significant changes in accounting policies

The Code which governs how the Authority prepares its Statement of Accounts for 2010/11 now requires councils to prepare their accounts in a way that is compliant with International Financial Reporting Standards (IFRS). The comparative figures for 2009/10 have been restated and a separate note (page 119) gives a full explanation of the changes.

PART2: MAIN LOCAL AUTHORITY FINANCIAL STATEMENTS

Amounts Reported for Resource Allocation Decisions – Directorate Analysis

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across Directorates. These reports are prepared and monitored on a different basis from the accounting policies used in the financial statements. In particular:

- During the course of the year depreciation charges allocated to Directorates are based on the original estimates used when setting the 2010/11 budget. These figures are updated to reflect actual depreciation charges for the year end outturn report.
- No charges are made to Directorates in relation to revaluation and impairment losses in excess of the balance on the Revaluation Reserve. Where appropriate, these are separately charged to services in the Comprehensive Income and Expenditure Statement.
- At the start of the year an estimated split of the Authority‟s pension contributions is made between an amount related to in-year pension benefits earned and an amount assumed to be funding the pension deficit. These figures are used in the budget monitoring throughout the year. This is updated at the year end to reflect the current service cost of retirement benefits accrued in the year as estimated by the Authority‟s actuaries, Barnett Waddingham.
- In the initial budget for 2010/11 Directorates are allocated an appropriate share of the Authority‟s support services. These allocations are then used throughout the year in budget monitoring. At the end of the year, the recharges to each of the Directorates are adjusted to reflect the actual expenditure incurred on support services.

The income and expenditure of the Authority‟s principal Directorates recorded in the final outturn budget monitoring report for the year is shown on the following page.

Directorate Income and Expenditure 2010/11 Results	Central Units	Corporate Services	Finance	Children's Services and Lifelong Learning	Community Services	Environment	General Fund Directorates	Housing Revenue Account	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(60)	(3,182)	(3,430)	(21,857)	(25,202)	(34,639)	(88,370)	(68,154)	(156,524)
Support services recharge income	(2,522)	(14,932)	(10,442)	(6,293)	(16,668)	(34,688)	(85,545)	(836)	(86,381)
Government grants	0	(138)	(25,608)	(241,745)	(143,029)	(489)	(411,009)	(1,445)	(412,454)
Total Income	(2,582)	(18,252)	(39,480)	(269,895)	(184,899)	(69,816)	**(584,924)**	(70,435)	**(655,359)**
Employee expenses	1,886	9,228	7,305	186,256	30,213	23,759	258,647	1,033	259,680
Other service expenses	634	5,161	32,282	114,991	195,582	68,308	416,958	39,275	456,233
Depreciation and other capital charges	2,703	5,323	5,859	13,023	21,159	28,156	76,223	2,141	78,364
Support service recharges	0	1,582	246	10,286	6,946	7,074	26,134	12,204	38,338
Total Expenditure	**5,223**	**21,294**	**45,692**	**324,556**	**253,900**	**127,297**	**777,962**	**54,653**	**832,615**
Net Expenditure	**2,641**	**3,042**	**6,212**	**54,661**	**69,001**	**57,481**	**193,038**	**(15,782)**	**177,256**

Directorate Income and Expenditure 2009/10 Comparative Figures	Central Units	Corporate Services	Finance	Children's Services and Lifelong Learning	Community Services	Environment	General Fund Directorates	Housing Revenue Account	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(67)	(3,163)	(2,899)	(36,454)	(33,091)	(29,663)	(105,337)	(66,185)	(171,522)
Support services recharge income	(2,425)	(14,773)	(11,503)	(430)	(36,983)	(11,231)	(77,345)	(933)	(78,278)
Government grants	(57)	(421)	(24,650)	(227,152)	(619)	(135,538)	(388,437)	785	(387,652)
Total Income	(2,549)	(18,357)	(39,052)	(264,036)	(70,693)	(176,432)	**(571,119)**	**(66,333)**	**(637,452)**
Employee expenses	1,690	8,762	7,381	187,083	40,449	30,664	276,029	875	276,904
Other service expenses	770	6,282	30,811	113,661	67,468	191,724	410,716	1,801	412,517
Depreciation and other capital charges	0	1,343	463	13,598	14,571	2,705	32,680	13,029	45,709
Support service recharges	1,906	5,436	5,515	7,088	12,776	13,943	46,664	34,428	81,092
Total Expenditure	**4,366**	**21,823**	**44,170**	**321,430**	**135,264**	**239,036**	**766,089**	**50,133**	**816,222**
Net Expenditure	**1,817**	**3,466**	**5,118**	**57,394**	**64,571**	**62,604**	**194,970**	**(16,200)**	**178,770**

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement for the Net Cost of Services.

	2010/11	2009/10
	£000s	£000s
Net Expenditure in the Directorate Analysis		
General Fund	193,038	194,970
HRA	(15,782)	(16,200)
Net Expenditure in the Directorate Analysis	**177,256**	**178,770**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	88,273	13,211
Amounts reported to management that fall in the net cost of the provision of services, but not in the net cost of services	6,664	3,648
Amounts reported to management that do not fall within the Comprehensive Income and Expenditure Statement	(4,188)	(2,590)
Cost of Services in Comprehensive Income and Expenditure Statement	**268,005**	**193,039**

2010/11 Results	Directorate Analysis	Amounts not reported to management	Amounts not in Net Cost of Services	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Reported as part of Directorates	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges and other services income	(156,523)	(2,900)	8,737	188	6,220	**(144,278)**	(5,407)	(8,737)	**(158,422)**
Support services recharge income	(86,381)	0	4,827	0	53,840	**(27,714)**	0	(4,827)	**(32,541)**
Interest and investment income	(1)	0	1	0	0	**0**	(1,602)	(1)	**(1,603)**
Income from council tax	0	0	0	0	0	**0**	(94,551)	0	**(94,551)**
Government grants and contributions	(412,454)	0	15,767	3,947	128	**(392,612)**	(122,847)	(15,767)	**(531,226)**
Total Income	**(655,359)**	**(2,900)**	**29,332**	**4,135**	**60,188**	**(564,604)**	**(224,407)**	**(29,332)**	**(818,343)**
Employee expenses	259,680	(60,802)	(6,651)	0	(30,762)	**161,465**	13,368	6,651	**181,484**
Other services expenses	446,824	265	(6,161)	(8,284)	(13,766)	**418,878**	1,734	6,161	**426,773**
Support service recharges	78,364	0	(387)	0	(13,180)	**64,797**	197	387	**65,381**
Depreciation, amortisation and impairment	38,338	151,710	(59)	(39)	(2,480)	**187,470**	(699)	59	**186,830**
Interest payments	0	0	0	0	0	**0**	15,054	0	**15,054**
Precepts and levies	9,409	0	(9,410)	0	0	**(1)**	0	9,410	**9,409**
Payments to housing capital receipts pool	0	0	0	0	0	**0**	1,258	0	**1,258**
Gain or loss on disposal of fixed assets	0	0	0	0	0	**0**	25,856	0	**25,856**
Total Expenditure	**832,615**	**91,173**	**(22,668)**	**(8,323)**	**(60,188)**	**832,609**	**56,768**	**22,668**	**912,045**
Surplus or deficit on the provision of services	**177,256**	**88,273**	**6,664**	**(4,188)**	**0**	**268,005**	**(167,639)**	**(6,664)**	**93,702**

2009/10 Comparative Figures	Directorate Analysis	Amounts not reported to management	Amounts not in Net Cost of Services	Amounts not included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Amounts not reported to management	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s		£000s
Fees, charges and other services income	(171,522)	152	9,129	0	5,219	**(157,022)**	0	(9,129)	**(166,151)**
Support services recharge income	(78,278)	0	5,090	0	56,000	**(17,188)**	0	(5,090)	**(22,278)**
Interest and investment income	0	0	0	0	0	**0**	(1,439)	0	**(1,439)**
Income from council tax	0	0	0	0	0	**0**	(93,559)	0	**(93,559)**
Government grants and contributions	(387,651)	4,363	11,855	0	467	**(370,966)**	(121,501)	(11,855)	**(504,322)**
Total Income	**(637,451)**	**4,515**	**26,074**	**0**	**61,686**	**(545,176)**	**(216,499)**	**(26,074)**	**(787,749)**
Employee expenses	276,903	5,323	(6,635)	0	(30,614)	**244,977**	12,631	6,635	**264,243**
Other services expenses	404,004	(1,011)	(6,816)	(2,590)	(15,533)	**378,054**	(403)	6,816	**384,467**
Support service recharges	81,092	0	(430)	0	(13,114)	**67,548**	0	430	**67,978**
Depreciation, amortisation and impairment	45,709	4,384	(32)	0	(2,425)	**47,636**	(329)	32	**47,339**
Interest payments	0	0	0	0	0	**0**	14,757	0	**14,757**
Precepts and levies	8,513	0	(8,513)	0	0	**0**	171	8,513	**8,684**
Payments to housing capital receipts pool	0	0	0	0	0	**0**	305	0	**305**
Gain or loss on disposal of fixed assets	0	0	0	0	0	**0**	(2,698)	0	**(2,698)**
Total Expenditure	**816,221**	**8,696**	**(22,426)**	**(2,590)**	**(61,686)**	**738,215**	**24,434**	**22,426**	**785,075**
(Surplus) or deficit on the provision of services	**178,770**	**13,211**	**3,648**	**(2,590)**	**0**	**193,039**	**(192,065)**	**(3,648)**	**(2,674)**

Comprehensive Income & Expenditure Statement 2010/11

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2010/11			2009/10			Note
	Expenditure	Income	Net	Expenditure	Income	Net	
	£000s	£000s	£000s	£000s	£000s	£000s	
Central services to the public	34,749	(30,031)	4,718	34,049	(29,205)	4,844	
Cultural environmental and planning	47,090	(11,625)	35,465	49,263	(11,990)	37,273	
Education and children's services	318,599	(262,257)	56,342	316,270	(255,269)	61,001	
Highways and transport services	28,409	(16,242)	12,167	25,795	(14,854)	10,941	
Local authority housing (HRA)	54,654	(70,435)	(15,781)	49,720	(66,750)	(17,030)	
Other housing services	165,308	(142,228)	23,080	148,857	(139,234)	9,623	
Adult social care	87,740	(29,305)	58,435	82,928	(27,154)	55,774	
Exceptional costs of revaluation	145,900	0	145,900	19,132	0	19,132	6
Corporate and democratic core	7,905	(16)	7,889	7,014	(11)	7,003	
Exceptional pension past service gain	(63,054)	0	(63,054)	0	0	0	6
Other non distributed costs	5,309	(2,465)	2,844	4,479	0	4,479	
Cost Of Services	**832,609**	**(564,604)**	**268,005**	**737,507**	**(544,467)**	**193,040**	
Other Operating Expenditure	54,960	(18,971)	35,989	5,905	0	5,905	7
Financing and Investment Income and Expenditure	24,477	(1,603)	22,874	47,611	(21,998)	25,613	9
Taxation and Non-Specific Grant Income	0	(233,166)	(233,166)	0	(227,229)	(227,229)	10
Surplus or Deficit on Provision of Services			**93,702**			**(2,671)**	
Surplus or deficit on revaluation of fixed assets			122,571			(142,073)	6
Actuarial gains / losses on pension assets / liabilities			(84,979)			145,044	
Other Comprehensive Income and Expenditure			**37,592**			**2,971**	
Total Comprehensive Income and Expenditure			**131,294**			**300**	

In the above table figures shown as positive represent a cost to the Council, while figures shown as negative represent an income.

Movement in Reserves Statement 2010/11

This statement shows the movement in the year on the different reserves held by the authority, analysed into „usable reserves‟ (ie those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority‟s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	2010/11										Note
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Restated balance as at 31 March 2010	**(9,378)**	**(62,675)**	**(19,697)**	**(3,347)**	**(6,627)**	**(3,903)**	**(3,905)**	**(109,532)**	**(1,299,478)**	**(1,409,010)**	
Surplus or deficit on provision of services (accounting basis)	(35,968)		129,670					93,702		93,702	
Other Comprehensive Expenditure and Income								0	37,591	37,591	
Total Comprehensive Expenditure and Income	**(35,968)**	**0**	**129,670**	**0**	**0**	**0**	**0**	**93,702**	**37,591**	**131,293**	
Adjustments between accounting basis & funding basis under regulations	24,834		(133,694)		4,444	2,978	(5,617)	(107,055)	107,055	0	20
Net Increase / Decrease before Transfers to Earmarked Reserves	**(11,134)**	**0**	**(4,024)**	**0**	**4,444**	**2,978**	**(5,617)**	**(13,353)**	**144,646**	**131,293**	
Transfers to / from Earmarked Reserves	10,086	(10,086)	336	(336)				0		0	21
Increase / Decrease in Year	**(1,048)**	**(10,086)**	**(3,688)**	**(336)**	**4,444**	**2,978**	**(5,617)**	**(13,353)**	**144,646**	**131,293**	
Other items	(15)							(15)	58	43	
Balance at 31 March 2011	**(10,441)**	**(72,761)**	**(23,385)**	**(3,683)**	**(2,183)**	**(925)**	**(9,522)**	**(122,900)**	**(1,154,774)**	**(1,277,674)**	

	2009/10										Note
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Restated balance as at 31 March 2009	**(9,612)**	**(61,773)**	**(14,750)**	**(2,945)**	**(7,280)**	**(6,103)**	**(1,080)**	**(103,543)**	**(1,305,737)**	**(1,409,280)**	
Surplus or deficit on provision of services (accounting basis)	3,029		(5,700)					(2,671)		(2,671)	
Other Comprehensive Expenditure and Income								0	2,971	2,971	
Total Comprehensive Expenditure and Income	**3,029**	**0**	**(5,700)**	**0**	**0**	**0**	**0**	**(2,671)**	**2,971**	**300**	
Adjustments between accounting basis & funding basis under regulations	(2,503)		(748)		650	2,200	(2,822)	(3,223)	3,223	0	20
Net Increase / Decrease before Transfers to Earmarked Reserves	**526**	**0**	**(6,448)**	**0**	**650**	**2,200**	**(2,822)**	**(5,894)**	**6,194**	**300**	
Transfers to / from Earmarked Reserves	(199)	(901)	1,501	(401)				0		0	21
Increase / Decrease in Year	**327**	**(901)**	**(4,947)**	**(401)**	**650**	**2,200**	**(2,822)**	**(5,894)**	**6,194**	**300**	
Other items	(93)							(93)	65	(28)	
Balance at 31 March 2010	**(9,378)**	**(62,674)**	**(19,697)**	**(3,346)**	**(6,630)**	**(3,903)**	**(3,902)**	**(109,530)**	**(1,299,478)**	**(1,409,008)**	

Balance Sheet as at 31 March 2011

01 Apr 09		31 Mar 11	31 Mar 10	Note
£000s		**£000s**	**£000s**	
1,790,843	Property, Plant & Equipment	1,664,698	1,943,683	27
32,981	Investment Property	33,581	33,005	28
462	Intangible Assets	43	252	25
9	Long Term Investments	9	9	37
4,363	Long Term Debtors	4,252	4,263	30 & 37
1,828,658	**Long Term Assets**	**1,702,583**	**1,981,212**	
25,000	Short Term Investments	61,500	80,000	
412	Inventories	555	488	
61,481	Short Term Debtors	60,323	56,822	32 & 37
53,852	Cash and Cash Equivalents	50,091	23,600	42
140,745	**Current Assets**	**172,469**	**160,910**	
(796)	Bank overdrafts	(8,606)	(4,114)	42
(483)	Short Term Borrowing	(9,814)	(2,810)	
(97,729)	Short Term Creditors	(79,830)	(86,886)	33
(1,798)	Short Term Provisions	(1,563)	(1,173)	34
(100,806)	**Current Liabilities**	**(99,813)**	**(94,983)**	
(19,115)	Long Term Creditors	(22,086)	(19,685)	36
(3,201)	Provisions	(3,723)	(4,294)	34
(239,738)	Long Term Borrowing	(254,693)	(261,926)	37
(177,681)	Other Long Term Liabilities	(192,124)	(329,479)	
(19,552)	Capital Grants Receipts in advance	(24,940)	(22,743)	18
(459,287)	**Long Term Liabilities**	**(497,566)**	**(638,127)**	
1,409,310	**Net Assets**	**1,277,673**	**1,409,012**	
(103,573)	Usable reserves	(122,899)	(109,532)	21
(1,305,737)	Unusable Reserves	(1,154,774)	(1,299,480)	23
(1,409,310)	**Total Reserves**	**(1,277,673)**	**(1,409,012)**	

Cash Flow Statement 2010/11

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority"s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

	2010/11	2009/10	Note
	£000s	£000s	
Net surplus or (deficit) on the provision of services	(93,702)	2,671	
Adjust net surplus or deficit on the provision of services for noncash movements	151,917	59,988	
Net cash flows from Operating Activities	**58,215**	**62,659**	39
Investing Activities	(32,004)	(107,580)	40
Financing Activities	(4,212)	11,351	41
Net increase or decrease in cash and cash equivalents	**21,999**	**(33,570)**	
Cash and cash equivalents at the beginning of the reporting period	19,486	53,056	
Cash and cash equivalents at the end of the reporting period	**41,485**	**19,486**	42

Notes to the Accounts

Explaining how the Statement of Accounts has been prepared

Note 1. Accounting policies

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 (as amended in 2004, 2006, 2009 and 2011), which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accounting (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2010/11(CIPFA Code) and the Best Value Accounting Code of Practice (BVACOP) 2010/11, supported by International Financial Reporting Standards (IFRS).

The CIPFA Code, section 3.4.2.25, allows authorities not to disclose information that is not material. The Council has where appropriate adopted this approach to only provide information which is material and either aids the reader of the Accounts or can be provided on a Value for Money basis.

More details about the individual accounting policies used by the Authority are set out from page 77.

Note 2. Accounting standards issued not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.

The Authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority"s Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. The heritage assets held by the authority include:

- Hogarth House museum including a letter,
- Gunnersbury Park museum, and
- Chiswick House & grounds.

All of the above assets are currently accounted for at depreciated (where applicable) historical cost and classified as community assets within Property, Plant and Equipment in the Balance Sheet.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). Except for the letter, all of the above assets relate to buildings and where applicable associated grounds, and will continue to be included at valuation, which in this instance, is historic cost.

The carrying value of heritage assets currently held in the Balance Sheet as Community Assets within Property, Plant and Equipment as at 1st April 2010, is £3.0 million.

The Authority considers that the heritage assets held by the Authority will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets. Currently, the Hogarth House letter is being depreciated, however this has been reviewed and will be adjusted for in the 2011/12 accounts. Therefore no depreciation will be charged in future financial statements in respect of such heritage assets.

The movements of heritage assets in the 2010/11 financial year are set out in the table below. Note that the Authority is of the view that there are no material revaluation gains or losses on its holdings of heritage assets as at 31st March 2011.

	£000s
Heritage Assets (previously classified as community assets in property, plant and equipment) at valuation as at 1 April 2010	3,013
Depreciation	(2)
Carrying Value as at 31 March 2011	**3,011**

Note 3. Critical judgements in applying accounting policies

In applying the accounting policies set out from page 77, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- Valuation Review

The Authority is required to use a discount factor issued by DCLG in order to reduce the valuation of social housing from the market level to a level which reflects the Government"s assessment of the estimated valuation, taking account of right to buy and other factors. The Government has increased the discount level from 63% to 75% of the estimated market level of social housing and this has led to a one off impairment charge of approximately £250m in 2010/11 (see Note 6).

- Investment Properties

Under IFRS, only those properties which are held purely for rental or capital growth should be classed as investment properties. A review has been undertaken and the Council"s Lampton Park Conference Centre has been reclassified from an investment property to an operational asset, as it is used largely for operational purposes.

- Leasing Review

A detailed schedule of properties leased out by the Authority has been produced which identifies the bulk of the Authority"s rental income, and which is included in the leasing note (Note 24). However, properties with annual rental of under £1k have not been included, while a small number of leases are estimated to be held by schools which have not been included due to the significant resources which would be required to identify and value the leases, which are not estimated to be material compared to the overall level of income.

- Assumptions Used in Leasing

The Authority as lessor has reclassified two operating leases to finance leases. A judgement was made to use an interest rate of 6% to calculate the net present value of each lease and the financing element and thereby enable completion of the leasing note which contains estimates of the leasing income to the end of each lease. The interest rate of 6% is close to the authority"s own average long term borrowing rate and was therefore judged reasonable to use.

- Judgements made in Establishment of Provisions

A restructuring programme is being undertaken across the authority, and an extra provision of £985k was made in 2010/11 (£385k for 2009/10) for future redundancy costs based on decisions made during 2010/11. It is not possible to accurately assess at this stage the actual costs which will be incurred in 2011/12 due to the uncertainties over how many staff will be eligible to receive the redundancy payments and how many make be redeployed to other areas of the Authority.

The provision for insurance claims has not been amended pending a more detailed review of requirements during 2011/12. However, the Authority"s insurance officer has confirmed that the provision is relatively close to the estimated cost of the outstanding claims at 31st March 2011.

Note 4. Assumptions and other sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31st March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are set out in the following table:

Item	*Uncertainties*	*Effect if actual results differ from assumptions*
Property, Plant and Equipment	The Council's Valuation Service estimates the useful economic lives of asset when assets are revalued. This is then used to calculate the annual depreciation charge. The revaluation process cannot take account of the detailed condition of every building revalued, given the large size, and diverse nature and age, of the building stock, and the relatively small level of resources which can be allocated for this function. In 2010/11 the Authority was required to write down the estimated value of furniture in its buildings by £65m as they had been incorrectly included in the valuation process (see Note 5).	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls.
Provisions	The outcome of outstanding insurance claims is always very difficult to estimate, especially if a large number of unrelated cases go through court system. However, as stated above, the council's insurance officer is confident that the provision is at an appropriate level at 31st March 2011.	Certain claims, such as severe weather or environment issues, cannot be predicted far in advance and can have a significant impact. However, these are considered to be relatively infrequent and unlikely to have a significant financial impact on the Authority.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied (see Note 15).	The effects on the net pensions liability of changes in individual assumptions can be measured.
Review of Leasing	The Authority has undertaken a detailed review of all aspects of leasing in line with the introduction of IFRS, as set out in Note 3 above.	The result of the review is covered in Note 3 above. Thresholds used in assessing leases mean that a number of leases involving low value assets may not have been included. The reclassification of leases from operating to finance, or vice versa, will not affect the Authority's overall financial position, as mitigation procedures have been implemented by DCLG to prevent any impact on council tax.
Annual leave accrual	The estimated value of outstanding accrued leave is based upon a sample of employee records. The sample chosen has resulted in a £7.4m accrual as at 31st March 2010, reducing to £5.9m as at 31st March 2011.	An error in the estimated value of untaken annual leave at the year end will lead to a mis-statement of the Authority's creditors (where an accrual for the value is recorded) and an offsetting difference in the Accumulated Absences Account reserve. Any difference in the movement in the accrual is reflected in the service lines of the Net Cost of Services with the impact of this reversed out through the Movement in Reserves Statement.
Bad Debt Provision	The Authority has made a provision of £33.846m against its debtors as at 31st March 2011. This amount is made up of a specific provision related to some long standing debts where there is significant risk that the funds will not be recovered, plus a general provision representing an estimate of the proportion of the remainder of the debt which past experience suggests is unlikely to be fully recovered.	The creation of the bad debt provision has generated a charge to the Comprehensive Income and Expenditure account. If the Authority has over provided for bad debts (i.e. collects more debt than the calculation of the provision has estimated), this will increase the income to be recognised by the Authority. Conversely, if the Authority has under provided for bad debts, this will lead to a further charge in the Comprehensive Income and Expenditure Account.

Note 5. Prior Year Adjustments

The 2010/11 accounts are the first time that the Authority"s financial statements have been presented using International Financial Reporting Standards (IFRS). These new standards require a number of accounting and disclosure changes affecting the way that the Authority presents the statement of accounts. Information about the impact of these changes is set out in Part 5 on page 119.

The Authority is also required to restate the financial information for previous years where there has been any other change in accounting policy or correction of an error from previous years.

From 2010/11 the Authority is changing the way it accounts for furniture and equipment in the balance sheet. Previously, the carrying value of furniture and equipment was a combination of:

- recognising specific expenditure on significant fixed assets purchased through a recognised capital project; plus
- an element for various furniture and equipment recognised for properties revalued using the depreciated replacement cost method, the fair value of which was estimated as part of the rolling programme of revaluations applied to the Authority"s property portfolio.

The Authority has reviewed in detail all of its accounting policies. As a consequence of this review the decision has been made to change the way that the value of furniture and equipment is recognised. The revised approach will only recognise specific expenditure on fixed assets.

The impact on the Authority"s Statement is set out in the following table.

Opening 1st April 2009 Balance Sheet

	2009/10 Statements	Adjustments made
	£000	£000
Property, plant and equipment	1,856,888	(70,728)
Revaluation reserve	(256,722)	28,423
Capital adjustment account	(1,252,939)	42,305

The overall change on the 1st April 2009 balance sheet is a decrease in Net Assets of £70,728k.

31st March 2010 Balance Sheet

	2009/10 Statements	Adjustments made
	£000	£000
Property, plant and equipment	2,012,039	(68,629)
Revaluation reserve	(410,476)	29,482
Capital adjustment account	(1,219,231)	39,147

The overall change on the 31st March 2010 balance sheet is a decrease in Net Assets of £68,629k

2009/10 Comprehensive Income and Expenditure Statement

	2009/10 Statements	Adjustments made
	£000	£000
Cultural environmental and planning		(578)
Education and children's services		(4,322)
Highways and transport services		(233)
Local authority housing (HRA)		(14)
Adult social care		(136)
Exceptional costs of revaluation	19,352	(124)
Surplus arising on revaluation of fixed assets	(145,806)	3,308

The overall change on the 2009/10 Comprehensive Income and Expenditure Statement is a decrease in the deficit of £2,099k. There is a corresponding change in the Movement in Reserves Statement, which means that there is no resulting impact on the Authority's usable reserves.

About the Comprehensive Income and Expenditure Statement

Note 6. Material Items of Income and Expense

The outturn for 2010/11 includes the impact of two material movements in estimates relating to the balance sheet as follows:

- The overall deficit position on the Authority"s pension schemes has been adjusted to reflect a change in the inflation measure used to increase pension entitlements each year from RPI to CPI.
- The Authority"s fixed assets have been revalued in accordance with the accounting policies set out from page 77.

Impact of change in inflation measure used in pension scheme

The 2010 Emergency Budget delivered by George Osborne announced that in future, the pension increase orders will be linked to the CPI rather than RPI and this affects the increase applied to pensions in payment and the revaluation of pension for deferred members. This change has been treated as a past service gain of £63m and is shown as part of the Authority"s Net Cost of Services in the Comprehensive Income and Expenditure Statement.

Movements due to non-current asset revaluation

The movements in the values of the fixed assets through revaluation need to be recognised in the Comprehensive Income and Expenditure Statement as follows:

- The net movement in the valuation of investment properties forms part of Financing and Investment Income and Expenditure within the Comprehensive Income and Expenditure Statement.]
- The surplus or deficit on the revaluation of fixed assets that forms part of the Other Comprehensive Income and Expenditure at the end of the Statement on page 12 represents the net aggregate movement of:
    - Any upwards revaluation of fixed assets (other than investment properties); plus
    - Any downwards revaluation of a fixed asset (other than investment properties) that reflects a reversal of a previous year"s increase in the Revaluation Reserve.
- Any downwards revaluation of a fixed asset (other than investment properties) that represents a reduction greater than the amount in the Revaluation Reserve for that asset is charged to the Net Cost of Services. This amount has been shown separately in the Comprehensive Income and Expenditure Statement due to the material size of the movement in valuations.

Council dwellings are valued at market value and then an adjustment factor to reflect the lower value of social housing is applied. The Department of Communities and Local Government set the adjustment factor and review it every five years. The adjustment factor to be applied in London is 25% for 2010/11 (37% for 2009/10). There has been no significant change in the number of properties or the underlying vacant possession market value.

This change has led to a revaluation loss of £249.8m on Council dwellings, the most significant movement in value on the Authority"s balance sheet during 2010/11. The net book value of the dwellings as at 31st March 2011 was £638m (£880m as at 31st March 2010). Of this reduction, £114.9m is included in the Surplus or deficit on revaluation of fixed assets within Other Comprehensive Income and Expenditure, reducing the revaluation reserve for council dwellings to nil. The remaining £134.9m is charged to the Exceptional costs of revaluation within Cost of Services.

The following table summarises the amounts shown in the Comprehensive Income and Expenditure Statement that relate to revaluation movements:

	2010/11 £000s	2009/10 £000s	Note
Net Cost of Services			
Exceptional costs of revaluation	145,900	19,132	
Financing and Investment Income and Expenditure			
Changes in the fair value of investment properties	(699)	(329)	9
Other Comprehensive Income and Expenditure			
Upward revaluation of assets	(6,645)	(143,469)	
Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	129,216	1,393	
Surplus or deficit on revaluation of fixed assets	**122,571**	**(142,076)**	
Total revaluation related movement in the Comprehensive Income and Expenditure Statement	**267,772**	**(123,273)**	

The following table allocates the downwards revaluation that forms part of the Net Cost of Services to the most appropriate service. Where there is no direct link between the asset and any specific service (for example the Civic Centre) the revaluation movement has been allocated to Non distributed costs.

	2010/11 £000s	2009/10 £000s
Central services to the public	0	205
Cultural environmental and planning	138	9,083
Education and children's services	554	7,663
Highways and transport services	0	0
Local authority housing (HRA)	135,448	688
Other housing services	0	0
Adult social care	518	1,401
Non distributed costs	9,243	92
Exceptional costs of revaluation in Net Cost of Services	**145,901**	**19,132**

Note 7. Other Operating Expenditure

Items shown as Other Operating Expenditure in the Comprehensive Income and Expenditure Statement comprise the following:

	2010/11	2009/10	Note
	£000s	£000s	
Levies	9,410	8,686	
(Gains)/losses on trading operations	(535)	(529)	8
Payments to the Government Housing Capital Receipts Pool	1,258	305	
(Gains)/losses on the disposal of non current assets	25,856	(2,698)	
Other items		141	
Total of Other Operating Expenditure	35,989	5,905	

The gains/losses on the disposal of non current assets for 2010/11 includes a £27.3m loss relating to Lampton school becoming an Academy. In accounting terms the Authority is required to treat the creation of the Academy as a disposal of the school land and buildings with no proceeds.

Note 8. Trading Operations

The Authority has established a number of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Authority or other organisations. Details of the main trading services are as follows:

- The Authority runs a **catering service** which provides catering facilities to its schools and at the Civic Centre. It also provides this service to schools in other Councils. The Schools‟ part is required to at least break even with any surplus being returned to Hounslow schools. Income from the Civic Centre element is required to cover expenses. The cumulative surplus over the last three financial years is £Nil.
- The Authority runs its **highways maintenance** service on the basis of an agreement following a competitive tender process. The trading objective is to break even. The cumulative surplus over the last three financial years is £149k.
- The Authority runs its **street cleansing** service on the basis of an agreement following a competitive tender process. The trading objective is to break even. The cumulative surplus over the last three financial years is £385k.
- The Authority runs its **transport services** on the basis of an agreement following a competitive tender. The trading objective is to break even. The cumulative surplus over the last three financial years is £648k.

	2010/11			2009/10		
	Turnover	Expenditure	(Surplus) / Deficit	Turnover	Expenditure	(Surplus) / Deficit
	£000s	£000s	£000s	£000s	£000s	£000s
Catering Service	(5,407)	5,407	0	(5,327)	5,327	0
Highways Maintenance	(3,228)	3,478	250	(3,956)	3,904	(52)
Street Cleansing	(3,693)	3,571	(122)	(3,732)	3,509	(223)
Transport Services	(6,164)	5,718	(447)	(5,879)	5,797	(82)
Other trading accounts	(478)	262	(216)	(646)	473	(173)
Net surplus on trading operations	**(18,971)**	**18,436**	**(535)**	**(19,540)**	**19,010**	**(530)**

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The expenditure of these operations is allocated or recharged to headings in the net operating expenditure of continuing operations. Only a residual amount of the net surplus on trading operations is charged as other operating expenditure (see Note 7). The majority of the income generated by the Authority"s trading services is internally generated.

Note 9. Financing and Investment Income and Expenditure

Items shown as Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement comprise the following:

	2010/11	2009/10	Note
	£000s	£000s	
Interest payable and similar charges	15,054	14,757	
Pensions interest cost and expected return on pensions assets	10,122	12,631	15
Interest receivable and similar income	(1,603)	(1,446)	
Changes in the fair value of investment properties	(699)	(329)	
Other investment income	0	0	
Total of Financing and Investment Income and Expenditure	**22,874**	**25,613**	

Note 10. Taxation and Non Specific Grant Income

Items shown as Note Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement comprise the following:

	2010/11	2009/10	Note
	£000s	£000s	
Council tax income	(94,551)	(93,559)	
Non domestic rates	(79,854)	(73,226)	18
Non-ring fenced government grants	(28,424)	(30,277)	18
Capital grants and contributions	(30,337)	(30,167)	18
Total of Taxation and Non-Specific Grant Income	(233,166)	(227,229)	

About Councillors, Employees and Related Parties

Note 11. Members' allowances

The aggregate amounts paid to Councillors during the year are set out below:

	2010/11	2009/10
	£000s	£000s
Allowances	847	902
Expenses	3	6
Total	850	908

Note 12. Officers' Remuneration

Mark Gilks, the Authority"s Chief Executive at 1 April 2010, retired on 31 May 2010. For that time Mark Gilk"s annual salary was £164,828. The new chief Executive, Mary Harpley, joined the Authority on 17 January 2011 with an annual salary of £156,901. During the period between 1 June 2010 and 16 January 2011 the role of Interim Chief Executive was filled through an arrangement with Comensura Ltd.

The remuneration paid to the Authority"s senior employees is as set out in the following tables:

Post holder information	Salary	Bonus	Other emoluments	Total remuneration excluding pension contributions	Employer's pension contributions	Total remuneration including pension contributions
	£	£	£	£	£	£
Information for 2010/11						
Chief Executive - Mark Gilks	27,471	0		27,471	5,917	33,388
Chief Executive - Mary Harpley	32,476	0		32,476	6,996	39,472
Director of Finance	134,382	2,100	0	136,482	29,398	165,880
Director of Corporate Services	126,771	4,200	0	130,971	28,211	159,182
Director of Children's Services	134,382	2,100	0	136,482	29,398	165,880
Director of Community Services	141,994	4,200	0	146,194	31,490	177,684
Director of Environment	126,771	2,100	0	128,871	27,759	156,630
Borough Solicitor	141,994	2,100	0	144,094	31,038	175,132
Information for 2009/10						
Chief Executive - Mark Gilks	164,828	0	700	165,528	35,655	201,183
Director of Finance	126,771	2,100	0	128,871	27,759	156,630
Director of Corporate Services	119,159	2,100	0	121,259	26,119	147,378
Director of Children's Services	126,771	0	0	126,771	27,306	154,077
Director of Community Services	141,994	0	0	141,994	30,585	172,579
Director of Environment	119,159	2,100	0	121,259	26,119	147,378
Borough Solicitor	134,382	2,100	0	136,482	29,398	165,880

The number of the Authority's employees receiving more than £50,000 remuneration for the year (excluding employer"s pension contributions) were as follows:

Remuneration band			2010/11		2009/10	
£		£	Officers	Teachers	Officers	Teachers
50,000	-	54,999	44	86	40	84
55,000	-	59,999	24	32	36	37
60,000	-	64,999	16	30	11	37
65,000	-	69,999	12	25	16	27
70,000	-	74,999	0	31	5	31
75,000	-	79,999	5	13	5	12
80,000	-	84,999	3	7	3	2
85,000	-	99,999	7	3	8	5
90,000	-	94,999	4	3	0	4
95,000	-	99,999	2	4	1	2
100,000	-	104,999	2	0	1	2
105,000	-	109,999	2	1	1	1
110,000	-	114,999	1	1	0	0
115,000	-	119,999	1	0	0	0
120,000	-	124,999	0	0	2	0
125,000	-	129,999	1	0	2	1
130,000	-	134,999	3	0	1	0
135,000	-	139,999	2	0	1	0
140,000	-	144,999	1	0	1	0
145,000	-	149,999	1	0	0	0
150,000	-	154,999	0	0	0	0
155,000	-	159,999	0	0	0	0
160,000	-	164,999	0	0	0	0
165,000	-	169,999	0	0	1	0

Note 13. Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £2,361k (£2,413k in 2009/10). £1,905k of this was paid to officers who accepted offers of voluntary redundancy. These redundancies resulted from the Authority"s efforts to reduce costs of services in response to reductions in grant income from the Government.

Note 14. Teachers' Pension Schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, the Authority paid £11.9m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £11.4 and 14.1%. In addition, the Authority is responsible for all pension payments relating to added years it has awarded, together with the related increases. These amounted to £0.1m in 2010/11 (£0.1m in 2009/10)].

Note 15. Defined Benefit Pension Schemes

<u>Participation in pension schemes</u>

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

Officers working (or who have worked) for the Authority participate in two post employment schemes:

- The Local Government Pension Scheme (the LBH Pension Fund) - this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- The London Pension Fund Authority (LPFA) Scheme - this is a funded defined benefit final salary scheme. No further contributions are paid into the scheme by employees. Additional amounts are paid into the scheme by the Authority to fund the deficit as calculated by the actuary.

Transactions relating to post employment benefits

The Authority recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	LBH Pension Fund		LPFA Pension Fund		Total	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	£000s	£000s	£000s	£000s	£000s	£000s
Comprehensive Income and Expenditure Statement						
Cost of services:						
Current service cost	20,072	11,863	0	0	20,072	11,863
Past service costs	(62,899)	0	(155)	0	(63,054)	0
Losses / (gains) on settlements and curtailments	817	2,669	0	0	817	2,669
Financing and investment income and expenditure:						
Interest cost	39,108	32,368	344	390	39,452	32,758
Expected return on scheme assets	(29,105)	(19,978)	(225)	(149)	(29,330)	(20,127)
Total post employment benefit charged to the surplus or deficit on the provision of services	**(32,007)**	**26,922**	**(36)**	**241**	**(32,043)**	**27,163**
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement						
Actuarial gains and losses	(84,058)	144,220	(921)	824	(84,979)	145,044
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	**(116,065)**	**171,142**	**(957)**	**1,065**	**(117,022)**	**172,207**
Movement in Reserves Statement						
Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits	32,007	(26,922)	36	(241)	32,043	(27,163)
Actual amount charged against the general fund balance in the year for pensions						
Employers' contributions payable to the scheme	20,261	20,337	26	28	20,287	20,365

The cumulative amount of actuarial gains and losses recognised in the comprehensive income and expenditure statement to the 31st March 2011 is a loss of £72.5m.

Assets and liabilities in relation to post employment benefits

The following table sets out a reconciliation of the movement in the present value of the scheme liabilities (defined benefit obligation) over the course of the year:

	LBH Pension Fund		LPFA Pension Fund		Total	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	£m	£m	£m	£m	£m	£m
Opening balance as at 1 April	**755.0**	**487.8**	**6.8**	**6.0**	**761.8**	**493.8**
Current service cost	20.1	11.9	0.0	0.0	20.1	11.9
Interest cost	39.1	32.4	0.3	0.3	39.4	32.7
Contributions by scheme participants	5.9	5.9	0.0	0.0	5.9	5.9
Actuarial gains and losses	(93.8)	241.7	0.0	1.1	(93.8)	242.8
Benefits paid	(23.2)	(26.1)	(0.6)	(0.6)	(23.8)	(26.7)
Past service costs	(62.9)	0.0	(0.2)	0.0	(63.1)	0.0
Curtailments	0.8	2.7	0.0	0.0	0.8	2.7
Unfunded pension payments	(1.3)	(1.3)	0.0	0.0	(1.3)	(1.3)
Closing balance as at 31 March	**639.7**	**755.0**	**6.3**	**6.8**	**646.0**	**761.8**

The following table sets out a reconciliation of the movement in the fair value of the scheme assets over the course of the year:

	LBH Pension Fund		LPFA Pension Fund		Total	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	£m	£m	£m	£m	£m	£m
Opening balance as at 1 April	**430.8**	**314.5**	**3.8**	**4.0**	**434.6**	**318.5**
Expected rate of return	29.1	20.0	0.2	0.1	29.3	20.1
Actuarial gains and losses	(9.8)	97.5	0.9	0.3	(8.9)	97.8
Local authority contributions	20.3	20.3	0.0	0.0	20.3	20.3
Contributions by scheme participants	5.9	5.9	0.0	0.0	5.9	5.9
Benefits paid	(24.5)	(27.4)	(0.6)	(0.6)	(25.1)	(28.0)
Closing balance as at 31 March	**451.8**	**430.8**	**4.3**	**3.8**	**456.1**	**434.6**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. The expected yield on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. The expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was as follows.

	LBH Pension Fund		LPFA Pension Fund		Total	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
	£000s	£000s	£000s	£000s	£000s	£000s
Actual return on scheme assets	**28,224**	**117,487**	**263**	**433**	**28,487**	**117,920**

Scheme history

	2010/11	2009/10	2008/09	2007/08	2006/07
	£m	£m	£m	£m	£m
LBH Pension Fund					
Present value of liabilities	(639.7)	(755.0)	(487.8)	(527.1)	(626.3)
Fair value of assets in the scheme	451.9	430.8	314.5	373.8	407.5
Surplus / (deficit) in the scheme	(187.8)	(324.2)	(173.3)	(153.3)	(218.8)
LPFA Pension Fund					
Present value of liabilities	(6.4)	(6.8)	(6.0)	(6.4)	(7.2)
Fair value of assets in the scheme	4.3	3.8	4.0	5.1	5.4
Surplus / (deficit) in the scheme	(2.1)	(3.0)	(2.0)	(1.3)	(1.8)

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £189.8m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £189.8m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary;
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £20m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and London Pension Fund Authority Scheme liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. The latest full valuation of the LBH Pension Fund was as at 31st March 2010.

The principal assumptions used by the actuary have been:

	LBH Pension Fund		LPFA Pension Fund	
	2010/11	2009/10	2010/11	2009/10
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.7%	7.8%	7.2%	7.3%
Gilts	4.4%	4.5%	n/a	n/a
Other Bonds	5.5%	5.5%	n/a	n/a
Property	5.4%	5.5%	n/a	n/a
Cash	3.0%	3.0%	n/a	n/a
Target return portfolio	n/a	n/a	5.0%	5.0%
Cash flow matching	n/a	n/a	4.4%	4.5%
Total	**6.9%**	**6.9%**	**5.1%**	**5.1%**
Longevity at 65 for pensioners retiring now				
Men	18.9	20.4	21.1	21.0
Women	23.0	23.4	23.8	23.4
Longevity at 65 for future pensioners retiring in 20 years				
Men	20.9	21.1	23.2	22.0
Women	24.9	24.1	25.7	24.2
Rate of inflation - RPI	3.5%	3.9%	3.5%	3.9%
Rate of inflation - CPI	2.7%	n/a	2.7%	n/a
Rate of salary increases	5.0%	5.4%	4.5%	5.4%
Rate of pension increases	2.7%	3.9%	2.7%	3.9%
Discount rate	5.5%	5.5%	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum				

The Local Government Pension Scheme and London Pension Fund Authority Scheme assets consist of the following categories, by proportion of the total assets held:

	LBH Pension Fund		LPFA Pension Fund	
	2010/11	2009/10	2010/11	2009/10
	%	%	%	%
Equities	75	73	12	11
Gilts	15	17	n/a	n/a
Other Bonds	2	1	n/a	n/a
Property	3	4	n/a	n/a
Cash	5	5	(1)	(3)
Target return portfolio	**n/a**	**n/a**	**54**	**54**
Cash flow matching	n/a	n/a	35	38
Total	**100**	**100**	**100**	**100**

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2011:

	2010/11	2009/10	2008/09	2007/08	2006/07
	%	%	%	%	%
LBH Pension Fund					
Difference between expected and actual return on assets	(2.2)	22.6	(26.9)	(16.7)	2.5
Experience gains and losses on liabilities	0.8	0.0	0.0	(9.7)	0.0
LPFA Pension Fund					
Difference between expected and actual return on assets	21.4	7.5	(16.9)	3.2	-
Experience gains and losses on liabilities	(2.4)	0.7	(0.2)	(10.9)	0.1

Note 16. Related parties

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. All councillors and officers on the Corporate Leadership Team are required to meet the requirements of IAS 24 Related Party Disclosures. Declarations have been sought from all these parties.

Central Government

Central government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 18.

Members

Members of the council have direct control over the Authority"s financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 11.

Officers

The Head of Housing Client and Partnerships is also a director of Locata Ltd., a company that operates in partnership with other London Boroughs a joint lettings scheme for housing tenants. The Authority made payments to Locata Ltd of £50k in 2010/11 in respect of services provided (£90k in 2009/10).

Voluntary Organisations and Charities

Grants paid to voluntary organisations amounted to £1,939k in 2010/11 (£1,660k in 2009/10). Of these, Hounslow Arts Trust was paid £269k. One councillor (P Carey) is a trustee of this charity. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Civic Centre, Lampton Road, during office hours.

In addition, Chiswick House and Gardens Trust was paid £270k. Two councillors (John Chatt and Paul Lynch) are trustees of this charity.

Other Public Bodies

The Council is an administering authority for the Pension Fund of LB Hounslow. The Authority charged £493k in 2010/11 for administrative services provided to the Pension Fund (£601k in 2009/10). As at 31st March 2011 the Authority held cash of £20k on behalf of the Pension Fund (£18k at 31st March 2010).

Entities Controlled or Significantly Influenced by the Authority

There are no entities to which this applies, other than its subsidiaries. The Council controls Hounslow Homes, an arms lengthen management organisation, through majority voting rights. The Council paid Hounslow Homes £36.8m in 2010/11 (£32.1m in 2009/10) for managing and maintaining its stock.

In addition, the Authority has more than half of the voting rights of the following charitable organisations:

- David Henry Waring Home Trust
- Bedfont Lakes Trust.

The impact of transactions with subsidiaries is set out in Part 4, Group Accounts.

Note 17. External audit costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Audit Commission, the Authority's external auditors:

	2010/11	2009/10
	£000s	£000s
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year and in respect of statutory inspections	342	335
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	103	90
Total	**445**	**425**

About the Authority's Grant Income

Note 18. Grant income

The authority credited the following grants, contributions and donations to the comprehensive income and expenditure account in 2010/11.

	2010/11	2009/10
	£000s	£000s
Credited to Services		
Dedicated Schools grant (DSG)	164,148	159,226
Housing Benefits subsidy	132,451	125,347
Council tax benefits	22,033	21,658
Supporting People (part of ABG in 2010/11)	0	5,930
Housing Subsidy	1,437	(785)
Homelessness grants	489	0
Learning and Skills	26,074	22,531
Standard Fund Grants	29,503	25,978
Asylum grant	1,007	1,153
Surestart	9,364	7,596
s106 Developer Contributions - Revenue	736	202
Other grants (under £1 million individually)	5,571	10,955
Total of Grants Credited to Services	**392,813**	**379,791**

	2010/11	2009/10
	£000s	£000s
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	11,595	16,901
Non domestic rates redistribution	79,854	73,226
Area Based Grant	16,828	12,591
LABGI	0	313
Performance Reward Grant	0	472
14-19 Special Educational Needs	5,342	2,000
Heston School Redevelopment Grant	7,055	8,122
Surestart Capital Grants	4,085	1,276
Transport for London grants	3,594	3,125
Decent Homes Grant	2,100	3,356
Housing & Community Regeneration Grant	1,962	3,153
Schools Modernisation Grant	1,202	0
s106 Developer Contributions - Capital	1,545	1,226
Other Capital Grants	3,452	7,909
Total of grants credited to taxation and non-specific grant	**138,614**	**133,670**

Total of Grants Credited to Services	**392,813**	**379,791**
Total of grants credited to taxation and non-specific grant	**138,614**	**133,670**
Total of Grants Credited to the Statement	**531,427**	**513,461**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balances at the year-end are as follows:

01-Apr-09		31-Mar-11	31-Mar-10
£000s		£000s	£000s
	Capital Grants Receipts in Advance		
0	Primary Capital Grant	(8,835)	(3,589)
(14,379)	Housing & Community Regeneration Grant	(9,264)	(11,226)
(1,528)	School Modernisation	(2,746)	(3,053)
(1,166)	Decent Homes Grant	(1,222)	0
(1,795)	Other Grants	(2,456)	(4,185)
(684)	Contributions	(417)	(690)
(19,552)	**Total**	**(24,940)**	**(22,743)**

Note 19. Dedicated Schools Grant

The Authority's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

	Central expenditure	ISB	Total
	£000s	£000s	£000s
Final DSG for 2010/11			163,918
Plus: DSG brought forward from 2009/10			1,280
Less: carry forward of DSG to 2011/12 agreed in advance			(644)
Agreed budgeted distribution in 2010/11	24,451	140,103	164,554
Less: actual central expenditure	(24,895)	0	(24,895)
Less: actual ISB deployed to schools	0	(140,023)	(140,023)
Plus: local authority contribution for 2010/11	945	0	945
Total Carry Forward to 2011/12	**501**	**80**	**1,225**

About the Movement in Reserves Statement

Note 20. Adjustments between accounting and funding basis

	2010/11							
	General Fund Balance	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non current assets	(25,263)	(12,127)	0	0	0	0	(37,390)	37,390
Revaluation losses on Property, Plant and Equipment	(10,452)	(135,448)	0	0	0	0	(145,900)	145,900
Movements in the market value of investment properties	699	0	0	0	0	0	699	(699)
Amortisation of intangible assets	(209)	0	0	0	0	0	(209)	209
Capital grants and contributions that have been applied to capital financing	24,569	0	0	0	0	0	24,569	(24,569)
Movement in the donated assets account	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital	(6,117)	0	0	0	0	0	(6,117)	6,117
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(29,131)	(698)	0	0	0	0	(29,829)	29,829
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment	3,738	0	0	0	0	0	3,738	(3,738)
Voluntary provision for the financing of capital investment	2,421	0	0	0	0	0	2,421	(2,421)
Capital expenditure charged against the General Fund and HRA balances	2,602	2,713	0	0	0	0	5,315	(5,315)
Adjustments involving the Capital Receipts Reserves:								
Transfers of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	3,086	922	0	(4,008)	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	7,158	0	0	7,158	(7,158)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(36)	0	0	36	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1,258)	0	0	1,258	0	0	0	0

	2010/11							
	General Fund Balance	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments involving the Major Repairs Reserves:								
Reversal of Major Repairs Allowance credited to the HRA	0	10,944	0	0	(10,944)	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	0	13,922	0	13,922	(13,922)
Adjustments involving the Capital Grants Unapplied Grant:								
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	5,768	0	0	0	0	(5,768)	0	0
Application of grants to capital financing	0	0	0	0	0	151	151	(151)
Adjustments involving the Financial Instruments Adjustment Account:								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	484	0	0	0	0	0	484	(484)
Adjustments involving the Pensions Reserve:								
Reversal of items relating to post employment benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement (see note 28)	32,043	0	0	0	0	0	32,043	(32,043)
Employer's pensions contributions and direct payments to pensioners payable in the year	20,287	0	0	0	0	0	20,287	(20,287)
Adjustments involving the Collection Fund Adjustment Account:								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	103	0	0	0	0	0	103	(103)
Adjustments involving the Accumulating Compensated Absences Adjustment Account:								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	1,500	0	0	0	0	0	1,500	(1,500)
Total Adjustments	24,834	(133,694)	0	4,444	2,978	(5,617)	(107,055)	107,055

	2009/10							
	General Fund Balance	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non current assets	(16,836)	(12,187)	0	0	0	0	(29,023)	29,023
Revaluation losses on Property, Plant and Equipment	(18,664)	(688)	0	0	0	0	(19,352)	19,352
Movements in the market value of investment properties	425	0	0	0	0	0	425	(425)
Amortisation of intangible assets	(209)	0	0	0	0	0	(209)	209
Capital grants and contributions that have been applied to capital financing	27,058	0	0	0	0	0	27,058	(27,058)
Movement in the donated assets account	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital	(4,768)	0	0	0	0	0	(4,768)	4,768
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,581)	(105)	0	0	0	0	(1,686)	1,686
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment	3,817	0	0	0	0	0	3,817	(3,817)
Voluntary provision for the financing of capital investment	1,946	0	0	0	0	0	1,946	(1,946)
Capital expenditure charged against the General Fund and HRA balances	4,012	1,269	0	0	0	0	5,281	(5,281)
Adjustments involving the Capital Receipts Reserves:								
Transfers of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,058	342	0	(4,400)	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	4,739	0	0	4,739	(4,739)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(6)	0	0	6	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(305)	0	0	305	0	0	0	0
Mitigation applied to Finance lease income to prevent reduction to general fund balance	(13)	0	0	0	0	0	(13)	13

	2009/10							
	General Fund Balance	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments involving the Major Repairs Reserves:								
Reversal of Major Repairs Allowance credited to the HRA	0	10,621	0	0	(10,621)	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	0	12,821	0	12,821	(12,821)
Adjustments involving the Capital Grants Unapplied Grant:								
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	3,109	0	0	0	0	(3,109)	0	0
Application of grants to capital financing	0	0	0	0	0	287	287	(287)
Adjustments involving the Financial Instruments Adjustment Account:								
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	1,047	0	0	0	0	0	1,047	(1,047)
Adjustments involving the Pensions Reserve:								
Reversal of items relating to post employment benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement (see note 28)	(27,163)	0	0	0	0	0	(27,163)	27,163
Employer's pensions contributions and direct payments to pensioners payable in the year	20,365	0	0	0	0	0	20,365	(20,365)
Adjustments involving the Collection Fund Adjustment Account:								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from the council tax income calculated for the year in accordance with statutory requirements	1,905	0	0	0	0	0	1,905	(1,905)
Adjustments involving the Accumulating Compensated Absences Adjustment Account:								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(700)	0	0	0	0	0	(700)	700
Total Adjustments	(2,503)	(748)	0	650	2,200	(2,822)	(3,223)	3,223

Note 21. Transfers between and from earmarked reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

The main earmarked reserves created by the Authority are:

- The Community Care Reserve reflects the uncertainty over a range of service issues in social services.
- The Performance Improvement Reserve is set aside to meet the costs arising from the implementation of the Authority‟s Transformation and Savings Programme.
- The Repairs and Renewals Reserve is funded by contributions from services and is used to fund purchases of plant, vehicles and equipment.
- The Information Technology Reserves is earmarked to meet the cost of developing the Authority‟s IT services.
- The Special Contingency Reserve is an earmarked balance to cover major unforeseen contingencies.
- The VAT Recovery Reserve represents amounts received related to the refund of output VAT charged on income in previous years. These funds have been set aside to be used to relieve future budget pressures.
- The new IFRS accounting principles require the Authority to immediately recognise as income any Government grants received with no conditions. These grants are often intended to support specific service expenditure or objectives, even though there are no strict ring-fenced conditions on the funding. Where this is the case any unspent grant income has been carried forward as part of an earmarked reserve.
- The Capital Funding Reserve is to meet the contingent capital costs arising from the Authority‟s PFI scheme.
- The Committed Projects Reserve contains under spends carried forward from previous years which have been earmarked to fund future expenditure.
- The District Heating reserve is funded by contributions from tenants and is used for the repair and maintenance of the District Heating Plant.
- 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.

	Balance at 1 April 2009	2009/10		Balance at 31 March 2010	2010/11		Balance at 31 March 2011
		Transfers out	Transfers in		Transfers out	Transfers in	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
General Fund Earmarked Reserves							
Community Care	(1,697)	0	0	(1,697)	0	0	(1,697)
Savings and Improvement Reserves	(4,659)	1,006	(16)	(3,669)	298	0	(3,371)
Performance Improvement	(2,464)	748	0	(1,716)	173	0	(1,543)
Repairs and Renewals Fund	(4,131)	177	(112)	(4,066)	226	(23)	(3,863)
Information Technology Reserves	(4,278)	199	(552)	(4,631)	0	(780)	(5,411)
Special Contingencies Fund	(7,011)	500	0	(6,511)	0	(4,967)	(11,478)
VAT Recovery Reserve	0	0	0	0	0	(2,220)	(2,220)
Total General Reserves	**(24,240)**	**2,630**	**(680)**	**(22,290)**	**697**	**(7,990)**	**(29,583)**
Government grants received but not yet spent	(8,664)	0	(36)	(8,700)	563	(179)	(8,316)
Capital Funding	(3,700)	730	(730)	(3,700)	0	0	(3,700)
Committed Projects	(331)	207	(1,685)	(1,809)	1,607	(105)	(307)
Area Based Grant Reserve	(785)	0	(736)	(1,521)	120	(1,061)	(2,462)
Insurance Reserve	(839)	0	(570)	(1,409)	0	0	(1,409)
Earmarked Reserves of less than £1 million	(5,014)	0	647	(4,367)	45	(765)	(5,087)
Total Restricted Reserves	**(19,333)**	**937**	**(3,110)**	**(21,506)**	**2,335**	**(2,110)**	**(21,281)**
Balances held by Schools under a scheme of delegation	(15,722)	14,653	(15,384)	(16,453)	15,609	(18,057)	(18,901)
Schools Building Maintenance Fund	(1,586)	635	(407)	(1,358)	240	(408)	(1,526)
Special Parking Area Fund	(892)	0	(175)	(1,067)	0	(402)	(1,469)
Total Statutory Reserves	**(18,200)**	**15,288**	**(15,966)**	**(18,878)**	**15,849**	**(18,867)**	**(21,896)**
Total General Fund Earmarked Reserves	**(61,773)**	**18,855**	**(19,756)**	**(62,674)**	**18,881**	**(28,967)**	**(72,760)**
Housing Revenue Account Earmarked Reserves							
District Heating	(1,504)	204	0	(1,300)	551	0	(749)
Major Works	(1,441)	1,184	(1,790)	(2,047)	1,500	(2,387)	(2,934)
Total HRA Reserves	**(2,945)**	**1,388**	**(1,790)**	**(3,347)**	**2,051**	**(2,387)**	**(3,683)**

About the Value of the Authority's Reserves on the Balance Sheet

Note 22. Usable Reserves

Movements in the Authority"s usable reserves are set out in the Movement in Reserves Statement and detailed in Note 21.

Note 23. Unusable Reserves

The following table sets out the Authority"s unusable reserves.

2008/09		2010/11	2009/10
£000s		£000s	£000s
(221,124)	Revaluation reserve	(235,719)	(373,497)
(1,266,563)	Capital adjustment account	(1,111,335)	(1,257,600)
1,653	Financial instruments adjustment account	122	606
(3,252)	Deferred capital receipts reserve	(3,117)	(3,174)
175,316	Pensions reserve	189,848	327,157
1,533	Collection fund adjustment account	(475)	(372)
6,700	Accumulated absences account	5,900	7,400
(1,305,737)	**Total of unusable reserves at 31 March**	**(1,154,776)**	**(1,299,480)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through depreciation; or
- disposed of and the gains are realised.

The Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2010/11	2009/10
	£000s	£000s
Balance at 1 April	**(373,497)**	**(221,124)**
Upward revaluation of assets	(6,645)	(157,417)
Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	129,215	1,393
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	**122,570**	**(156,024)**
Difference between fair value depreciation and historical cost depreciation	4,449	3,651
Accumulated gains on assets sold or scrapped	10,759	0
Amount written off to the capital adjustment account	15,208	3,651
Balance at 31 March	**(235,719)**	**(373,497)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Capital Adjustment Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. It also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	2010/11	2009/10
	£000s	£000s
Balance at 1 April	**(1,257,600)**	**(1,266,563)**
Charges for depreciation and impairment of non-current assets	37,390	29,049
Revaluation losses on property, plant and equipment	145,900	33,196
Amortisation of intangible assets	209	209
Revenue expenditure funded from capital under statute	6,117	4,768
Amounts of non-current assets written-off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	29,828	1,687
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	**219,444**	**68,909**
Adjusting amounts written out of the revaluation reserve	(15,208)	(3,651)
Net written out amount of the cost of non-current assets consumed in the year	**204,236**	**65,258**
Use of the capital receipts reserve to finance new capital expenditure	(7,158)	(4,759)
Use of the Major Repairs Reserve to finance new capital expenditure	(13,922)	(13,621)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(24,569)	(27,058)
Application of grants to capital financing from the Capital Grants Unapplied Account	(151)	(287)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(6,159)	(5,763)
Capital expenditure charged against the General Fund and HRA balances	(5,315)	(4,478)
Capital financing applied in the year	**(57,274)**	**(55,966)**
Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(697)	(329)
Movement in the donated assets debited or credited to the Comprehensive Income and Expenditure Statement	0	0
Balance at 31 March	**(1,111,335)**	**(1,257,600)**

The Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 5 years.

	2010/11	2009/10
	£000s	£000s
Balance at 1 April	**606**	**1,653**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0	0
Proportion of premiums incurred in previous years to be charged against the General Fund balance in accordance with statutory requirements	(484)	(1,047)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**(484)**	**(1,047)**
Balance at 31 March	**122**	**606**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension"s funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2010/11	2009/10
	£000s	£000s
Balance at 1 April	**327,157**	**175,316**
Actuarial gains or losses on pensions assets and liabilities	(84,979)	145,044
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(32,043)	27,163
Employer's pensions contributions and direct payments to pensioners payable in the year	(20,287)	(20,366)
Balance at 31 March	**189,848**	**327,157**

Deferred Capital Receipts

The Deferred Capital Receipts account reflects the value of income due in future years in return for the sale or lease of a Council asset. When income is received, a sum equal to the income is transferred from the Deferred Capital Receipts account to the Capital Receipts Reserve.

	2010/11	2009/10
	£000s	£000s
Balance at 1 April	**(3,174)**	**(3,252)**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	57	78
Balance at 31 March	**(3,117)**	**(3,174)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2010/11	2009/10
	£000s	£000s
Balance at 1 April	**(372)**	**1,533**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(103)	(1,905)
Balance at 31 March	**(475)**	**(372)**

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2010/11	2009/10
	£000s	£000s
Balance at 1 April	**7,400**	**6,700**
Settlement or cancellation of accrual made at the end of the preceding year	(6,700)	(6,000)
Amounts accrued at the end of the current year	5,200	6,700
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in accordance with statutory requirements	**(1,500)**	**700**
Balance at 31 March	**5,900**	**7,400**

About the Authority's Non-Current Assets

Note 24. Leases

Authority as lessee:

Finance leases

The Authority undertook a detailed review of all its material leases in 2010/11 to determine whether the authority was meeting IFRS requirements for the classification of leases. Following the review, a decision has been made to reclassify a lease for a number of industrial units at Darby Road from an operating to a finance lease. Under IFRS, the accounting adjustments must be made retrospectively, i.e. as if the lease had always been a finance lease. The estimated transactions required for the asset and its respective liabilities, have been made back to 2009 when the asset was last revalued, and included in the authority"s accounts, and the table below, on that basis. The asset is included in the balance sheet as investment property at the following net amounts:

	31 Mar 11	31 Mar 10
	£000s	£000s
Investment property	2,365	2,365

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 Mar 11	31 Mar 10
	£000s	£000s
Finance lease liabilities (net present value of minimum lease payments)		
current	48	46
non current	2,228	2,276
Finance costs payable in future years	1,979	2,118
Minimum lease payments	**4,255**	**4,440**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 11	**31 Mar 10**	**31 Mar 11**	**31 Mar 10**
	£000s	**£000s**	**£000s**	**£000s**
Not later than one year	185	185	48	46
Later than one year and not later than five years	740	740	225	212
Later than five years	3,330	3,515	2,003	2,064
	4,255	**4,440**	**2,276**	**2,322**

The minimum lease payments are based on contractual rental payments from July 2009 onwards and do not include any assumptions for future changes to rents. The Authority has sub-let the industrial units on operating leases. At 31st March 2011 the forecast rental income for 2011/12 is estimated to be approximately £245k.

<u>Operating leases</u>

The Authority has acquired property, a small number of vehicles and other equipment under operating leases, paying in total £748k in 2010/11 (2009/10: £418k).

The future minimum lease payments due under non-cancellable leases in future years are:

	31 Mar 11	31 Mar 10
	£000s	**£000s**
Not later than one year	361	502
Later than one year and not later than five years	344	0
Later than five years	0	0
	705	**502**

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 Mar 11	31 Mar 10
	£000s	**£000s**
Minimum lease payments	748	418
Contingent rents	0	0
	748	**418**

Authority as lessor

Finance Leases

The Authority leased out two properties, in 2004 and 2006 respectively, at Dukes Meadows, Chiswick, on long term finance leases of approximately 50 years. The leases had previously been classified as operating leases, however, following the detailed review of leases in 2010/11, these leases meet the criteria of finance leases. . The required transactions to reclassify the lease have been made back to the commencement of each lease, since under IFRS, all reclassifications must be calculated retrospectively.

The Authority has an investment in the leases, made up of the estimated net present value of the assets, of £2.9m at 31 March 2011. The minimum lease payments expected to be received over the remaining term total £8.365m at 31st March 2011. No residual value has been estimated for the properties when the leases end due to the remaining length of the leases. The minimum lease payments comprise settlement of the long term debtors for the interest in the properties acquired by the lessees and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 Mar 11	31 Mar 10
	£000s	£000s
Finance lease debtor (net present value of minimum lease payments)		
current	14	13
non current	2,886	2,900
Unearned finance income	0	0
Unguaranteed residual value of property	0	0
Gross investment in the lease	**2,900**	**2,913**

The gross investment in the leases and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 Mar 11	31 Mar 10	31 Mar 11	31 Mar 10
	£000s	£000s	£000s	£000s
Not later than one year	188	188	188	188
Later than one year and not later than five years	752	752	752	752
Later than five years	7,425	7,613	7,425	7,613
	8,365	**8,553**	**8,365**	**8,553**

The minimum lease payments are based on current rents at 31st March 2011 and do not include assumptions for future rent changes.

Operating Leases

The Authority leases out property under operating leases for the following purposes:

- To assist in the provision of community services, such as community centres, scout huts, community shops, and office space for some voluntary sector bodies
- To assist in economic development through the provision of suitable affordable accommodation for local businesses.

The Council‟s most significant investment is the Western International Market which generates approximately £1.6m each year out of the total leasing income.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 Mar 11	31 Mar 10
	£000s	**£000s**
Not later than one year	2,952	2,923
Later than one year and not later than five years	9,999	10,112
Later than five years	8,573	9,908
	21,524	**22,943**

The minimum lease payments are based on current rents at 31st March 2011 and do not include any assumptions for future rent changes.

Note 25. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets included on the balance sheet represent purchased software licenses. All software is given a finite useful life, based on an assessment of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the authority are 5 years. The carrying amount of intangible assets is amortised on a straight-line basis, with amortisation of £211k charged to revenue in 2010/11 (£209k in 2009/10).

The movement on intangible asset balances during the year is as follows:

	2010/11	2009/10
	£000s	£000s
Balance at start of year :		
Gross carrying amounts	870	870
Accumulated amortisation	(617)	(408)
Net carrying amount at start of year	253	462
Amortisation for the period	(211)	(209)
Net carrying amount at end of year	42	253

Comprising

Gross carrying amounts	870	870
Accumulated amortisation	(828)	(617)

Note 26. Capitalisation of Borrowing Costs

The Council"s policy is not to capitalise its borrowing costs.

Note 27. Property, Plant and Equipment

The following table sets out the movement in the balances related to property, plant and equipment during 2010/11.

	Council dwellings	Other land and buildings	Vehicles, plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2010	891,420	948,599	30,927	101,517	6,447	934	14,620	1,994,464
Additions	18,747	17,641	3,106	3,720	0	0	13,367	56,581
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(119,800)	(13,268)	0	0	(640)	0	0	(133,708)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(140,652)	(10,959)	0	0	0	(32)	(5,811)	(157,454)
Derecognition - disposals	(698)	(29,926)	0	0	0	0	0	(30,624)
Assets reclassified (to)/from Held for Sale								0
Other movements in cost or valuation		(1,983)			3,895		(1,789)	123
At 31 March 2011	649,017	910,104	34,033	105,237	9,702	902	20,387	1,729,382
Accumulated Depreciation and Impairment								
At 1 April 2010	(10,620)	(21,980)	(10,179)	(8,003)	0	0	0	(50,782)
Depreciation charge	(10,944)	(13,754)	(4,051)	(2,808)	0	(23)	0	(31,580)
Depreciation written out to the Revaluation Reserve	4,885	6,260	0	0	2	0	0	11,147
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,736							5,736
Derecognition - disposals	0	795	0	0	0	0	0	795
Derecognition - other								0
Other movements in depreciation or impairment								0
At 31 March 2011	(10,943)	(28,679)	(14,230)	(10,811)	2	(23)	0	(64,684)
Net Book Value								
At 31 March 2011	638,074	881,425	19,803	94,426	9,704	879	20,387	1,664,698
At 31 March 2010	880,800	926,619	20,748	93,514	6,447	934	14,620	1,943,682

The following table sets out the comparative movement in the balances related to property, plant and equipment during 2009/10.

Comparative Movements in 2009/10

	Council dwellings	Other land and buildings	Vehicles, plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation								
At 1 April 2009	784,674	904,048	26,596	97,576	6,231	929	6,675	1,826,729
Opening adjustments	(14,375)	(589)	0	0	0	0	0	(14,964)
Additions	14,860	22,097	5,297	3,984	216	5	13,919	60,378
Revaluation increases/(decreases) recognised in the Revaluation Reserve	105,604	38,039	0	0	0	0	0	143,643
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(688)	(18,540)	0	0	0	0	0	(19,228)
Derecognition - disposals	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	(107)	(942)	(1,009)	0	0	0	0	(2,058)
Other movements in cost or valuation	1,452	4,486	43	(43)	0	0	(5,974)	(36)
At 31 March 2010	891,420	948,599	30,927	101,517	6,447	934	14,620	1,994,464
Accumulated Depreciation and Impairment								
At 1 April 2009	(10,008)	(13,981)	(6,697)	(5,197)	0	0	0	(35,883)
Depreciation charge	(10,621)	(11,711)	(4,036)	(2,806)	0	0	0	(29,174)
Depreciation written out to the Revaluation Reserve	10,008	3,712	0	0	0	0	0	13,720
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - disposals	1	0	554	0	0	0	0	555
Derecognition - to assets held for sale	0	0	0	0	0	0	0	0
Other movements in depreciation or impairment	0	0	0	0	0	0	0	0
At 31 March 2010	(10,620)	(21,980)	(10,179)	(8,003)	0	0	0	(50,782)
Net Book Value								
At 31 March 2010	880,800	926,619	20,748	93,514	6,447	934	14,620	1,943,682
At 1 April 2009	774,666	890,067	19,899	92,379	6,231	929	6,675	1,790,846

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The Council‟s dwelling stock is subject to an annual revaluation. This process is managed by the Council‟s Asset Registrar and Appointed Valuer – Mr Lee Dawson, ARICS. All valuations were carried out by qualified valuers, either employed by the Authority or using professional external valuers, Kingston Sturge LLP.

Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on current prices where there is an active second hand market or latest list prices adjusted for the condition of the asset.

The value of Council dwellings has been adjusted annually on the basis of property valuation indices, taking into account an adjustment factor to reflect the lower value of social housing.

The following table shows the progress of the Authority‟s rolling programme for the revaluation of its fixed assets.

`	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	**Total**
Carried at historical cost	0	1,789	19,803	0	**21,592**
Valued at fair value as at:					**0**
31 March 2006	0	12,019	0	27	**12,046**
31 March 2007	0	19,012	0	547	**19,559**
31 March 2008	0	3,149	0	88	**3,237**
31 March 2009	0	566,504	0	67	**566,571**
31 March 2010	0	128,591	0	0	**128,591**
31 March 2011	638,074	150,361	0	150	**788,585**
Net Book Value	**638,074**	**881,425**	**19,803**	**879**	**1,540,181**
Value of assets on an historical cost basis	**638,073**	**645,813**	**19,770**	**772**	**1,304,428**

In 2010/11 the authority has moved from a five year rolling revaluation programme which revalued all the assets in a particular class, for example all the schools, to a programme which revalues 20% of the assets in a particular class. The result of this is change is that 1% of the authorities £882m Other Land and Buildings have not been revalued within the last 5 years. There is nothing to indicate that the assets which have not been revalued since 31st March 2006 would be materially different from the values used in this statement of account.

Capital Commitments

Capital commitments on major schemes at 31st March 2011 totalled £13.2m across the Authority.

Note 28. Investment Properties

The Comprehensive Income and Expenditure Statement includes the following amounts of income and expenditure in relation to investment properties.

	2010/11	2009/10
	£000s	£000s
Rental income from investment property	(3,577)	(3,694)
Direct operating expenses arising from investment property	217	433
Net (gain)/loss	**(3,360)**	**(3,261)**

The following table summarises the movement in the fair value of investment properties over the year:

	2010/11	2009/10
	£000s	£000s
Balance at start of the year	**33,005**	**32,980**
Additions :		
Subsequent expenditure	0	64
Disposals	0	(192)
Net gains/losses from fair value adjustments	699	329
Transfers :		
To/from Property, Plant and Equipment	(122)	36
Other Changes	0	(212)
Balance at end of the year	**33,582**	**33,005**

There are no restrictions on the Authority‟s ability to realise the value inherent in its investment property or on the Authority‟s right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

Investment properties are revalued as part of the Authority‟s programme of revaluing its other fixed assets. This process is managed by the Council‟s Asset Registrar and Appointed Valuer – Mr Lee Dawson, ARICS. All valuations were carried out by qualified valuers, either employed by the Authority or using professional external valuers, Kingston Sturge LLP.

Note 29. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2010/11	2009/10
	£000	£000
Opening Capital Financing Requirement	**345,902**	**336,368**
Capital Investment:		
Property, Plant and equipment	56,582	60,373
Investment Properties	0	69
Intangible Assets	0	0
Revenue Expenditure Funded from Capital under statute	6,117	5,310
Sources of Finance:		
Capital receipts	(7,194)	(4,741)
Government grants and other contributions	(24,682)	(27,110)
Sums set aside from revenue:		
Direct revenue contributions	(19,237)	(18,604)
MRP/Loans Fund Principal	(6,159)	(5,763)
Closing Capital Financing Requirement	**351,329**	**345,902**

Explanation of movements in year		
Increase in need to borrow (supported by government financial assistance)	653	2,382
Increase in need to borrow (not supported by government financial assistance)	10,931	12,916
Repayment of borrowing	(6,159)	(5,763)
Assets acquired under finance leases		
Assets acquired under PFI/PPP contracts		
Increase/(decrease) in Capital Financing Requirement	**5,425**	**9,535**

Note 30. Long-Term Debtors

01-Apr-09		31-Mar-11	31-Mar-10
£000s		£000s	£000s
8	Other Local Authorities	5	6
2,926	Public Corporations and Trading Funds	2,900	2,913
1,429	Other Entities and Individuals	1,347	1,351
4,363	**Total**	**4,252**	**4,270**

Note 31. Private Finance Initiatives (PFI) and Similar Contracts

As at 31 March 2011 the Authority does not have any existing PFI contracts. The Council has been awarded £187m 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 is in hand on the complex procurement to appoint a contractor, who will deliver those improvements; work is expected to start in 2013.

About the Authority's Current Assets

Note 32. Debtors

01-Apr-09		31-Mar-11	31-Mar-10
£000s		£000s	£000s
12,749	Central Government bodies	23,208	17,854
3,737	Other Local Authorities	2,534	2,723
776	NHS Bodies	5,826	4,173
	Other Entities and Individuals		
78,206	- Debtors	62,601	67,027
(33,987)	- Less Bad Debts Provision	(33,846)	(34,955)
61,481	**Total**	**60,323**	**56,822**

Note 33. Creditors

The Authority is required under IFRS to estimate the cost of annual leave due to staff at 31st March each year. The cost is estimated at £5.2m at 31st March 2011 (£6.7m at 31st March 2010), and is included under the category „Other Entities and Individuals". It must be emphasised that this does not represent an extra net cost to the council, but is a reclassification.

01-Apr-09		31-Mar-11	31-Mar-10
£000s		**£000s**	**£000s**
(14,141)	Central Government bodies	(16,827)	(7,865)
(3,849)	Other Local Authorities	(5,522)	(3,608)
0	NHS Bodies	(151)	0
0	Public Corporations and Trading Funds	(2)	0
(79,739)	Other Entities and Individuals	(57,328)	(75,413)
(97,729)	**Total**	**(79,830)**	**(86,886)**

Note 34. Provisions

The Authority is required under IFRS to split its provisions between short term and long term on the balance sheet. The table below shows the overall provisions for the Council. The short term provisions are those estimated to be payable within one year of the balance sheet date and total £1.564m at 31st March 2011 (£1.173m at 31st March 2010). The long term provisions are those estimated to be payable in more than one year from the balance sheet date and total £3.723m at 31st March 2011 (£4.294m at 31st March 2010).

	Insurance	Provision for Redundancy	Other Provisions	Total
	£000s	**£000s**	**£000s**	**£000s**
Balance at 1 April 2009	3,722	655	622	4,999
Additional provisions made in 2009/10	1,094	385	787	2,266
Amounts used in 2009/10	(1,054)	(655)	(89)	(1,798)
Balance at 31 March 2010	3,762	385	1,320	5,467
Additional provisions made in 2010/11	0	985	17	1,002
Amounts used in 2010/11	0	(385)	(797)	(1,182)
Balance at 31 March 2011	3,762	985	540	5,287

Note 35. Contingent liabilities

At 31st March 2011 there were a number of legal claims outstanding against the Council. These claims are disputed and are still the subject of negotiation, and/or legal action, with the parties concerned. The Council has third party insurance which is sufficient to cover the majority of any payments likely to arise. As part of its normal accounting policies, the Council has set aside a provision to cover payments arising out of any losses or claims that are not covered by insurance. It is considered that the sums set aside are more than adequate to provide for any payments resulting from these claims.

About the Authority's Long-Term Liabilities

Note 36. Long-Term Creditors

The authority receives contributions from developers under the provisions of section 106 of the 1990 Town and Country Planning Act and also under sections 38 and 278 of the Highways Act 1980. Unspent amounts from these contributions are shown as long-term creditors on the balance sheet.

01-Apr-09		31-Mar-11	31-Mar-10
£000s		£000s	£000s
(19,115)	Developers' contributions unapplied	(22,086)	(19,685)
(19,115)	**Total Long Term Creditors**	**(22,086)**	**(19,685)**

About the Authority's Financial Instruments

Note 37. Financial instruments

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	Long-term		Current	
	31 Mar 11	31 Mar 10	31 Mar 11	31 Mar 10
	£000s	£000s	£000s	£000s
Investments				
Loans and Receivables	9	9	103,547	98,452
Total Investments	**9**	**9**	**103,547**	**98,452**
Debtors				
Loans and receivables	4,252	4,263		
Financial assets carried at contract amounts			12,984	12,160
Total Debtors	**4,252**	**4,263**	**12,984**	**12,160**
Borrowings				
Financial liabilities at amortised cost	(254,692)	(261,926)	(9,814)	(2,809)
Total Borrowings	**(254,692)**	**(261,926)**	**(9,814)**	**(2,809)**
Other Long term Liabilities				
PFI and finance lease liabilities	(2,228)	(2,276)	(48)	(46)
Other Long term Liabilities	**(2,228)**	**(2,276)**	**(48)**	**(46)**
Creditors				
Financial liabilities carried at contract amount			(19,610)	(20,690)
Total Creditors	**0**	**0**	**(19,610)**	**(20,690)**

Reclassifications

In 2010/11 the Authority did not have to reclassify any of its investments.

Income, Expense, Gains and Losses

	2010/11					2009/10				
	Financial liabilities measured at amortised cost	Financial Assets : Loans and Receivables	Financial Assets : Available for sale	Assets and Liabilities at fair value through Profit and Loss	Total	Financial liabilities measured at amortised cost	Financial Assets : Loans and Receivables	Financial Assets : Available for sale	Assets and Liabilities at fair value through Profit and Loss	Total
	£000s	£000s	£000s	£000s	**£000s**	£000s	£000s	£000s	£000s	**£000s**
Interest expense	14,539				**14,539**	14,432				**14,432**
Total expense in Surplus or Deficit on the Provision of Services	**14,539**	**0**	**0**	**0**	**14,539**	**14,432**	**0**	**0**	**0**	**14,432**
Interest income		1,250			**1,250**		1,390			**1,390**
Total income in Surplus or Deficit on the Provision of Services	**0**	**1,250**	**0**	**0**	**1,250**	**0**	**1,390**	**0**	**0**	**1,390**

Fair values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31st March 2011 of 0.78% to 4.12% for loans from the PWLB and 0.48% to 3.90% for other loans receivable and payable, based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	2010/11		2009/10	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Financial liabilities	264,516	297,818	264,736	298,322
Long term creditors	22,085	22,085	19,685	19,685

The fair value of the liabilities is more than the carrying amount because the authority"s portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the balance sheet date. This shows a notional figure future loss (based on economic conditions at 31st March 2011) arising from a commitment to pay interest to lenders above current market rates.

	2010/11		2009/10	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000s	£000s	£000s	£000s
Loans and receivables	103,547	103,573	98,452	98,459
Long term debtors	4,252	4,252	4,263	4,263

The fair value of the assets is more than the carrying amount because the authority"s portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the balance sheet date. This shows a notional future gain (based on economic conditions at 31st March 2011) attributable to the commitment to receive interest above current market rates.

The Council has no available for sale assets or liabilities. There is, therefore, no charge through profit and loss.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 38. Nature and extent of risks arising from financial instruments

The Authority's activities expose it to a variety of financial risks:

- credit risk - the possibility that other parties might fail to pay amounts due to the Authority;
- liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments;
- market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Treasury Management Strategy. The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch and Moody's Ratings Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria in respect of financial assets held by the authority are as detailed below:

- The Authority has a policy of limiting deposits with institutions to a maximum of £15m for banks and building societies and £25m for partially nationalised banks and local authorities and similar bodies.
- Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £15m to £25m per counter party cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

The Council has no bonds. Furthermore, no credit limits were exceeded during the financial year and the Authority expects full repayment on the due date of deposits placed with its counterparties. There were no changes to the policy in 2010/11.

There are no cases, and hence no carrying value, that would otherwise be past due or impaired whose terms have been renegotiated.

The authority does not generally allow credit for customers.

Liquidity risk

The Authority has access to a facility to borrow from the Public Works Loans Board. As a result, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Authority has safeguards in place to ensure that a significant proportion of its borrowing does not mature at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The

Authority"s policy is to limit exposure on the proportion of its loans that are due to mature within any rolling five-year period. This is achieved 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:

	31-Mar-11 £000s	31-Mar-10 £000s
Between one and two years	3,158	7,152
Between two and five years	57,733	48,750
Between five and ten years	21,284	18,433
More than ten years	172,517	187,591
Total Long Term Borrowing	**254,692**	**261,926**
Less than one year	9,814	2,810
Total	**264,506**	**264,736**

This is on a different basis than included in the Balance Sheet because the balance sheet figures include the accrued interest amounts as at 31st March each year in the carrying amount.

<u>Market Risk</u>

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall;
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

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

According to this assessment strategy, at 31st March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	277
Increase in interest receivable on variable rate investments	-1,396
Increase in government grant receivable for financing costs	-539
Impact on Surplus or Deficit on the Provision of Services	-1,658
Share of overall impact credited to the HRA	976
Decrease in fair value of fixed rate investment assets	261
Impact on Other Comprehensive Income and Expenditure	-421

Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or other Comprehensive Income and Expenditure) of £29.026m

The impact of a 1% fall interest is estimated to be less than the figures above (with the movements in reserve) due to the low level of interest rates earned on the Authority's short term investments, since the average interest rate on investments was below 1% in 2010/11.

Foreign Exchange Risk

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

About the Cash Flow Statement

Note 39. Operating Activities

The cash flows for operating activities include the following items:

	2010/11	2009/10
	£000s	£000s
Net cash flows within operating activities		
Employee Payments	261,956	292,218
Housing Benefit Paid	150,717	143,829
Interest paid	14,556	14,443
Other payments for goods and services	300,389	261,782
Formula Grant	(89,489)	(90,127)
Other Government Grants	(446,211)	(413,412)
Council Tax	(99,465)	(94,710)
Rents for Council Dwellings	(59,407)	(58,678)
Interest Received	(1,356)	(1,476)
Other Receipts for Goods & Services	(89,905)	(116,528)
Net cash flows within operating activities	**(58,215)**	**(62,659)**

Net non cash flows within operating activities		
Change in Debtors	(2,117)	4,354
Change in impairment provision for bad debts	(1,373)	405
Change in Creditors	(4,527)	(10,532)
Change in Provisions	(1,002)	(2,266)
Non Cash Gains & Losses on Sale of Assets	25,856	(2,557)
Other Non Cash Adjustments	4,610	15,751
IAS 19 Adjustments	(52,330)	6,798
Exceptional Costs of Revaluation	145,900	19,132
Capital Charges	36,900	28,903
Net non cash flows within operating activities	**151,917**	**59,988**

Surplus / Deficit on Provision of Services	**93,702**	**(2,671)**

Note 40. Investing Activities

The cash flows for investing activities include the following items:

	2010/11	2009/10
	£000s	£000s
Purchase of property, plant and equipment, investment property and intangible assets	54,512	56,992
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,008)	(4,412)
Net change in long and short term investments	(18,500)	55,000
Net cash flows from investing activities	**32,004**	**107,580**

Note 41. Financing Activities

The cash flows for financing activities include the following items:

	2010/11	2009/10
	£000s	£000s
Cash receipts of short term and long term borrowing	(146,521)	(175,133)
Other receipts for financing activities	(1,341)	(1,476)
Repayments of short term and long term borrowing	146,877	150,195
Other payments for financing activities	5,197	14,301
Net cash flows from financing activities	**4,212**	**(12,113)**

Note 42. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	2010/11	2009/10
	£000s	£000s
Cash and bank current accounts held by the authority	16,650	9,262
Short Term deposits with financial institutions	33,442	14,338
Total of bank accounts and short term deposits	**50,092**	**23,600**
Bank overdrafts	(8,606)	(4,114)
Total cash and cash equivalents	**41,486**	**19,486**

Other Disclosures

Note 43. Acquired and Discontinued Operations

The Authority did not acquire or discontinue any operations during the year.

Note 44. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Director of Finance on 30th June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Code defines two types of event after the reporting period:

- **Adjusting events**: those that provide evidence of conditions that existed at the balance Sheet date – where material, the financial statements and notes in the Statement of Accounts are required to be amended to reflect the impact of the events. There were no adjusting events after 31 March 2011 which require the Statement of Accounts to be amended.

- **Non Adjusting Events**: those that are indicative of conditions that arose after the Balance Sheet date – the financial statements and notes in the Statement of Accounts are not amended to reflect the events, but additional explanatory notes may need to be added. There has been a major non adjusting event after 31 March 2011 in respect of the approved conversion of certain schools to Academy schools in 2011-12, and outstanding applications for other schools to become Academy schools. The individual schools are listed below, together with the net book values of the existing schools at 31 March 2011. In the event that all the schools listed below transferred to academy status, the Authority would be required to write down its fixed asset values by £150m. The revenue impact would be ongoing and should be broadly neutral comprising a reduction in the Dedicated Schools Grant which the Authority receives for the schools, offset by the expenditure on the respective schools, together with an impact on central costs.

Schools Approved for Conversion to Academy Status after 31 March 2011:

- Cranford Community School (capital value £29m) converted to academy status on 1 April 2011 and is now called Cranford Community College.
- Longford Community School (capital value £35m) converted to academy status on 1 August 2011 and is now called Rivers Academy.

Schools with Outstanding Applications for Academy Status after 31 March 2011:

- Feltham Community College (capital value £34m) – this school may convert sometime from October 2011 onwards.
- Hounslow Manor School (capital value £28m) – the DfE have issued an instruction that it convert to academy status with a partner, and the expected date of conversion is 1 January 2012.
- Isleworth & Syon School for Boys (capital value £24m) – this school may convert to academy status from October 2011 onwards

The Authority is not aware of any other schools that are in the process of applying for academy status.

ACCOUNTING POLICIES

1. Introduction

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 (as amended in 2004, 2006, 2009 and 2011), which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accounting (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2010/11(CIPFA Code) and the Best Value Accounting Code of Practice (BVACOP) 2010/11, supported by International Financial Reporting Standards (IFRS).

The CIPFA Code, section 3.4.2.25, allows authorities not to disclose information that is not material. The Council has where appropriate adopted this approach to only provide information which is material and either aids the reader of the Accounts or can be provided on a Value for Money basis**.**

2. Accruals of expenditure and income

Activity is accounted for in the year that it takes place, regardless of when cash payments are made. This means that:

Expenses in relation to services received are recorded as expenditure when the services are received, rather than when payments are made.

Income from the provision of services and the sale of goods is recognised when the Authority can measure reliably the completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, a provision for bad debts will be set up by charging the appropriate account(s) and those debtors judged to be impaired will be charged against that provision.

Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where the Authority is acting as an agent for another party (e.g., in the collection of NNDR and council tax), income and expenditure are recognised only to the extent that commission is receivable by the Authority for the agency services rendered or the Authority incurs expenses directly on its own behalf in rendering the services.

3. Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

4. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

5. Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

6. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

7. Employee Benefits

(i) Benefits Payable during Employment

Short-term employee benefits (due to be settled within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense In the year in which employees render service to the Authority. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

(ii) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the Non Distributed Costs line in the C I&E Account when the Authority is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements. They are replaced with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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

(iii) Post Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education

- The Local Government Pensions Scheme, administered by the London Borough of Hounslow (LBH).

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees of the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contributions scheme - no liability for future payments of benefits is recognised in the Balance Sheet and the Children's and Education Service line in the CI&E Statements is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the LBH pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method. This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds. The discount rate adopted by the Actuary is based on a weighted average of “spot yield” on AA related corporate bonds.
- The assets at the LBH pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - quoted securities -current bid price
    - unquoted securities -professional estimate
    - unitised securities -current bid price
    - property - market value.
- The change in the net pensions liability is analysed into seven components:
    - current service cost - the increase in liabilities as result of years of service earned this year. This is allocated in the CI&E Statement to the services for which the employees worked.
    - past service cast - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. Debited to the Surplus/Deficit on the Provision of Services in the CI&E Statement as part of Non Distributed Costs.
    - interest cost -the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is debited to the Financing and Investment Income and Expenditure line in the CI&E Statement.
    - expected return on assets - the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return. To be credited to the Financing and Investment Income and Expenditure line in the CI&E Statement.
    - gains/losses on settlements and curtailments -the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees. Debited/credited to the Surplus/Deficit on the Provision of Services in the CI&E Statement as part of Non Distributed Costs.
    - actuarial gains and losses -changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. To be debited to the Pensions Reserve.
    - contributions paid to the LBH pension fund - cash paid as employees contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

(iv) Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Events after the Balance Sheet date

Events after the date of the Balance Sheet are those that occur between the end of the reporting period and the date when the Statement of Accounts is issued. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period The Statement of Accounts is adjusted to reflect such events.
- those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events. However, where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

9. Exceptional Items

When items of income and expense are material, their nature and amount are disclosed either in the CI&E Statement or in the notes to the Accounts. The decision on where this is reflected will depend on how significant the items are to the Authority.

10. Financial Instruments

Financial Instruments are either assets or liabilities of the Council. Assets are classified into two types:

- (i) loans and receivables -assets that have fixed or determinable payments but are not quoted in an active market.
- (ii) available-for-sale assets -assets that have a quoted market price and/or do not have fixed or determinable payments.

(i) Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CI&E Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CI&E Statement is the amount receivable for the year in the loan agreement.

If soft loans are made (these are defined as loans made at below market rates), a loss is recorded in the CI&E Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the CI&E Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations; with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation amounts debited and credited to the CI&E Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CI&E Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the CI&E Statement.

(ii) Available for Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the CI&E Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g., dividends) is credited to the CI&E Statement when it becomes receivable by the Authority,

Assets are maintained in the Balance Sheet at fair value, Values are based on the following principles:

- instruments with quoted market prices -the market price.
- equity shares with no quoted market prices -independent appraisal of company valuations.

- other instruments with fixed and determinable payments - discounted cash flow analysis

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available-for-Sale Financial Assets line in the CI&E Statement. The exception is where impairment losses have been incurred -these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment. Income and Expenditure line in the CI&E Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the CI&E Statement, along with any accumulated gains/losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges: to the Financing and Investment Income and Expenditure line in the CI&E Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the CI&E Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the CI&E Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan. The write-down to the CI&E Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CI&E Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CI&E Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

11. Government Grants and other contributions

Government grants and third party contributions and donations, whether paid on account, by instalments or in arrears, are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the grant, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the CI&E until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Section 106 contributions received are each subject to conditions. There is a clause in each s106 agreement that requires unspent contributions to be repaid. Therefore, the s106 balances will remain as a creditor until expenditure to satisfy the condition of the agreement is incurred.

All grants received of over £1 million per annum are disclosed separately in a specific note on government grants. Individual grants below this threshold are disclosed as a total.

The Council receives an annual ABG from the Department of Local Government and Communities. This grant is not ring-fenced and is therefore recorded in the Comprehensive Income and Expenditure statement under Government Grants not attributable to specific services and corporate income. Expenditure which relates to this grant is recorded in the appropriate service line of the Comprehensive Income and Expenditure (CI&E) statement. Any unspent balance is appropriated to the ABG Reserve.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income in the CI&E.

Where a capital grant becomes repayable because its conditions have not been met, this will be applied against the Capital Receipts in Advance account. Where a grant that has been recognised in CI&E becomes repayable, the repayment will be recognised as an expense in the CI&E. Repayments of grants for capital purposes will be treated as capital expenditure. The repayment shall be transferred from the General Fund or HRA to the Capital Adjustment Account. This will be reported in the Movement in Reserves Statement.

Where capital grants are credited to the CI&E Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to either the Capital Adjustment Account once they have been applied or to the Movement in Reserves Statement when used to fund expenditure treated as Revenue Expenditure Funded from Capital Under Statute (REFCUS).

12. Business Rates Supplement - Crossrail

The Authority is required by the Greater London Authority (GLA) to levy a Business Rate Supplement to assist in funding the Crossrail project. The GLA levy is authorised by the Business Rate Supplements Act 2009 (the "BRS" Act). The Authority will account for these sums in its role as a billing authority as an agent and will therefore not incorporate any of the levy and the resulting payments to the GLA in the Authority"s Comprehensive Income and Expenditure Statement, apart from a small contribution to the administrative expenses involved in the collection of the levy.

13. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance for example, computer software licences, is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase. Research expenditure is not capitalised. Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the CI&E Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service line(s) in the CI&E Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CI&E Statement.

The Council will only capitalise expenditure on computer software licences of over £10,000. Intangible Assets will be amortised over 5 years unless its life is estimated to be higher or lower. Amortisation, impairment losses, disposal gains and losses of intangible assets are not permitted to have an impact on the General Fund Balance. The gains and losses are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

14. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Work in progress under construction contracts is accounted for using the percentage of completion method. Contract revenue is matched with contract costs incurred in reaching the state of completion at the balance sheet date.

15. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CI&E Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

16. Leases Section.

There are cases where (i) the Council is the lessee and others (ii) where it is lessor.

<u>(i) The Authority as Lessee</u>

Finance Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that are not legally leases but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life. All finance leases for which the underlying asset value is over £100,000 and a life of more than 7 years will be shown as an asset on the Balance Sheet.

The Authority makes a prudent annual provision from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from them. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

<u>The Authority as Lessor</u>

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, with a value of more than £100,000, the relevant asset is written out of the Balance Sheet as a disposal. At the start of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the CI&E Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the CI&E Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property -applied to write down the lease liability (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the CI&E Statement)

The gain credited to the CI&E Statement on disposal is not permitted by statute to increase the General Fund Balance. It is a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the capital receipt for the disposal of the asset charge for the acquisition of the interest in the property is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. However, the Authority has the option to take account of mitigation rules so that the Authority"s General Fund is not negatively impacted by the reclassification of an operating lease to a finance lease prior to the introduction of IFRS. Should the Authority take account of mitigation proposals, there would not be a transfer of deferred capital receipts to the useable capital receipts reserve.

The written-off value of disposals is not a charge against council tax, because the cost of fixed assets is fully provided for under separate arrangements. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CI&E Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

17. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Best Value Accounting Code of Practice (BVACOP). The total allocation principle is used: all overheads and support services are charged to users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on Assets held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the C I&E Statement, as part of Net Expenditure on Continuing Services.

18. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for in the current and future years affected by the change. They do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority"s financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied**.** Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

19. Property, Plant and Equipment

Assets that are used in the production or supply of goods or services for rental to others and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

<u>Recognition</u>

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

A review is undertaken annually to ensure that expenditure which adds value to Property, Plant and Equipment is capitalised; otherwise it is treated as an impairment and charged to revenue.

The Council will only capitalise expenditure on Property, Plant and Equipment if it is more than £10,000 in any one transaction. Consolidation of similar assets will occur where they have a common characteristic.

<u>Measurement</u>

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Authority. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the C I&E Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the C I&E Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction -depreciated historical cost
- dwellings -fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets -fair value, determined the amount that would be paid for the asset In its existing use (existing use value - EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Revaluations are carried out in a five year rolling programme, with at least 20% of the assets in each class being revalued in year. Any high value assets are revalued more frequently than every five years to ensure they are not materially misstated in the accounts. The remaining assets in each class are reviewed and when a material change in value would result a desktop revaluation is completed for the remaining assets in the class.

Where decreases in value are identified, the revaluation loss is accounted for as follows:

- where there is a balance of revaluation gains for the asset in the revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end to determine whether an asset may be impaired. Where it has and the differences are estimated to be material, the recoverable amount of the asset is estimated. Where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the C I&E Statement

The impairment loss is subsequently reversed, to the relevant service line(s) in the C I&E Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the C I&E Statement as a gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the C I&E Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government [England only]. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the

Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment - straight-line allocation over the useful life of the item
- infrastructure – straight line allocation over 40 years.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

IAS 16 requires that depreciation be provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation). Depreciation in these accounts is included according to the following policy:

- In accordance with CIPFA guidelines, the Major Repairs Allowance has been used as a proxy for depreciation on council dwellings;
- Where it can be separately identified, depreciation is not charged for land;
- Depreciation is calculated using the straight-line method over the following periods:
  Buildings 5 to 60 years
  Vehicles, plant & equipment 3 to 20 years
  Infrastructure 40 years
  Intangible Fixed Assets 5 to 20 years
- Newly acquired assets are not depreciated in the year of acquisition and assets in the course of construction are not depreciated until they are brought into use.
- Assets are depreciated in the year of disposal.

Property, Plant and Equipment 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) 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;
- 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 or balance sheet.

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 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.

Componentisation

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item should be depreciated separately. Where there is more than one significant part of the same asset which has the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In practice this can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods.

The policy will be to componentise part of assets where the part is more than 20% of the building value of the asset and the building itself is greater than £1m.

20. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the C I&E Statement in the year that the authority becomes aware of the obligation. At the balance sheet date it is the best estimate required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are made, they are charged to the provision on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

21. Reserves

The Authority sets aside amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from the General Fund Balance in the Movement in Reserves Statement. When expenditure is financed from a reserve, it is charged to the appropriate service in the Surplus/Deficit on the Provision of Services in the CI&E Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement .There is no net charge against council tax for the expenditure. Reserves are deemed to be earmarked when they are set aside for a specific purpose.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits. They do not represent usable resources for the Authority. These reserves are explained in the relevant policies.

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.

22. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in a non-current asset has been charged as expenditure to the relevant service in the CI&E Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged. There is no impact on the level of council tax.

This treatment applies to expenditure on grants and property not owned by the authority and statutory redundancy costs when an authority has been granted a directive under the Local Government Act 2003. Expenditure which meets this definition is charged to revenue in the year of expenditure. A credit is made to the General Fund and shown as a reconciling item in the Statement of Movement on General Fund Balance to negate any impact on council tax.

23. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

24. Group Accounts.

The Council has reviewed the relationships it has with its partner organisations and determined that it has three subsidiaries. This is because the Council has more than half of the voting rights of the bodies concerned or has effective overall control. The three organisations that the Authority considers fall within this definition are:

- Hounslow Homes Ltd
- David Henry Waring Home Trust
- Bedfont Lakes Trust

The accounts of these organisations have been consolidated with the financial statements of the London Borough of Hounslow group accounts as subsidiaries. Consolidated has been undertaken on a like by like basis by adding like items of assets, liabilities, reserves, income and expenses together line by line to those of other group members in the financial statements. Intergroup balances and transactions are eliminated in full. 100% of transactions have been consolidated into the Group Accounts.

There are no minority interests in these organisations or acquisitions. There has been no change, and hence no loss, in the Council‟s ownership in subsidiaries during the year.

The subsidiaries all have the same end of the reporting period as the Council.

Because there has been no loss of control during the year, there are no cases where there has been a gain or loss attributable to recognising any investment retained.

25. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31st March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

PART 3: OTHER FINANCIAL STATEMENTS

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 2010/11 the turnover of Hounslow Homes amounted to £56.8m. The Authority retains ownership of the housing stock and has statutory responsibility for the Housing Revenue account. The company"s transactions are already incorporated in the Authority"s accounts in the form of payments to and receipts from the company. The accounts of the company are consolidated into the Authority"s group accounts.

Collection Fund

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

Housing Revenue Account Income & Expenditure Statement

	2010/11 £000s	2009/10 £000s	Note
Expenditure			
Repairs and maintenance	15,264	11,081	
Supervision and management	13,340	13,615	
Special services	12,604	11,480	
Rents, Rates, Taxes and Other Charges	799	979	
Provision for bad and doubtful debts	460	256	
Depreciation of Non Current Assets	12,126	12,187	5
Debt Management costs	78	110	
Negative HRA subsidy payable	0	785	6
Exceptional change in value of fixed assets following revaluation	135,448	688	5
Total Expenditure	**190,119**	**51,181**	
Income			
Dwelling rents	(57,470)	(56,900)	1
Non-dwelling rents	(1,720)	(1,780)	
Charges for services and facilities	(5,328)	(5,443)	
Contributions towards expenditure (Lessees)	(4,488)	(3,412)	
HRA subsidy	(1,437)	0	6
Total Income	**(70,443)**	**(67,535)**	
Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	**119,676**	**(16,354)**	
HRA Share of operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement			
Gain on disposal of non-current assets	(224)	(236)	
Interest payable and similar charges	10,564	11,184	
HRA Interest and Investment income	(346)	(294)	
Pensions interest and expected return on pension assets	0	0	10
(Surplus)/deficit for the year on HRA Services	**129,670**	**(5,700)**	

Movement on HRA Statement

	2010/11	2009/10
	£000s	£000s
Balance at start of year	**(19,698)**	**(14,750)**
Surplus or (deficit) on HRA Income and Expenditure Statement	129,670	(5,700)
Adjustments between accounting basis & funding basis under regulations	(133,694)	(749)
Net Increase / Decrease before Transfers to Reserves	(4,024)	(6,449)
Transfers to / from Reserves	336	1,501
Increase / (Decrease) in Year	(3,688)	(4,948)
Balance at end of year	(23,386)	(19,698)

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 2010/11 1.77% (1.52% 2009/10) of lettable properties were vacant.

Note 2: Housing Stock

The Authority was responsible for managing on average 13,402 dwellings during 2010/11 (13,484 in 2009/10). The stock numbers at the year-end were made up as follows:

	2010/11	2009/10
	Number	Number
Houses/Bungalows	4,233	4,236
Flats/Maisonettes	9,151	9,183
Stock as at 31 March	**13,384**	**13,419**

The change in stock can be summarised as follows:

	2010/11	2009/10
	Number	Number
Stock at 1 April	13,419	13,549
Less: Sales	(9)	(2)
Less: Demolitions, Conversions etc.	(26)	(128)
Less: Demolitions, Conversions etc re 07-08 not previously reported	0	0
Stock as at 31 March	**13,384**	**13,419**

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:

01 Apr 09		31 Mar 11	31 Mar 10
£000s		**£000s**	**£000s**
774,666	Dwellings	638,073	880,800
10,878	Other land and buildings	9,087	8,166
8,495	Investment properties	8,730	8,513
794,039		**655,890**	**897,479**

The net book value of dwellings is based on their existing use as social housing. As such, the valuations are lower than those reflecting vacant possession on the open market. The valuation of dwellings on a vacant possession basis as at 31st March 2011 is £2,552m (£2,380m as at 31st March 2010 and £2,055m as at 1st April 2009).

Note 3: Major Repairs Reserve

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

	2010/11	2009/10
	£000	**£000**
Balance as at 1 April	**3,903**	**6,103**
Amount transferred in	12,126	10,621
Amount transferred out	(1,183)	
Amount in respect of capital expenditure:		
Houses	(13,922)	(12,821)
Balance as at 31 March	**924**	**3,903**

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.

	2010/11			2009/10		
	Houses	Other Property	Total	Houses	Other Property	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Borrowing	0	0	0	0	0	0
Usable capital receipts	2,248	0	2,248	1,799	0	1,799
Revenue contributions	1,162	18	1,180	800	66	866
Leaseholder reserves	1,500	0	1,500	1,100	0	1,100
Major Repairs Reserve	12,130	0	12,130	10,895	0	10,895
Section 106	0	0	0	0	0	0
Grants/other contributions	801	0	801	1,326	0	1,326
Capital payments on a cash basis	**17,841**	**18**	**17,859**	**15,920**	**66**	**15,986**
Accruals Adjustment	2,172	0	2,172	2,097	277	2,374
Expenditure in Year	**20,013**	**18**	**20,031**	**18,017**	**343**	**18,360**

ii) Capital Receipts

The following statement summarises the total capital receipts from disposals of land, houses and other property within the HRA during 2009/10 and 2010/11.

	2010/11	2009/10
	£000	£000
Sale of 3 Houses (2 in 2009/10) and 6 flats (0 in 2009/10)	1,550	346
Land Sales	0	0
Other receipts	54	0
Total	**1,604**	**346**

Note 5: Depreciation

Depreciation on dwellings and other assets is charged to operational expenditure as set out in the note on Accounting Policies. The Major Repairs Allowance, the estimated average annual running cost of maintaining the condition of housing stock over a 30-year period, has been used as an estimate of the amount of depreciation to be charged for dwellings. This amount is then set-aside in the Major Repairs Reserve in order to fund major repairs as set out in Note 3 above.

	2010/11	2009/10
	£000	£000
Houses	10,944	10,621
Operational assets	1,183	1,566
Impairment - Dwellings	135,448	688
Expenditure in Year	**147,575**	**12,875**

The HRA Income and Expenditure Statement includes the effect of a downwards revaluation in the Authority"s dwellings stock. Council dwellings are valued at market value and then an adjustment factor to reflect the lower value of social housing is applied. The Department of Communities and Local Government set the adjustment factor and review it every five years. The adjustment factor to be applied in London is 25% for 2010/11 (37% for 2009/10). There has been no significant change in the number of properties or the underlying vacant possession market value. More information on this can be found at Note 6 to the Authority"s main statements (page 23).

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.

	2010/11	2009/10
	£000	£000
Management and maintenance	27,901	26,744
Charges for capital	7,655	8,213
Admissible Allowance	0	0
ALMO Allowance	7,972	7,972
Rental Constraint Allowance	0	0
Notional rent	(53,170)	(54,316)
Interest on receipts	(12)	(19)
Major repairs allowance	10,943	10,621
Prior year adjustment	148	0
Total	**1,437**	**(785)**

Note 7: Rent Arrears

The gross rent arrears at the 31 March 2011 was £3.5m (£3.2m at 31 March 2010). A bad debt provision in respect of current and former tenant arrears has been made in the accounts for potentially uncollectable rent arrears. This provision amounted to £2.53m at 31 March 2011 (£2.61m at 31st March 2010).

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 2010/11 expenditure of £3.21m was financed by customer and client receipts of £2.6m.

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 2010/11, £2.387m was transferred in to the fund. The balance will be used to fund the capital programme in 2011/12 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 IAS19. No charges have been made to the HRA in either 2010/11 or 2009/10 in respect of IAS19 retirement benefits.

COLLECTION FUND

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2011

	2010/11					2009/10				Note
	LBH	GLA	NNDR	BRS	Total	LBH	GLA	NNDR	Total	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	
Amounts required by statute to be credited to the Collection Fund:										
Income receivable from Council Tax	95,486	27,121			122,607	94,107	26,729		120,836	1
Income from business ratepayers			124,850	4,797	129,647			140,074	140,074	2
Contributions towards previous year's estimated Collection Fund deficit						1,413	402		1,815	
Total Income	**95,486**	**27,121**	**124,850**	**4,797**	**252,254**	**95,520**	**27,131**	**140,074**	**262,725**	
Amounts required by statute to be debited to the Collection Fund:										
Precepts and demands from LB Hounslow and Greater London Assembly	94,037	26,713			120,750	93,067	26,438		119,505	
Provision for uncollectable amounts	935	265			1,200	545	155		700	2
Payment to NDR pool / GLA for Crossrail BRS			124,446	4,731	129,177			139,663	139,663	
Costs of collection (NDR and Crossrail BRS)			404	66	470			411	411	
Payment to LBH/GLA for previous year's estimated Collection Fund surplus	411	117			528				0	
Total Expenditure	**95,383**	**27,095**	**124,850**	**4,797**	**252,125**	**93,612**	**26,593**	**140,074**	**260,279**	
Movement on fund balance Increase/(Decrease)	**103**	**26**	**0**	**0**	**129**	**1,908**	**538**	**0**	**2,446**	
Fund Balance brought forward	375	102	0	0	477	(1,533)	(436)	0	(1,969)	
Fund Balance carried forward	**478**	**128**	**0**	**0**	**606**	**375**	**102**	**0**	**477**	

Note 1: Council Tax

The Council Tax Base set by the Authority for 2010/11 was 86,221 approved by Executive on 5th January 2010. The number of properties and tax set for each property band is shown below:

	2010/11			2009/10		
	No of Properties	Band D Equivalents	Tax Set £ p	No of Properties	Band D Equivalents	Tax Set £ p
Band A	1,130	754	933.65	1,055	703	933.65
Band B	6,862	5,337	1,089.25	6,780	5,273	1,089.25
Band C	20,854	18,537	1,244.87	20,593	18,305	1,244.87
Band D	32,391	32,390	1,400.47	32,146	32,147	1,400.47
Band E	12,953	15,832	1,711.69	12,917	15,787	1,711.69
Band F	4,986	7,203	2,022.90	4,811	6,949	2,022.90
Band G	3,484	5,807	2,334.12	3,501	5,835	2,334.12
Band H	736	1,472	2,800.94	725	1,450	2,800.94
Relevant Amount		87,332			86,449	
Adjusted for Collection Rate 98.6%		86,109			85,239	
Defence Property		112	1,400.47		93	1,400.47
Total	**83,397**	**86,221**		**82,528**	**85,332**	

Actual collectable income from Council Tax was:

	2010/11			2009/10		
	LBH	GLA	Total	LBH	GLA	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Billed to Tax Payers	78,622	22,331	100,953	77,408	21,986	99,394
Council Tax Benefit Paid by General Fund	16,864	4,790	21,654	16,699	4,743	21,442
Total Income	**95,486**	**27,121**	**122,607**	**94,107**	**26,729**	**120,836**

The cumulative arrears of Council Tax including costs at 31st March 2011 were £33,509k and £730k 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 41.4p (2009/10 48.5p) 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 31st March 2011 was £357m. The Authority is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NDR Pool administered by the Government.

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

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

	2010/11	2009/10
	£000s	£000s
NNDR Bills Issued	126,492	142,044
Discretionary Reliefs and Remissions	(599)	(922)
General Fund Contribution to Reliefs and Remissions	357	352
Debts Written Off or provided for	(1,400)	(1,400)
Net NDR Income	**124,850**	**140,074**
Cost of Collection Allowance	(404)	(411)
Total	**124,446**	**139,663**

GROUP ACCOUNTS

The Authority has to prepare group accounts where it has interests in subsidiaries, associates and/or jointly controlled entities. It has reviewed the relationships it has with its partner organisations and determined that it has three subsidiaries. This is because the Authority has more than half of the voting rights of the bodies concerned. The three organisations that the Authority considers fall within this definition are:

- Hounslow Homes Ltd
- David Henry Waring Home Trust
- Bedfont Lakes Trust

It needs, therefore, to produce group accounts.

The accounts of these organisations have been consolidated with the financial statements of the London Borough of Hounslow group accounts as subsidiaries. Consolidated has been undertaken on a line by line basis by adding like items of assets, liabilities, reserves, income and expenses together line by line to those of other group members in the financial statements. Intergroup balances and transactions are eliminated in full. 100% of transactions have been consolidated into the Group Accounts.

There are no minority interests in these organisations or acquisitions. There has been no change, and hence no loss, in the Authority‟s ownership in subsidiaries during the year.

The subsidiaries all have the same end of the reporting period as the Authority.

There are no significant restrictions on the subsidiaries regarding the transfer of funds to the Authority in the form of cash dividends or to repay loans or advances.

Because there has been no loss of control during the year, there are no cases where there has been a gain or loss attributable to recognising any investment retained.

The activities and performance of each of the subsidiaries during the year 2010/11 is set out below:

David Henry Waring Home Trust – providing 26 units of sheltered accommodation. At 31st March 2011, net current assets amounted to £1.6m and expenditure in 2010/11 was £161k 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 31st March 2011 the Trust had investments valued at £4.4m, the income from these being used to finance expenditure on the park of £163k in 2010/11.

Hounslow Homes – The Authority transferred responsibility for the management of its housing stock to Hounslow Homes on 1st April 2002. In 2010/11 the turnover of Hounslow Homes amounted to £57.1m (£265k outside the group) and net liabilities were valued at £10.3m 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 2010/11 of the group including subsidiaries was as follows:

	2010/11	2009/10
	£000s	£000s
London Borough of Hounslow	93,702	(2,671)
Hounslow Homes	(12,206)	(923)
David Henry Waring Home Trust	53	49
Bedfont Lakes Trust	(16)	2
Total group (surplus)/deficit in year	81,533	(3,543)

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 Comprehensive Income and Expenditure Account – incorporating the London Borough of Hounslow (LBH) income and expenditure account together the with profit and loss accounts of the three subsidiaries excluding intra-group transactions.
- Group Movement in Reserves statement.
- Group Balance Sheet – consolidates the balance sheets of all four entities.
- Group Cash flow Statement.

Accounting Policies

There are no material differences between the accounting policies that have been adopted by the subsidiaries and those adopted by the London Borough of Hounslow, as set out from page 77. Where there are differences (for example, the method of depreciation used in David Henry Waring Home, where assets are depreciated over 100 years) the impact of applying a consistent policy would not lead to a material change in the group accounts. The depreciation charge on the Income and Expenditure account for 2010/11 for David Henry Waring Home was £16k.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the expenditure and income for the group analysed by service and how it was financed.

	2010/11			2009/10		
	Expenditure	Income	Net	Expenditure	Income	Net
	£000s	£000s	£000s	£000s	£000s	£000s
Central services to the public	34,749	(30,026)	4,723	34,049	(29,200)	4,849
Cultural environmental and planning	47,248	(11,629)	35,619	49,429	(11,994)	37,435
Education and children's services	318,599	(262,257)	56,342	316,270	(255,269)	61,001
Highways and transport services	28,409	(16,242)	12,167	25,795	(14,854)	10,941
Local authority housing (HRA)	54,654	(70,435)	(15,781)	49,720	(66,750)	(17,030)
Other housing services	166,057	(142,493)	23,564	148,194	(139,382)	8,812
Adult social care	87,884	(29,362)	58,522	83,057	(27,215)	55,842
Exceptional costs of revaluation	145,900	0	145,900	19,132	0	19,132
Corporate and democratic core	7,905	(16)	7,889	7,014	(11)	7,003
Exceptional pension past service gain	(70,185)	0	(70,185)	0	0	0
Other non distributed costs	5,309	(2,465)	2,844	4,479	0	4,479
Cost Of Services	**826,529**	**(564,925)**	**261,604**	**737,139**	**(544,675)**	**192,464**
Other Operating Expenditure	54,960	(18,971)	35,989	5,905	0	5,905
Financing and Investment Income and Expenditure	29,074	(5,282)	23,792	50,942	(24,755)	26,187
Surplus or Deficit of Discontinued Operations	0	0	0	0	0	0
Taxation and Non-Specific Grant Income	0	(239,852)	(239,852)	0	(228,110)	(228,110)
Surplus or Deficit on Provision of Services			**81,533**			**(3,554)**
Tax expenses	0	0	0			11
Group (Surplus) or Deficit			**81,533**			**(3,543)**
Surplus or deficit on revaluation of fixed assets	0	0	122,575			(143,059)
Actuarial gains / losses on pension assets / liabilities	0	0	(89,496)			163,484
Other Comprehensive Income and Expenditure			**33,079**			**20,425**
Total Comprehensive Income and Expenditure			**114,612**			**16,882**

GROUP MOVEMENT IN RESERVES STATEMENT

This records the increases and decreases in the Group‟s reserves during the course of the year, including surpluses or deficits of expenditure and income and transfers between reserves.

	2010/11											
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries & associates	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Restated balance as at 31 March 2010	**(9,378)**	**(62,675)**	**(19,697)**	**(3,347)**	**(6,627)**	**(3,903)**	**(3,905)**	**(109,532)**	**(1,299,478)**	**(1,409,010)**	**18,675**	**(1,390,335)**
Surplus or deficit on provision of services (accounting basis)	(48,137)		129,670					81,533		81,533		81,533
Other Comprehensive Expenditure and Income								0	37,591	37,591	(4,513)	33,078
Total Comprehensive Expenditure and Income	**(48,137)**	**0**	**129,670**	**0**	**0**	**0**	**0**	**81,533**	**37,591**	**119,124**	**(4,513)**	**114,611**
Adjustments between Group accounts and Authority accounts	12,169							12,169		12,169	(12,169)	0
Net Increase / Decrease before Transfers	**(35,968)**	**0**	**129,670**	**0**	**0**	**0**	**0**	**93,702**	**37,591**	**250,417**	**(16,682)**	**229,222**
Adjustments between accounting basis & funding basis under regulations	24,834		(133,694)		4,444	2,978	(5,617)	(107,055)	107,055	0		0
Net Increase / Decrease before Transfers to Earmarked Reserves	**(11,134)**	**0**	**(4,024)**	**0**	**4,444**	**2,978**	**(5,617)**	**(13,353)**	**144,646**	**131,293**	**(16,682)**	**114,611**
Transfers to / from Earmarked Reserves	10,086	(10,086)	336	(336)				0		0		0
Increase / Decrease in Year	**(1,048)**	**(10,086)**	**(3,688)**	**(336)**	**4,444**	**2,978**	**(5,617)**	**(13,353)**	**144,646**	**131,293**	**(16,682)**	**114,611**
Other items	(15)							(15)	58	43		43
Balance at 31 March 2011	**(10,441)**	**(72,761)**	**(23,385)**	**(3,683)**	**(2,183)**	**(925)**	**(9,522)**	**(122,900)**	**(1,154,774)**	**(1,277,674)**	**1,993**	**(1,275,681)**

	2009/10											
	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of subsidiaries & associates	Total Group Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Restated balance as at 31 March 2009	**(9,612)**	**(61,773)**	**(14,750)**	**(2,945)**	**(7,280)**	**(6,103)**	**(1,080)**	**(103,543)**	**(1,305,737)**	**(1,409,280)**	**2,095**	**(1,407,185)**
Surplus or deficit on provision of services (accounting basis)	2,144		(5,700)					(3,556)		(3,556)		(3,556)
Other Comprehensive Expenditure and Income								0	2,971	2,971	17,454	20,425
Total Comprehensive Expenditure and Income	**2,144**	**0**	**(5,700)**	**0**	**0**	**0**	**0**	**(3,556)**	**2,971**	**(585)**	**17,454**	**16,869**
Adjustments between Group accounts and Authority accounts	885							885		885	(885)	0
Net Increase / Decrease before Transfers	**3,029**	**0**	**(5,700)**	**0**	**0**	**0**	**0**	**(2,671)**	**2,971**	**300**	**16,569**	**16,869**
Adjustments between accounting basis & funding basis under regulations	(2,503)		(748)		650	2,200	(2,822)	(3,223)	3,223	0		0
Net Increase / Decrease before Transfers to Earmarked Reserves	**526**	**0**	**(6,448)**	**0**	**650**	**2,200**	**(2,822)**	**(5,894)**	**6,194**	**300**	**16,569**	**16,869**
Transfers to / from Earmarked Reserves	(199)	(901)	1,501	(401)				0		0		0
Increase / Decrease in Year	**327**	**(901)**	**(4,947)**	**(401)**	**650**	**2,200**	**(2,822)**	**(5,894)**	**6,194**	**300**	**16,569**	**16,869**
Other items	(93)							(93)	65	(28)	11	(17)
Balance at 31 March 2010	**(9,378)**	**(62,674)**	**(19,697)**	**(3,346)**	**(6,630)**	**(3,903)**	**(3,902)**	**(109,530)**	**(1,299,478)**	**(1,409,008)**	**18,675**	**(1,390,333)**

GROUP BALANCE SHEET

01 Apr 09		31 Mar 11	31 Mar 10
£000s		**£000s**	**£000s**
1,792,919	Property, Plant & Equipment	1,674,008	1,946,900
32,981	Investment Property	33,581	33,005
462	Intangible Assets	43	252
3,900	Long Term Investments	4,956	4,887
4,113	Long Term Debtors	4,002	4,013
1,834,375	**Long Term Assets**	**1,716,590**	**1,989,057**
26,574	Short Term Investments	63,000	81,574
589	Inventories	595	531
56,409	Short Term Debtors	54,620	50,080
67,381	Cash and Cash Equivalents	50,991	30,356
150,953	**Current Assets**	**169,206**	**162,541**
(796)	Bank overdrafts	(8,606)	(4,114)
(483)	Short Term Borrowing	(9,814)	(2,810)
(105,199)	Short Term Creditors	(73,661)	(86,095)
(1,798)	Short Term Provisions	(1,563)	(1,173)
(108,276)	**Current Liabilities**	**(93,644)**	**(94,192)**
(19,115)	Long Term Creditors	(22,086)	(19,685)
(3,977)	Provisions	(4,453)	(5,043)
(239,738)	Long Term Borrowing	(254,693)	(261,926)
(187,455)	Other Long Term Liabilities	(210,302)	(357,673)
(19,552)	Capital Grants Receipts in advance	(24,940)	(22,743)
(469,837)	**Long Term Liabilities**	**(516,474)**	**(667,070)**
1,407,215	**Net Assets**	**1,275,678**	**1,390,336**
(103,573)	Usable reserves	(122,899)	(109,532)
(1,305,737)	Unusable Reserves	(1,154,774)	(1,299,480)
2,095	Reserves (group entities)	1,995	18,676
(1,407,215)	**Total Reserves**	**(1,275,678)**	**(1,390,336)**

GROUP CASH FLOW

	2010/11 £000s	2009/10 £000s
Net surplus or (deficit) on the provision of services	(81,533)	3,543
Adjust net surplus or deficit on the provision of services for noncash movements	140,002	53,502
Net cash flows from Operating Activities	**58,469**	**57,045**
Investing Activities	(38,114)	(108,739)
Financing Activities	(4,212)	11,351
Net increase or decrease in cash and cash equivalents	**16,143**	**(40,343)**
Cash and cash equivalents at the beginning of the reporting period	26,242	66,585
Cash and cash equivalents at the end of the reporting period	**42,385**	**26,242**

NOTES TO THE GROUP ACCOUNTS

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 cost £484k)
- Inclusion of David Henry Waring Home in Adult Social Care (net cost £86k)
- Inclusion of Bedfont Lakes in Cultural & Environmental Services (net cost £154k)
- Inclusion of corporation tax, pension interest cost and return on assets for Hounslow Homes.

Pension Costs

The employees of the 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 assets and liabilities at 31st March 2011 as estimated by the actuary Barnett Waddingham were:

01 Apr 09		31 Mar 11			31 Mar 10
Total		LBH Pension Funds	Hounslow Homes	Total	Total
£m		£m	£m	£m	£m
542.6	Estimated Liabilities	646.0	72.7	718.7	843.7
(357.5)	Estimated Assets	(456.1)	(54.5)	(510.6)	(488.3)
185.1	**Net liability**	**189.9**	**18.2**	**208.1**	**355.4**

Debtors and Creditors

The intra-group transactions have been removed from the short term debtors and short term creditors as set out in the following table:

01 Apr 09		31 Mar 11					31 Mar 10
Total		LB Hounslow	Hounslow Homes	DHW	Bedfont Lakes	Total	Total
£000s		£000s	£000s	£000s	£000s	£000s	£000s
56,409	Short Term Debtors	53,391	1,145	3	81	54,620	50,080
(105,199)	Short Term Creditors	(67,241)	(6,386)	(29)	(5)	(73,661)	(86,095)

PART 5: THE TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

1. Treatment of government grant income for capital projects

Previously, when a capital grant was received it was first recognised as an unapplied grant, forming part of the Authority"s liabilities within the net assets part of the balance sheet. Once spent on a capital asset, it was then transferred into the grants deferred account, still treated as part of the Authority"s liabilities and then recognised as income over the life of the assets which they were used to fund.

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable and once any conditions attached to the grant have been met. Grants with conditions which have been received before the conditions are satisfied are held as Capital grants receipts in advance in the balance sheet as long term liabilities. Capital grant recognised as income during the year and used to finance capital expenditure is transferred into the Capital adjustment account through the Movement in reserves statement. Capital grants without conditions which have not yet been used to finance expenditure are also recognised as income and transferred to the capital grants unapplied reserve through the Movement in reserves statement. Grant without conditions received in previous years is bought forward in the Capital grants unapplied reserve as expenditure is financed from this money it is recognised as a drawing from this reserve through the Movement in Reserves Statement.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- A new reserve has been created, the Capital Grants Unapplied Reserve, and the grants where all conditions have been satisfied that were previously allocated to unapplied grants in the Authority"s net assets as at 31 March 2009 have been transferred into this reserve as at 1 April 2009.
- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- The elements of government grants deferred that were previously recognised as income in 2009/10 have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

- Those capital grants received during 2009/10 where there are no conditions or the conditions have been satisfied have now been recognised in the Comprehensive Income and Expenditure Statement and then either transferred into the Capital Grants Unapplied Reserve if unspent or transferred into the Capital Adjustment Account if they have been used to finance expenditure.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009-10 Statements	Adjustments made
	£000	£000
Government Grants Deferred Account	(51,171)	51,171
Grants Unapplied Account (liabilities)	(39,747)	20,634
Capital Adjustment Account	(1,252,939)	(51,171)
Capital Grants Receipts in Advance	0	(19,552)
Capital Grants Unapplied Account (reserves)		(1,082)

31 March 2010 Balance Sheet

	2009-10 Statements	Adjustments made
	£000	£000
Government Grants Deferred Account	(72,357)	73,357
Grants Unapplied Account (liabilities)	(46,334)	26,648
Capital Adjustment Account	1,219,231	(73,357)
Capital Grants Receipts in Advance	0	(3,905)
Capital Grants Unapplied Account (reserves)	0	(22,743)

2009/10 Comprehensive Income and Expenditure Statement

	2009-10 Statements	Adjustments made
	£000	£000
Central services to the public	(120)	120
Cultural environmental and planning	(1,022)	1,022
Education and children's services	(430)	430
Local authority housing (HRA)	(26)	26
Adult social care	(161)	161
Other housing services	(4,399)	4,399
Taxation and Non-Specific Grant Income		(31,299)

2. Treatment of government revenue grant income

Under the Code, as for the new treatment of capital grants, any revenue grant income should be recognised as income when it becomes receivable and once any conditions attached to the grant have been met. Grants with conditions which have been received before the conditions are satisfied are held as short term creditors in the balance sheet. Unspent revenue grants which have been paid to the Authority for a particular purpose, but which do not have conditions that require the grant to be repaid have been, have been recognised as income and transferred to an appropriate reserve.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- New reserves have been created to hold unspent revenue grants paid to the Authority for a particular purpose as at 1 April 2009.
- Additional income has been recognised in the 2009/10 Comprehensive Income and Expenditure Statement, representing amounts previously recorded as creditors (receipts in advance), and this has been transferred to the relevant reserves.
- Any amounts brought forward as part of a reserve which have now been spent will be reflected as a drawing from the relevant reserves.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009-10 Statements	Adjustments made
	£000	£000
Short term creditors	(99,821)	8,792
Usable reserves: Government grants received but not yet spent	n/a	(8,792)

31 March 2010 Balance Sheet

	2009-10 Statements	Adjustments made
	£000	£000
Short term creditors	(88,313)	8,827
Usable reserves: Government grants received but not yet spent	n/a	(8,827)

2009/10 Comprehensive Income and Expenditure Statement

	2009-10 Statements	Adjustments made
	£000	£000
Central services to the public	(29,232)	27
Cultural environmental and planning	(11,202)	(976)
Education and children's services	(255,686)	417
Other housing services	(143,882)	249
Adult social care	(27,401)	247

3. How fixed assets have been categorised

The IFRS defines an investment property as one which is held solely for the purpose of:

- generating an income
- increasing capital value

This has led to a number of properties being reclassified to either other land and buildings or surplus assets within the plant, property and equipment value in the balance sheet. The largest asset to be transferred is Lampton Park Conference Centre which had a net book value of £4.6m at 1st April 2009. This property had been transferred to plant, property and equipment in during 2009/10. As a result the 2009/10 accounts included a depreciation charge for this asset. No adjustment has been made to the 2009/10 depreciation charge for the other assets which are now operational. A full depreciation charge has been included for all the assets in 2010/11.

The new accounting treatment requires that gains resulting from revaluing investment properties are recognised as income in the comprehensive income and expenditure statement and transferred to the capital adjustment account in the movement in reserves statement.

The Code also requires that the income from investment properties is shown on the financing and investment income and expenditure line in the comprehensive income and expenditure account. The old accounting treatment recognised this income in the provision of services section. This adjustment has not been made in this version of the accounts.

As a consequence of adopting the accounting policies required by the Code, the financial statements have been amended as follows:

- A new class of surplus assets has been created as part of plant property and equipment.
- Some assets treated as investment properties have been transferred to surplus assets or other land and buildings.
- The revaluation reserve balances as at 1st April 2009 have been transferred to the capital adjustment account
- The revaluation gains in 2009/10 have been recognised as income in the income and expenditure statement and transferred to the capital adjustment account in the movement in reserves statement.

This has resulted in the following changes being made to the 2009/10 financial statements.

2009/10 Comprehensive Income and Expenditure

	2009-10 Statements	Adjustments made
	£000	£000
Surplus arising on revaluation of fixed assets	(145,806)	425
Financing and investment income and expenditure	25,975	(425)

Opening 1 April 2009 Balance Sheet

	2009-10 Statements	Adjustments made
	£000	£000
Investment Properties	37,499	(6,883)
Plant, property and equipment	1,856,888	6,883
Revaluation reserve	(256,722)	6,620
Capital adjustment account	(1,252,939)	(6,620)

31 March 2010 Balance Sheet

	2009-10 Statements	Adjustments made
	£000	£000
Investment Properties	33,077	(2,437)
Plant, property and equipment	2,012,039	2,437
Revaluation reserve	(410,476)	6,949
Capital adjustment account	(1,219,231)	(6,949)

4. Leases

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the council is the lessee) will be unchanged. Where the council is the lessor, the regulations allow the Authority to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code (mitigation arrangements).

The Authority has three property leases where the accounting treatment has changed following the introduction of the Code, one as a lessee and two as a lessor.

Authority as Lessee

The Authority has one property lease as lessee for the Darby Road industrial units where the accounting treatment has changed following the introduction of the Code. The lease term is 25 years from 2009. The lease was previously classified as an operating lease, but under the Code, the lease has been reclassified as a finance lease. The Authority leases out the individual units to commercial tenants on operating leases, it does not hold the asset for operational purposes, and therefore has classified the asset as an investment property. As a consequence, the financial statements have been amended as follows:

- The Authority has recognised an asset (the industrial units) under Investment Properties and also a finance lease liability, of £2.365m at 1 April 2009.
- The operating lease charge of £185k each year within Cultural, Environmental, Regulatory and Planning Services has been removed in full as no services are provided within the lease payment.
- There is no depreciation charge as the asset is classed as an investment property
- The interest element of the lease payment is charged to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services.

This has resulted in the following changes being made to the opening 1st April 2009 balance Sheet, as well as to the 2009/10 and 2010/11 balance sheets.

Opening 1 April 2009 Balance Sheet

	Adjustments Made
	£000s
Investment Properties (leased assets)	2,365
Finance lease liability	(2,365)
Net Effect on Balance Sheet	0

31 March 2010 Balance Sheet

	Adjustments Made
	£000s
Investment Properties (leased assets)	2,365
Finance lease liability	(2,322)
Capital Adjustment Account	(43)
Net Effect on Balance Sheet	0

2009/10 Comprehensive Income and Expenditure Statement

	Adjustments Made
	£000s
Cultural, environmental, regulatory and planning services	(185)
Financing and Investment Income and Expenditure	142
Net Effect on Comprehensive Income & Expenditure Statement	(43)

The net change to Cultural, Environmental, Regulatory and Planning Services consists of the removal of the operating lease charge of £185k each year from expenditure. The net increase in Surplus or Deficit on the Provision of Services is removed by the inclusion of the Minimum Revenue Provision charge of £43k in 2009-10. These transfers are shown in the Movement in Reserves Statement.

Authority as Lessor

The Authority has two property leases as lessor which following review require reclassification from operating to finance lease. The leases are for a golf driving range, and a school, both at Dukes Meadow Chiswick and were entered into in 2007 and 2005 respectively. The lease terms are 49 and 50 years respectively.

As a consequence of this reclassification, the financial statements have been amended as follows:

- The Authority has derecognised at 1 April 2009 as required by IFRS the two assets in the opening balance sheet which were included under Property, Plant and Equipment. However, as these assets had been depreciated in 2009-10 and 2010-11, adjustments are required in each year to write out these charges.
- The operating lease income of £188k each year within Cultural, Environmental, Regulatory and Planning Services has been removed in full as no services are provided as part of the lease.
- The interest element of the lease income of £175k in 2009-10 is credited to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services
- The net result is a loss of £13k income in the Surplus or Deficit on the Provision of Services and a similar decrease in the General Fund balance in 2009-10.
- A long term debtor was set up for £2.926m at 1 April 2009 which represents the net present value of the lease receipts due to the Authority from 1 April 2009 to the end of each lease using a 6% discount rate, which approximates to the Authority‟s average long term borrowing rate. The long term debtor is written down each year by the annual principal element (£13k in 2009-10) included within the annual leasing income
- A deferred capital receipt was set up for £2.926m at 1 April 2009 which recognises that the income will be received over the life of the lease, and not as a one off upfront amount. It is written down each year by a transfer to the Usable Capital Receipts Reserve of the principal element of the lease of £13k in 2009-10.
- The Authority has taken advantage of mitigation arrangements approved by the government which allow local authorities to prevent any impact on council tax arising from the implementation of IFRS. A transfer is therefore made between the General Fund and the Useable Capital Receipt reserves to reverse the net charge to the General Fund of £13k in 2009-10. This transfer is included in the Movement in Reserves Statement.

Opening 1 April 2009 Balance Sheet

	Adjustments Made
	£000s
Property, plant and equipment (leased assets)	(2,200)
Long Term Debtor	2,926
Deferred Capital Receipts	(2,926)
Revaluation Reserve	555
Capital Adjustment Account	1,645
Net Effect on Balance Sheet	0

31 March 2010 Balance Sheet

	Adjustments Made
	£000s
Property, plant and equipment (leased assets)	(2,164)
Long Term Debtor	2,913
Deferred Capital Receipts	(2,913)
Revaluation Reserve	555
Capital Adjustment Account	1,609
Net Effect on Balance Sheet	0

2009/10 Comprehensive Income and Expenditure Statement

	Adjustments Made
	£000s
Cultural, environmental, regulatory and planning services income line	188
Cultural, environmental, regulatory and planning services expenditure line (depreciation)	(36)
Financing and Investment Income and Expenditure	(175)
Net Effect on Comprehensive Income & Expenditure Statement	(23)

The net change to Cultural, Environmental, Regulatory and Planning Services consists of the removal of the operating lease income of £188k each year from the income line, and the removal of the depreciation charge (£36k in 2009/10). The net reduction in Surplus or Deficit on the Provision of

Services of a net £23k is removed by the transfer of £13k credit in 2009/10 from the Useable Capital Receipts Reserve to the General Fund, and the transfer of £36k to the Capital Adjustment Account in respect of depreciation. These transfers are included in the Movement in Reserves Statement.

5. Short-term accumulating compensated absences (accounting for annual leave)

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is annual leave (or holiday pay).

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31st March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009-10 Statements	Adjustments made
	£000	£000
Accruals	0	(6,700)
Accumulated Absence Account	0	6,700

31 March 2010 Balance Sheet

	2009-10 Statements	Adjustments made
	£000	£000
Accruals	0	(7,400)
Accumulated Absence Account	0	7,400

2009/10 Comprehensive Income and Expenditure Statement

	2009-10 Statements	Adjustments made
	£000	£000
Net Cost of Services	0	700

Pension Fund Accounts

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

Responsibility for the overall direction of the Fund‟s investment policy rests with the Authority‟s Pension Fund Panel, and draft accounts were submitted to the Panel on 23 June 2011, with final accounts to be submitted to the Panel on 29 September 2011. These accounts summarise the transactions and net assets of the scheme. In implementing the Fund‟s investment policy, the Authority has appointed two investment managers (Aberdeen Asset Managers Ltd and Black Rock Investment Management Ltd) to deal at discretion within broad investment objectives laid down by the Authority. The Authority‟s Corporate Property Division manages the property portfolio.

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	2010/11	2009/10
	£000s	£000s
Income		
Contributions:		
Employees	7,665	6,904
Employers	23,798	22,094
Augmentation Payments	132	103
Transfers from other schemes (individuals)	2,484	3,085
Transfers from other schemes (group transfers)	0	58
Total Income	**34,079**	**32,244**
Expenditure		
Benefits payable:		
Pensions	(21,483)	(20,668)
Lump sums	(5,615)	(5,903)
Death Benefits	(487)	(827)
Refunds	(16)	(46)
Transfers to other schemes (individuals)	(5,655)	(5,237)
Transfers to other schemes (group transfers)	0	0
Administrative Expenses	(1,191)	(1,144)
Other		0
Total Expenditure	**(34,447)**	**(33,825)**
Net additions / (withdrawals) from dealing with members	**(368)**	**(1,581)**
Returns on Investments		
Investment income	16,082	14,565
Change in market value of realised and unrealised investments	32,982	123,668
Irrecoverable withholding tax	(225)	(227)
Investment management expenses	(1,411)	(1,115)
Property expenses	(255)	(184)
Net returns on investments	**47,173**	**136,707**
Net increase (decrease) in the Fund during the year	**46,805**	**135,126**
Opening net assets of the scheme at 1 April	527,441	392,315
Closing net assets of the scheme at 31 March	**574,246**	**527,441**

NET ASSETS STATEMENT AS AT 31 MARCH 2011

01 Apr 09		31 Mar 11	31 Mar 10
£000s		£000s	£000s
	Investments		
212,868	Equity investments	366,218	329,198
45,697	Fixed interest securities	31,816	29,263
86,008	Unit trusts	134,420	119,004
20,115	Property	18,850	18,800
6,618	Private equity	8,986	7,308
18,626	Short term deposits	11,871	21,559
(2,156)	Outstanding settlements	(206)	293
2,374	Investment income receivable	2,282	1,831
390,150	**Total Investments**	**574,237**	**527,256**
	Current Assets and Current Liabilities		
611	Debtors	230	547
1,948	Balance due from General Fund	20	18
(394)	Creditors	(241)	(380)
2,165	**Net Current Assets**	**9**	**185**
392,315	**Net Assets**	**574,246**	**527,441**

NOTES TO THE PENSION FUND ACCOUNTS 2010/11

Note 1: Accounting Policies

Accounting Standards – The Authority‟s accounting policies have been drawn up in line with recommended accounting principles as specified under International Finance Reporting Standards (IFRS) and the Code of Practice on Local Authority Accounting and in accordance with the provisions of Chapter 2 of the Pensions SORP and on a going concern basis, except as disclosed below. There have been no material differences on the pension fund accounts as a result of the transition to IFRS.

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

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

- Listed securities and securities on the Unlisted Securities Market (USM) are shown by reference to bid price at the close of business on 31st March 2011.
- Other unlisted securities are valued having regard to the latest dealings, professional valuations, asset values and other appropriate financial information.
- Unit Trust investments are stated at the latest bid prices quoted by their respective managers prior to 31 March 2011.
- Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2011.
- 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 2011 by Drivers Jonas Deloitte, an established firm of property consultants and chartered surveyors who are regulated by the Royal Institution of Chartered Surveyors.
- Investments were realisable at 31 March 2011, other than property and private equity.

Contributions – represent those amounts receivable from the various employing authorities in respect of their own contributions and those of their pensionable employees. The Actuary on the basis of periodic valuations of the Fund‟s assets and liabilities determines the employers‟ contributions. Employees‟ contributions have been included at rates required by the Local Government Pension Scheme (Amendment) Regulations 2008.

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

The Authority‟s Actuary carries out valuations of the Fund‟s assets and liabilities at three yearly intervals. The last valuation was carried out by Barnett Waddingham as at 31 March 2010 and was effective from 1 April 2011.

The common rate of contribution for all scheduled bodies from 1 April 2011 is 12.8% 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. £120.2 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 17-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 value of the fund"s assets and liabilities are set out in the table below.

	2010	2007
Actuarial value of liabilities	£628.8m	£541.0m
Actuarial value of assets	£508.6m	£455.9m
Deficit	£120.2m	£85.1m
Funding level	81%	84%

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	5.0% pa
• Rate of increase of non GMP pensions in payment	3.0% pa
• The increases in the flow of income from ordinary shares, unit trusts and property	6.8% pa

Valuation of Liabilities – The Authority"s Actuary, Barnett Waddingham has valued the liabilities of the Fund on an IAS26 basis as at 31st March 2011. The value of the liabilities at 31st March 2011 is £782.9 m (31st March 2010 £885.1 m) compared with a fair value of scheme assets of £566.4m (31st March 2010 £527.1m). Therefore on this basis the deficit at 31st March 2011 is £216.5m (31st March 2010 £358.0m).

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

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

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

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

Note 2: Employers Contributions

Employers Contributions comprise two elements, normal contributions, which are the contributions required to fund future service liabilities and deficit funding, which is the additional contributions required to fund the deficiency as calculated at the last actuarial valuation. Normal contributions are calculated at 12.8% of payroll, and deficit funding will vary for different employers within the Fund. At the last actuarial valuation the Authority agreed to fund the deficiency over a 17-year period.

Note 3: Augmentation

These are payments to the Pension Fund from Hounslow Community Services and West Thames College to make up for the funding shortfall following early retirement.

Note 4: Transfers In / Out

There were no group transfers in or out during 2010/11.

Note 5: Administration

	2010/11	2009/10
	£000s	**£000s**
Scheme Administration	1,166	1,123
Actuary Fees	22	16
Annual Meeting and Report	3	5
Total costs	**1,191**	**1,144**

Note 6: Investment Income

	2010/11	2009/10
	£000s	£000s
Equity investments	9,609	9,138
Fixed interest securities	1,267	1,273
Unit trusts	3,408	2,186
Property	1,591	1,639
Short term deposits	206	327
Broker commissions recaptured	1	2
	16,082	**14,565**

Note 7: Equity Investments

	31 Mar 11	31 Mar 10
	£000s	£000s
UK Investments (listed)	196,178	167,653
Overseas Investments (listed):		
North America	66,078	63,569
Japan	10,639	12,604
Europe	68,748	61,141
Other	24,575	24,231
	366,218	**329,198**

Note 8: Fixed Interest Securities

	31 Mar 11	31 Mar 10
	£000s	**£000s**
UK Securities		
Government Bonds	27,232	25,795
Government Indexed Linked	181	0
Other fixed interest stocks	3,800	3,468
Overseas Securities	603	0
	31,816	**29,263**

Note 9: Unit Trusts

	31 Mar 11	31 Mar 10
	£000s	**£000s**
UK Unit Trusts		
Cash Fund	13,590	13,256
Bond Fund	34,275	20,388
Index Linked	16,001	14,783
Mid Cap Companies	1,721	2,603
Property	358	330
Overseas Unit Trusts		
Fixed Interest	13,947	15,739
Equity	54,528	51,905
	134,420	**119,004**

Note 10: Property

	31 Mar 11	31 Mar 10
	£000s	**£000s**
UK Property Investments: Freehold	18,850	18,800
Net Investment Activity	**18,850**	**18,800**

Note 11: Short term deposits

	31 Mar 11	31 Mar 10
	£000s	**£000s**
Bank Deposits	11,871	21,559
	11,871	**21,559**

Note 12: Debtors

Debtors represent those sums of money owed to the Pension Fund for contributions due from admitted bodies for 2010/11 but for which payment had not been received by 31st March 2011.

Note 13: Creditors

Creditors represent those sums of money owed by the Pension Fund for fund management services received during 2010/11 but for which payment had not been made by 31st March 2011.

Note 14: Investment Commitments

The Council is committed to making further investments in private equity funds. The total value of commitments outstanding at 31 March 2011 was £5.4m.

Note 15: Taxation

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

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

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

Note 16: Membership of the Fund

The following summarises the membership of the Pension Fund as at 31 March 2011:

	31 Mar 11	31 Mar 10
	No.	No.
Contributors	5,989	6,019
Pensioners	5,135	4,974
Deferred Pensioners	5,911	5,481
Total	**17,035**	**16,474**

Note 17: Movement in Funds Managed

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

	Aberdeen	BlackRock	LBH	Total
	£000s	£000s	£000s	£000s
Opening Balance at 1 April 2010	216,708	279,110	31,438	527,256
Purchases	120,744	208,321	1,311	330,376
Sales	(106,520)	(198,951)	(1,102)	(306,573)
Corporate Actions	612	(746)	0	(134)
Movement in short term deposits	(7,395)	(2,275)	0	(9,670)
Change in market value	12,940	18,416	1,626	32,982
Closing Balance at 31 March 2011	**237,089**	**303,875**	**33,273**	**574,237**
Proportion of Fund	**41%**	**53%**	**6%**	**100%**

Note 18: Additional Voluntary Contributions

The current provider for Additional Voluntary Contributions is Standard Life. Employees can contribute to the fund and Hounslow acts only as an agent, the contract is between the employee and Standard Life. The amount of contributions received in the year is £19,684. The value of these separately invested additional voluntary contributions at 31 March 2011 was £236,195.

There are also separately invested additional voluntary contributions with the previous provider, Equitable Life. The value of these contributions at 31 March 2011 was £241,539.

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

Note 19: Direct Transaction Costs

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

	2010/11	2009/10
	£000s	£000s
Aberdeen Asset Managers Ltd	161	139
Blackrock Investment Management Ltd	434	486
	595	**625**

Note 20: Scheduled and Admitted Bodies

The scheduled bodies to the Fund are:

- Hounslow Magistrates" Courts Committee
- West Thames College
- Gunnersbury Park
- Cranford Park
- Hounslow Homes
- Lampton School
- Cranford Community College

There were also 20 Admitted Bodies making contributions of £1.4m (£1.7m 2009/10).

The total contributions receivable and benefits payable are as follows:

	2010/11		2009/10	
	Contributions Receivable	Benefits Payable	Contributions Receivable	Benefits Payable
	£000s	£000s	£000s	£000s
London Borough of Hounslow	25,474	23,964	25,207	24,393
Scheduled Bodies	4,755	2,205	2,200	1,744
Admitted Bodies	1,366	1,432	1,689	1,303
Total costs	**31,595**	**27,601**	**29,096**	**27,440**

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

Note 21: Statement of Investment Principles

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

Note 22: Related Party Transactions

The Council was a related party to the Fund. During 2010/11, surplus Pension Fund monies were invested internally with the Council as a result of the day-to-day administration of the Fund. The Pension Fund received £14k in interest from the Council during 2010/11 on the internally invested cash. The balance of Pension Fund cash held in the Council"s account at 31st March 2011 was £20k (£18k 31st March 2010).

The Pension Fund incurred administrative expenses of £493k in 2010/11 (£601k 2009/10) for Council officers" time spent in administering the Fund.

No other material transactions with related parties of the Fund during 2010/11 were identified.

Statement of Responsibilities

<u>The Authority‟s Responsibilities</u>

The authority is required to:

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

<u>The Chief Financial Officer‟s Responsibilities</u>

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

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

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

The Chief Financial Officer has also:

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

This Statement of Accounts gives a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2011. Stephen Fitzgerald BA MBA ACIS FCCA Director of Finance Dated:	I confirm that these accounts were approved at a meeting of the Audit Committee on 26th September 2011. Councillor John Chatt Chair of the Audit Committee Dated:

ANNUAL GOVERNANCE STATEMENT 2010-11

Scope of Responsibility

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

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

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

The purpose of the Governance Framework

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

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

The London Borough of Hounslow's Governance Framework

Set out below are the key elements of the processes and systems that comprise the Council's governance arrangements that were in place for the year ended 31 March 2011 and up to the date of approval of the statement of accounts by the Audit Committee on 27 September 2011. These have been grouped using the six core principles of the CIPFA/SOLACE Framework.

1 Focusing on the purpose of the authority and on outcomes for the community; and on creating and implementing a vision for the local area

- In April the Council adopted a Business Plan for 2011/12 which sets out our corporate priorities and what we will deliver this year against each.

- The Council is also developing a five year Corporate Plan to set out its vision for the Borough in the longer term. This will be a major driver for the Council's work over the next five years and will be adopted by the Council in November.

- In June the Council adopted a Medium Term Financial Strategy for the period 2011/12 to 2014/15, which will drive its budget setting policy for the rest of the current administration.

- Work is in progress to give effect to the pledges set out by the administration in its vision for Hounslow and described in the current Business Plan. This will involve close collaboration between members and officers to achieve these objectives.

- The Council's business planning process is underpinned by departmental business plans that are designed to set out clear departmental objectives that contribute directly to the Council's aims.

- There is a productive and fully supported Hounslow Local Strategic Partnership (LSP), which focuses on the shared priorities of the partners.

- A Recession Task Force of multi-agency partners has been established to work together to mitigate the effects of the downturn on Hounslow's residents and businesses

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

a. An up to date Constitution is in place, which is supported by fully accessible and open decision making records. The Constitution is published on the Council's web-site and is kept under regular review. The Constitution allows for decisions to be made by Officers (as set out in the Scheme of Delegation), individual Lead Cabinet Members, the Cabinet, Borough Council and the various other committees.

b. Members receive clear guidance and training on the statutory Members' Code of Conduct and the Council's Members' Town Planning Code of Good Practice, and there is a Council Protocol on Relationships between Councillors and Officers in place, all of which can be found in the published Constitution.

c. The Constitution provides for the post of Chief Executive who, as Head of the Paid Service, is responsible for operational management. This post has an up to date job descriptions, and terms and conditions of appointment, and has specific and documented delegated authority.

d. The Council has a designated officer who is the Council's Section 151 Officer. It also has a designated officer who is the Council's Monitoring Officer. Both Officers have clear job descriptions (including responsibilities) and delegated authorities. The Section 151 Officer is currently a member of the Corporate Leadership Team.

e. Arrangements are in place, involving the Leader, Chief Executive and as appropriate other Lead Members and Chief Officers, to discuss key policy issues. Additionally, weekly operational meetings take place between the Leader and Chief Executive to review future Cabinet business.

f. Clear remuneration frameworks are in place for members and officers.

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

An Ethical Governance diagnostic was undertaken by the Audit Commission in 2007/08. Recommendations arising from that review, including extending the independent membership of the Standards Committee and improving officer understanding of the Member Code of Conduct have been implemented. The Council's Standards Committee now consists of 9 members, 5 of whom are independent, including an independent Chair. There are very few cases of complaints against Members. Only three complaints are recorded in this financial year. The role of the Standards Committee is currently under review in the light of the Government's proposals set out in the Localism Bill.

Mandatory training on planning matters, including the Town Planning Code of Conduct, is required by Council resolution. The required training was provided to all Members during the early part of the year. No Member is allowed to sit on a planning committee until such training had been received.

The Members' Code of Conduct was included in the Member's Handbook distributed to all Members in 2006 and updated when the 2007 Code was introduced. The Handbook also includes the Town Planning Code of Conduct and the Officer/Member Protocol which governs relationships between Chief Officers and Members and provides for mediation and conciliation if there is any breakdown in relationships.

Every Member and Chief Officer is required to complete a signed statement relating to third party transactions every year and the Council keeps a Register of Members' Interests which is up dated by Members from time to time and is published on the Hounslow web site. All employees are required to complete statements of interests on joining the organisation and to keep these updated.

Members are required to identify personal and prejudicial interests in any agenda item at the start of any committee meeting or immediately before a relevant item is discussed or as soon as it is realised that an interest does exist. The need to declare interests is the first item on every agenda.

A solicitor and committee administrator are present at all formal meetings of the Council to give advice on procedural and substantive matters.

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

- Codes of conduct are in place for officers and members.
- Organisation-wide performance appraisal and employee development schemes are in operation.
- Corporate performance management systems have been put in place and are being further developed.
- There is a declaration of interests process for Members and senior Officers as described above.
- The Council has a complaints procedure in line with Ombudsman best practice requirements.
- High profile whistle-blowing, anti-fraud and anti-corruption policies,
- Effective Standing Orders and financial regulations are in place.
- The Council has an active and effective standards committee system with an independent Chair and majority independent membership.

- Rules and protocols are in place for all partnership working.

- There is an Officer/Member protocol in place addressing Chief Officer and Member relationships.

- The remuneration arrangements for Members were reviewed in 2007/08. The Council has adopted the recommendations of a London wide advisory body on Members' remuneration. During 2010-11 there was a review of members' allowances and significant reductions were approved.

- Chief Officers' remuneration was reviewed in 2006/07. Hay was engaged to review the salary levels for senior posts.

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

- All Key decisions are recorded in advance on the Council's Forward Plan and republished every month on the Council's web site.

- Reports and minutes of meetings are also published on the Council's web site. This includes delegated decisions made by individual Executive Members and urgent decisions. Such delegated decisions are reported to the next formal meeting of the Executive

- The comments of the Borough Solicitor and Director of Finance (where appropriate incorporating the Head of Procurement's comments) are required on all reports, including delegated decisions. No decision requiring a report may be taken without the appropriate comments from these two Chief Officers.

- There is an overview and scrutiny function. Scrutiny's role in 'governance' is to ensure that the Council's (and local NHS bodies) decision-making is open, transparent and accountable. The Overview & Scrutiny Committee has four standing panels that support the work of the Executive and the Council as a whole, through oversight and scrutinising decisions made by the Executive. The Overview and Scrutiny Committee considers the Council's Forward Plan at each meeting and has call-in as a standing item on the agenda.

- The Council has an active audit committee with clear and significant terms of reference and annual work programme for audit, risk management and corporate governance.

- Effective corporate complaints management and resolution systems are in place, which include the leisure partners. A Stage 3 protocol has been introduced, including a Member Panel, ensuring accountability at a political level.

- A Risk Management Strategy is in place, with departmental risk registers in nearly all departments. Training in risks to services provided to Senior Managers. Processes and systems are now being embedded into all areas of the Authorities' work. All major projects undertaken, such as the Highways PFI, are required to have risk registers.

- Robust financial systems and regulations are in place that provide active support to risk management activity.

- There is a corporate performance management system and operational framework in place, with links from the Hounslow Business Plan through service business plans down to individual delivery targets, which are reported to Cabinet.

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

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

- The Council is working on the development of a corporate Workforce Development plan to assess the capability of our staff and future needs of the Council with a view to succession planning and developing the technical and professional skills that are required to deliver the council's priorities over the next few years.

- Individual training and development plans are an integral part of the staff performance appraisal system. A 100% target for appraisal completion has been set.

- Full job descriptions and person specifications in place for all posts including all members of the top management teams.

- A process of Member training is in place, to ensure Members are operating within the Code of Conduct and are aware of their roles and responsibilities.

- New joiners' induction courses provided for all employees.

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

- The Council produces a business plan to set out its vision and strategy clearly communicated to all stakeholders and local communities through multiple channels. The Business Plan for 2011-12 has been distributed to all staff and widely circulated elsewhere.

- A -broad range of communication channels are in place and undergoing continuous improvement to ensure effective reach across all borough communities – news media, web and digital, residents magazine, reports and briefings, leaflets and brochures.

- An annual Overview and Scrutiny report is published and widely circulated locally, regionally and nationally.

- Corporately led programmes of community and stakeholder consultation are in place, supported by service led operational consultations delivered to corporate standards and employing effective and tailored feedback mechanisms.

- The Council's business planning process is supported by a communications strategy and delivery plans.

- Clear systems and processes are in place for employee and employee representatives to be consulted and involved in decision making are in place and subject to regular review and continuous development.

Review of Effectiveness

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

Processes for reviewing the Effectiveness of the Governance Framework

The Council has reviewed its governance arrangements against the principles and standards set out in the *Delivering Good Governance in Local Government, CIPFA 2007*.

The Borough Solicitor regularly reviews and refreshes the Constitution which is available on the Council's web site and which includes the terms of references of all committees and the latest governance arrangements.

The governance framework has been summarised in this governance statement, which has been considered by the Audit Committee.

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

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

Significant Governance Issues

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

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

Actions Taken in 2010-11

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

- Work has continued to develop the Council's policies and objectives to reflect the ambitions of the newly elected administration and to refresh the Council's business plan to achieve this. A Business Plan for 2011-12 has been issued as a result.
- A series of 11 transformational workstreams is in place to develop plans for efficiency savings throughout the Council's services using, efficiency reviews and bench marking as an aid to achieving this objective.
- The Council has continued to embed risk management and business continuity planning across the organisation.

- A review of the budget and business planning timetables has been carried out to achieve greater cohesion and integration between financial and service planning.

- Work has continued to develop the Council's project management, monitoring and review systems to improve their effectiveness

- Reviews have been undertaken of the system controls of major systems where the Head of Internal Audit has only been able to provide limited assurance as a result of his audit work.

- Steps have been taken to address any issues raised by the Council's external auditors arising from their work

- Progress made in dealing with these issues is the subject of reports to the Council's Audit Committee.

Actions for 2011-12

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

- Continue to develop the Council's policies and objectives to reflect the ambitions of the administration and to develop a five year Corporate Plan to achieve this.

- The Council's approved Medium Term Financial Strategy will be used as a basis for planning the annual Council budgets for 2012/13 and subsequent years.

- There is a need to continue to develop plans for efficiency savings throughout the Council's services through the 11 work streams set up for this purpose, using, efficiency reviews and bench marking as an aid to achieving this objective.

- The Council will continue to develop the Council's project management, monitoring and review systems to improve their effectiveness.

- The creation of the new 'Corporate Resources' department will bring changes to the position in the Council structure of the posts occupied by the Council's Chief Financial Officer and the Council's Monitoring Officer, both of whom will report from October to the Director of Corporate Resources. Arrangements will be put in place to ensure both have access to all the relevant decision making bodies and individuals to allow them to carry out their statutory duties.

Steps will also be taken to address the following issues raised by the Council's external auditors arising from their work. This has identified a need to: -

- Provide sufficient capacity in the Finance Department to maintain an adequate standard of financial reporting,

- Embed good procurement processes across the Council,

- Comply with procurement laws and regulation,

- Embed good risk management arrangements across the Council,

- Clarify future workforce needs and address any skills gap,

- Provide a clear strategic direction to focus health inequalities work,

- Provide sufficient senior management capacity to implement the savings programmes and maintain service standards,

- Maintain an adequate level of general fund reserves,

The Head of Internal Audit has drawn attention to the following issues that will require attention during the year.

- Risk Management
- Early Years
- Parking Procurement
- Remote Working
- Use of Spreadsheets
- Back-up and Disaster Recovery
- Information Governance

Progress in dealing with these issues will be reported to the Council's Audit Committee.

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

Signed:

Councillor Jagdish Sharma, Leader of the Council

Mary Harpley Chief Executive

Dated:

On behalf of the London Borough of Hounslow

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HOUNSLOW

Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements of London Borough of Hounslow for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund, the Amounts Reported for Resource Allocation Decisions – Departmental Analysis, the Transition to International Financial Reporting Standards and the related notes.

These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies. This report is made solely to the members of London Borough of Hounslow in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Authority and Group's Statement of Accounts in accordance with proper practices as set out in the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority and Group; and the overall presentation of the accounting statements. I read all the information in the foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of London Borough of Hounslow's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;

- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Opinion on the pension fund accounting statements

I have audited the pension fund accounting statements for the year ended 31 March 2011 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of London Borough of Hounslow in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the pension fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the fund; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword and the annual report to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the pension fund's accounting statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2011 and the amount and disposition of the fund's assets and liabilities as at 31 March 2011; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

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

Authority's responsibilities

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

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness. The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place

proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, London Borough of Hounslow put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

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

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

29 September 2011

GLOSSARY

A statement of accounts needs to be prepared in accordance with applicable accounting standards that incorporate a wide range of technical phrases. This glossary has been provided to aid readers of the accounts by explaining some of these.

Accounting Policies

The rules and practices adopted by the Authority that dictate how transactions and events are treated in its financial records.

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 the cost of services to reflect the use of fixed assets used in the provision of services made up of interest and depreciation.

Capital Expenditure

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

Community Assets

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

Consolidation

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

Contingent Liability

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority‟s control (e.g. the outcome of a court case); or

- A present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.

Corporate and Democratic Core

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

Current Service Cost (Pensions)

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

Defined Benefit Scheme

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

Depreciation

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

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 (or non-current 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 or decrease in the value of benefits payable that were earned in prior years arising because of a change 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.

Revenue Expenditure Funded From Capital Under Statute (REFCUS)

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

Stocks

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

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

Subsidiary

An entity is a subsidiary of the reporting authority if:

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