London Borough
of Hounslow

Statement of Accounts
2013-14

LONDON BOROUGH OF HOUNSLOW

STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014

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PART1: FOREWORD

Accounting Statements

The pages that follow are the Authority's accounts for 2013/14 and comprise:

- **Comprehensive Income and Expenditure (CI&E) Statement** – 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 in the Movement in Reserves 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, rent rebates - and how these are met by rents and other income.
- **Collection Fund –** This shows the transactions of the Authority as a billing authority in relation to non-domestic rates and 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 31 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 comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement for the Authority and Hounslow Homes, the only material subsidiary. 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 2013/14 and the benefits paid from it. The Net Assets Statement sets out the financial position for the Fund as at 31 March. 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 2013/14

The Authority set an original budget for 2013/14 including levies and contingencies of £189.3m. This included schools, which are fully funded by central government via the Dedicated Schools Grant. Amendments to this budget to adapt to changing circumstances, in particular to reflect reorganisation decisions, were reported to Cabinet as part of the monthly revenue monitoring reports. The table below shows how the revised budget was allocated across the Council's departments and how much was spent in each service.

Department	Net Budget	Out Turn	Variance
	£m	£m	£m
Chief Executive Department	7.0	6.8	(0.2)
Corporate Resources	39.1	39.1	(0.0)
Children's and Adults' Services	100.4	100.4	(0.0)
Regeneration, Economic Development and Environmental Services	32.2	30.9	(1.3)
Service Expenditure	**178.7**	**177.2**	**(1.5)**
Other Items	10.6	12.1	1.5
Budget Requirement	**189.3**	**189.3**	**0.0**

Overall, the General Fund service areas of the Authority achieved a net £1.5m underspend for 2013/14. The main areas of underspend relate to budgets for housing benefits and business regulation and development. The main pressures faced by the Council are:

- Looked after Children External Placements – increased demand for SEN placements, secure placements and mother & baby placements.
- Temporary Accommodation – increased cost pressure due to rise in the use of Bed and Breakfast (B&B) accommodation.
- Parking & Highways – lower than budgeted income. The pressures noted within Highways were as a result of moving to the new PFI arrangement and was met through the use of specific monies set aside to implement and mobilise the contract.

Capital spending in 2013/14

The Authority's capital spending in the year amounts to £79.5m (2012/13:£46.1m) as set out in the following table.

Department	Expenditure	
	2013/14	**2012/13**
	£m	**£m**
Children's and Adults'	38.4	15.3
Regeneration, Economic Development and Environment	37.0	30.8
Corporate Resources	4.1	-
Total	**79.5**	**46.1**

The major capital schemes in 2013/14 were:

- Housing regeneration schemes in Heston and Manor Lane
- Schools primary expansion across the boroughs primary schools
- ICT investment

The Authority's capital spend is funded through a mixture of grant funding, capital receipts, revenue contributions or borrowing (see Note 31 of the Statement of Accounts). The Authority's current borrowing facilities are £286.7m for 2014/15 (£293.0m for 2013/14 and £307.1m for 2012/13).

Financial Issues Affecting 2013/14

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 IAS19, the Authority's balance sheet recognises a liability of £330.3m at 31 March 2014 (£283.6m at 31 March 2013). This represents liabilities of £328.9m (£280.7m at 31 March 2013) for the London Borough of Hounslow Pension Fund and £1.4m (£2.9m at 31 March 2013) for the London Pension Fund Authority Scheme. More information about the costs and accounting treatment for the Authority's pension schemes is set out below and in Note 15 of the Statement of Accounts.

Other material amounts affecting the 2013/14 Statement of Accounts

The 2013/14 Statement of Accounts includes the impact of several material amounts in the Authority's main financial statements, including the Comprehensive Income and Expenditure Statement and the Balance Sheet as set out below.

Material amounts reflecting a real transfer of assets and changes to expenditure and income

The 2013/14 Statement of Accounts includes the following material transactions (more details are set out in Note 6 of the Statement of Accounts):

- Four schools transferred to Academy status during 2013/14 (three transferred in 2012/13). From the point at which schools become academies, they are largely financially independent of the Authority. Income and expenditure in respect of these schools is only included in the Authority's accounts up to the date on which they entered into Academy status. Schools that have become Academies will receive Dedicated Schools Grant and other funding direct from the Department for Education. In addition, school buildings, together with the relevant school reserves and any other relevant assets or liabilities are transferred to the schools, and so will not be included in the Authority's balance sheet.

Material Amounts in respect of Technical Accounting Adjustments

The 2013/14 Statement of Accounts also includes the impact of two material amounts in the Comprehensive Income and Expenditure Account which relate to the application of accounting practices rather than in-year expenditure. These are:

- The overall deficit position on London Borough of Hounslow Pension Fund scheme as at 31 March 2013 is £330.3m (an increase of £46.7m from 31 March 2013). Information on how this movement has been charged to the Comprehensive Income and Expenditure Statement is set out in Note 15.
- The Authority's non-current assets have been revalued in accordance with the accounting policies resulting in a net upwards movement in net book value of £73.6m. Of this, £89.2m has been reflected as an exceptional item and is shown on a separate line within the net cost of services shown in the Comprehensive Income and Expenditure Statement.

Highways PFI

The Authority has entered into a 25-year PFI contract for the maintenance/upgrade of all LBH managed highways, street lighting and associated infrastructure (a 'fence to fence' contract) which came into effect from 1 January 2013. The operating company responsible for delivering all works under the contract (Ringway Hounslow Highways Limited) is now into the 2nd year of a 5-year core investment period during which almost £100m will be invested in highways infrastructure.

The total contract cost is estimated at around £600m, £320m of which will be pass-through funding from the Department for Transport to finance debt servicing costs of capital expenditure over the contract life. During the year to 31 March 2014, the authority received £10.8m from DfT and committed £7.7m of the Council's own operational budgets with these 2 amounts funding the 2013/14 Unitary Charge payment to RHHL via its parent, Hounslow Highways Services Limited, as well as contributing amounts into a reserve to help fund future Unitary Charge payments.

Specific accounting practices apply to PFI contracts, which require a proportion of these payments to be treated as a finance lease. The capital expenditure over the life of the contract is being added to the Council's balance sheet as an asset in the year in which it is incurred, in the same way as capital expenditure undertaken using more traditional funding methods.

Performance adjustments made to the Unitary Charge for specific instances of contractor under-performance total £0.2m for 2013/14.

More details about the PFI costs for 2013/14 and the impact of the contract in future years are set out in Note 33.

Changes to Non-Domestic Business Rates

Until 2012/13 the Authority collected Non-Domestic Business Rates on behalf of the Government, paying them into a national business rates pool that was then redistributed to local authorities as part of the local government finance settlement. From 2013/14 a new business rates retention system replaces the previous formula grant system. Hounslow now retains 30% of the business rates collected, passes 50% to central government and 20% to the GLA. Central government use their 50% share of business rates to fund revenue support grant and other grants to local authorities.

Outlook for 2014/15 and beyond

In 2013/14 the adult social care budget was subject to substantial demand pressures particularly in respect of purchasing of external social care packages. Moving forward, the service will have pressure to manage demographic changes such as:

- ageing population requiring assistance for social care
- increase in residents with mental health needs
- increase in younger adults with disabilities requiring assistance for social care
- increase in support and assistance provided to carers.

The projected total cost of the current schools' new places capital programme to 2015/16 is approximately £155m and the projected total income is £125m, giving a funding gap of £30m. This income includes the allocation of an additional £11m from council reserves and a £3m contribution from DSG reserves agreed by Schools Forum towards the special educational needs projects. There will be further additional pressure to meet the schools place need from September 2016 onwards across both the primary and secondary sectors. At present it is not possible to quantify the level of resource that will be required due to uncertainty about the number of places that will be created through free schools.

The Government's Children and Families bill will come into force in September 2014 and seeks to transform the system for children and young people with SEN, including those who are disabled. The bill will extend the SEN system from birth to 25, giving children, young people and their parent's greater control and choice in decisions and ensuring needs are properly met. This bill will include:

- replacing old statements with a new birth-to-25 education, health and care plan
- offering families personal budgets
- improving cooperation between all the services that support children and their families, particularly requiring local authorities and health authorities to work together.

The implementation of this programme will require significant funding and the ongoing funding for SEN services affected by the bill are still unclear and may cause additional burdens on both the council's core funding and also the Schools DSG budgets.

During 2014/15 the Council has been consulting on returning housing services currently delivered by Hounslow Homes to management by the Council. Hounslow Homes is currently the only material subsidiary of the Council.

Despite reductions in funding and pressures identified above, the Authority was able to reduce its element of council tax for 2014/15 by 0.5%, giving a band D council tax of £1,079.77. The London Mayor also reduced its element of council tax, with a GLA precept of £299.00 on a Band D property.

Conclusion

In a time of significant change for the Authority, the successful delivery of savings in 2013/14, and the ability for the Council to reduce its council tax for two consecutive years, highlights the efforts being made to ensure the sound financial management of the Council. This strength will be important for the next few years as further reductions in Government support for local authorities are expected.

PART2: MAIN LOCAL AUTHORITY FINANCIAL STATEMENTS

Amounts Reported for Resource Allocation Decisions – Directorate Analysis

Analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice for Local Authorities (SeRCOP). However, decisions about resource allocation are taken on the basis of budget reports analysed across Directorates. These are prepared and monitored on a different basis from the accounting policies used in the financial statements. The following table shows how income and expenditure falls within the various council's directorates. It should be noted that a reorganisation took place during 2013/14, moving staff and budgets from service based directorates into Chief Executive and Corporate Resources directorates.

	Chief Executive	Corporate Resources	Children's and Adults' Services	Regeneration, Economic Development and Environment	General Fund Directorates	Housing Revenue Account	Total
	£m	£m	£m	£m	£m	£m	£m
Directorate Income and Expenditure 2013/14 Results							
Fees, charges & other service income	(2.2)	(8.4)	(40.8)	(42.3)	(93.7)	(88.3)	(182.0)
Support services recharge income	(0.3)	(5.0)	(5.8)	(6.7)	(17.8)	(0.2)	(18.0)
Government grants	(0.1)	(14.7)	(165.0)	(168.0)	(347.8)	0.0	(347.8)
Total Income	**(2.6)**	**(28.1)**	**(211.6)**	**(217.0)**	**(459.3)**	**(88.5)**	**(547.8)**
Employee expenses	6.1	17.8	149.9	22.3	196.1	1.0	197.1
Other service expenses	3.3	48.1	154.9	222.7	429.0	46.1	475.1
Depreciation and other capital charges	0.0	0.0	0.0	0.0	0.0	29.6	29.6
Support service recharges	0.0	1.3	7.2	2.9	11.4	3.4	14.8
Total Expenditure	**9.4**	**67.2**	**312.0**	**247.9**	**636.5**	**80.1**	**716.6**
Net Expenditure	**6.8**	**39.1**	**100.4**	**30.9**	**177.2**	**(8.4)**	**168.8**
Directorate Income and Expenditure 2012/13 Comparative Figures							
Fees, charges & other service income	(0.4)	(7.4)	(25.1)	(43.2)	(76.1)	(77.3)	(153.4)
Support services recharge income	(0.2)	(4.1)	(5.0)	(6.2)	(15.5)	(0.4)	(15.9)
Government grants	(0.2)	(24.6)	(195.4)	(148.1)	(368.3)	(0.2)	(368.5)
Total Income	(0.8)	(36.1)	(225.5)	(197.5)	**(459.9)**	(77.9)	**(537.8)**
Employee expenses	4.2	15.6	166.4	24.9	211.1	1.0	212.1
Other service expenses	2.9	37.3	139.8	221.4	401.4	51.2	452.6
Depreciation and other capital charges	0.0	0.0	0.0	0.0	0.0	21.2	21.2
Support service recharges	0.1	1.2	6.8	3.6	11.7	2.3	14.0
Total Expenditure	**7.2**	**54.1**	**313.0**	**249.9**	**624.2**	**75.7**	**699.9**
Net Expenditure	**6.4**	**18.0**	**87.5**	**52.4**	**164.3**	**(2.2)**	**162.1**

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.

	2013/14	2012/13
	£m	£m
Net Expenditure in the Directorate Analysis		
General Fund	177.2	164.3
HRA	(8.4)	(2.2)
Net Expenditure in the Directorate Analysis	**168.8**	**162.1**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(55.1)	68.5
Amounts reported to management that fall in the net cost of the provision of services, but not in the net cost of services	(25.7)	(22.3)
Amounts reported to management that do not fall within the Comprehensive Income and Expenditure Statement	(14.5)	(16.3)
Cost of Services in Comprehensive Income and Expenditure Statement	**73.5**	**192.0**

2013/14 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
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fees, charges and other services income	(182.1)	(0.3)	1.1	0.0	15.5	**(165.8)**	(4.8)	(1.1)	**(171.7)**
Support services recharge income	(17.9)	0.0	3.3	0.0	(0.5)	**(15.1)**	(0.8)	(3.3)	**(19.2)**
Interest and investment income	0.0	0.0	0.0	0.0	0.0	**0.0**	(2.6)	0.0	**(2.6)**
Income from council tax	0.0	0.0	0.0	0.0	0.0	**0.0**	(83.4)	0.0	**(83.4)**
Government grants and contributions	(347.8)	(1.4)	0.0	0.0	0.1	**(349.1)**	(149.8)	0.0	**(498.9)**
Total Income	**(547.8)**	**(1.7)**	**4.4**	**0.0**	**15.1**	**(530.0)**	**(241.4)**	**(4.4)**	**(775.8)**
Employee expenses	197.1	(2.6)	(2.0)	0.0	(26.1)	**166.4**	15.0	2.0	**183.4**
Other services expenses	465.2	1.5	(4.0)	(14.5)	(18.5)	**429.7**	(2.4)	4.0	**431.3**
Support service recharges	14.7	0.0	(1.0)	0.0	29.5	**43.2**	1.0	1.0	**45.2**
Depreciation, amortisation and impairment	16.5	(52.3)	0.0	0.0	0.0	**(35.8)**	(7.5)	0.0	**(43.3)**
Interest payments	13.1	0.0	(13.1)	0.0	0.0	**0.0**	3.9	13.1	**17.0**
Precepts and levies	10.0	0.0	(10.0)	0.0	0.0	**0.0**	0.0	10.0	**10.0**
Payments to housing capital receipts pool	0.0	0.0	0.0	0.0	0.0	**0.0**	2.1	0.0	**2.1**
Gain or loss on disposal of fixed assets	0.0	0.0	0.0	0.0	0.0	**0.0**	36.2	0.0	**36.2**
Total Expenditure	**716.6**	**(53.4)**	**(30.1)**	**(14.5)**	**(15.1)**	**603.5**	**48.3**	**30.1**	**681.9**
Surplus or deficit on the provision of services	**168.8**	**(55.1)**	**(25.7)**	**(14.5)**	**0.0**	**73.5**	**(193.1)**	**25.7**	**(93.9)**

2012/13 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	Reported as part of Directorates	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fees, charges and other services income	(153.2)	0.1	5.9	0.5	7.4	**(139.3)**	(5.2)	(5.9)	**(150.4)**
Support services recharge income	(16.0)	0.0	4.1	0.0	3.1	**(8.8)**	(0.2)	(4.1)	**(13.1)**
Interest and investment income	(0.3)	0.0	0.3	0.0	0.0	**0.0**	(2.4)	(0.3)	**(2.7)**
Income from council tax	0.0	0.0	0.0	0.0	0.0	**0.0**	(96.7)	0.0	**(96.7)**
Government grants and contributions	(368.5)	(0.3)	0.0	0.0	0.8	**(368.0)**	(130.9)	0.0	**(498.9)**
Total Income	**(538.0)**	**(0.2)**	**10.3**	**0.5**	**11.3**	**(516.1)**	**(235.4)**	**(10.3)**	**(761.8)**
Employee expenses	212.1	(6.6)	(5.2)	(1.3)	(30.8)	**168.2**	10.6	5.2	**184.0**
Other services expenses	443.8	(1.8)	(3.6)	(15.5)	(17.6)	**405.3**	(0.5)	3.6	**408.4**
Support service recharges	14.0	0.0	(1.6)	0.0	37.1	**49.5**	0.7	1.6	**51.8**
Depreciation, amortisation and impairment	8.2	77.1	(0.2)	0.0	0.0	**85.1**	2.6	0.2	**87.9**
Interest payments	13.1	0.0	(13.1)	0.0	0.0	**0.0**	2.3	13.1	**15.4**
Precepts and levies	8.9	0.0	(8.9)	0.0	0.0	**0.0**	0.0	8.9	**8.9**
Payments to housing capital receipts pool	0.0	0.0	0.0	0.0	0.0	**0.0**	1.0	0.0	**1.0**
Gain or loss on disposal of fixed assets	0.0	0.0	0.0	0.0	0.0	**0.0**	38.8	0.0	**38.8**
Total Expenditure	**700.1**	**68.7**	**(32.6)**	**(16.8)**	**(11.3)**	**708.1**	**55.5**	**32.6**	**796.2**
(Surplus) or deficit on the provision of services	**162.1**	**68.5**	**(22.3)**	**(16.3)**	**0.0**	**192.0**	**(179.9)**	**22.3**	**34.4**

Comprehensive Income & Expenditure Statement 2013/14

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.

	2013/14			2012/13			Note
	Expenditure	Income	Net	Expenditure	Income	Net	
	£m	£m	£m	£m	£m	£m	
Central services to the public	12.8	(8.6)	4.2	33.6	(30.4)	3.2	
Environmental and regulatory services	15.0	(3.2)	11.8	18.9	(2.7)	16.2	
Planning services	6.5	(7.7)	(1.2)	8.1	(7.5)	0.6	
Cultural and related services	22.5	(1.5)	21.0	18.1	(1.1)	17.0	
Education and children's services	259.6	(200.6)	59.0	254.7	(202.6)	52.1	
Highways and transport services	35.6	(25.6)	10.0	26.1	(13.9)	12.2	
Local authority housing (HRA)	58.5	(83.1)	(24.6)	57.1	(77.6)	(20.5)	
Other housing services	179.4	(168.7)	10.7	169.7	(159.6)	10.1	
Adult social care	68.8	(16.0)	52.8	72.8	(19.5)	53.3	
Public Health	15.5	(13.6)	1.9	0.0	0.0	0.0	
Exceptional revaluation movement	(80.1)	0.0	(80.1)	47.7	0.0	47.7	6
Corporate and democratic core	5.9	(0.8)	5.1	6.7	(1.1)	5.6	
Other non distributed costs	3.5	(0.6)	2.9	(5.5)	0.0	(5.5)	
Cost Of Services	**603.5**	**(530.0)**	**73.5**	**708.0**	**(516.0)**	**192.0**	
Other Operating Expenditure	3.5	(10.1)	(6.6)	25.0	(15.4)	9.6	7
Exceptional derecognition of Academy assets	45.8	0.0	45.8	39.3	0.0	39.3	7
Financing and Investment Income and Expenditure	29.2	(2.6)	26.6	23.8	(2.7)	21.1	9
Taxation and Non-Specific Grant Income	0.0	(233.2)	(233.2)	0.0	(227.6)	(227.6)	10
Surplus or Deficit on Provision of Services			**(93.9)**			**34.4**	
Surplus or deficit on revaluation of fixed assets			15.2			13.9	
Actuarial gains / losses on pension assets / liabilities			36.7			7.5	
Other Comprehensive Income and Expenditure			**51.9**			**21.4**	
Total Comprehensive Income and Expenditure			**(42.0)**			**55.8**	

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 2013/14

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.

	2013/14										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	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Balance as at 31 March 2013	**(13.7)**	**(94.0)**	**(19.5)**	**(7.9)**	**(5.3)**	**0.0**	**(69.7)**	**(210.1)**	**(761.3)**	**(971.4)**	
Surplus or deficit on provision of services (accounting basis)	19.8	0.0	(113.7)	0.0	0.0	0.0	0.0	(93.9)	0.0	(93.9)	
Other Comprehensive Expenditure and Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	51.9	51.9	
Total Comprehensive Expenditure and Income	**19.8**	**0.0**	**(113.7)**	**0.0**	**0.0**	**0.0**	**0.0**	**(93.9)**	**51.9**	**(42.0)**	
Adjustments between accounting basis & funding basis under regulations	(36.8)	0.0	104.1	0.0	(17.8)	(2.1)	13.5	60.9	(60.9)	0.0	20
Net Increase / Decrease before Transfers to Earmarked Reserves	**(17.0)**	**0.0**	**(9.6)**	**0.0**	**(17.8)**	**(2.1)**	**13.5**	**(33.0)**	**(9.0)**	**(42.0)**	
Transfers to / from Earmarked Reserves	16.0	(16.0)	1.3	(1.3)	0.0	0.0	0.0	0.0	0.0	0.0	21
Increase / Decrease in Year	**(1.0)**	**(16.0)**	**(8.3)**	**(1.3)**	**(17.8)**	**(2.1)**	**13.5**	**(33.0)**	**(9.0)**	**(42.0)**	
Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Balance at 31 March 2014	**(14.7)**	**(110.0)**	**(27.8)**	**(9.2)**	**(23.1)**	**(2.1)**	**(56.2)**	**(243.1)**	**(770.3)**	**(1,013.4)**	

	2012/13										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	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Balance as at 31 March 2012	**(14.1)**	**(88.4)**	**(17.2)**	**(6.7)**	**(6.0)**	**0.0**	**(46.3)**	**(178.7)**	**(848.5)**	**(1,027.2)**	
Surplus or deficit on provision of services (accounting basis)	48.6	0.0	(14.2)	0.0	0.0	0.0	0.0	34.4	0.0	34.4	
Other Comprehensive Expenditure and Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	21.4	21.4	
Total Comprehensive Expenditure and Income	**48.6**	**0.0**	**(14.2)**	**0.0**	**0.0**	**0.0**	**0.0**	**34.4**	**21.4**	**55.8**	
Adjustments between accounting basis & funding basis under regulations	(53.8)	0.0	9.3	0.0	0.7	1.4	(23.4)	(65.8)	65.8	0.0	20
Net Increase / Decrease before Transfers to Earmarked Reserves	**(5.2)**	**0.0**	**(4.9)**	**0.0**	**0.7**	**1.4**	**(23.4)**	**(31.4)**	**87.2**	**55.8**	
Transfers to / from Earmarked Reserves	5.6	(5.6)	2.6	(1.2)	0.0	(1.4)	0.0	0.0	0.0	0.0	21
Increase / Decrease in Year	**0.4**	**(5.6)**	**(2.3)**	**(1.2)**	**0.7**	**0.0**	**(23.4)**	**(31.4)**	**87.2**	**55.8**	
Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Balance at 31 March 2013	**(13.7)**	**(94.0)**	**(19.5)**	**(7.9)**	**(5.3)**	**0.0**	**(69.7)**	**(210.1)**	**(761.3)**	**(971.4)**	

Balance Sheet as at 31 March 2014

	31 Mar 14	31 Mar 13	Note
	£m	£m	
Property, Plant & Equipment	1,426.5	1,357.1	26
Investment Property	28.2	29.2	28
Intangible Assets	3.2	0.0	25
Long Term Investments	45.0	39.3	40
Heritage Assets	3.6	3.6	29
Long Term Debtors	3.2	3.9	32 & 40
Long Term Deferred Asset Related to PFI	46.2	93.3	33
Long Term Assets	**1,555.9**	**1,526.4**	
Short Term Deferred Asset Related to PFI	28.2	2.8	33
Short Term Investments	137.0	106.8	
Assets held for sale	0.0	1.7	
Inventories	0.5	0.7	
Short Term Debtors	44.3	40.8	34
Cash and Cash Equivalents	51.0	48.3	43
Current Assets	**261.0**	**201.1**	
Bank overdrafts	(7.7)	0.0	43
Short Term Borrowing	(37.5)	(12.5)	
Short Term Creditors	(93.9)	(88.2)	35
Short Term Provisions	(4.2)	(3.3)	36
Current Liabilities	**(143.3)**	**(104.0)**	
Long Term Creditors	(23.1)	(21.6)	38
Provisions	(5.9)	(2.9)	36
Long Term Borrowing	(205.7)	(240.9)	
Other Long Term Liabilities	(424.1)	(380.3)	39
Capital Grants Receipts in advance	(1.4)	(6.4)	18
Long Term Liabilities	**(660.2)**	**(652.1)**	
Net Assets	**1,013.4**	**971.4**	

Usable reserves	(243.1)	(210.1)	
Unusable Reserves	(770.3)	(761.3)	23
Total Reserves	**(1,013.4)**	**(971.4)**	

Cash Flow Statement 2013/14

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.

	2013/14	2012/13
	£m	£m
Net surplus or (deficit) on the provision of services	93.8	(34.4)
Adjust net surplus or deficit on the provision of services for noncash movements	(8.8)	118.0
Adjust for items included in net surplus or deficit on provision of services that are investing and financing activities	(21.2)	(4.6)
Net cash flows from Operating Activities	**63.8**	**79.0**
Purchase of property, plant and equipment, investment property and intangible assets	(46.7)	(43.5)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	21.2	4.6
Net change in long and short term investments	(36.0)	(39.5)
Investing Activities	**(61.5)**	**(78.4)**
Cash receipts of short term and long term borrowing	74.6	29.4
Other receipts for financing activities	3.0	(7.4)
Repayments of short term and long term borrowing	(84.9)	(32.7)
Other payments for financing activities	0.0	(0.1)
Financing Activities	**(7.3)**	**(10.8)**
Net increase or decrease in cash and cash equivalents	**(5.0)**	**(10.2)**
Cash and cash equivalents at the beginning of the reporting period	48.3	58.5
Cash and cash equivalents at the end of the reporting period	**43.3**	**48.3**

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 2013/14 financial year and its position at the year-end of 31 March 2014. 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 Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (CIPFA Code) and the Service Reporting Code of Practice 2013/14 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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 73.

Note 2. Accounting standards issued not yet adopted

The Code of Practice requires that the Authority discloses information relating to the impact of accounting standards issues, but not yet adopted. The following accounting standards have amendments that do not yet apply to local authorities:

- IFRS 10 – Consolidated Financial Statements
- IFRS11 – Joint Arrangements
- IFRS 12 – Disclosures of Interests in Other Entities
- IAS 27 – Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures
- IAS 1 – Presentation of Financial Statements
- IAS 32 – Financial Instruments: Presentation - Offsetting Financial Assets and Obligations

None of the above accounting standards are expected to have a material impact on the Authority.

Note 3. Critical judgements in applying accounting policies

In applying the accounting policies set out from page 73, 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 uses an external valuer to review a proportion of the Council's assets each year (as part of a five year rolling programme in which all assets are revalued) in order to ensure that the Council's asset values recognised in the balance sheet are up to date.

- Accounting for the pension scheme

The Authority is required to recognise information about the pension schemes' assets and liabilities, and to appropriately recognise pension related expenditure in accordance with IAS 19. The Authority uses an independent firm of actuaries to make the necessary calculations to advise on the appropriate figures to use.

- Judgements made in Establishment of Provisions

A review is undertaken each year to identify and estimate any significant provisions that are needed at the year end. The three most significant areas where it is believed a provision is required relate to redundancy costs, insurance and a new provision from 2013/14 related to the impact of future appeals relating to retained business rates. The provision for redundancy is based on an estimate of future redundancy costs associated with decisions made during the year, calculated using a best estimate of the likely number of people to receive redundancy payment as a result of known reorganisations and savings. The Authority has also set aside funds in an insurance provision, and a separate insurance reserve, to cover the potential cost of claims made against the Council. The level of the insurance provision and reserve is set using the best available information at the time. The provision for business rates appeals has been estimated by analysing historic trends in appeals.

- Accruals of income and expenditure

The Authority is required to estimate expenditure incurred and income earned but not invoiced at 31 March each year. This will include an estimate of untaken annual leave and other pay related costs due to its officers at 31 March. General income and expenditure accruals are estimated based on known orders and services delivered. The cost of teachers untaken leave is calculated by a formula developed for use on a national basis. The cost of officers' untaken leave is estimated using annual leave data for a sample of employees..

- Highways PFI

Specific accounting principles apply to PFI contracts. Details about the judgements made can be found in Note 33.

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 31 March 2014 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 useful economic lives of assets are re-assessed whenever the assets are revalued. This is then used to calculate the annual depreciation charge. It is very difficult to assess accurately the life of many buildings. 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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. Similarly, if the life of assets is increased by a revaluation, depreciation will reduce but the carrying amount of the asset will increase. Although depreciation itself does not affect council tax levels (as it is a notional charge), there is a capital cost to the council if a building has to be replaced early, or a capital saving if a building lasts longer than expected.
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 actuarial loss or gain provided by the actuary's calculation can be significant. This charge to the Comprehensive Income & Expenditure Statement is notional as it is not charged to the general fund, and does not affect council tax levels. If the future investment returns are different to the actuarial assumptions, it will not affect the council tax. However, if the pension fund assets and liabilities vary significantly from those forecast by the actuary, it could mean that either higher or lower pension contributions would be payable by the Authority in the future.
Bad Debt Provision	The estimated provision for bad debts 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 Statement. 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 Statement.

Item	*Uncertainties*	*Effect if actual results differ from assumptions*
Central and Departmental Recharges	The 2013/14 net cost of services incorporates a revised approach for allocation of recharges of central services, such as financial services, human resources, legal and information technology charges. Recharges to each service line are allocated pro rata to employee or wider costs directly attributable to the service, whichever is most applicable. As with all recharges they cannot always accurately reflect each service department's use of a support service.	There is no impact on the Authority's net surplus or deficit each year, and no material impact is expected for any individual service line in the net cost of services.
Highways PFI	The accounting treatment applied to the highways PFI assumes a level of future delivery of capital investment, recognised as a long term liability at the point the PFI contract was signed, together with a creditor to reflect amounts outstanding via a finance lease.	Any changes to the underlying split of the unitary charge payments (capital repayment, interest and revenue cost) will have an impact on the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement. The total amount, however, is given by the actual payments. More information can be found in Note 33

Note 5. Prior Year Adjustments

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

The accounting treatment applicable to the authority's defined benefit pension scheme was changed from 2013/14. This change did not have an impact on the balance sheet, but has changed how the pension related charges are reflected in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement as follows:

	Restated 2012/13			**Original 2012/13**		
	LBH Pension Fund	**LPFA Pension Fund**	**Total**	**LBH Pension Fund**	**LPFA Pension Fund**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Net Cost of services:	11.9	0.0	11.9	11.2	0.0	11.2
Financing and investment income and expenditure:	12.5	0.1	12.6	7.2	0.1	7.3
Total post employment benefit charged to the surplus or deficit on the provision of services	**24.4**	**0.1**	**24.5**	**18.4**	**0.1**	**18.5**
Actuarial gains / losses on pension assets / liabilities	1.0	0.5	1.5	7.0	0.5	7.5
Total Comprehensive Income and Expenditure	**25.4**	**0.6**	**26.0**	**25.4**	**0.6**	**26.0**

About the Comprehensive Income and Expenditure Statement

Note 6. Material Items of Income and Expense

The 2013/14 Statement of Accounts includes the impact of several material amounts in the Authority's main financial statements, including the Comprehensive Income and Expenditure Statement and the Balance Sheet.

- Details about the PFI contract are set out in Note 33.
- Transactions relating to the pension fund are set out in Note 15.
- There has been a material movement as a result of the revaluation of the Authority's non-current assets. These amounts are highlighted separately in the Comprehensive Income and Expenditure Statement: £89.2m increase in value as part of the net cost of services, with a £15.2m reduction in value showing within other comprehensive income and expenditure items.
- A change of status to Academy of four of the Authority's schools has resulted in an exception derecognition of the associated non-current assets (see Note 7).
- Other material transactions relate to movements in the value of the authority's other non-current assets with details set out from Note 25 to Note 31.

Note 7. Other Operating Expenditure

Items shown as Other Operating Expenditure in the Comprehensive Income and Expenditure Statement comprise the following amounts. In accounting terms the Authority is required to treat the creation of an Academy as a disposal of the school land and buildings with no proceeds. These amounts have been separately disclosed in the following table and in the Comprehensive Income and Expenditure Statement.:

	2013/14	2012/13	Note
	£m	£m	
Levies	10.0	8.9	
(Gains)/losses on trading operations	0.1	0.3	8
Payments to the Government Housing Capital Receipts Pool	2.1	1.0	
(Gains)/losses on the disposal of non current assets	(18.8)	(0.6)	
Sub total of Other Operating Expenditure	**(6.6)**	**9.6**	
Exceptional derecognition of Academy assets	45.8	39.3	
Total of Other Operating Expenditure	**39.2**	**48.9**	

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 Authority's **highways maintenance** and **street cleansing** services were transferred to Vinci Ringway as part of the PFI contract which commenced on 1 January 2013. The services were previously run by the Authority on the basis of an agreement following a competitive tender process. The following table shows the income and expenditure for this trading operation until the point of transfer.
- The Authority runs its **transport services** on the basis of an agreement following a competitive tender. The trading objective is to break even.

	2013/14			2012/13		
	Turnover	Expenditure	(Surplus) / Deficit	Turnover	Expenditure	(Surplus) / Deficit
	£m	£m	£m	£m	£m	£m
Catering Service	(5.7)	5.7	0.0	(5.3)	5.3	0.0
Highways Maintenance	0.0	0.0	0.0	(1.7)	2.1	0.4
Street Cleansing	0.0	0.0	0.0	(2.9)	3.1	0.2
Transport Services	(4.5)	4.6	0.1	(5.3)	5.0	(0.3)
Other trading accounts	0.0	0.0	0.0	(0.1)	0.1	0.0
Net surplus on trading operations	**(10.2)**	**10.3**	**0.1**	**(15.3)**	**15.6**	**0.3**

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:

	2013/14	2012/13	Note
	£m	£m	
Interest payable and similar charges	17.0	15.4	
Pensions interest cost and expected return on pensions assets	11.9	7.4	15
Interest receivable and similar income	(2.6)	(2.7)	
Changes in the fair value of investment properties	0.3	1.0	
Other investment income	0.0	0.0	
Total of Financing and Investment Income and Expenditure	**26.6**	**21.1**	

Note 10. Taxation and Non Specific Grant Income

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

	2013/14	2012/13	Note
	£m	£m	
Council tax income	(83.4)	(96.7)	
Non domestic rates	(40.0)	(82.4)	18
Non-ring fenced government grants	(72.0)	(7.2)	18
Capital grants and contributions	(37.8)	(41.3)	18
Total of Taxation and Non-Specific Grant Income	(233.2)	(227.6)	

The treatment of council tax benefits changed from 2013/14. The support given to those people previously receiving council tax benefit is now provided through a reduction in the amount of council tax billed. This has resulted in a decrease in the level of council tax income recognised by the Authority. Council tax benefit grant has now been replaced with a new non-ringfenced government grant which is included in the above table.

The business rates income shown for 2012/13 reflects the business rates paid to the Authority out of the national pool as part of the local government finance settlement. The figure for 2013/14 reflects the level of retained business rates. This change in the method of funding local authorities has also resulted in an increase in non-ringfenced government grant.

About Councillors, Employees and Related Parties

Note 11. Members' allowances

During 2013/14 £802k of allowances and £2k of expenses were paid to Councillors (£807k of allowances and £1k of expenses were paid during 2012/13).

Note 12. Termination Benefits

The Authority has been undergoing a period of significant change as it responds to the reductions in grant income it receives from central Government. Savings options have been considered across the Authority, including a review of its senior management and reductions in staff numbers in different parts of the Council.

The Authority terminated the contracts of a number of employees in 2013/14, incurring liabilities of £1.3m (£1.3m in 2012/13). The amounts quoted include all amounts related to the decision to terminate a contract. This will include redundancy, severance payments, payments in lieu of notice and payments in relation to untaken annual leave.

The following table sets out the number of staff and amounts due in exit packages per band. Termination payments made or due to senior officers of the council during the year are included here, as well as being set out in the appropriate table of the officers' remuneration disclosures in Note 13.

Exit package cost band			2013/14				2012/13			
£		£	Voluntary redundancy	Compulsory Redundancy/ Termination	Total number of people	Total cost of packages £m	Voluntary redundancy	Compulsory Redundancy/ Termination	Total number of people	Total cost of packages £m
0	-	20,000	5	19	24	0.2	7	17	24	0.2
20,001	-	40,000	4	12	16	0.4	9	1	10	0.3
40,001	-	60,000	1	3	4	0.2	2	1	3	0.1
60,001	-	80,000	1	2	3	0.2	3	3	6	0.4
80,001	-	100,000	0	3	3	0.3	2	0	2	0.2
100,001	-	150,000	0	0	0	0.0	1	0	1	0.1
Total			**11**	**39**	**50**	**1.3**	**24**	**22**	**46**	**1.3**

Note 13. Officers' Remuneration

The remuneration paid to officers who were senior employees of the Authority during 2013/14 or 2012/13 is as set out in the following tables. The remuneration figures for the senior officers who left during the year reflect amounts paid or receivable for that year. For individuals whose role changed during the year, the amounts quoted represent the total remuneration for the financial year from all roles combined.

The Chief Executive Officer also acts as the returning officer for the Borough. The other emoluments of £17,816 for 2012/13 shown in the tables represent the remuneration paid in respect of this returning officer role. The Chief Executive Officer's basic salary of £173,755 for 2013/14 includes £7,927 which relates to a backdated salary increment in respect of 2012/13.

The Director of Children's and Adults' Services left the authority on 31 March 2014. Management of the Children's and Adults' directorate, together with the statutory responsibility of the Director of Adults' Services, has been covered through a contractual arrangement with Green Park Interim & Executive Ltd from 6 January 2014. Transactions between the authority and Green Park Interim & Executive Ltd in respect of this post are set out in the related party information in Note 16. The statutory Director of Children's Services role is being covered by the Assistant Director of Children's Safeguarding and Specialist Services. The remuneration quoted below for the Director of Children's Services role represents all amounts received by this individual, including those for the Assistant Director role, for the whole of the financial year.

Post holder information	Salary	Bonus	Termination payments	Other emoluments	Total remuneration excluding pension contributions	Employer's pension contributions	Total remuneration including pension contributions
	£	£	£	£	£	£	£
Information for 2013/14							
Corporate Leadership Team							
Chief Executive - Mary Harpley	173,755	0	0	0	173,755	37,319	211,074
Director of Corporate Resources	141,994	0	0	0	141,994	29,182	171,176
Director of Regeneration, Economic Development & Environment	140,050	0	0	0	140,050	30,167	170,217
Other senior officers							
Assistant Director Strategic Finance (s151)	87,768	0	0	0	87,768	18,905	106,673
Assistant Director - Corporate Governance	100,628	0	0	0	100,628	21,675	122,303
Director of Children's Services	100,418	0	0	0	100,418	21,630	122,048
Senior officers who left during 2013/14							
Director Children's and Adults' Services (left 31/3/14)	134,791	0	86,198	0	220,989	29,034	250,023

Post holder information	Salary	Bonus	Termination payments	Other emoluments	Total remuneration excluding pension contributions	Employer's pension contributions	Total remuneration including pension contributions
	£	£	£	£	£	£	£
Information for 2012/13							
Corporate Leadership Team							
Chief Executive - Mary Harpley	157,401			17,876	175,277	35,945	211,222
Director of Corporate Resources	141,994				141,994	29,182	171,176
Director Children's and Adults' Services (joined 12/9/12)	70,076				70,076	15,094	85,170
Director of Regeneration, Economic Development & Environment (joined 3/9/12)	68,847				68,847	14,830	83,677
Other senior officers							
Assistant Director Strategic Finance (s151)	72,919				72,919	15,707	88,626
Assistant Director - Corporate Governance	95,380				95,380	20,545	115,925
Assistant Director of Corporate Finance (s151) - on secondment from 6/5/12	141,994				141,994	30,585	172,579
Senior officers who left during 2012/13 (posts deleted or changed as part of reorganisation)							
Director Children's Services (left 31/10/12)	106,430		49,019		155,449	22,925	178,374
Director Community Services (left 24/6/12)	33,132		73,530		106,662	7,137	113,799
Director - Environment (left 31/10/12)	82,830		120,507		203,337	17,842	221,179

The Assistant Director of Corporate Finance post holder started a secondment from 6 May 2012, at which point he ceased to have s151 responsibilities for the Council. This person continued to be an employee of the Council and the figures in the above table include all salary received during the financial year. Of the remuneration paid during 2012/13, £14,017 relates to remuneration paid while acting as the Council’s s151 officer.

The s151 responsibilities were taken over by the Chief Accountant from 6 May 2012, who was then appointed as the Assistant Director Strategic Finance from 5 November 2012. The remuneration in the above table reflects the total amount paid during 2012/13 from all roles.

The Director of Children’s and Adults’ Services joined on 12 September 2012 on an annual salary of £126,771.

The Director of Regeneration, Economic Development and Environment joined on 3 September 2012 on an annual salary of £119,159.

The number of the Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were as set out in the following table. The amounts shown include the value of all remuneration received or receivable, including any termination payments. The senior officers set out in the previous table have been included.

Remuneration band			2013/14		2012/13	
£		£	Officers	Teachers	Officers	Teachers
50,000	-	54,999	41	43	29	48
55,000	-	59,999	29	25	25	23
60,000	-	64,999	8	14	6	18
65,000	-	69,999	13	12	12	14
70,000	-	74,999	5	17	4	21
75,000	-	79,999	2	7	1	10
80,000	-	84,999	5	4	1	9
85,000	-	89,999	3	4	4	3
90,000	-	94,999	0	2	3	1
95,000	-	99,999	3	1	2	2
100,000	-	104,999	2	0	1	0
105,000	-	109,999	0	1	1	1
110,000	-	114,999	0	0	0	0
115,000	-	119,999	1	1	2	1
130,000	-	134,999	0	0	1	0
135,000	-	139,999	1	0	1	0
140,000	-	144,999	2	0	3	0
145,000	-	149,999	0	0	0	0
150,000	-	154,999	0	0	2	0
155,000	-	159,999	0	0	1	0
160,000	-	164,999	0	0	2	0
170,000	-	174,999	1	0	0	0
175,000	-	179,999	0	0	1	0
200,000	-	204,999	0	0	1	0
220,000	-	224,999	1	0	0	0

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 2013/14, the Authority paid £7.0m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £7.7m 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 £0.7m in 2013/14 (£0.1m in 2012/13).

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 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 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.

<u>Transactions relating to post employment benefits</u>

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	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	£m	£m	£m	£m	£m	£m
Comprehensive Income and Expenditure Statement						
Cost of services:						
Current service cost	16.0	11.1	0.0	0.0	16.0	11.1
Administration expenses	0.8	0.8	0.0	0.0	0.8	0.8
Financing and investment income and expenditure:						
Net interest on the defined liability	11.8	12.5	0.1	0.1	11.9	12.6
Total post employment benefit charged to the surplus or deficit on the provision of services	**28.6**	**24.4**	**0.1**	**0.1**	**28.7**	**24.5**
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement						
Actuarial gains and losses	38.2	1.0	(1.5)	0.5	36.7	1.5
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	**66.8**	**25.4**	**(1.4)**	**0.6**	**65.4**	**26.0**
Movement in Reserves Statement						
Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits	(28.6)	(24.4)	(0.1)	(0.1)	(28.7)	(24.5)
Actual amount charged against the general fund balance in the year for pensions						
Employers' contributions payable to the scheme	18.6	28.7	0.0	0.0	18.6	28.7

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	
	2013/14	2012/13 restated	2013/14	2012/13 restated	2013/14	2012/13 restated
	£m	£m	£m	£m	£m	£m
Opening balance as at 1 April	**811.2**	**749.5**	**6.6**	**6.2**	**817.8**	**755.7**
Current service cost	20.4	18.5	0.0	0.0	20.4	18.5
Interest cost	35.2	33.6	0.1	0.3	35.3	33.9
Change in financial assumptions	4.0	48.3	(1.3)	0.7	2.7	49.0
Change in demographic assumptions	50.1	0.0	(0.1)	0.0	50.0	0.0
Experience loss/ (gain) on defined benefit obligation	(23.8)	0.0	0.6	0.0	(23.2)	0.0
Liabilities assumed/ (extinguished) on settlements	(7.9)	(19.0)	0.0	0.0	(7.9)	(19.0)
Estimated benefits paid net of transfers in	(25.2)	(25.1)	(0.6)	(0.6)	(25.8)	(25.7)
Past services costs including curtailments	0.2	1.4	0.0	0.0	0.2	1.4
Contributions by Scheme participants	5.3	5.3	0.0	0.0	5.3	5.3
Unfunded pension payments	(1.3)	(1.3)	0.0	0.0	(1.3)	(1.3)
Closing balance as at 31 March	**868.2**	**811.2**	**5.3**	**6.6**	**873.5**	**817.8**

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	
	2013/14	2012/13 restated	2013/14	2012/13 restated	2013/14	2012/13 restated
	£m	£m	£m	£m	£m	£m
Opening balance as at 1 April	**530.5**	**465.5**	**3.7**	**3.9**	**534.2**	**469.4**
Interest on Assets	23.3	21.1	0.1	0.2	23.4	21.3
Return on assets less interest	(10.6)	47.3	0.1	0.2	(10.5)	47.5
Other actuarial gains	2.8	0.0	0.6	0.0	3.4	0.0
Administration expenses	(0.8)	(0.8)	0.0	0.0	(0.8)	(0.8)
Contributions by employer included unfunded	18.6	28.7	0.0	0.0	18.6	28.7
Contributions by scheme participants	5.3	5.4	0.0	0.0	5.3	5.4
Estimated benefits paid plus unfunded net of transfers in	(26.5)	(26.5)	(0.6)	(0.6)	(27.1)	(27.1)
Settlement prices received/ (paid)	(3.3)	(10.2)	0.0	0.0	(3.3)	(10.2)
Closing balance as at 31 March	**539.3**	**530.5**	**3.9**	**3.7**	**543.2**	**534.2**

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	
	2013/14	2012/13 restated	2013/14	2012/13 restated	2013/14	2012/13 restated
	£m	£m	£m	£m	£m	£m
Actual return on scheme assets	**12.7**	**68.4**	**0.1**	**0.3**	**12.8**	**68.7**

Scheme history

	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
	£m	£m	£m	£m	£m	£m	£m
LBH Pension Fund							
Present value of liabilities	(868.2)	(811.2)	(749.6)	(639.7)	(755.0)	(487.8)	(527.1)
Fair value of assets in the scheme	539.3	530.5	465.5	451.9	430.8	314.5	373.8
Surplus / (deficit) in the scheme	**(328.9)**	**(280.7)**	**(284.1)**	**(187.8)**	**(324.2)**	**(173.3)**	**(153.3)**
LPFA Pension Fund							
Present value of liabilities	(5.3)	(6.6)	(6.2)	(6.4)	(6.8)	(6.0)	(6.4)
Fair value of assets in the scheme	3.9	3.7	3.9	4.3	3.8	4.0	5.1
Surplus / (deficit) in the scheme	**(1.4)**	**(2.9)**	**(2.3)**	**(2.1)**	**(3.0)**	**(2.0)**	**(1.3)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £283.6m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £283.6m. 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 2015 is £17.5m.

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 undertaken as at 31 March 2013.

The principal assumptions used by the actuary have been:

	LBH Pension Fund		LPFA Pension Fund	
	2013/14	**2012/13**	**2013/14**	**2012/13**
Long-term expected rate of return on assets in the scheme:				
Total		**5.7%**		**4.3%**
Longevity at 65 for pensioners retiring now				
Men	22.0	19.2	21.8	21.3
Women	26.5	23.2	24.0	24.0
Longevity at 65 for future pensioners retiring in 20 years				
Men	24.1	21.1	23.4	23.4
Women	28.8	25.1	25.9	25.9
Rate of inflation - RPI	3.6%	3.4%	3.2 %	2.9%
Rate of inflation - CPI	2.8%	2.6%	2.4 %	2.1%
Rate of salary increases	4.6%	4.8%	4.2%	3.8%
Rate of pension increases	2.8%	2.6%	2.4%	2.1%
Discount rate	4.5%	4.4%	3.6%	1.6%
Take-up of option to convert annual pension into retirement lump sum		50.0%		n/a

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	
	2013/14	2012/13	2013/14	2012/13
	%	%	%	%
Equities	74	71	53	14
Gilts	4	6	n/a	n/a
Other Bonds	15	16	n/a	n/a
Infrastructure	n/a	n/a	4	n/a
Commodities	n/a	n/a	1	n/a
Property	5	3	3	n/a
Cash	2	4	3	1
Target return portfolio	n/a	n/a	30	54
Cash flow matching	n/a	n/a	6	31
Total	**100**	**100**	**100**	**100**

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.

<u>Central Government</u>

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 2013/14 and 2012/13 are shown in Note 11.

Officers

The Director of Corporate Resources and the Chief Executive hold two of the four Director posts for Lampton 360 Ltd – a trading company wholly owned by the London Borough of Hounslow. The Assistant Director of Corporate Governance holds the statutory position of Clerk to the West London Waste Authority (WLWA), which is responsible for waste disposal. See 'Other Public Bodies' section below for further information.

The post of Director of Children's and Adults is being filled through Green Park Interim & Executive Ltd. The total amount paid to Green Park Interim & Executive Ltd in relation to this post for the year ended 31 March 2014 was £66k.

Voluntary Organisations and Charities

Grants paid to voluntary organisations amounted to £2.0m in 2013/14 (£1.3m in 2012/13). Commissioned services are subject to the council's procurement procedures and the payments made as part of individual contracts for specific services.

Hounslow Arts Trust received grants of £287k in 2013/14 (£274k in 2012/13), and it also received payments totalling £106k in 2013/14 (£111k in 2012/13) for other services provided. This includes payments through the commissioning process. Councillor Carey was a trustee of this charity.

Councillor Curran is the Chair of Hounslow Community Foodbox which received a grant of £46k.

Chiswick House and Gardens Trust received grants of £251k in 2013/14 (£232k in 2012/13). Councillor Lynch was a Council representative on this Committee.

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 of these relationships are recorded in the Register of Members' Interest, open to public inspection at the Civic Centre, Lampton Road, Hounslow, during office hours.

Other Public Bodies

The Council is an administering authority for the Pension Fund of the London Borough of Hounslow. The Authority charged £710k in 2013/14for administrative services provided to the Pension Fund (£444k in 2012/13). As at 31 March 2014 the Authority was owed £1.5m by the Pension Fund. At 31 March 2013 the Authority owed £9.5m to the Pension Fund. The reason for the high balance at 31 March 2013 was due to the late decision to fund the Pension Fund by £10.0m from the Council's General Fund balances

The Authority made payments of £8.3m in 2013/14 (£2.7m in 2012/13) to the National Health Service, and received income of £5.1m in 2013/14 (£6.4m in 2012/13) from the National Health Service.

The Authority is one of the six London boroughs which fund the net cost of the West London Waste Authority (WLWA), which is responsible for waste disposal. The WLWA is governed by six councillors, one from each borough. Councillor Ellar was the Authority's representative on the WLWA in 2013/14. The Authority made payments of £9.4m in 2013/14 (£8.1m in 2012/13). The Authority also provided legal services to WLWA during 2013/14.

Entities Controlled or Significantly Influenced by the Authority

The Council controls Hounslow Homes, an arm's length management organisation, through majority voting rights. The Council paid Hounslow Homes £36.2m in 2013/14 (£36.7m in 2012/13) for managing and maintaining its stock. Hounslow Homes Ltd is consolidated with the Authority's own accounts to create the group accounts set out from page 104. The consolidated accounts have not incorporated the financial results of other entities controlled by the Authority on the grounds of materiality.

The London Borough of Hounslow is the sole shareholder in Lampton 360 Limited, which has four Directors. These posts are held by the Chief Executive and Director of Corporate Resources, along with the Leader and Deputy Leader of the authority. A total of one share has been issued to the value of £10,000. As at 31 March 2014 Lampton 360 had no employees and limited set up costs.

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

- David Henry Waring Home Trust; and
- Bedfont Lakes Trust.

The balance owed by David Henry Waring to the authority as at 31 March 2014 was £327k (£222k at 31 March 2013). The balance owed by Bedfont Lakes Trust to the authority as at 31 March 2014 was £155k (£155k at 31 March 2013). Small administration fees are charged to each of these trusts.

Note 17. External audit costs

The Authority has incurred the following expenditure for services provided by KPMG, the Authority's external auditors:

- £197k in relation to the audit of the Statement of Accounts for 2013/14 (£201k for 2012/13);
- £31k in relation to certification of grant claims and returns for 2013/14 (£35k for 2012/13).

About the Authority's Grant Income

Note 18. Grant income

In 2013/14 the authority credited £463.2m of grants, contributions and donations to the comprehensive income and expenditure account (£499.6m in 2012/13) as follows:.

	2013/14	2012/13
	£m	£m
Credited to Services		
Dedicated Schools grant (DSG)	(150.0)	(157.7)
Pupil Premium Grant	(6.5)	(5.0)
Early Intervention Grant	0.0	(12.6)
YPLA	(4.5)	(7.9)
Housing Benefits subsidy	(153.2)	(145.8)
Council tax benefits	0.0	(21.9)
The Private Finance Initiative (PFI)	(10.8)	(0.8)
Public Health Grant	(12.8)	0.0
Other grants	(13.4)	(17.1)
Total of Grants Credited to Services	**(351.2)**	**(368.8)**

	2013/14	2012/13
	£m	£m
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(64.7)	(1.6)
Non domestic rates redistribution	0.0	(82.4)
Retained business rates	(40.0)	0.0
New Homes Bonus	(5.1)	(2.4)
Other revenue grants	(2.2)	(3.2)
Basic Needs and Primary Capital Grants	(22.4)	(29.3)
s106 Developer Contributions - Capital	(5.1)	(2.2)
Other Capital Grants	(10.3)	(9.7)
Total of grants credited to taxation and non-specific grant	**(149.8)**	**(130.8)**

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:

	31 Mar 14	31 Mar 13
	£m	£m
Capital Grants Receipts in Advance		
Primary Capital Grant	(0.2)	(3.4)
Other Grants	(1.2)	(3.0)
Total	**(1.4)**	**(6.4)**

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 the year are as follows:

	Central expenditure	SEN capital expenditure	ISB	Total
	£000s	£000s	£000s	£000s
Final DSG for 2013/14				216,799
Academy Recoup 2013/14				66,993
Total DSG after Recoup				**149,806**
Plus: DSG brought forward from 2012/13				4,921
Less: carry forward of DSG to 2014/15 agreed in advance				1,921
Agreed Initial budgeted distribution in 2013/14	**45,899**	**3,000**	**103,907**	**152,806**
In Year Adjustments				0
Final budget distribution for 2013/14	**45,899**	**3,000**	**103,907**	**152,806**
Less: actual central expenditure	43,579	619		44,198
Less: actual ISB deployed to schools			103,907	103,907
Plus: local authority contribution for 2013/14				0
Total Carry Forward to 2014/15	**2,320**	**2,381**	**0**	**6,622**

About the Movement in Reserves Statement

Note 20. Adjustments between accounting and funding basis

	2013/14							
	General Fund Balance	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non current assets	(23.5)	(16.2)	0.0	0.0	0.0	0.0	(39.7)	39.7
Revaluation losses on Property, Plant and Equipment	(22.7)	102.9	0.0	0.0	0.0	0.0	80.2	(80.2)
Movements in the market value of investment properties	(0.3)	0.0	0.0	0.0	0.0	0.0	(0.3)	0.3
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital grants and contributions that have been applied to capital financing	22.0	0.0	0.0	0.0	0.0	0.0	22.0	(22.0)
Movement in the donated assets account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue expenditure funded from capital	(4.4)	(0.1)	0.0	0.0	0.0	0.0	(4.5)	4.5
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	(51.4)	0.0	0.0	0.0	0.0	0.0	(51.4)	51.4
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment	3.4	0.0	0.0	0.0	0.0	0.0	3.4	(3.4)
Voluntary provision for the financing of capital investment	4.9	0.0	0.0	0.8	0.0	0.0	5.7	(5.7)
Capital expenditure charged against the General Fund and HRA balances	7.3	1.3	0.0	0.0	0.0	0.0	8.6	(8.6)
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	24.5	0.0	0.0	(24.5)	0.0	0.0	0.0	0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	0.0	3.7	0.0	0.0	3.7	(3.7)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(0.1)	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2.1)	0.0	0.0	2.1	0.0	0.0	0.0	0.0

	General Fund Balance	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	2013/14							
	£m	£m	£m	£m	£m	£m	£m	£m
Adjustments involving the Major Repairs Reserves:								
Reversal of Major Repairs Allowance credited to the HRA	0.0	16.2	0.0	0.0	(16.2)	0.0	0.0	0.0
Use of the Major Repairs Reserve to finance new capital expenditure	0.0	0.0	0.0	0.0	14.1	0.0	14.1	(14.1)
Adjustments involving the Capital Grants Unapplied Grant:								
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	15.8	0.0	0.0	0.0	0.0	(15.8)	0.0	0.0
Application of grants to capital financing	0.0	0.0	0.0	0.0	0.0	29.3	29.3	(29.3)
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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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)	(28.6)	0.0	0.0	0.0	0.0	0.0	(28.6)	28.6
Employer's pensions contributions and direct payments to pensioners payable in the year	18.6	0.0	0.0	0.0	0.0	0.0	18.6	(18.6)
Adjustments involving the Collection Fund Adjustment Account:								
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from that calculated for the year in accordance with statutory requirements	1.1	0.0	0.0	0.0	0.0	0.0	1.1	(1.1)
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from that calculated for the year in accordance with statutory requirements	(1.8)	0.0	0.0	0.0	0.0	0.0	(1.8)	1.8
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.	0.5	0.0	0.0	0.0	0.0	0.0	0.5	(0.5)
Total Adjustments	(36.8)	104.1	0.0	(17.8)	(2.1)	13.5	60.9	(60.9)

	2012/13 General Fund Balance	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation and impairment of non current assets	(18.4)	(16.1)	0.0	0.0	0.0	0.0	(34.5)	34.5
Revaluation losses on Property, Plant and Equipment	(56.1)	9.7	0.0	0.0	0.0	0.0	(46.4)	46.4
Movements in the market value of investment properties	(0.1)	0.0	0.0	0.0	0.0	0.0	(0.1)	0.1
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital grants and contributions that have been applied to capital financing	7.6	0.0	0.0	0.0	0.0	0.0	7.6	(7.6)
Movement in the donated assets account	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue expenditure funded from capital	(2.5)	(0.2)	0.0	0.0	0.0	0.0	(2.7)	2.7
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	(41.8)	(1.7)	0.0	0.0	0.0	0.0	(43.5)	43.5
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment	3.5	0.0	0.0	0.0	0.0	0.0	3.5	(3.5)
Voluntary provision for the financing of capital investment	3.1	0.0	0.0	0.0	0.0	0.0	3.1	(3.1)
Capital expenditure charged against the General Fund and HRA balances	3.6	0.0	0.0	0.0	0.0	0.0	3.6	(3.6)
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	3.3	1.5	0.0	(4.8)	0.0	0.0	0.0	0.0
Use of the Capital Receipts Reserve to finance new capital expenditure	0.0	0.0	0.0	4.4	0.0	0.0	4.4	(4.4)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(0.1)	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1.0)	0.0	0.0	1.0	0.0	0.0	0.0	0.0
Mitigation applied to Finance lease income to prevent reduction to general fund balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	2012/13							
	General Fund Balance	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves
	£m	£m	£m	£m	£m	£m	£m	£m
Adjustments involving the Major Repairs Reserves:								
Reversal of Major Repairs Allowance credited to the HRA	0.0	16.1	0.0	0.0	(16.1)	0.0	0.0	0.0
Use of the Major Repairs Reserve to finance new capital expenditure	0.0	0.0	0.0	0.0	17.5	0.0	17.5	(17.5)
Adjustments involving the Capital Grants Unapplied Grant:								
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	33.6	0.0	0.0	0.0	0.0	(33.6)	0.0	0.0
Application of grants to capital financing	0.0	0.0	0.0	0.0	0.0	10.2	10.2	(10.2)
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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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)	(18.5)	0.0	0.0	0.0	0.0	0.0	(18.5)	18.5
Employer's pensions contributions and direct payments to pensioners payable in the year	28.7	0.0	0.0	0.0	0.0	0.0	28.7	(28.7)
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	0.4	0.0	0.0	0.0	0.0	0.0	0.4	(0.4)
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.	0.9	0.0	0.0	0.0	0.0	0.0	0.9	(0.9)
Total Adjustments	(53.8)	9.3	0.0	0.7	1.4	(23.4)	(65.8)	65.8

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 expenditure in 2012/13 and 2013/14.

The main earmarked reserves created by the Authority are:

- The general contingency reserve is the amounts set aside by the Authority to cover future major unforeseen contingencies.
- The specific contingency reserve represents the amounts set aside for specific expenditure pressure in 2014/15 and future years; adults' social care costs (£1.0m), home care contingency costs (£2.0m), temporary accommodation (£1.0m), transition funding for grant reductions (£0.9m), volatility in business rates collection (£3.0m), public health (£2.0m) and redundancy provision (£1.5m).
- The capital funding reserves have been set aside to meet the contingent capital costs arising from delivery of Members' priorities. This includes the funds set aside for the school expansion programme.
- The government grants received but not yet spent reserves are unspent grant monies that are not strictly ring fenced but are intended to support specific service expenditure or objectives, and hence has been carried forward as part of an earmarked reserve
- The IT development and improvement reserves are earmarked to meet the cost of developing the Authority's IT services.
- The New Homes grant reserve is the amounts awarded for the introduction of new homes and the funds have been set aside to allocate to Member priorities.
- The PFI reserve represents the monies set aside to fund future cash flows for the PFI investment programme. The programme is being funded through borrowing that is repaid over the 25 year life of the contract, which is financed from 50% government grant and 50% from Hounslow's general revenue budget.
- The savings and improvement reserves is set aside to meet the costs arising from the implementation of the Authority's Transformation and Savings Programme and to fund future initiatives.
- The special parking reserve account represents surpluses set aside from on-street parking income to fund traffic management and transport initiatives as defined by statute.
- Other reserves are the aggregate amount of a number of funds set aside for specific purposes where individually the amounts are non-material.

	Balance at 1 April 2012	2012/13		Balance at 31 March 2013	2013/14		Balance at 31 March 2014
		Transfers out	Transfers in		Transfers out	Transfers in	
	£m	£m	£m	£m	£m	£m	£m
General Fund Earmarked Reserves							
General contingency	(11.0)	6.5	(1.7)	(6.2)	0.3	(4.5)	(10.4)
Specific contingency	0.0	0.0	(5.6)	(5.6)	0.0	(5.8)	(11.4)
Capital funding	(7.8)	0.3	(3.2)	(10.7)	1.4	(14.2)	(23.5)
Government grants received but not yet spent	(16.6)	1.5	(2.8)	(17.9)	11.2	(3.6)	(10.3)
Insurance reserve	(2.9)	0.0	0.0	(2.9)	0.3	(0.5)	(3.1)
IT development and improvement reserves	(6.1)	0.3	0.0	(5.8)	3.7	(2.9)	(5.0)
New homes grant	(1.7)	0.0	(3.0)	(4.7)	0.0	(4.7)	(9.4)
PFI reserves	0.0	0.0	0.0	0.0	0.0	(3.9)	(3.9)
Savings and improvement reserve	(4.1)	0.5	(0.3)	(3.9)	2.6	(2.3)	(3.6)
Special parking fund	(2.2)	0.4	0.0	(1.8)	0.1	0.0	(1.7)
Schools reserves	(20.9)	18.9	(15.1)	(17.1)	15.2	(12.2)	(14.1)
Other reserves	(15.1)	4.9	(7.2)	(17.4)	7.2	(3.4)	(13.6)
Total General Fund Earmarked Reserves	**(88.4)**	**33.3**	**(38.9)**	**(94.0)**	**42.0**	**(58.0)**	**(110.0)**

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.

	2013/14	2012/13
	£m	£m
Revaluation reserve	(120.2)	(154.1)
Capital adjustment account	(980.7)	(890.8)
Financial instruments adjustment account	0.0	0.1
Deferred capital receipts reserve	(3.0)	(3.1)
Pensions reserve	330.3	283.6
Collection fund adjustment account	(1.0)	(1.7)
Accumulated absences account	4.3	4.7
Total of unusable reserves at 31 March	**(770.3)**	**(761.3)**

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.

	2013/14	2012/13
	£m	**£m**
Balance at 1 April	**(154.1)**	**(182.2)**
Upward revaluation of assets	(12.8)	(18.4)
Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	28.0	32.3
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	**15.2**	**13.9**
Difference between fair value depreciation and historical cost depreciation	4.9	4.0
Accumulated gains on assets sold or scrapped	13.8	10.2
Amount written off to the capital adjustment account	**18.7**	**14.2**
Balance at 31 March	**(120.2)**	**(154.1)**

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.

	2013/14	2012/13
	£m	**£m**
Balance at 1 April	**(890.8)**	**(954.0)**
Charges for depreciation and impairment of non-current assets	39.7	34.5
Revaluation losses on property, plant and equipment	(89.3)	46.5
Amortisation of intangible assets	0.0	0.0
Revenue expenditure funded from capital under statute	4.5	2.7
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	60.5	43.4
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	**15.4**	**127.1**
Adjusting amounts written out of the revaluation reserve	(18.7)	(14.2)
Net written out amount of the cost of non-current assets consumed in the year	**(3.3)**	**112.9**
Use of the capital receipts reserve to finance new capital expenditure	(3.8)	(4.4)
Use of the Major Repairs Reserve to finance new capital expenditure	(14.1)	(17.5)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(22.0)	(7.6)
Application of grants to capital financing from the Capital Grants Unapplied Account	(29.3)	(10.2)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(3.4)	(3.4)
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(5.7)	(3.1)
Capital expenditure charged against the General Fund and HRA balances	(8.6)	(3.6)
Capital financing applied in the year	**(86.9)**	**(49.8)**
Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	0.3	0.1
Movement in the donated assets debited or credited to the Comprehensive Income and Expenditure Statement	0.0	0.0
Balance at 31 March	**(980.7)**	**(890.8)**

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 used the Account to manage premiums paid on the early redemption of loans. Premiums were debited to the Comprehensive Income and Expenditure Statement when they were incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense was posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. The remaining balance on this reserve was posted back to the General Fund during 2013/14.

	2013/14	2012/13
	£m	£m
Balance at 1 April	**0.1**	**0.1**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0.0	0.0
Proportion of premiums incurred in previous years to be charged against the General Fund balance in accordance with statutory requirements	(0.1)	0.0
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	**(0.1)**	**0.0**
Balance at 31 March	**0.0**	**0.1**

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.

	2013/14	2012/13
	£m	£m
Balance at 1 April	**283.6**	**286.3**
Actuarial gains or losses on pensions assets and liabilities	36.7	7.5
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	28.6	18.5
Employer's pensions contributions and direct payments to pensioners payable in the year	(18.6)	(28.7)
Balance at 31 March	**330.3**	**283.6**

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.

	2013/14	2012/13
	£m	£m
Balance at 1 April	**(3.1)**	**(3.1)**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0.0	0.0
Transfer to the Capital Receipts Reserve upon receipt of cash	0.1	0.0
Balance at 31 March	**(3.0)**	**(3.1)**

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.

	2013/14	2012/13
	£m	£m
Balance at 1 April	**(1.7)**	**(1.3)**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from that calculated for the year in accordance with statutory requirements	(1.1)	(0.4)
Amount by which NNDR income credited to the Comprehensive Income and Expenditure Statement is different from that calculated for the year in accordance with statutory requirements	1.8	0.0
Balance at 31 March	**(1.0)**	**(1.7)**

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.

	2013/14	2012/13
	£m	£m
Balance at 1 April	**4.7**	**5.6**
Settlement or cancellation of accrual made at the end of the preceding year	(4.7)	(5.6)
Amounts accrued at the end of the current year	4.3	4.7
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	**(0.4)**	**(0.9)**
Balance at 31 March	**4.3**	**4.7**

About the Authority's Non-Current Assets

Note 24. Leases

Authority as lessee:

Finance leases

The only material finance relates to the PFI contract, details of which are set out in Note 33.

Authority as lessor

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 14	31 Mar 13
	£m	£m
Not later than one year	2.7	2.8
Later than one year and not later than five years	9.0	9.4
Later than five years	4.6	4.6
	16.3	**16.8**

The minimum lease payments are based on current rents at 31 March 2014 and do not include any assumptions for future rent changes.

Note 25. Intangible Assets

The net book value of intangible assets as at 31 March 2014 is £3.2m (£nil at 31 March 2013). This increase relates to expenditure incurred during 2013/14 on the implementation of the Authority's new ICT strategy.

Note 26. Property, Plant and Equipment

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

	Council dwellings	Other land and buildings	Vehicles, plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation								
At 1 April 2013	670.9	598.6	38.2	118.1	7.3	2.6	11.2	1,446.9
Additions	15.0	33.6	2.6	25.3	0.3	0.0	16.2	93.0
Accumulated Depreciation Written Out to Gross Carrying Amount	0.0	(11.6)	0.0	0.0	0.0	0.0	0.0	(11.6)
Revaluation increases/(decreases) recognised in Revaluation Reserve	0.0	(15.2)	0.0	0.0	0.0	0.0	0.0	(15.2)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	88.1	(20.2)	0.0	0.0	0.0	0.0	(2.6)	65.3
Derecognition - disposals	(3.0)	(45.6)	(0.1)	0.0	0.0	0.0	(3.4)	(52.1)
Assets reclassified (to)/from Investment Property	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.2
Other movements in cost or valuation	0.0	(2.8)	0.0	0.0	0.0	2.8	0.0	0.0
At 31 March 2014	**771.0**	**537.0**	**40.7**	**143.4**	**7.6**	**5.4**	**21.4**	**1,526.5**
Accumulated Depreciation and Impairment								
At 1 April 2013	(14.9)	(33.4)	(21.3)	(16.8)	0.0	0.0	(3.4)	(89.8)
Depreciation charge	(14.7)	(13.0)	(3.2)	(3.1)	0.0	0.0	0.0	(34.0)
Depreciation written out to the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulated Depreciation Written Out to Gross Carrying Amount	0.0	11.7	0.0	0.0	0.0	0.0	0.0	11.7
Depreciation written out to Surplus/Deficit on Provision of Services	14.9	0.0	0.0	0.0	0.0	0.0	0.0	14.9
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0.0	(1.3)	0.0	0.0	0.0	0.0	0.0	(1.3)
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0.0	(4.5)	0.0	0.0	0.0	0.0	0.0	(4.5)
Derecognition - disposals	0.0	3.0	0.0	0.0	0.0	0.0	0.0	3.0
Other movements in depreciation or impairment	0.0	0.2	0.0	0.0	0.0	(0.2)	0.0	0.0
At 31 March 2014	**(14.7)**	**(37.3)**	**(24.5)**	**(19.9)**	**0.0**	**(0.2)**	**(3.4)**	**(100.0)**
Net Book Value at 31 March 2014	**756.3**	**499.7**	**16.2**	**123.5**	**7.6**	**5.2**	**18.0**	**1,426.5**
Net Book Value at 31 March 2013	**656.0**	**565.2**	**16.9**	**101.3**	**7.3**	**2.6**	**7.8**	**1,357.1**

	Council dwellings	Other land and buildings	Vehicles, plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£m	£m	£m	£m	£m	£m	£m	£m
Cost or Valuation								
At 1 April 2012	655.9	706.3	35.5	110.3	6.8	1.0	13.3	1,529.1
Additions	18.6	5.8	3.0	7.8	0.0	0.0	10.6	45.8
Accumulated Depreciation Written Out to Gross Carrying Amount	0.0	(7.7)	0.0	0.0	0.0	0.0	0.0	(7.7)
Revaluation increases/(decreases) recognised in Revaluation Reserve	0.0	(13.9)	0.0	0.0	0.0	0.0	0.0	(13.9)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1.9)	(56.5)	0.0	0.0	0.0	(0.1)	(0.8)	(59.3)
Derecognition - disposals	(1.7)	(44.4)	(0.3)	0.0	0.0	(0.1)	0.0	(46.5)
Assets reclassified (to)/from Held for Sale	0.0	(1.8)	0.0	0.0	0.0	0.0	0.0	(1.8)
Assets reclassified (to)/from Investment Property	0.0	0.0	0.0	0.0	0.0	1.2	0.0	1.2
Other movements in cost or valuation	0.0	10.8	0.0	0.0	0.5	0.6	(11.9)	0.0
At 31 March 2013	**670.9**	**598.6**	**38.2**	**118.1**	**7.3**	**2.6**	**11.2**	**1,446.9**
Accumulated Depreciation and Impairment								
At 1 April 2012	(11.6)	(31.1)	(18.0)	(13.8)	0.0	0.0	(3.4)	(77.9)
Depreciation charge	(14.9)	(13.1)	(3.5)	(3.0)	0.0	0.0	0.0	(34.5)
Accumulated Depreciation Written Out to Gross Carrying Amount	0.0	7.7	0.0	0.0	0.0	0.0	0.0	7.7
Depreciation written out to Surplus/Deficit on Provision of Services	11.6	0.0	0.0	0.0	0.0	0.0	0.0	11.6
Derecognition - disposals	0.0	2.9	0.2	0.0	0.0	0.0	0.0	3.1
Derecognition - to assets held for sale	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.2
At 31 March 2013	**(14.9)**	**(33.4)**	**(21.3)**	**(16.8)**	**0.0**	**0.0**	**(3.4)**	**(89.8)**
Net Book Value								
At 31 March 2013	**656.0**	**565.2**	**16.9**	**101.3**	**7.3**	**2.6**	**7.8**	**1,357.1**
At 31 March 2012	**644.3**	**675.2**	**17.5**	**96.5**	**6.8**	**1.0**	**9.9**	**1,451.2**

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 undertaken by professional external valuers, Jones Lang Lasalle.

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
	£m	£m	£m	£m	£m
Carried at historical cost			16.2		**16.2**
Valued at fair value as at:					
31 March 2010	0.0	60.8	0.0	1.5	**62.3**
31 March 2011	0.0	108.8	0.0	0.2	**109.0**
31 March 2012	0.0	78.8	0.0	1.5	**80.3**
31 March 2013	0.0	75.3	0.0	1.5	**76.8**
31 March 2014	756.3	176.0	0.0	0.5	**932.8**
Net Book Value	**756.3**	**499.7**	**16.2**	**5.2**	**1,277.4**

In 2010/11 the authority 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.

Note 27. Capital Commitments

At 31 March 2014, the most significant capital commitment made by the Authority relates to the PFI contract (see Note 33). Other capital commitments as at 31 March 2014 total £42.9m, the biggest relating to the Heston Leisure Campus (£16.6m), Westbrook Primary School (£6.4m) and schools expansion programme contract 1 (£10.4m) and contract 2 (£9.5m).

Note 28. Investment Properties

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

	2013/14	2012/13
	£m	£m
Balance at start of the year	**29.2**	**31.4**
Additions :		
Subsequent expenditure	0.2	0.0
Disposals	(0.7)	0.0
Net gains/losses from fair value adjustments	(0.3)	(1.0)
Transfers :		
To/from Property, Plant and Equipment	(0.2)	(1.2)
Other Changes	0.0	0.0
Balance at end of the year	**28.2**	**29.2**

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 undertaken by professional external valuers, Jones Lang Lasalle.

Note 29. Heritage assets

Heritage assets are assets that are held by the Authority principally for their contribution to culture, understanding and appreciation of the Authority's history and local area. The Authority holds the key heritage assets set out below. The Authority does not have either actual cost or valuation figures for the items within heritage buildings and therefore does not recognise the Gunnersbury House collection, or any other artefacts within Hogarth House or Boston Manor House on the balance sheet.

Listed buildings

Hogarth House is a Grade I listed house, which was built around 1700, and was the country home of the great painter, engraver and satirist William Hogarth (1697 - 1764) from 1749 until his death. Hogarth's House holds an extensive collection of the artist's 18th century prints, of which a selection will always be on display, and a set of his engraving plates. Hogarth House was acquired by the Authority by an Order dated 27 September 1966 made by the Secretary of State transferring Trusteeship to and vesting ownership in the London Borough of Hounslow.

Gunnersbury Park Museum was opened in 1929 and it is the local history museum for the London Boroughs of Ealing and Hounslow. This Grade II listed building is a Regency house which once belonged to the Rothschild family. The museum's collections at Gunnersbury include a wide range of material reflecting all aspects of life and work in the area, and the role of the museum is to collect, keep safe and display the past and present history of the two boroughs. Gunnersbury Park (which includes the museum) was acquired by the two Councils in equal shares by a conveyance dated 29 December 1925 for the consideration of £125,000. The museum includes approximately 40,000 items whose value is not included on the balance sheet due to the lack of information on the cost of each item, while the cost of obtaining a specialist valuation would be out of proportion to the benefits.

Chiswick House is a Grade I listed building, which together with its contents is owned and maintained by English Heritage. However, the extensive grounds are owned by the Authority, and they include a substantial number of statues, plus a grade 1 listed conservatory, and other artefacts of historical interest. The house is considered to be the finest surviving example of Palladian architecture in Britain, with superb collections of paintings and furniture. Its surrounding grounds claim to be the birthplace of the English landscape garden and are thought to be the most important historical landscapes in England and in Wales.

Boston Manor House is a Jacobean manor house built in 1623 and is a Grade 1 Listed building. The house was built for Lady Mary Reade, a young widow whose second husband was Sir Edward Spencer of Althorp, Northamptonshire – an ancestor of the late Diana, Princess of Wales. Sir Edward and Lady Mary were still owners of Boston Manor in 1642, when the Battle of Brentford took place nearby during the English Civil War. The house has undergone substantial renovation during 2011/12 and it was recently re-opened to the public following a long period of closure.

Asset values included in the balance sheet

The reconciliation of the carrying value of Heritage Assets Held by the Authority is set out below.

	2013/14	2012/13
	£m	£m
Cost as at 1 April	**3.6**	**3.5**
Additions	0.0	0.1
Cost as at 31 March	**3.6**	**3.6**

Note 30. Impairment losses

During 2013/14 the Authority has recognised a total impairment loss of £5.8m (£nil for 2012/13).

Note 31. 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.

	2013/14	Restated 2012/13
	£m	£m
Opening Capital Financing Requirement	**443.0**	**350.5**
Capital Investment:		
Property, Plant and equipment	71.4	43.8
Investment Properties	0.2	0.0
Intangible Assets	3.2	0.0
Revenue Expenditure Funded from Capital under statute	4.5	2.7
PFI Debt	0.0	98.0
Asset movements not reflected in Capital Adjustment Account:		
Non Dwelling HRA revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(0.2)	(2.2)
Sources of Finance:		
Capital receipts	(3.7)	(4.4)
Government grants and other contributions	(51.3)	(17.8)
Sums set aside from revenue:		
Direct revenue contributions	(22.8)	(21.1)
MRP/Loans Fund Principal	(9.0)	(6.5)
Closing Capital Financing Requirement	**435.3**	**443.0**
Explanation of movements in year		
Increase in need to borrow (supported by government financial assistance)	1.6	2.0
Increase in need to borrow (not supported by government financial assistance)	0.0	1.2
Repayment of borrowing	(9.0)	(6.5)
Assets acquired under finance leases	(0.1)	0.0
Assets acquired under PFI/PPP contracts	0.0	98.0
Asset movements not reflected in Capital Adjustment Account	(0.2)	(2.2)
Increase/(decrease) in Capital Financing Requirement	**(7.7)**	**92.5**

Note 32. Long-Term Debtors

	31-Mar-14	31-Mar-13
	£m	£m
Other Local Authorities	0.0	0.0
Public Corporations and Trading Funds	2.8	2.9
Other Entities and Individuals	0.4	1.0
Total	**3.2**	**3.9**

Note 33. Private Finance Initiatives (PFI) and Similar Contracts

The Council entered into a PFI contract in August 2012 for the maintenance and updating of all the highways and street lighting and associated infrastructure (a 'fence to fence' contract). The contract is for 25 years and came into effect from January 2013.

The Authority makes an agreed payment which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, but which is otherwise fixed. Payments remaining to be made under the PFI contract at 31 March 2014 (excluding any estimation of availability/performance deductions) are as follows:

	Payment for Services	Interest	Reimbursement of Capital Expenditure	Total
	£m	£m	£m	£m
Payable in 2013/14	9.0	2.8	2.7	14.5
Payable within 1 year	11.7	2.8	2.6	17.1
Payable within 2 to 5 years	60.6	12.2	9.6	82.4
Payable within 6 to 10 years	87.0	17.3	9.9	114.2
Payable within 11 to 15 years	96.0	19.9	7.3	123.2
Payable within 16 to 20 years	106.2	22.9	4.4	133.5
Payable within 21 to 25 years	87.2	19.4	1.1	107.7
Total	**457.7**	**97.3**	**37.6**	**592.6**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to the contractor for capital expenditure is as follows:

	2013/14	2012/13
	£m	£m
Balance outstanding at start of year	**(97.3)**	**0**
Liability at start of contract		(98.0)
Payments during the year	2.8	0.7
Balance outstanding at year-end	**(94.5)**	**(97.3)**

At the start of the contract a deferred asset was recognised. Movements during the year are as follows:

	2013/14	2012/13
	£m	£m
Balance outstanding at start of year	**96.1**	**0**
Deferred asset at start of contract		98.0
Capital expenditure delivered in the year	(21.7)	(1.9)
Balance outstanding at year-end	**74.4**	**96.1**

About the Authority's Current Assets

Note 34. Debtors

	31 Mar 14	31 Mar 13
	£m	£m
Central Government bodies	11.4	7.0
Other Local Authorities	3.1	2.2
NHS Bodies	0.6	5.0
Public Corporations and Trading Funds	0.4	0.0
Other Entities and Individuals		
- Debtors	56.8	59.7
- Less Bad Debts Provision	(28.0)	(33.1)
Total	**44.3**	**40.8**

Note 35. Creditors

The Authority is required under IFRS to estimate the cost of annual leave due to staff at 31 March each year. The cost is estimated at £4.3m at 31 March 2014 (£4.7m at 31 March 2013), and is included under the category 'Other entities and individuals'.

	31 Mar 14	31 Mar 13
	£m	£m
Central Government bodies	(18.7)	(16.4)
Other Local Authorities	(6.7)	(6.0)
NHS Bodies	(5.3)	(0.6)
Public Corporations and Trading Funds	(5.8)	0.0
Other Entities and Individuals	(57.4)	(65.2)
Total	**(93.9)**	**(88.2)**

Note 36. 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 £4.2m at 31 March 2014 (£3.3m at 31 March 2013). The long term provisions are those estimated to be payable in more than one year from the balance sheet date and total £5.9m at 31 March 2014 (£2.9m at 31 March 2013). The increase in provisions is largely due to a new provision for 2013/14 in relation to the impact of business rates appeals, now required as part of the changes to the local government finance settlement and the retention of business rates by the Authority.

	Insurance	Provision for Redundancy	Business Rates Appeals	Other Provisions	Total
	£m	£m	£m	£m	£m
Balance at 1 April 2012	**3.3**	**2.0**	**0.0**	**0.6**	**5.9**
Additional provisions made in 2012/13	1.1	1.4	0.0	0.4	2.9
Amounts used in 2012/13	(1.1)	(1.4)	0.0	(0.1)	(2.6)
Balance at 31 March 2013	**3.3**	**2.0**	**0.0**	**0.9**	**6.2**
Additional provisions made in 2013/14	0.4	0.5	3.9	1.2	6.0
Amounts used in 2013/14	0.0	(2.0)	0.0	(0.1)	(2.1)
Balance at 31 March 2014	**3.7**	**0.5**	**3.9**	**2.0**	**10.1**

Note 37. Contingent liabilities

At 31 March 2014 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 38. 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.

	31 Mar 14	31 Mar 13
	£m	£m
Developers' contributions unapplied	(23.1)	(21.6)
Total Long Term Creditors	**(23.1)**	**(21.6)**

Note 39. Other Long term liabilities

	31 Mar 14	31 Mar 13
	£m	£m
Pension fund liability	(330.3)	(283.6)
Finance lease liability	(2.1)	(2.2)
PFI liability	(91.7)	(94.5)
Total Other Long Term Creditors	**(424.1)**	**(380.3)**

About the Authority’s Financial Instruments

Note 40. Financial instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 Mar 14	31 Mar 13	31 Mar 14	31 Mar 13
	£m	£m	£m	£m
Investments				
Loans and Receivables	45.0	39.3	181.3	155.1
Total Investments	**45.0**	**39.3**	**181.3**	**155.1**
Debtors				
Loans and receivables	3.2	3.9	0.0	0.0
Financial assets carried at contract amounts	0.0	0.0	12.3	9.4
Total Debtors	**3.2**	**3.9**	**12.3**	**9.4**
Borrowings				
Financial liabilities at amortised cost	(205.7)	(240.9)	(37.5)	(12.5)
Total Borrowings	**(205.7)**	**(240.9)**	**(37.5)**	**(12.5)**
Other Long term Liabilities				
PFI and finance lease liabilities	(91.7)	(96.6)	(2.9)	(2.8)
Other Long term Liabilities	**(91.7)**	**(96.6)**	**(2.9)**	**(2.8)**
Creditors				
Financial liabilities carried at contract amount	0.0	0.0	(8.8)	(9.3)
Total Creditors	**0.0**	**0.0**	**(8.8)**	**(9.3)**

Reclassifications

In 2013/14 the Authority did not have to reclassify any of its investments.

Income, Expense, Gains and Losses

	2013/14			2012/13		
	Financial liabilities measured at amortised cost	Financial Assets : Loans and Receivables	Total	Financial liabilities measured at amortised cost	Financial Assets : Loans and Receivables	Total
	£m	£m	£m	£m	£m	£m
Interest expense	14.2	0.0	**14.2**	14.3	0.0	**14.3**
Total expense in Surplus or Deficit on the Provision of Services	**14.2**	**0.0**	**14.2**	**14.3**	**0.0**	**14.3**
Interest income	0.0	2.6	**2.6**	0.0	2.3	**2.3**
Total income in Surplus or Deficit on the Provision of Services	**0.0**	**2.6**	**2.6**	**0.0**	**2.3**	**2.3**

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 31 March 2014 of 0.34% to 3.39% for loans from the PWLB and 0.38% to 4.54% for other loans receivable and payable, based on new lending rates for equivalent loans at that date. For 2012/13, 0.02% to 3.13% for loans from the PWLB and 0.35% to 4.30% for other loans receivable and payable.
- 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:

	2013/14		2012/13	
	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m
Financial liabilities	244.1	266.0	254.5	297.6
Long term creditors	23.1	23.1	21.6	21.6

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 future loss (based on economic conditions at 31 March 2014) arising from a commitment to pay interest to lenders above current market rates.

	2013/14		2012/13	
	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m
Loans and receivables	228.3	229.0	192.0	193.2
Long term debtors	3.2	3.2	3.9	3.9

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 higher than the rates available for similar loans at the balance sheet date. This shows a notional future profit (based on economic conditions at 31 March 2014) 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 41. 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 had a policy of limiting deposits with institutions to a maximum of £30m for banks, building societies and local authorities and similar bodies and £100m for partially nationalised banks.
- 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 £30m to £100m 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 31 March 2014 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. During 2013/14 the counterparty limit for partially nationalised banks was increased from £50m to £100m, and the counterparty limit for other banks and building societies was increased from £20m to £30m.

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-14 £m	31-Mar-13 £m
Between one and two years	22.1	49.6
Between two and five years	53.4	37.8
Between five and ten years	48.0	49.2
More than ten years	67.7	71.9
Total Long Term Borrowing	**191.2**	**208.5**
Less than one year	52.0	45.0
Total	**243.2**	**253.5**

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

Market Risk

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 31 March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31-Mar-14	31-Mar-13
	£m	£m
Increase in interest payable on variable rate borrowings	0.0	0.0
Increase in interest receivable on variable rate investments	-2.4	-1.9
Increase in government grant receivable for financing costs	0.0	0.0
Impact on Surplus or Deficit on the Provision of Services	-2.4	-1.9
Share of overall impact credited to the HRA	0.4	0.3
Decrease in fair value of fixed rate investment assets	1.1	1.0
Impact on Other Comprehensive Income and Expenditure	-0.9	-0.6

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 £25.5m (£31.5m in 2012/13).

The impact of a 1% fall interest is estimated to be less than the figures above (with the movements in reverse) due to the low level of interest rates earned on the Authority's short term investments.

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 42. Operating Activities

The cash flows for operating activities include the items shown in the following table.

	2013/14	2012/13
	£m	£m
Interest Paid	17.0	14.5
Interest Received	(2.6)	(2.1)

Note 43. Cash and Cash Equivalents

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

	2013/14	2012/13
	£m	£m
Cash and bank current accounts held by the authority	6.7	5.4
Short Term deposits with financial institutions	44.3	42.9
Total of bank accounts and short term deposits	**51.0**	**48.3**
Bank overdrafts	(7.7)	0.0
Total cash and cash equivalents	**43.3**	**48.3**

Other Disclosures

Note 44. Acquired and Discontinued Operations

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

Note 45. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 30 June 2014. Events taking place after this date are not reflected in the financial statements or notes.

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 are no adjusting events after 31 March 2014 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 2014 in respect of the approved conversion of one of the Council's schools to academy status.

Change of status of school

Feltham Hill Junior School converted to academy status (new name Oakhill Academy) on 1 April 2014. The 2013/14 statement of accounts include a net book value of land and buildings relating to this school of £7.8m. The balance sheet assets will be reduced during 2014/15 to reflect this change in status.

ACCOUNTING POLICIES

1. Introduction

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. 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 Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (CIPFA Code) and the Service Reporting Code of Practice 2011/12 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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**.**

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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 highly liquid 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 Comprehensive Income and Expenditure Statement 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 was a defined contributions scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Service line in the Comprehensive Income and Expenditure Statement 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 London Borough of Hounslow (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.

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 events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. 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 separately, 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 an understanding of the Authority's financial performance.

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 of 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 or 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 Available-for-Sale 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 are 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 Statement 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 in the form of 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.

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 (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and contributions) in the CI&E Statement.

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 Statement becomes repayable, the repayment will be recognised as an expense in the CI&E Statement. 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 Reserve. 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 but are controlled by the Authority as a result of past events, 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 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.

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.

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental 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.

(i) The Authority as Lessee

Finance Leases

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 which is estimated to have a life of more than 7 years will be shown as an asset on the Balance Sheet.

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, the Authority makes a prudent annual contribution from revenue towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore replaced by a revenue 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.

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).

The Authority as Lessor

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 debtor (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 received, the element for the capital receipt for the disposal of the asset 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 CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). The total absorption allocation principle is used and the full cost of overheads and support services is 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 CI&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 (unless stated otherwise) 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 have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

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.

Measurement

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) 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
- 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. Valuations are 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). 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 there is evidence that an asset may be impaired (ie the asset has suffered a reduction in value due to damage to an asset, obsolescence, or changes in market value). 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

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line(s) in the CI&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 previous losses recognised in the Surplus or Deficit on Provision of Services. 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 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). 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 non-current 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.

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 value of 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 CI&E Statement in the year that the authority becomes aware of the obligation. Any provision made is based on the best estimate at the balance sheet date 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 specific 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 so that 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 or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that 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.

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. The Council has more than half of the voting rights or has effective overall control of the following bodies:

- Hounslow Homes Ltd
- Lampton 360 Ltd
- David Henry Waring Home Trust
- Bedfont Lakes Trust

The accounts of Hounslow Homes Ltd have been consolidated with the financial statements of the London Borough of Hounslow. Consolidation 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 and all transactions have been consolidated into the Group Accounts. The other bodies listed above have not been incorporated into the group accounts on the grounds that they are not material.

There are no minority interests in these organisations or acquisitions.

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.

26. Heritage Assets

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge and culture. The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Authority so that heritage assets must be shown separately on the balance sheet. The Authority considers that its heritage assets will have indeterminate lives and a high residual value, therefore it is not appropriate to charge depreciation for the assets. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. Under International Financial Reporting Standards (IFRS) some of the measurement rules for assets can be relaxed in relation to heritage assets as detailed below, largely where it would not be cost effective or feasible to obtain regular valuations of assets. The Authority's collection of heritage assets are accounted for as follows:

Listed Buildings

The Authority has several heritage buildings and/or grounds which are included in the balance sheet at cost as set out below:

- Hogarth House
- Gunnersbury Museum – This is jointly owned with the London Borough of Ealing
- Chiswick House Grounds
- Boston Manor House

These are all buildings of both local and national cultural value, and more information on each of them is included in Note 30.

Letter of Historical Interest

The Authority owns the Hogarth-Kirby Letter which is on display at Hogarth House and which is of national significance. More information is provided in Note 30. This is included in the balance sheet at cost.

The Gunnersbury House Museum Collection, plus specific artefacts in other buildings

The Authority will be using the relaxation to the rules on the measurement of assets which is permitted under International Financial Reporting Standards (IFRS) in relation to heritage assets. This permits the Authority, where cost figures are not available, and where the cost of obtaining specialist valuations for specific assets is estimated to be out of proportion to the benefits obtained, not to include a valuation figure in its balance sheet. There are 40,000 items in the collection in Gunnersbury House Museum and various other heritage asset artefacts in other buildings. The authority does not have either actual cost or valuation figures for these items and therefore does not recognise on the balance sheet the Gunnersbury House collection, or any other artefacts in other premises, apart from the historical letter at Hogarth House.

27. Highways Private Finance Initiative (PFI) Contract

The Council has entered into a major contract for the maintenance and updating of all the highways and street lighting and associated infrastructure (a 'fence to fence' contract). The infrastructure assets remain the Council's property. In the first five years of the contract there will be substantial investment to improve the overall condition of the borough's highways, followed by further ongoing lifecycle works over the remaining twenty years of the contract.

At the point of signing the PFI contract the Council recognised a long term creditor, representing the level of investment in infrastructure over the first five years of the contract, together with a deferred asset of the same value. As assets are completed they will be recognised on the Council's balance sheet, with an appropriate reduction in the value of the deferred asset.

A proportion of the payments to the PFI provider are treated as a finance lease for accounting purposes, to reflect repayment of the long term creditor and associated notional interest. The remaining payments are treated as revenue expenditure.

The Council receives a PFI related grant from the Department for Transport. This grant is recognised as highways and transport services related income in the net cost of services.

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 arm’s length management company, wholly owned by the Authority. In 2013/14 the turnover of Hounslow Homes amounted to £61.4m. 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

	2013/14	2012/13	Note
	£m	£m	
Expenditure			
Repairs and maintenance	15.8	14.7	
Supervision and management	12.9	12.8	
Special services	11.9	11.8	
Rents, Rates, Taxes and Other Charges	1.6	1.3	
Provision for bad and doubtful debts	(0.1)	0.4	
Depreciation of Non Current Assets	16.2	16.1	5
Debt Management costs	0.0	0.0	
Negative HRA subsidy payable	0.0	0.0	6
Exceptional change in value of fixed assets following revaluation	(102.8)	(8.4)	5
Total Expenditure	**(44.5)**	**48.7**	
Income			
Dwelling rents	(67.1)	(67.4)	1
Non-dwelling rents	(2.1)	(1.7)	
Charges for services and facilities	(10.4)	(5.1)	
Contributions towards expenditure (Lessees)	(3.5)	(3.2)	
HRA subsidy	0.0	(0.2)	6
Total Income	**(83.1)**	**(77.6)**	
Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	**(127.6)**	**(28.9)**	
HRA share of Corporate and Democratic Core	0.8	0.7	
Net (income)/expenditure for HRA Services	**(126.8)**	**(28.2)**	
HRA Share of operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement			
Gain on disposal of non-current assets		0.2	
Changes in the fair value of investment properties	0.0	0.9	
Interest payable and similar charges	13.1	13.2	
HRA Interest and Investment income		(0.3)	
Pensions interest and expected return on pension assets	0.0	0.0	
(Surplus)/deficit for the year on provision of HRA Services	**(113.7)**	**(14.2)**	

Movement on HRA Statement

	2013/14	2012/13
	£m	£m
Balance at start of year	**(19.5)**	**(17.2)**
Surplus or (deficit) on HRA Income and Expenditure Statement	(113.7)	(14.2)
Adjustments between accounting basis & funding basis under regulations	104.1	9.3
Net Increase / Decrease before Transfers to Reserves	(9.6)	(4.9)
Transfers to / from Reserves	1.3	2.6
Increase / (Decrease) in Year	(8.3)	(2.3)
Balance at end of year	(27.8)	(19.5)

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 2013/14 1.91% (1.47% 2012/13) of lettable properties were vacant.

Note 2: Housing Stock

The Authority was responsible for managing on average 13,298 dwellings during 2013/14 (13,357 in 2012/13). The stock numbers at the year-end were made up as follows:

	2013/14	2012/13
	Number	Number
Houses/Bungalows	4,189	4,236
Flats/Maisonettes	9,080	9,090
Stock as at 31 March	**13,269**	**13,326**

The change in stock can be summarised as follows:

	2013/14	2012/13
	Number	Number
Stock at 1 April	13,326	13,388
Less: Sales	(58)	(9)
Less: Demolitions, Conversions etc.	1	(53)
Stock as at 31 March	**13,269**	**13,326**

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:

	2013/14	2012/13
	£m	£m
Operational Assets		
Dwellings	756.2	656.0
Other land and buildings	5.5	7.6
Non-operational Assets		
Other land and buildings	12.1	11.8
Total	**773.8**	**675.4**

The net book value of dwellings is based on their existing use as social housing. As such, the valuations are lower than those reflecting vacant possession on the open market. The valuation of dwellings on a vacant possession basis as at 31 March 2014 was £2.8m (£2.6m as at 31 March 2013).

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.

	2013/14	2012/13
	£m	£m
Balance as at 1 April	**0.0**	**0.0**
Amount transferred in	(16.2)	17.6
Amount transferred out		0.0
Amount in respect of capital expenditure:		
Houses	14.1	(17.6)
Balance as at 31 March	**(2.1)**	**0.0**

Note 4: Capital Expenditure and Financing

(i) Capital Expenditure

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

	2013/14			2012/13		
	Houses	Other Property	Total	Houses	Other Property	Total
	£m	£m	£m	£m	£m	£m
Borrowing	0.0	0.0	0.0			0.0
Usable capital receipts	1.2	0.0	1.2	0.9		0.9
Revenue contributions	1.0	0.0	1.0			0.0
Leaseholder reserves	0.0	0.0	0.0			0.0
Major Repairs Reserve	14.4	0.0	14.4	18.2		18.2
Section 106	0.6	0.0	0.6			0.0
Grants/other contributions	7.0	0.0	7.0	1.9		1.9
Capital payments on a cash basis	**24.2**	**0.0**	**24.2**	**21.0**	**0.0**	**21.0**
Accruals Adjustment	0.3	0.0	0.3	(0.5)		(0.5)
Expenditure in Year	**24.5**	**0.0**	**24.5**	**20.5**	**0.0**	**20.5**

ii) Capital Receipts

The following statement summarises the total capital receipts from disposals of land, houses and other property within the HRA during 2013/14 and 2012/13.

	2013/14	2012/13
	£m	£m
Sale of Houses and flats	6.6	1.2
Land Sales	0.0	0.0
Other receipts	17.8	0.1
Total	**24.4**	**1.3**

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.

	2013/14	2012/13
	£m	£m
Houses	14.7	14.8
Other land and buildings	0.5	0.5
Infrastructure assets	0.2	0.2
Vehicles, plant and equipment	0.8	0.6
Impairment - Dwellings		2.2
Impairment - Non-Dwellings		0.0
Expenditure in Year	**16.2**	**18.3**

The HRA Income and Expenditure Statement includes the effect of an upwards 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 2013/14 (25% for 2012/13). 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 22).

Information about the net book value of land and buildings is set out in Note 2 above. The net book value of infrastructure assets as at 31 March 2014 was £5.5m (£5.7m as at 31 March 2013), and for vehicles, plant and equipment the net book value as at 31 March 2014 was £4.2m (£4.8m as at 31 March 2013).

Note 6: Rent Arrears

The gross rent arrears at 31 March 2014 was £2.8m (£2.6m at 31 March 2013). 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 £2.2m at 31 March 2014 (£2.1m at 31 March 2013).

Note 7: 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 2013/14 expenditure of £3.2m was financed by customer and client receipts of £3.1m (£3.1m financed by receipts of £2.9m in 2012/13).

Note 8: 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 2013/14, £1.3m was transferred in to the fund (£1.3m for 2012/13). The balance will be used to fund the capital programme in 2014/15 or future years, however, it is not available for funding revenue expenditure.

Note 9: 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 2013/14 or 2012/13 in respect of IAS19 retirement benefits.

COLLECTION FUND

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2014

	2013/14				2012/13			
	Council Tax	NNDR	BRS	Total	Council Tax	NNDR	BRS	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Amounts required by statute to be credited to the Collection Fund:								
Income receivable from Council Tax	100.0			100.0	125.0			125.0
Income from business ratepayers		147.8	4.8	152.6		146.4	4.9	151.3
Total Income	**100.0**	**147.8**	**4.8**	**252.6**	**125.0**	**146.4**	**4.9**	**276.3**
Amounts required by statute to be debited to the Collection Fund:								
Precepts and demands from LBH	81.0	41.8		122.8	95.7			95.7
Precepts and demands from GLA	22.6	27.9	4.8	55.3	26.9		4.9	31.8
Precepts and demands from Central Government	0.0	69.6		69.6		146.0		146.0
Provision for uncollectable amounts	(6.7)	0.1		(6.6)	1.1			1.1
Provision for appeals		13.0		13.0				0.0
Payment of transitional relief		1.0		1.0				0.0
Costs of collection (NDR and Crossrail BRS)		0.4	0.0	0.4		0.4	0.0	0.4
Payment to LBH/GLA for previous year's estimated Collection Fund surplus	1.7	0.0	0.0	1.7	0.8	0.0	0.0	0.8
Total Expenditure	**98.6**	**153.8**	**4.8**	**257.2**	**124.5**	**146.4**	**4.9**	**275.8**
Movement on fund balance Increase/(Decrease)	**1.4**	**(6.0)**	**0.0**	**(4.6)**	**0.5**	**0.0**	**0.0**	**0.5**
Fund Balance brought forward	2.2	0.0	0.0	2.2	1.7	0.0		1.7
Fund Balance carried forward	**3.6**	**(6.0)**	**0.0**	**(2.4)**	**2.2**	**0.0**	**0.0**	**2.2**

Note 1: Movement in Collection Fund

The level of the Collection Fund balance by organisation is as follows:

	Council Tax			NNDR			
	LBH	GLA	Total	LBH	GLA	CLG	Total
	£m	£m	£m	£m		£m	£m
Fund Balance brought forward at 1 April 2012	**1.3**	**0.4**	**1.7**	**0.0**	**0.0**	**0.0**	**0.0**
Movement on fund balance Increase/(Decrease) during 2012/13	0.4	0.1	**0.5**	0.0	0.0	0.0	**0.0**
Fund Balance as at 31 March 2013	**1.7**	**0.5**	**2.2**	**0.0**	**0.0**	**0.0**	**0.0**
Movement on fund balance Increase/(Decrease) during 2013/14	1.1	0.3	**1.4**	(1.8)	(1.2)	(3.0)	**(6.0)**
Fund Balance as at 31 March 2014	**2.8**	**0.8**	**3.6**	**(1.8)**	**(1.2)**	**(3.0)**	**(6.0)**

Note 2: Council Tax

The Council Tax Base set by the Authority for 2013/14 was 74,632 approved by Cabinet on 15 January 2013. The number of properties and tax set for each property band is shown below:

	2013/14			2012/13		
	No of Properties	Band D Equivalents	Tax Set £ p	No of Properties	Band D Equivalents	Tax Set £ p
Band A	1,150	767	925.47	1,393	929	931.58
Band B	4,471	3,477	1,079.71	6,942	5,400	1,086.84
Band C	17,079	15,181	1,233.95	21,483	19,096	1,242.11
Band D	28,337	28,337	1,388.20	33,187	33,187	1,397.37
Band E	11,821	14,448	1,696.69	13,054	15,954	1,707.90
Band F	4,655	6,725	2,005.18	4,861	7,021	2,018.42
Band G	3,451	5,752	2,313.67	3,456	5,760	2,328.95
Band H	785	1,569	2,776.40	756	1,513	2,794.74
Relevant Amount		76,256			88,860	
Adjusted for Collection Rate 97.75% / 98.6%		74,540			87,616	
Defence Property		92	1,388.20		85	1,397.37
Total	**71,749**	**74,632**		**85,132**	**87,701**	

Actual collectable income from Council Tax was:

	2013/14			2012/13		
	LBH	GLA	Total	LBH	GLA	Total
	£m	£m	£m	£m	£m	£m
Billed to Tax Payers	78.2	21.8	100.0	80.9	22.7	103.6
Council Tax Benefit Paid by General Fund	0.0	0.0	0.0	16.7	4.7	21.4
Total Income	**78.2**	**21.8**	**100.0**	**97.6**	**27.4**	**125.0**

The cumulative arrears of Council Tax including costs at 31 March 2014 were £20.2m and £7.9m was written off during the year.

Note 3: Non-Domestic Rates (NDR)

Non-domestic rates are organised on a national basis. The Government specifies the rate 47.1p (2012/13 45.8p) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The total rateable value applicable to Hounslow as at 31 March 2014 was £363m. The Authority is responsible for collecting rates due from the ratepayers in its area.

Under the new Business Rates Retention Scheme, London Authorities now retain 30% of their collected rates and pay 20% to the Greater London Authority (GLA). The remaining 50% is paid to Central Government, and these amounts are then redistributed back to local authorities as part of the formula grant calculation. The amounts collected and paid to Central government, the GLA and LBH are shown in the income and expenditure statement above.

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 one 100% owned subsidiary, Hounslow Homes Ltd, that needs to be consolidated into the following group accounts. There are three other organisations where the Authority has more than half of the voting rights of the bodies concerned, but where the results of the organisations have not been incorporated into the group accounts on the grounds of materiality. The three organisations concerned are:

- Lampton 360 Ltd
- David Henry Waring Home Trust
- Bedfont Lakes Trust

The accounts of Hounslow Homes Ltd have been consolidated as a subsidiary with the financial statements of the London Borough of Hounslow to create the group accounts. Consolidation has been undertaken on a line by line basis by adding like items of assets, liabilities, reserves, income and expenses together with 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 any organisations, or any material acquisitions.

Hounslow Homes Ltd has 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.

The activities and performance of each of the subsidiaries during the year 2013/14 is set out below:

David Henry Waring Home Trust – providing 26 units of sheltered accommodation. At 31 March 2014, net assets amounted to £3.8m (£3.9m at 31 March 2013) and expenditure in 2013/14 was £0.2m financed from rents, investment income and reserves (£0.2m for 2012/13) .

Bedfont Lakes Trust – established with the object of promoting public recreation by the provision of resources for the maintenance, improvement, management and preservation of the Bedfont Lakes Country Park. At 31 March 2014 the Trust had investments valued at £5m (£5m at 31 March 2013).

Hounslow Homes – The Authority transferred responsibility for the management of its housing stock to Hounslow Homes on 1 April 2002. In 2013/14 the turnover of Hounslow Homes amounted to £61.4m (£58.0m for 2012/13) and net liabilities were valued at £33.3m including the pension liability (£30.7m as at 31 March 2013). The Authority is liable to contribute to the debts and liabilities of the organisation if it was wound up to the value of £1.

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 income and expenditure account together with the profit and loss accounts of Hounslow Homes Ltd excluding intra-group transactions.
- Group Movement in Reserves statement.
- Group Balance Sheet – consolidates the balance sheets of the London Borough of Hounslow and Hounslow Homes Ltd.
- 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 73. Where there are differences the impact of applying a consistent policy would not lead to a material change in the group accounts.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	2013/14			Restated 2012/13		
	Expenditure	Income	Net	Expenditure	Income	Net
	£m	£m	£m	£m	£m	£m
Central services to the public	12.8	(8.6)	4.2	33.6	(30.4)	3.2
Environmental and regulatory services	15.0	(3.2)	11.8	18.9	(2.7)	16.2
Planning services	6.5	(7.7)	(1.2)	8.1	(7.5)	0.6
Cultural and related services	22.5	(1.5)	21.0	18.1	(1.1)	17.0
Education and children's services	259.6	(200.6)	59.0	254.7	(202.6)	52.1
Highways and transport services	35.6	(25.6)	10.0	26.1	(13.9)	12.2
Local authority housing (HRA)	58.5	(83.1)	(24.6)	57.1	(77.6)	(20.5)
Other housing services	179.7	(170.0)	9.7	171.6	(161.1)	10.5
Adult social care	68.8	(16.0)	52.8	72.8	(19.5)	53.3
Public Health	15.5	(13.6)	1.9	0.0	0.0	0.0
Exceptional costs of revaluation	(80.1)	0.0	(80.1)	47.7	0.0	47.7
Corporate and democratic core	5.9	(0.8)	5.1	6.7	(1.1)	5.6
Other non distributed costs	3.5	(0.6)	2.9	(5.5)	0.0	(5.5)
Cost Of Services	**603.8**	**(531.3)**	**72.5**	**709.9**	**(517.5)**	**192.4**
Other Operating Expenditure	3.5	(10.1)	(6.6)	25.0	(15.4)	9.6
Exceptional derecognition of Academy assets	45.8	0.0	45.8	39.3	0.0	39.3
Financing and Investment Income and Expenditure	30.1	(2.7)	27.4	24.6	(2.7)	21.9
Taxation and Non-Specific Grant Income	0.0	(233.2)	(233.2)	0.0	(227.6)	(227.6)
Surplus or Deficit on Provision of Services			**(94.1)**			**35.6**
Tax expenses			0.0			0.0
Group (Surplus) or Deficit			**(94.1)**			**35.6**
Surplus or deficit on revaluation of fixed assets			15.2			13.9
Actuarial gains / losses on pension assets / liabilities			39.5			4.6
Other Comprehensive Income and Expenditure			**54.7**			**18.5**
Total Comprehensive Income and Expenditure			**(39.4)**			**54.1**

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.

	2013/14											
	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
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2013	**(13.7)**	**(94.0)**	**(19.5)**	**(7.9)**	**(5.3)**	**0.0**	**(69.7)**	**(210.1)**	**(761.3)**	**(971.4)**	**20.2**	**(951.2)**
Surplus or deficit on provision of services (accounting basis)	19.6	0.0	(113.7)	0.0	0.0	0.0	0.0	(94.1)	0.0	(94.1)	0.0	(94.1)
Other Comprehensive Expenditure and Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	51.9	51.9	2.8	54.7
Total Comprehensive Expenditure and Income	**19.6**	**0.0**	**(113.7)**	**0.0**	**0.0**	**0.0**	**0.0**	**(94.1)**	**51.9**	**(42.2)**	**2.8**	**(39.4)**
Adjustments between Group accounts and authority accounts	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.2	(0.2)	0.0
Net Increase / Decrease before Transfers	**19.8**	**0.0**	**(113.7)**	**0.0**	**0.0**	**0.0**	**0.0**	**(93.9)**	**51.9**	**(42.0)**	**2.6**	**(39.4)**
Adjustments between accounting basis & funding basis under regulations	(36.8)	0.0	104.1	0.0	(17.8)	(2.1)	13.5	60.9	(60.9)	0.0	0.0	0.0
Net Increase / Decrease before Transfers to Earmarked Reserves	**(17.0)**	**0.0**	**(9.6)**	**0.0**	**(17.8)**	**(2.1)**	**13.5**	**(33.0)**	**(9.0)**	**(42.0)**	**2.6**	**(39.4)**
Transfers to / from Earmarked Reserves	16.0	(16.0)	1.3	(1.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase / Decrease in Year	**(1.0)**	**(16.0)**	**(8.3)**	**(1.3)**	**(17.8)**	**(2.1)**	**13.5**	**(33.0)**	**(9.0)**	**(42.0)**	**2.6**	**(39.4)**
Other items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance at 31 March 2014	**(14.7)**	**(110.0)**	**(27.8)**	**(9.2)**	**(23.1)**	**(2.1)**	**(56.2)**	**(243.1)**	**(770.3)**	**(1,013.4)**	**22.8**	**(990.6)**

	Restated 2012/13											
	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
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 31 March 2012	**(14.1)**	**(88.4)**	**(17.2)**	**(6.7)**	**(6.0)**	**0.0**	**(46.3)**	**(178.7)**	**(848.5)**	**(1,027.2)**	**21.9**	**(1,005.3)**
Surplus or deficit on provision of services (accounting basis)	49.8	0.0	(14.2)	0.0	0.0	0.0	0.0	35.6	0.0	35.6	0.0	35.6
Other Comprehensive Expenditure and Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	21.4	21.4	(2.9)	18.5
Total Comprehensive Expenditure and Income	**49.8**	**0.0**	**(14.2)**	**0.0**	**0.0**	**0.0**	**0.0**	**35.6**	**21.4**	**57.0**	**(2.9)**	**54.1**
Adjustments between Group accounts and authority accounts	(1.2)	0.0	0.0	0.0	0.0	0.0	0.0	(1.2)	0.0	(1.2)	1.2	0.0
Net Increase / Decrease before Transfers	**48.6**	**0.0**	**(14.2)**	**0.0**	**0.0**	**0.0**	**0.0**	**34.4**	**21.4**	**55.8**	**(1.7)**	**54.1**
Adjustments between accounting basis & funding basis under regulations	(53.8)	0.0	9.3	0.0	0.7	1.4	(23.4)	(65.8)	65.8	0.0	0.0	0.0
Net Increase / Decrease before Transfers to Earmarked Reserves	**(5.2)**	**0.0**	**(4.9)**	**0.0**	**0.7**	**1.4**	**(23.4)**	**(31.4)**	**87.2**	**55.8**	**(1.7)**	**54.1**
Transfers to / from Earmarked Reserves	5.6	(5.6)	2.6	(1.2)	0.0	(1.4)	0	0.0	0.0	0.0	0.0	0.0
Increase / Decrease in Year	**0.4**	**(5.6)**	**(2.3)**	**(1.2)**	**0.7**	**0.0**	**(23.4)**	**(31.4)**	**87.2**	**55.8**	**(1.7)**	**54.1**
Balance at 31 March 2013	**(13.7)**	**(94.0)**	**(19.5)**	**(7.9)**	**(5.3)**	**0.0**	**(69.7)**	**(210.1)**	**(761.3)**	**(971.4)**	**20.2**	**(951.2)**

GROUP BALANCE SHEET

	31 Mar 14	Restated 31/03/2013
	£m	£m
Property, Plant & Equipment	1,437.5	1,368.1
Investment Property	28.2	29.2
Intangible Assets	3.2	0.0
Long Term Investments	45.0	39.3
Heritage Assets	3.6	3.6
Long Term Debtors	2.9	3.6
Long Term Deferred Asset Related to PFI	46.2	93.3
Long Term Assets	**1,566.6**	**1,537.1**
Short Term Deferred Asset Related to PFI	28.2	2.8
Short Term Investments	137.0	106.8
Assets held for sale	0.0	1.7
Inventories	0.5	0.7
Short Term Debtors	39.5	29.1
Cash and Cash Equivalents	57.6	55.8
Current Assets	**262.8**	**196.9**
Bank overdrafts	(7.7)	0.0
Short Term Borrowing	(37.5)	(12.5)
Short Term Creditors	(93.9)	(82.7)
Short Term Provisions	(4.2)	(3.3)
Current Liabilities	**(143.3)**	**(98.5)**
Long Term Creditors	(23.1)	(21.6)
Provisions	(7.0)	(3.8)
Long Term Borrowing	(205.7)	(240.9)
Other Long Term Liabilities	(458.3)	(411.6)
Capital Grants Receipts in advance	(1.4)	(6.4)
Long Term Liabilities	**(695.5)**	**(684.3)**
Net Assets	**990.6**	**951.2**
Usable reserves	(243.1)	(210.1)
Unusable Reserves	(770.3)	(761.3)
Reserves (group entities)	22.8	20.2
Total Reserves	**(990.6)**	**(951.2)**

GROUP CASH FLOW

	2013/14	Restated 2012/13
	£m	£m
Net surplus or (deficit) on the provision of services	94.1	(35.6)
Adjust net surplus or deficit on the provision of services for noncash movements	(10.8)	125.0
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(20.4)	(3.8)
Net cash flows from Operating Activities	**62.9**	**85.6**
Investing Activities	(61.5)	(78.4)
Financing Activities	(7.3)	(10.8)
Net increase or decrease in cash and cash equivalents	**(5.9)**	**(3.6)**
Cash and cash equivalents at the beginning of the reporting period	55.8	59.4
Cash and cash equivalents at the end of the reporting period	**49.9**	**55.8**

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:

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 31 March 2014 as estimated by the actuary Barnett Waddingham were:

	31-Mar-14			31-Mar-13
	LBH Pension Funds	Hounslow Homes	Total	Total
	£m	£m	£m	£m
Estimated Liabilities	873.5	104.9	978.4	920.0
Estimated Assets	(543.3)	(70.7)	(614.0)	(605.1)
Net Liability	**330.2**	**34.2**	**364.4**	**314.9**

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:

	31 Mar 14			31 Mar 13
	LB Hounslow	Hounslow Homes	Total	Total
	£m	£m	£m	£m
Short Term Debtors	(5.2)	(7.3)	**(12.5)**	**(23.0)**
Long Term Debtors	(0.3)	0.0	**(0.3)**	**(0.3)**
Short Term Creditors	7.3	5.2	**12.5**	**23.0**
Long Term Creditors	0.0	0.3	**0.3**	**0.3**

PART 5: 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 final accounts will be submitted to the Panel on 29 September 2014. 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 managed the property portfolio until it was sold during 2013/14.

A summary of the audit opinions on the internal controls of the custodian and fund managers is attached to enable members to gain assurance over the controls operating within the custodian and fund managers.

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014

	2013/14	2012/13	Note
	£m	£m	
Income			
Contributions:			22
Employees	7.9	7.4	
Employers	25.2	23.6	2
Augmentation Payments	0.0	10.0	3
Transfers from other schemes (individuals)	3.9	3.5	
Transfers from other schemes (group transfers)	0.0	0.0	4
Total Income	**37.0**	**44.5**	
Expenditure			
Benefits payable:			22
Pensions	(25.8)	(24.5)	
Lump sums	(5.6)	(6.4)	
Death Benefits	(0.5)	(0.7)	
Refunds	0.0	0.0	
Transfers to other schemes (individuals)	(3.1)	(1.6)	
Transfers to other schemes (group transfers)	0.0	0.0	
Administrative Expenses	(1.2)	(1.0)	5
Other	0.0	0.0	
Total Expenditure	**(36.2)**	**(34.2)**	
Net additions / (withdrawals) from dealing with members	**0.8**	**10.3**	
Returns on Investments			
Investment income	19.3	17.8	6
Change in market value of realised and unrealised investments	12.9	66.4	
Irrecoverable withholding tax	(0.2)	(0.2)	
Investment management expenses	(1.8)	(1.5)	
Property expenses	(0.3)	(0.2)	
Net returns on investments	**29.9**	**82.3**	
Net increase (decrease) in the Fund during the year	**30.7**	**92.6**	
Opening net assets of the scheme at 1 April	690.3	597.7	
Closing net assets of the scheme at 31 March	**721.0**	**690.3**	

NET ASSETS STATEMENT AS AT 31 MARCH 2014

	31 Mar 14	31 Mar 13	Note
	£m	£m	
Investments			
Equity investments	493.1	481.7	7
Pooled investments	210.2	162.3	8
Property	0.0	17.2	9
Private equity	9.1	10.6	10
Short term deposits	7.3	7.3	11
Outstanding settlements	(0.7)	(3.7)	
Investment income receivable	3.9	3.2	
Total Investments	**722.9**	**678.6**	
Current Assets and Current Liabilities			
Debtors	0.3	9.9	14
Cash at bank	0.2	2.5	
Creditors	(2.4)	(0.7)	15
Net Current Assets	**(1.9)**	**11.7**	
Net Assets	**721.0**	**690.3**	

NOTES TO THE PENSION FUND ACCOUNTS 2013/14

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 31 March 2014.
- 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 2014.
- Investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2014.
- There are no freehold or leasehold properties as at 31 March 2014 – these properties were disposed of in January 2014.
- Investments were realisable at 31 March 2014, other than 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 2013 and was effective from 1 April 2014.

The common rate of contribution for all scheduled bodies from 1 April 2014 is 12.9% of payroll. The common rate of contributions is the rate that, in addition to contributions paid by members, is sufficient to meet 100% of the liabilities arising in respect of service after the valuation.

Adjustments to contributions by individual employers are required to make good the deficiency resulting from the change in funding requirement, i.e. £124.3 million as at the date of the actuarial valuation. The Authority has agreed to keep the employer's contribution stable to meet the 100% funding requirement over a 17-year period.

The actuarial value of the fund's assets and liabilities are set out in the table below.

	2013	2010
Actuarial value of liabilities	£808.5m	£628.8m
Actuarial value of assets	£684.2m	£508.6m
Deficit	£124.3m	£120.2m
Funding level	85%	81%

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

• Rate of pay increases	4.5% pa
• Rate of increase of pensions in payment	2.7% pa
• The investment return of the Fund	6.0% pa

Valuation of Liabilities – The Authority's Actuary, Barnett Waddingham has valued the liabilities of the Fund on an IAS26 basis as at 31 March 2014. The value of the liabilities at 31 March 2014 is £1,115.3m (31 March 2013 £1,036.8m) compared with a fair value of scheme assets of £709.3m (31 March 2013 £689.3m). Therefore on this basis the deficit at 31 March 2014 is £406.0m (31 March 2013 £347.5m).

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.

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 12.9% of payroll, and deficit funding will vary for different employers within the Fund. At the last actuarial valuation the Authority agreed to fund the deficiency over a 17-year period.

Note 3: Augmentation

The Council made an additional 'one-off' employer's contribution to the Pension Fund of £10m as at 31 March 2013.

Note 4: Transfers In / Out

There were no group transfers in or out in 2013/14.

Note 5: Administration

	2013/14	2012/13
	£m	£m
Scheme Administration	1.2	1.0
Actuary Fees	0.0	0.0
Annual Meeting and Report	0.0	0.0
Total costs	**1.2**	**1.0**

Administration costs include Actuary Fees of £52k in 2013/14 (£24k in 2012/13).

Note 6: Investment Income

	2013/14	2012/13
	£m	£m
Equity investments	14.0	11.9
Fixed interest securities	0.1	1.0
Pooled investments	3.8	3.2
Property	0.8	1.6
Short term deposits	0.6	0.1
Broker commissions recaptured	0.0	0.0
	19.3	**17.8**

Note 7: Equity Investments

	31 Mar 14	31 Mar 13
	£m	£m
UK Investments (listed)	248.3	238.0
Overseas Investments (listed):		
North America	121.4	136.4
Japan	13.8	11.4
Europe	63.6	59.6
Other	46.0	36.3
	493.1	**481.7**

The top 10 equity holdings of the London Borough of Hounslow Pension Fund worldwide as at 31 March 2014 were:

	Bid value	% of Total Fund	% of Equities
	£m	%	%
British American Tobacco	12.3	1.7	2.5
Roche Holdings	11.8	1.6	2.4
Royal Dutch Shell	10.2	1.4	2.1
Astrazeneca	9.5	1.3	1.9
Compass Group	8.8	1.2	1.8
Standard Chartered	8.4	1.2	1.7
HSBC Holdings	7.8	1.1	1.6
Imperial Tobacco	7.6	1.1	1.5
BG Group	7.5	1.0	1.5
Time Warner	6.9	1.0	1.4
	90.8	**12.6**	**18.4**

Note 8: Pooled Investments

	31 Mar 14	31 Mar 13
	£m	£m
UK Pooled Investments		
Cash Fund	6.2	9.0
Bond Fund	103.0	107.4
Index Linked	28.7	34.5
Mid Cap Companies	7.7	1.5
Property	35.6	0.4
Absolute Return	29.0	0.0
Overseas Pooled Investments		
Fixed Interest	0.0	9.5
Equity	0.0	0.0
	210.2	**162.3**

The top 10 pooled investment holdings of the London Borough of Hounslow Pension Fund worldwide as at 31 March 2014 were:

	Market value	% of Total Fund	% of Pooled Investments
	£m	%	%
Merrill Lynch Fund All Stocks Corporate Bond	64.2	8.9	30.9
Aberdeen Global Bond Fund	21.4	3.0	10.3
Threadneedle Property Fund	20.6	2.9	9.9
BlackRock Aquila Life Market Advantage Fund	20.5	2.8	9.9
Aberdeen Global Indexed Linked Bond Fund	18.0	2.5	8.7
CBRE UK Property Fund	14.6	2.0	7.0
Aberdeen Global Funds II Sterling Bond Fund Z2	13.8	1.9	6.6
BlackRock - Index Linked A	10.6	1.5	5.1
Aberdeen Diversified Growth Fund	8.4	1.2	4.0
Aberdeen Global Funds II Sterling Long-dated Bond Z2	3.8	0.5	1.8
	195.9	**27.2**	**94.2**

Note 9: Property

	31 Mar 14	31 Mar 13
	£m	£m
UK Property Investments: Freehold	0.0	17.2
	0.0	**17.2**

During 2013/14 the management of the property portfolio was restructured and all direct property holdings were disposed of and replaced with units in property pooled funds.

Note 10: Private Equity

	31 Mar 14	31 Mar 13
	£m	£m
Private equity	9.1	10.6
	9.1	**10.6**

The top 10 private equity holdings of the London Borough of Hounslow Pension Fund as at 31 March 2014 were:

	Valuation	% of Total Fund	% of Private Equity
	£m	%	%
Environmental Technologies Fund	3.3	0.5	36.3
Hg Capital 5th Fund	1.1	0.2	12.1
Schroder Private Equity Fund of Funds IV	0.8	0.1	8.8
Schroder Private Equity Fund of Funds III	0.8	0.1	8.8
Advent IV	0.7	0.1	7.7
The Chandos Fund (YFM)	0.6	0.1	6.6
Northern Investors	0.6	0.1	6.6
Schroder Private Equity Fund of Funds II	0.5	0.1	5.5
The Capital Fund (YFM)	0.3	0.0	3.3
Schroder Private Equity Fund of Funds	0.2	0.0	2.2
	8.9	**1.2**	**97.9**

Note 11: Short term deposits

	31 Mar 14	31 Mar 13
	£m	£m
Bank Deposits	7.3	7.3
	7.3	**7.3**

Note 12: Financial instruments

Categories of financial instruments

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

	31 Mar 14			31 Mar 13		
	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	£m	£m	£m	£m	£m	£m
Financial assets						
Fixed interest securities	0.0			0.0		
Equities	493.1			481.7		
Pooled investments	210.2			162.3		
Private equity	9.1			10.6		
Short term deposits		7.3			7.3	
Outstanding settlements		0.0			0.0	
Investment income receivable		3.9			3.2	
Debtors		0.3			9.9	
Cash at bank		0.2			2.5	
Total Financial assets	**712.4**	**11.7**		**654.6**	**22.9**	**0.0**
Financial liabilities						
Outstanding settlements			(0.7)			(3.7)
Creditors			(2.4)			(0.7)
Total Financial liabilities	**0.0**	**0.0**	**(3.1)**	**0.0**	**0.0**	**(4.4)**
Net Assets	**712.4**	**11.7**	**(3.1)**	**654.6**	**22.9**	**(4.4)**

Net gains and losses

	2013/14			2012/13		
	Financial liabilities measured at amortised cost	Loans and receivables	Fair value through profit and loss	Financial liabilities measured at amortised cost	Loans and receivables	Fair value through profit and loss
	£m	£m	£m	£m	£m	£m
Change in market value of realised and unrealised investments			12.9			66.4

Fair value of assets and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values:

	2013/14		2012/13	
	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m
Financial assets				
Fair value through profit and loss	712.4	712.4	654.6	654.6
Loans and receivables	11.7	11.7	22.9	22.9
Total Financial assets	**724.1**	**724.1**	**677.5**	**677.5**
Financial liabilities				
Financial liabilities at amortised cost	(3.1)	(3.1)	(4.4)	(4.4)
Total Financial liabilities	**(3.1)**	**(3.1)**	**(4.4)**	**(4.4)**

Note 13: Nature and Extent of Risks arising from Financial Instruments

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities to pay benefits to members. Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme. Responsibility for the Fund's risk management strategy rests with the Pension Fund Panel.

a) Market risk

Market risk is the risk of loss from fluctuations in equity prices, interest and foreign exchange rates. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's performance measurement provider, the WM Company, the Council has determined the following movements in market price risk are reasonably possible for the 2013/14 reporting period:

Asset type	Value as at 31 March 2014	Percentage Change	Value on increase	Value on decrease
	£m	%	£m	£m
UK Equities	256.0	12.3	287.6	224.4
Overseas Equities	244.9	12.0	274.2	215.5
Total Bonds	103.1	5.2	108.4	97.8
ILG	28.7	8.6	31.1	26.2
Cash	16.6	0.0	16.6	16.6
Property	35.6	3.2	36.7	34.4
Alternatives	38.1	4.7	39.9	36.3
Total Investment Assets	**723.0**		**794.5**	**651.2**

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK).

Following analysis of historical data in consultation with the WM Company, the Council considers the following likely volatility associated with foreign exchange rate movements:

Currency exposure - asset type	Value as at 31 March 2014	Percentage Change	Value on increase	Value on decrease
	£m	%	£m	£m
Overseas Equities	244.9	5.3	257.9	231.8
Alternatives	2.3	6.3	2.4	2.1
Total Investment Assets	**247.2**		**260.3**	**233.9**

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

BlackRock Investment Management Ltd use their Money Market Fund to manage invested cash and held £3.8m in this fund at 31 March 2014, and the Council have placed invested cash in the Fidelity Money Market Fund and held £2.4m in this fund at 31 March 2014. Both of these money market funds have AAA ratings from leading ratings agencies. These funds make up the £6.2m Cash Fund figure in Note 8 to the accounts.

The remainder of invested cash is held in short term bank deposits. Aberdeen Asset Managers Ltd held £4.7m in a call account with Standard Chartered at 31 March 2014. The balance of £2.6m invested cash is held with the Fund's custodian Northern Trust. As at 31 March 2014 both Standard Chartered and Northern Trust had a credit rating of AA-. These funds make up the £7.3m Bank Deposits in Note 12 to the accounts.

Note 14: Debtors

Debtors represent those sums of money owed to the Pension Fund for contributions due from scheduled and admitted bodies for 2013/14 but for which payment had not been received by 31 March 2014, and at 31 March 2013 money owed to the Pension Fund from the Council's General Account. The reason for the high balance in 2013 was due to the late decision to fund the Pension Fund by £10m from the Council's General Fund balances.

Note 15: Creditors

Creditors represent those sums of money owed by the Pension Fund for fund management services received during 2013/14 but for which payment had not been made by 31 March 2014 and money owed to the Council's General Account from the Pension Fund.

Note 16: Investment Commitments

The Council is committed to making further investments in private equity funds. The total value of commitments outstanding at 31 March 2014 was £2.2m (£2.7m at 31 March 2013).

Note 17: 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 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 18: Membership of the Fund

The following summarises the membership of the Pension Fund as at 31 March 2014:

	31 Mar 14	31 Mar 13
	No.	No.
Contributors	6,519	6,317
Pensioners	5,800	5,642
Deferred Pensioners	6,923	6,471
Total	**19,242**	**18,430**

Note 19: 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
	£m	£m	£m	£m
Closing Balance at 31 March 2013	289.9	355.3	33.4	678.6
Purchases	60.4	357.2	35.5	453.1
Sales	(47.8)	(353.9)	(22.6)	(424.3)
Corporate Actions	(0.6)	(0.3)	0.0	(0.9)
Movement in short term deposits	4.9	(1.7)	0.3	3.5
Change in market value	(0.3)	12.3	0.9	12.9
Closing Balance at 31 March 2013	**306.5**	**368.9**	**47.5**	**722.9**
Proportion of Fund	**42%**	**51%**	**7%**	

Note 20: 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 £16k. The value of these separately invested additional voluntary contributions at 31 March 2014 was £357k.

There are also separately invested additional voluntary contributions with the previous provider, Equitable Life. The value of these contributions at 31 March 2014 was £146k.

These amounts are not included in the Pension Fund Accounts in accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

Note 21: Direct Transaction Costs

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

	2013/14	2012/13
	£m	£m
Aberdeen Asset Managers Ltd	0.2	0.1
Blackrock Investment Management Ltd	0.7	0.7
	0.9	**0.8**

Note 22: Scheduled and Admitted Bodies

The scheduled bodies to the Fund are:

- West Thames College
- Hounslow Homes
- Lampton Academy
- Cranford Academy
- Rivers Academy
- Feltham Academy
- Chiswick Community School
- Gumley Academy
- Isleworth & Syon Academy
- St Marks Academy
- Reach Academy
- Heston School
- Brentford School for Girls
- Kingsley Academy
- Norwood Green Junior School
- Westbrook Academy
- The Green School for Girls
- Oriel Primary School
- Nishkam School

There were also 19 Admitted Bodies making contributions of £1.7m (£1.1m 2012/13). There were also 15 bodies with no active membership.

The total contributions receivable and benefits payable are as follows:

	2013/14		2012/13	
	Contributions Receivable	Benefits Payable	Contributions Receivable	Benefits Payable
	£m	£m	£m	£m
London Borough of Hounslow	23.3	26.8	23.6	24.6
Scheduled Bodies	8.1	3.2	5.8	2.0
Admitted Bodies	1.7	1.8	1.1	1.4
Total costs	**33.1**	**31.8**	**30.4**	**28.0**

Note 23: 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 Assistant Director of Corporate Resources – Strategic Finance.

Note 24: Related Party Transactions

The Council was a related party to the Fund. During 2013/14, Pension Fund payments and receipts were made through the Council's General Account as a result of the day-to-day administration of the Fund. At 31 March 2014 £1.7m was owed by the Pension Fund to the General Account (At 31 March 2013 £9.5m was owed by the General Account to the Pension Fund). The reason for the high balance at 31 March 2013 was due to the late decision to fund the Pension Fund by £10m from the Council's General Fund balances.

The Pension Fund incurred administrative expenses of £0.8m in 2013/14 (£0.4m 2012/13) for Council officers' time spent in administering the Fund.

No other material transactions with related parties of the Fund during 2013/14 were identified.

Note 25: External Audit Costs

The Pension Fund has incurred costs of £21k in 2013/14 (£21k in 2012/13) in relation to the audit of the Statement of Accounts provided by KPMG, the Fund's external auditors.

INTERNAL CONTROLS AT PENSION FUND CUSTODIAN AND FUND MANAGERS

1 Background

The Pension Fund relies on its custodian and fund managers to process and report on its investment transactions. The controls and processes within these organisations are reviewed annually by their external auditors and a report setting out the findings of these reviews are available to clients.

In their audit memorandum for the 2011-12 final accounts the Audit Commission recommended that officers present a summary of the findings of these reviews to the Audit Committee to enable members to gain assurance over the controls operating within the custodian and fund managers.

The custodian and fund managers controls and processes have been given a favourable audit opinion by their respective independent auditors. Auditor opinions are reproduced below.

2 Custodian – Northern Trust

2.1 The custodian of the Council's Pension Fund investments is the Northern Trust Corporation. They are responsible for holding the Pension Fund's securities electronically, carrying out trade settlements on instructions from the fund managers, carrying out corporate actions, collecting investment income due and reclaiming tax on behalf of the Fund.

The Net Assets Statement in the Pension Fund accounts is produced substantially from reports from the custodian.

2.2 KPMG reviewed Northern Trust's controls and processes for the period 1 April 2013 to 31 March 2014. Their opinion signed on 8 May 2014 is as follows:

"In our opinion, in all material respects, based on criteria described in Northern Trust Corporation's assertion,

(1) the description fairly presents the Trust and Custody Services system that was designed and implemented throughout the period April 1. 2013 to March 31, 2014,

(2) the controls related to the control objectives stated in the description were suitable and designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period April 1, 2013 to March 31, 2014, and user entities applied the complementary user entity controls contemplated in the design of Northern Trust Corporation's controls throughout the period April 1, 2013 to March 31, 2014, and

(3) the controls tested, which together with the complementary user entity controls referred to in the scope paragraph of this report, if operating effectively, those necessary to provide reasonable assurance that the control objectives stated in the description in Section III and IV were achieved, operated effectively throughout the period April 1, 2013 to March 31,2014."

3 Fund manager – Aberdeen

3.1 Aberdeen Asset Managers Ltd is one of two investment managers appointed to deal at discretion within broad investment objectives laid down by the Authority.

3.2 PricewaterhouseCoopers reviewed Aberdeen's controls and processes for the period 1 July 2012 to 30 June 2013. Their opinion signed on 30 September 2013 is as follows:

"In our opinion, in all material respects, based on the criteria including the control objectives described in Aberdeen's assertion in Section I:

(a) The description in Sections III to VI fairly presents the investment management services for equity, fixed income and multi-asset portfolios; Aberdeen's UK property investment and management services and the multi-manager (indirect) property services of Aberdeen's Amsterdam office; and Aberdeen Global Services' operations relating to its Luxembourg domiciled UCITS funds that were designed and implemented throughout the period from 1 July 2012 to 30 June 2013;

(b) The controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the specified control objectives would be achieved if the described controls operated effectively throughout the period from 1 July 2012 to 30 June 2013 and clients applied the complementary client control referred to in the scope paragraph of this report;

(c) The controls tested, which together with the complementary controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period from 1 July 2012 to 30 June 2013."

4 Fund manager – BlackRock

4.1 The other investment manager is BlackRock Investment Management Ltd.

4.2 Deloitte & Touche reviewed BlackRock's controls and processes for the period 1 October 2012 to 30 September 2013. Their opinion signed on 19 November 2013 is as follows:

"In our opinion, in all material respects, based on the criteria described in BlackRock's assertion on pages 7 through 10,

a. The description fairly presents the System that was designed and implemented throughout the period October 1, 2012 to September 30, 2013.

b. The controls related to the control objectives stated in the Description of the System were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period October 1, 2012 to September 30, 2013, and user entities applied the complementary user entity controls contemplated in the design of BlackRock's controls throughout the period October 1, 2012 to September 30, 2013.

c. The controls tested, which together with the complementary user entity controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the Description of the System were achieved, operated effectively throughout the period October 1, 2012 to September 30, 2013."

5 Conclusion

In conclusion the custodian and fund managers controls and processes have been given a favourable audit opinion by their respective independent auditors.

PART 6: GOVERNANCE

STATEMENT OF RESPONSIBILITIES

The Authority's Responsibilities

The authority is required to:

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

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the 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 31 March 2014. Chief Financial Officer Dated:	I confirm that these accounts were approved at a meeting of the Audit Committee on 22 September 2014. Chair of the Audit Committee Dated:

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ANNUAL GOVERNANCE STATEMENT 2013/14

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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its 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 effective exercise of its functions, and which includes arrangements for the management of risk.

This meets the requirements of the Accounts and Audit (England) Regulations 2011, regulation 4 (3), which require all relevant bodies to prepare an annual governance statement.

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 the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, 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 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 governance framework has been in place at the London Borough of Hounslow for the year ended 31st March 2014 and up to the date of approval of the annual report and the statement of accounts.

The Governance Framework

Set out below are the key elements of the processes and systems that comprise the Council's governance arrangements. These have been aligned to the six core principles of the CIPFA / SOLACE Framework.

Creating and Implementing a Vision for the Local Area

Good governance means developing and clearly communicating the Council's purpose and vision and the outcomes it is seeking to deliver to the local area. The following describes how the Council achieves this:

- The Council has adopted a Corporate Plan which sets out our corporate priorities and what we will deliver this year against each. Delivery of outcomes against the plan is reported to Cabinet each quarter.

- The pledges set out by the administration in its vision for Hounslow are described in the current Corporate Plan and remain at the core of the Council's strategic objectives and involve close collaboration between members and officers to achieve these objectives.

- The Council's business planning process is underpinned by departmental service plans that are designed to set out clear departmental objectives that contribute directly to the Council's aims. These service plans take into consideration value for money and the quality of services delivered.

- Work continues with multi-agency partners to work together to mitigate the effects of the economic downturn on Hounslow's residents and businesses.

Roles and Responsibilities of Members and Officers

Good governance means elected members and officers working together to achieve a common purpose with clearly defined functions and roles. The following describes how the Council achieves this:

- The Council is composed of 60 members, elected every four years. All members meet together as the Council. The Council operates a Cabinet and elected Leader model of decision making, supported by open and accountable working relationships between members and officers.

- The Council has an agreed and up to date Constitution which sets out how it operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable to local people. This includes the defined responsibility for functions including the scheme of delegation, rules of procedure including financial regulations and contract procedure rules and Member and Officer Codes of Conduct. The full Council appoints a Leader of the Council for a four year term who then appoints a Cabinet as the Council's Executive. Overview and Scrutiny committees hold the Cabinet to account.

- Members receive clear guidance and training on the statutory Members' Code of Conduct and the Council's Members' Town Planning Code of Good Practice. In addition there is a formal Council Protocol on Relationships between Councillors and Officers in place.

- There is in place a Corporate Leadership Team (CLT), however neither the Monitoring Officer nor the Section 151 Officer are formal members of CLT. However in order to address the weakness in respect of compliance with the recommended guidance from CIPFA the Council has put in positive arrangements to ensure that both statutory officers can effectively discharge their responsibilities, these include:

    - Both the Monitoring Officer and the Section 151 Officer have an 'open' invitation to attend the weekly CLT meetings. In addition, all agendas and papers are circulated to both Officers (as well as the forward plan for CLT meetings) and they are welcome to discuss any item in advance with the Director of Corporate Resources or the Chief Executive as an alternative to attending. The attendance of both Officers is required once a month, at the meeting which draft Cabinet and Council and other key decision reports are reviewed.

    - Attendance at other meetings of Cabinet and Council and other meetings as required by the Leader and Chief Executive.

    - Unrestricted access to the Chief Executive and Leader or anyone else either post-holder should need to speak to.

- All CLT members, Directors and Assistant Directors have responsibility for maintaining a sound system of internal control within their area of responsibility.

Standards of Conduct and Behaviour

Good governance means promoting appropriate values for the Council and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how the Council achieve this:

- The Standards committee is in place to promote the maintenance of high standards of conduct by Members and co-opted Members of the Authority.

- All Members' and Chief Officers are required to complete an annual statement relating to third party transactions, and a register of Members' interests, which is updated by Members', is maintained and published on the Hounslow web site.

- The Councillor Code of Conduct defines the standards of conduct expected of elected representatives including a requirement for members to declare any interests at the start of every meeting, which are not recorded in a public register.

- In addition the following Codes, protocols and systems are well established within the Council. All are regularly reviewed and updated to account for developments in governance arrangements and changes in local government. These include:

    - The Council adopted the recommendations of the London wide advisory body on Members' remuneration;

    - There is a declaration of interest process for Members and Officers as described above;

    - Rules and protocols are in place and are being further developed for all partnership working;

    - Organisation-wide performance appraisal and employee development schemes are in operation;

    - Corporate performance management systems have been put in place and are subject to periodic review and development;

    - There is a corporate complaints procedure in place in line with Ombudsman good practice requirements;

    - Whistle-blowing, anti-fraud and anti-corruption policies and effective Standing Orders are in place and publicised;

    - In compliance with the national transparency agenda, Senior Officers' remuneration is published on the Council Website.

Decision Making, Scrutiny and Risk Management

Good governance means taking informed and transparent decisions that are effectively scrutinised and which manage risk. The following describes how the Council achieves this:

- The Leader is responsible for determining where executive decisions are to be made and will usually arrange for the discharge of key and other important decisions to be made by Cabinet. Decisions not specifically reserved to Cabinet collectively or individually are delegated to Chief Officers as outlined in Part 7 of the Constitution – Leader's Scheme of Delegation to Directors and Statutory Officers.

- All forthcoming Key decisions are published in the Cabinet'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 also includes decisions made by individual Cabinet members and decisions made under the urgency provisions. Urgent decisions are reported to are reported to the next formal meeting of the Council.

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

- Procedures are in place for Chief Officers which satisfy the statutory requirements for decision making.

- The Council maintains an Internal Audit and Risk Management service that operates in accordance with the published internal audit standards expected of a local authority in the United Kingdom. The Head of Internal Audit has direct access to the Chief Executive, the S.151 Officer and the Chair of the Audit Committee.

- An embedded Risk Management Strategy is in place, with each department maintaining a departmental risk register. All major projects undertaken are required to have risk registers.

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

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

Developing Capacity and Capability of Members and Officers

Good governance means developing the capacity and capability of members and Officers to be effective. The following describes how the Council achieves this:

- A Leadership framework is in place for the Hounslow Leadership Group, which defines the Leadership qualities and values that are expected from Hounslow Managers.

- Individual training and development plans are an integral part of the staff performance system. A target of 100% for appraisal completion is in place and is monitored.

- There is an extensive & well considered induction process for new Councillors which has internal and external input from subject specialists. There are Mandatory sessions for all Councillors and added onto that are specific training and development activities dependent upon Councillors portfolios. Councillors also have access to external training and development opportunities on an ongoing basis.

Engaging with Local People and Stakeholders

Good governance means engaging with local people and other stakeholders to ensure robust public accountability which is achieved through continuous consulting with and engaging local people and communities in a wide range ways on a wide range of important issues. The following describes how the Council achieves this:

- The Council produces a business plan which sets out and clearly communicates the vision and strategy for the Council to all stakeholders and local communities through multiple channels.

- A broad range of communication channels are in place, which are subject to continuous review and improvement to ensure effective reach across all borough communities.

- An annual Overview and Scrutiny report is published and 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, which are 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 the system of internal control. This review is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report and comments by the External Auditor and other review agencies and inspectorates.

Staff in Internal Audit and Risk Management has undertaken a full compliance review to ensure that the Council's Code of Corporate Governance has been applied during 2012-13.
The key evidence to support the review of effectiveness is outlined below:

1. Planning

There is a clear vision of the outcomes which the Council wants to achieve for local people as a local Council, as set out in the Council Plan, and through Customer and Community outcome plans.

The Council operates a planning process which integrates all aspects of strategic, operational and financial planning which has the full involvement of the Cabinet and all senior managers of the Council. This ensures financial plans realistically support the delivery of the Council's priority outcomes and strategy obligations in the short and medium terms.

2. Performance Management

During 2012-13 the Council embedded its performance management framework introduced at the end of 2011-12 in response to the Government's significant reduction in the number of statutory indicators against which councils are required to report. On a quarterly basis the

Council produces a corporate performance report, reflective of the range of services that the Council provides, which is presented to Cabinet and which gives both Cabinet and the public an insight into the Council's overall performance. The performance management framework also provides assurance in respect of the quality of services delivered by the Council.

Additionally there is a workforce performance management process operating at all levels of the organisation including the management of staff personal performance through the Personal Development Appraisals process.

3. The Cabinet

The Cabinet is responsible for most key decisions. The Cabinet meets at least 20 times per year (briefings and public meetings) and makes decisions that are in line with the Council's overall policies and budget. Decisions Cabinet wishes to make outside of the budget or Policy Framework must be referred to full Council. The Cabinet receives regular monitoring reports on key aspects of control including performance and financial management.

4. Overview and Scrutiny Committees

The Council has appointed the Overview and Scrutiny committees (Scrutiny Committees) to discharge the functions conferred by section 21 of the Local Government Act 2000. Scrutiny committees oversee and scrutinise the decisions made by the Cabinet and Cabinet members under delegated powers.

5. The Standards Committee

The Standards Committee promotes and seeks to maintain high standards of conduct by monitoring the operation of the Councillors Code of Conduct.

6. The Audit Committee

The Council has an Audit Committee that provides independent, effective assurance on the adequacy of the Council's governance environment. All major political parties are represented on the Audit Committee.

The Audit Committee met regularly during 2013-14 considering reports, including the annual Internal Audit Report, from the Head of Internal Audit, the Council's senior Finance Officers and the External Auditor. Additionally the Committee invited officers of the Council to attend the Committee on a number of occasions to assist the Committee in its work. The Minutes of the Audit Committee are presented at Council meetings which are attended by the Chair of the Audit Committee.

7. Statutory Officers

The statutory functions undertaken by the Head of Paid Service, Monitoring Officer and S151Officer, were effectively fulfilled during 2013-14 and up to the date of this report.

The Council's financial management arrangements during the period covered by this Annual Governance Statement conforms to the requirements of the CIPFA Statement on the Role of the Chief Financial Officer.

8. Management

Each Director has provided a self-assurance statement in respect of 2013-14, supported by assurances from their Assistant Directors / Senior Managers, that:

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;

- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities;
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks

9. Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Head of Internal Audit to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

The Head of Internal Audit provided his annual report to the Audit Committee on 26th June 2014, which was further circulated to members of the Corporate Leadership Team. This report outlined the key findings of the audit work undertaken during 2013-14 including areas of significant weakness in the internal control environment.

An assurance scoring mechanism is used to reflect the effectiveness of the Council's internal control environment.

The table below details the four levels of assurance.

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

It is the opinion of the Head of Internal Audit that, taking into account all available evidence, the adequacy and effectiveness of the Council's overall internal control environment during the financial year 2013-14 provides moderate assurance in the effective management of risk.

10. Review of Internal Audit

The External Auditor has expressed in their Report to Those Charged With Governance (ISA 260) 2012/13, satisfaction that Internal Audit is compliant with the Code of Practice for Internal Audit in Local Government.

11. External Audit

KPMG LLP is currently the Council's appointed External Auditor. As well as an examination of the Council's financial statements, the work of the Council's External Auditor includes an assessment of the degree to which the Council delivers value for money in its use of its resources. In its Annual Audit letter for 2013-14 KPMG stated that the Council had proper arrangements for securing financial resilience and for challenging how the economy, effectiveness and efficiency of the use of resources is secured.

12. Risk Management

The Council managed its risks during 2013-14 in accordance with the approved Risk Management Policy and Strategy. The Senior Leadership Team and Directorate Management Teams formally considered risk on a quarterly basis. Details of corporate and directorate risks were considered as part of the Corporate Performance process. Quarterly risk management reports were submitted to both Cabinet and the Audit Committee.

The indicative Internal Audit Plan for 2014-15 presented to the Audit Committee in February 2014is chiefly based upon the key risks faced by the Council as identified in the Corporate and Directorate risk registers, such that Internal Audit will provide assurance on the effectiveness of the internal control framework during 2014-15.

13. Developing Capacity

The Council has operated procedures during the period covered by this Statement to ensure training needs of staff are assessed against core competencies and any key training needs met. Additionally the Council has provided or is in the process of providing appropriate training to councillors to enable them to effectively fulfil their duties as councillors of the Council.

14. Engagement

The Council has continued to make strenuous efforts to fully engage the community in the development of its plans and policies.

Significant Governance Issues

Based on the Council's established risk management approach, the issues detailed below have been assessed as being significant for the purpose of the 2013 -14 Annual Governance Statement. We will over the coming year take appropriate steps to address these matters and further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

- LBH do not currently have a formally adopted Code of Corporate Governance, although one exists in draft format. This Code will be reviewed and formally presented for adoption by 31st October 2014.

- LBH are currently in the process of a major Adult Transformation Programme. This aims to implement new ways of working in relation to Adult Social Care and lead to a culture change towards integrated delivery of services for all service users in Hounslow. This is a critical programme and therefore the risks and delivery of outcomes will need to be effectively managed during 2014/15.

Progress Against Actions Identified in the 2012/13 Statement

The London Borough of Hounslow stated that it was committed to review five areas to strengthen the governance arrangements during the course of the 2013/14 financial year. The progress made by the Council against these actions is as identified in the following table:

ANNUAL GOVERNANCE STATEMENT ACTION	CURRENT STATUS
Although covered in 2012/13, the Council's savings programme continues to be increasingly challenging and robust systems will continue to be applied to ensure savings are achievable.	The Council successfully delivered a balanced budget having now removed £60m costs from its base budget in the past four years. The economic climate continues to be challenging with additional sizeable savings having to be made into 2014 and beyond.
Spend on Temporary Accommodation exceeded budget in 2012/13. This was identified at an early stage by management and considerable work has been undertaken to understand future demand pressures. However, the impact of welfare reform cannot be underestimated and increased budget pressures are estimated to be arising during 2013/14.	Temporary Accommodation continues to be a pressure area although demand management and specific investment during 2013 has provided additional capacity which has enabled budget risks to be reduced.
Population growth with the borough (44% over 10 years) has led to significant pressures being placed on the availability of primary school place provision over coming years. A funding gap of c£60m is envisaged and work is underway within the Council, Schools and partners to find solutions.	Through a forensic review of reserves, specification challenge and maximisation of grant income, the Council has been able to reduce its funding gap on primary schools places to £30m in the short term, but is expected to rise again towards the end of the decade. The Council is already developing mitigation strategies.
The Council's internal auditors noted improvements in the robustness of the Council's ICT framework, however some weaknesses remain. Action plans are in place to address these and progress against implementing audit recommendations will be reported to the Audit Committee.	The Council has now achieved the PSN network security standard.
The Council remains concerned about the impact on its finances and resources of Welfare Reform. As Government initiatives reform activity it is envisaged that an increase of demand and an increase in doubtful debt and associated administration will occur during 2013/14. Preventative and proactive work is being undertaken to mitigate such risk.	Whilst the Council has witnessed the anticipated rise in demand and cost that reform to the welfare state has caused, mitigation activity has been effective in that outcomes have not impacted on Council resources as significantly as otherwise they could have done.

Conclusion and Evaluation

As Leader and Chief Executive, we have been advised of the implications of the results of the review of the effectiveness of the Council's governance framework.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the London Borough of Hounslow to ensure effective internal control is maintained.

We are also satisfied that there are appropriate plans in place to address the weaknesses and ensure continuous improvement in the system of internal control.

Councillor Steve Curran
Leader of the Council
Date: 22nd September 2014

Mary Harpley
Chief Executive
Date: 22nd September 2014

PART 7: 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.

PART 8: INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of London Borough of Hounslow for the year ended 31 March 2014 on pages 8 to 130. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices 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 financial statements sufficient to give reasonable assurance that the financial 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's and the Group's and the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2014 and of the Authority's and the Group's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement on pages 135 to 144 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters.

Conclusion on London Borough of Hounslow'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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our 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 2013, 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 us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are 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 2014.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Tony Crawley,
for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

15 Canada Square
London
E14 5GL

30 September 2014