London Borough
of Hounslow

Statement of Accounts
2014-15

LONDON BOROUGH OF HOUNSLOW

STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

Contents

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PART 1: FOREWORD

Accounting Statements

The pages that follow are the Authority's accounts for 2014/15 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 2014/15 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 2014/15

The Authority set an original budget for 2014/15 including levies and contingencies of £182.7m. 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	6.9	6.8	(0.1)
Corporate Resources	42.8	42.2	(0.6)
Children's and Adults' Services	97.2	99.7	2.5
Regeneration, Economic Development and Environmental Services	30.4	31.9	1.5
Service Expenditure	**177.3**	**180.6**	**3.3**
Other Items	5.4	0.4	(5.0)
Budget Requirement	**182.7**	**181.0**	**(1.7)**

Overall, the General Fund service areas of the Authority suffered a net £3.3m overspend for 2014/15. The main pressures faced by the General Fund are:

- Looked after Children External Placements, home to school transport service, care leave support packages and s17 intentionally homeless accommodation costs.
- Temporary Accommodation – increased cost pressure due to rise in the use of Bed and Breakfast (B&B) placements and rent increases.

Capital spending in 2014/15

The Authority's capital spending in the year amounts to £111.9m (2013/14:£79.5m) as set out in the following table.

Department	Expenditure	
	2014/15	2013/14
	£m	£m
Children's and Adults'	53.3	38.4
Regeneration, Economic Development and Environment	54.7	37.0
Corporate Resources	3.9	4.1
Total	**111.9**	**79.5**

The major capital schemes in 2014/15 were:

- Housing regeneration schemes in Heston
- 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 29 of the Statement of Accounts). The Authority's current borrowing facilities are £261.2m for 2015/16 (£286.7m for 2014/15 and £293.0m for 2013/14).

Financial Issues Affecting 2014/15

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 £481.1m at 31 March 2015 (£330.3m at 31 March 2014). This represents liabilities of £479.4m (£328.9m at 31 March 2014) for the London Borough of Hounslow Pension Fund and £1.7m (£1.4m at 31 March 2014) 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 13 of the Statement of Accounts.

Other material amounts affecting the 2014/15 Statement of Accounts

The 2014/15 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 in respect of Technical Accounting Adjustments

The 2014/15 Statement of Accounts 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 2015 is £481.1m (an increase of £150.8m from 31 March 2014). Information on how this movement has been charged to the Comprehensive Income and Expenditure Statement is set out in Note 13.
- The Authority's non-current assets have been revalued in accordance with the accounting policies resulting in a net decrease in net book value of £20m.

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 3rd 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 2015, the authority received £12.3m from DfT and committed £7.8m of the Council's own operational budgets with these two amounts funding the Unitary Charge payment to Ringway Hounslow Highways Limited 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 £0.5m for 2014/15 (£0.2m for 2013/14).

More details about the PFI costs for 2014/15 and the impact of the contract in future years are set out in Note 31.

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. This is the second year of the scheme, and so additional arrangements are in place.

Outlook for 2015/16 and beyond

The service for looked after children is extremely volatile with the average client costing over £40k per annum. The Council has faced significant financial pressures recently due to an increase in the number of looked after children, which has contributed to the overspend in 2014/15. This pressure is expected to continue over the next 2 years. To reduce this pressure the service is investing in a significant programme of service transformation to reduce demand and to reduce the costs of placements across Hounslow in independent fostering, semi-independent placements and in-house fostering.

The Council is often required to use temporary accommodation. Bed and Breakfast (B&B), the most expensive type of temporary accommodation, costs around £180 per unit per week where no contribution is made by the resident. In recent years the costs of B&B has put significant strain on the temporary accommodation budgets with overspend of £2.2m in 2014/15. The roll out of Government's welfare reform policy is expected to further aggravate this pressure and the extent of the impact is unknown at this time. The Council plans to reduce this pressure through decanting as many families as possible from B&B into other tenure types and to limit the extent to which B&Bs are used going forward.

Hounslow's population growth is the 5th largest in London, with an expected additional 6,195 secondary school places required by 2019/20. The current Department of Education (DfE) funding levels is significantly lower than the actual cost of delivering such a large volume of school places, thereby creating a significant pressure over the next few years. This pressure includes the Special Education Needs (SEN) cohort which is the major driver to the increased school places costs because the average London SEN school place attracts £13,281 of (DfE) capital funding, yet the cost of delivery is on average £59,000. The cost of the current school places strategy to deliver 29.5 forms of entry is built into the current MTFS and includes assumptions around how Free Schools will help deliver this output. This is contributing to a borrowing requirement of £118m, hence there are significant capital pressures. As a result the Council has put aside £7m to finance these borrowing costs. Any further Free Schools setup in the borough in the right areas of need will help reduce the overall cost of school places although there may still be cost implications for the Local Authority.

For 2015/16 the Better Care Fund will combine £6.1m of local authority grants and circa £10m from the health sector to deliver integrated care alongside our health partners. The funding and guidance are still being finalised, yet increasing restrictions being applied by health partners could provide a significant risk to the Council and affect the delivery of the Social Care and Health transformation change programme which aims to lower service needs through prevention and supporting residents.

Despite the pressures identified, the Authority was able to freeze its element of council tax for 2015/16 with band D council tax remaining at £1,079.77. The London Mayor has reduced its element of council tax by 1.3% to give a GLA precept of £295 on a band D property.

Conclusion

In a time of significant change for the Authority, the successful delivery of savings in 2014/15, and the ability for the Council to constrain its council tax, 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.

PART 2: 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.

	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 2014/15 Results							
Fees, charges & other service income	(2.3)	(9.1)	(37.9)	(40.4)	(89.7)	(91.4)	(181.1)
Support services recharge income	(0.4)	(3.7)	(5.1)	(7.4)	(16.6)	(0.3)	(16.9)
Government grants	(0.7)	(15.6)	(168.9)	(169.4)	(354.6)	0.0	(354.6)
Total Income	**(3.4)**	**(28.4)**	**(211.9)**	**(217.2)**	**(460.9)**	**(91.7)**	**(552.6)**
Employee expenses	7.0	18.6	152.3	23.5	201.4	6.0	207.4
Other service expenses	3.1	52.0	152.3	224.1	431.5	67.8	499.3
Depreciation and other capital charges	0.1	0.0	7.0	1.5	8.6	5.9	14.5
Support service recharges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditure	**10.2**	**70.6**	**311.6**	**249.1**	**641.5**	**79.7**	**721.2**
Net Expenditure	**6.8**	**42.2**	**99.7**	**31.9**	**180.6**	**(12.0)**	**168.6**
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**

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.

	2014/15	2013/14
	£m	£m
Net Expenditure in the Directorate Analysis		
General Fund	180.6	177.2
HRA	(12.0)	(8.4)
Net Expenditure in the Directorate Analysis	**168.6**	**168.8**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	92.1	(55.1)
Amounts reported to management that fall in the net cost of the provision of services, but not in the net cost of services	(22.7)	(25.7)
Amounts reported to management that do not fall within the Comprehensive Income and Expenditure Statement	(25.8)	(14.5)
Cost of Services in Comprehensive Income and Expenditure Statement	**212.2**	**73.5**

2014/15 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	(181.1)	0.1	4.6	0.0	9.5	**(166.9)**	0.0	(4.6)	**(171.5)**
Support services recharge income	(16.9)	(3.4)	3.8	0.0	15.2	**(1.3)**	0.0	(3.8)	**(5.1)**
Government grants and contributions	(354.5)	(14.4)	0.0	0.0	0.2	**(368.7)**	(141.1)	0.0	**(509.8)**
Interest and investment income	(0.4)	0.0	0.4	0.0	0.0	**0.0**	0.0	(0.4)	**(0.4)**
Income from council tax	0.0	0.0	0.0	0.0	0.0	**0.0**	(85.8)	0.0	**(85.8)**
Total Income	**(552.9)**	**(17.7)**	**8.8**	**0.0**	**24.9**	**(536.9)**	**(226.9)**	**(8.8)**	**(772.6)**
Employee expenses	207.4	15.8	(5.6)	0.3	(10.6)	**207.3**	0.0	5.6	**212.9**
Other services expenses	540.0	0.4	(3.8)	(85.4)	(14.4)	**436.8**	14.9	3.8	**455.5**
Support service recharges	14.4	2.4	(1.3)	0.0	0.0	**15.5**	0.0	1.3	**16.8**
Depreciation, amortisation and impairment	(64.6)	91.2	3.6	59.3	0.0	**89.5**	12.1	(3.6)	**98.0**
Interest payments	14.8	0.0	(14.8)	0.0	0.0	**0.0**	(14.8)	14.8	**0.0**
Precepts and levies	9.6	0.0	(9.6)	0.0	0.0	**0.0**	0.0	9.6	**9.6**
Payments to housing capital receipts pool	0.0	0.0	0.0	0.0	0.0	**0.0**	1.8	0.0	**1.8**
Gain or loss on disposal of fixed assets	0.0	0.0	0.0	0.0	0.0	**0.0**	(13.9)	0.0	**(13.9)**
Total Expenditure	721.6	109.8	(31.5)	(25.8)	(25.0)	**749.1**	**0.1**	**31.5**	**780.7**
Surplus or deficit on the provision of services	**168.7**	**92.1**	**(22.7)**	**(25.8)**	**(0.1)**	**212.2**	**(226.8)**	**22.7**	**8.1**

2013/14 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	(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)**

Comprehensive Income & Expenditure Statement 2014/15

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.

	2014/15			2013/14			Note
	Expenditure	Income	Net	Expenditure	Income	Net	
	£m	£m	£m	£m	£m	£m	
Central services to the public	13.4	(7.0)	6.4	12.8	(8.6)	4.2	
Environmental and regulatory services	16.5	(3.6)	12.9	15.0	(3.2)	11.8	
Planning services	7.9	(7.6)	0.3	6.5	(7.7)	(1.2)	
Cultural and related services	16.2	(0.9)	15.3	22.5	(1.5)	21.0	
Education and children's services	263.3	(201.3)	62.0	259.6	(200.6)	59.0	
Highways and transport services	33.5	(26.7)	6.8	35.6	(25.6)	10.0	
Local authority housing (HRA)	77.5	(88.0)	(10.5)	58.5	(83.1)	(24.6)	
Other housing services	182.5	(169.0)	13.5	179.4	(168.7)	10.7	
Adult social care	69.8	(17.5)	52.3	68.8	(16.0)	52.8	
Public Health	16.3	(13.5)	2.8	15.5	(13.6)	1.9	
Exceptional revaluation movement	39.7	0.0	39.7	(80.1)	0.0	(80.1)	
Corporate and democratic core	7.1	(1.0)	6.1	5.9	(0.8)	5.1	
Other non distributed costs	5.4	(0.8)	4.6	3.5	(0.6)	2.9	
Cost Of Services	**749.1**	**(536.9)**	**212.2**	**603.5**	**(530.0)**	**73.5**	
Other Operating Expenditure	11.4	(10.9)	0.5	3.5	(10.1)	(6.6)	6
Exceptional derecognition of Academy assets	0.0	0.0	0.0	45.8	0.0	45.8	6
Financing and Investment Income and Expenditure	25.2	(3.0)	22.2	29.2	(2.6)	26.6	7
Taxation and Non-Specific Grant Income	0.0	(226.8)	(226.8)	0.0	(233.2)	(233.2)	8
Surplus or Deficit on Provision of Services			**8.1**			**(93.9)**	
Surplus or deficit on revaluation of fixed assets			(23.3)			15.2	
Actuarial gains / losses on pension assets / liabilities			120.2			36.7	
Other Comprehensive Income and Expenditure			**96.9**			**51.9**	
Total Comprehensive Income and Expenditure			**105.0**			**(42.0)**	

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 2014/15

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.

	2014/15										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 1 April 2014	**(14.7)**	**(110.0)**	**(27.8)**	**(9.2)**	**(23.1)**	**(2.1)**	**(56.2)**	**(243.1)**	**(770.3)**	**(1,013.4)**	
Surplus or deficit on provision of services (accounting basis)	22.5	0.0	(14.5)	0.0	0.0	0.0	0.0	8.1	0.0	8.1	
Other Comprehensive Expenditure and Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	96.9	96.9	
Total Comprehensive Expenditure and Income	**22.5**	**0.0**	**(14.5)**	**0.0**	**0.0**	**0.0**	**0.0**	**8.1**	**96.9**	**105.0**	
Adjustments between accounting basis & funding basis under regulations	(28.7)	0.0	11.5	0.0	(7.5)	(0.3)	24.1	(0.9)	0.9	0.0	18
Net Increase / Decrease before Transfers to Earmarked Reserves	**(6.2)**	**0.0**	**(3.0)**	**0.0**	**(7.5)**	**(0.3)**	**24.1**	**7.2**	**97.8**	**105.0**	
Transfers to / from Earmarked Reserves	4.5	(2.5)	(1.0)	(1.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	19
Increase / Decrease in Year	**(1.7)**	**(2.5)**	**(4.0)**	**(1.0)**	**(7.5)**	**(0.3)**	**24.1**	**7.2**	**97.8**	**105.0**	
Balance at 31 March 2015	**(16.4)**	**(112.5)**	**(31.8)**	**(10.2)**	**(30.6)**	**(2.4)**	**(32.1)**	**(235.9)**	**(672.5)**	**(908.4)**	

	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 1 April 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	**29.0**	**0.0**	**(122.8)**	**0.0**	**0.0**	**0.0**	**0.0**	**(93.8)**	**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	18
Net Increase / Decrease before Transfers to Earmarked Reserves	**(16.9)**	**0.0**	**(9.6)**	**0.0**	**(17.8)**	**(2.1)**	**13.5**	**(32.9)**	**(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	19
Increase / Decrease in Year	**(0.9)**	**(16.0)**	**(8.3)**	**(1.3)**	**(17.8)**	**(2.1)**	**13.5**	**(32.9)**	**(9.0)**	**(42.0)**	
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)**	

Balance Sheet as at 31 March 2015

	31 Mar 15	31 Mar 14	Note
	£m	£m	
Property, Plant & Equipment	1,481.4	1,426.5	24
Investment Property	34.4	28.2	26
Intangible Assets	5.7	3.2	23
Long Term Investments	30.2	45.0	38
Heritage Assets	3.6	3.6	27
Long Term Debtors	3.2	3.2	30 & 38
Long Term Deferred Asset Related to PFI	20.4	46.2	31
Long Term Assets	**1,578.9**	**1,555.9**	
Short Term Deferred Asset Related to PFI	34.6	28.2	31
Short Term Investments	130.3	137.0	
Inventories	0.3	0.5	
Short Term Debtors	41.2	44.3	32
Cash and Cash Equivalents	27.8	51.0	41
Current Assets	**234.2**	**261.0**	
Bank overdrafts	(0.8)	(7.7)	41
Short Term Borrowing	(14.1)	(37.5)	
Short Term Creditors	(81.6)	(93.9)	33
Short Term Provisions	(4.7)	(4.2)	34
Current Liabilities	**(101.2)**	**(143.3)**	
Long Term Creditors	(25.5)	(23.1)	36
Long Term Provisions	(6.7)	(5.9)	34
Long Term Borrowing	(193.5)	(205.7)	
Other Long Term Liabilities	(571.9)	(424.1)	37
Capital Grants Receipts in advance	(5.9)	(1.4)	
Long Term Liabilities	**(803.5)**	**(660.2)**	
Net Assets	**908.4**	**1,013.4**	
Usable reserves	(235.9)	(243.1)	
Unusable Reserves	(672.5)	(770.3)	21
Total Reserves	**(908.4)**	**(1,013.4)**	

Cash Flow Statement 2014/15

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.

	2014/15	2013/14
	£m	£m
Net surplus or (deficit) on the provision of services	(8.1)	93.8
Adjust net surplus or deficit on the provision of services for noncash movements	89.6	(8.8)
Adjust for items included in net surplus or deficit on provision of services that are investing and financing activities	(20.6)	(21.2)
Net cash flows from Operating Activities	**60.9**	**63.8**
Purchase of property, plant and equipment, investment property and intangible assets	(83.0)	(46.7)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	20.6	21.2
Net change in long and short term investments	21.6	(36.0)
Investing Activities	**(40.8)**	**(61.5)**
Cash receipts of short term and long term borrowing	45.3	74.6
Other receipts for financing activities	(0.7)	3.0
Repayments of short term and long term borrowing	(80.9)	(84.9)
Financing Activities	**(36.3)**	**(7.3)**
Net increase or decrease in cash and cash equivalents	**(16.2)**	**(5.0)**
Cash and cash equivalents at the beginning of the reporting period	43.3	48.3
Cash and cash equivalents at the end of the reporting period	**27.1**	**43.3**

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 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15 (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 69.

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 issued, but not yet adopted. The following accounting standards have amendments that do not yet apply to local authorities:

- IFRS 13 – Fair Value Measurement
- IFRIC 21– Levies

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 69, 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 the impact of 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 and information about outstanding 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 31.

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 2015 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 13).	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 from 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 2014/15 net cost of services incorporates an 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 deferred asset 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 31

About the Comprehensive Income and Expenditure Statement

Note 5. Material Items of Income and Expense

The 2014/15 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 31.
- Transactions relating to the pension fund are set out in Note 13.
- 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 both as part of the net cost of services, and within other comprehensive income and expenditure items.
- Other material transactions relate to movements in the value of the authority's other non-current assets with details set out from Note 23 to Note 29.

Note 6. Other Operating Expenditure

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

	2014/15	2013/14
	£m	£m
Levies	9.6	10.0
(Gains)/losses on trading operations	3.0	0.1
Payments to the Government Housing Capital Receipts Pool	1.8	2.1
(Gains)/losses on the disposal of non current assets	(13.9)	(18.8)
Sub total of Other Operating Expenditure	**0.5**	**(6.6)**
Exceptional derecognition of Academy assets	0.0	45.8
Total of Other Operating Expenditure	**0.5**	**39.2**

Note 7. 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:

	2014/15	2013/14	Note
	£m	£m	
Interest payable and similar charges	14.8	17.0	
Pensions interest cost and expected return on pensions assets	14.6	11.9	13
Interest receivable and similar income	(2.6)	(2.6)	
Changes in the fair value of investment properties	(4.6)	0.3	
Total of Financing and Investment Income and Expenditure	**22.2**	**26.6**	

Note 8. 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:

	2014/15	2013/14	Note
	£m	£m	
Council tax income	(85.8)	(83.4)	
Non domestic rates	(42.6)	(40.0)	16
Non-ring fenced government grants	(62.0)	(72.0)	16
Capital grants and contributions	(36.5)	(37.8)	16
Total of Taxation and Non-Specific Grant Income	(226.9)	(233.2)	

About Councillors, Employees and Related Parties

Note 9. Members' allowances

During 2014/15 £792k of allowances and £1k of expenses were paid to Councillors (£802k of allowances and £2k of expenses were paid during 2013/14).

Note 10. 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 2014/15, incurring liabilities of £1.2m (£1.3m in 2013/14). 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 11.

Exit package cost band			2014/15				2013/14			
£		£	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	16	22	38	0.3	5	19	24	0.2
20,001	-	40,000	10	5	15	0.4	4	12	16	0.4
40,001	-	60,000	1	3	4	0.2	1	3	4	0.2
60,001	-	80,000	0	2	2	0.1	1	2	3	0.2
80,001	-	100,000	0	1	1	0.1	0	3	3	0.3
100,001	-	150,000	0	0	0	0.0	0	0	0	0.0
Total			**27**	**33**	**60**	**1.1**	**11**	**39**	**50**	**1.3**

Note 11. Officers' Remuneration

The remuneration paid to officers who were senior employees of the Authority during 2014/15 or 2013/14 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 £20,406 for 2014/15 shown in the table represents the remuneration paid in respect of this returning officer role.

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 14.

The statutory Director of Children's Services role was taken on by the Assistant Director Children's Safeguarding and Specialist Services until that employee left the authority on 30 September 2014. Apart from this period, the statutory roles of Director of Children's Services and Director of Adults' Services have been taken on by the interim Director for that department.

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 2014/15							
Corporate Leadership Team							
Chief Executive - Mary Harpley	175,328	0	0	20,406	195,734	42,161	237,895
Director Regeneration, Economic Development & Environment	141,994	0	0	0	141,994	30,585	172,579
Other senior officers							
Assistant Director Strategic Finance (s151)	92,849	0	0	0	92,849	20,000	112,849
Director of Public Health (joined 30/06/2014)	63,568	0	0	0	63,568	13,693	77,260
Director of Children's Services (30/09/2014)	53,018	0	0	0	53,018	11,420	64,438
Senior officers who left during 2014/15							
Director Corporate Resources (left 31/01/2015)	118,328		70,807		189,135	5,098	194,233
Assistant Director - Corporate Governance (left 10/04/2015)	106,036	0	86,939	0	192,975	22,840	215,815

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				173,755	37,319	211,074
Director of Corporate Resources	141,994				141,994	29,182	171,176
Director of Regeneration, Economic Development & Environment	140,050				140,050	30,167	170,217
Other senior officers							
Assistant Director Strategic Finance (s151)	87,768				87,768	18,905	106,673
Assistant Director - Corporate Governance	100,628				100,628	21,675	122,303
Director of Children's Services	100,418				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		220,989	29,034	250,023

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			2014/15		2013/14	
£		£	Officers	Teachers	Officers	Teachers
50,000	-	54,999	37	41	41	43
55,000	-	59,999	39	16	29	25
60,000	-	64,999	14	22	8	14
65,000	-	69,999	13	9	13	12
70,000	-	74,999	3	13	5	17
75,000	-	79,999	2	15	2	7
80,000	-	84,999	2	3	5	4
85,000	-	89,999	5	2	3	4
90,000	-	94,999	2	3	0	2
95,000	-	99,999	1	1	3	1
100,000	-	104,999	0	0	2	0
105,000	-	109,999	2	1	0	1
110,000	-	114,999	1	0	0	0
115,000	-	119,999	0	0	1	1
135,000	-	139,999	0	0	1	0
140,000	-	144,999	1	0	2	0
160,000	-	164,999	1	0	0	0
170,000	-	174,999	0	0	1	0
185,000	-	189,999	1	0	0	0
190,000	-	194,999	1	0	0	0
195,000	-	199,999	1	0	0	0
220,000	-	224,999	0	0	1	0

Note 12. 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 2014/15, the Authority paid £7.3m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £7.0m 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 £0.8m in 2014/15 (£0.7m in 2013/14).

Note 13. Defined Benefit Pension Schemes

Participation in pension schemes

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.

Transactions relating to post employment benefits

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	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	£m	£m	£m	£m	£m	£m
Comprehensive Income and Expenditure Statement						
Cost of services:						
Current service cost	34.2	16.0	0.0	0.0	34.2	16.0
Administration expenses	0.7	0.8	0.0	0.0	0.7	0.8
Financing and investment income and expenditure:						
Net interest on the defined liability	14.5	11.8	0.1	0.1	14.6	11.9
Total post employment benefit charged to the surplus or deficit on the provision of services	**49.4**	**28.6**	**0.1**	**0.1**	**49.5**	**28.7**
Other post employment benefit charged to the Comprehensive Income and Expenditure Statement						
Actuarial gains and losses	120.0	38.2	0.2	(1.5)	120.2	36.7
Total post employment benefit charged to the Comprehensive Income and Expenditure Statement	**169.4**	**66.8**	**0.3**	**(1.4)**	**169.7**	**65.4**

Movement in Reserves Statement						
Reversal of net charges made to the surplus or deficit on the provision of services for post employment benefits	(49.4)	(28.6)	(0.1)	(0.1)	(49.5)	(28.7)
Actual amount charged against the general fund balance in the year for pensions						
Employers' contributions payable to the scheme	18.6	18.6	0.0	0.0	18.6	18.6

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	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	£m	£m	£m	£m	£m	£m
Opening balance as at 1 April	**868.2**	**811.2**	**5.3**	**6.6**	**873.5**	**817.8**
Current service cost	19.8	20.4	0.0	0.0	19.8	20.4
Interest cost	39.1	35.2	0.1	0.1	39.2	35.3
Change in financial assumptions	148.9	4.0	0.3	(1.3)	149.2	2.7
Change in demographic assumptions	0.0	50.1	0.0	(0.1)	0.0	50.0
Experience loss/ (gain) on defined benefit obligation	0.0	(23.8)	0.0	0.6	0.0	(23.2)
Liabilities assumed/ (extinguished) on settlements	52.6	(7.9)	0.0	0.0	52.6	(7.9)
Estimated benefits paid net of transfers in	(28.0)	(25.2)	(0.5)	(0.6)	(28.5)	(25.8)
Past services costs including curtailments	0.2	0.2	0.0	0.0	0.2	0.2
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	**1,104.8**	**868.2**	**5.2**	**5.3**	**1,110.0**	**873.5**

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	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	£m	£m	£m	£m	£m	£m
Opening balance as at 1 April	**539.3**	**530.5**	**3.9**	**3.7**	**543.2**	**534.2**
Interest on Assets	24.6	23.3	0.1	0.1	24.7	23.4
Return on assets less interest	29.4	(10.6)	0.1	0.1	29.5	(10.5)
Other actuarial gains	0.0	2.8	0.0	0.6	0.0	3.4
Administration expenses	(0.7)	(0.8)	0.0	0.0	(0.7)	(0.8)
Contributions by employer included unfunded	18.6	18.6	0.0	0.0	18.6	18.6
Contributions by scheme participants	5.3	5.3	0.0	0.0	5.3	5.3
Estimated benefits paid plus unfunded net of transfers in	(29.4)	(26.5)	(0.5)	(0.6)	(29.9)	(27.1)
Settlement prices received/ (paid)	38.3	(3.3)	0.0	0.0	38.3	(3.3)
Closing balance as at 31 March	**625.4**	**539.3**	**3.6**	**3.9**	**629.0**	**543.2**

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.

Scheme history

	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
	£m	£m	£m	£m	£m	£m	£m	£m
LBH Pension Fund								
Present value of liabilities	(1,104.8)	(868.2)	(811.2)	(749.6)	(639.7)	(755.0)	(487.8)	(527.1)
Fair value of assets in the scheme	625.4	539.3	530.5	465.5	451.9	430.8	314.5	373.8
Surplus / (deficit) in the scheme	**(479.4)**	**(328.9)**	**(280.7)**	**(284.1)**	**(187.8)**	**(324.2)**	**(173.3)**	**(153.3)**
LPFA Pension Fund								
Present value of liabilities	(5.3)	(5.3)	(6.6)	(6.2)	(6.4)	(6.8)	(6.0)	(6.4)
Fair value of assets in the scheme	3.6	3.9	3.7	3.9	4.3	3.8	4.0	5.1
Surplus / (deficit) in the scheme	**(1.7)**	**(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 £1,110.0m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £481.1m. 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 2016 are £18.0m.

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	
	2014/15	2013/14	2014/15	2013/14
Longevity at 65 for pensioners retiring now				
Men	22.1	22.0	21.8	21.8
Women	26.6	26.5	25.0	24.0
Longevity at 65 for future pensioners retiring in 20 years				
Men	24.2	24.1	24.2	23.4
Women	28.9	28.8	27.3	25.9
Rate of inflation - RPI	3.2%	3.6%	2.7%	3.2 %
Rate of inflation - CPI	2.4%	2.8%	1.9%	2.4 %
Rate of salary increases	4.2%	4.6%	3.7%	4.2%
Rate of pension increases	2.4%	2.8%	1.9%	2.4%
Discount rate	3.3%	4.5%	2.4%	3.6%

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	
	2014/15	2013/14	2014/15	2013/14
	%	%	%	%
Equities	74	74	43	53
Gilts	5	4	n/a	n/a
Other Bonds	14	15	n/a	n/a
Infrastructure	n/a	n/a	5	4
Commodities	n/a	n/a	1	1
Property	5	5	3	3
Cash	2	2	11	3
Target return portfolio	n/a	n/a	29	30
Cash flow matching	n/a	n/a	8	6
Total	**100**	**100**	**100**	**100**

Note 14. Related parties

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

Central Government

Central government has effective control over the general operations of the Authority - it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 16.

Members

Members of the council have direct control over the Authority's financial and operating policies. The total of members' allowances paid in 2014/15 and 2013/14 are shown in Note 9.

Officers

The Chief Executive held one of the four Director posts for Lampton 360 Ltd – a trading company wholly owned by the London Borough of Hounslow. One of the other Director posts was held by the Director of Corporate Resources until 22/10/2014 and it was taken over by the Director of Regeneration, Economic Development and Environment on 17/12/2014.

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 2015 was £264k (£66k in 2013/14 for the period from 6 January 2014).

Voluntary Organisations and Charities

Grants paid to voluntary organisations amounted to £2.4m in 2014/15 (£2.0m in 2013/14). 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 £274k in 2014/15 (£287k in 2013/14), and it also received payments totalling £403k in 2014/15 (£106k in 2013/14) for other services provided. This includes payments through the commissioning process. Councillor Carey was a trustee of this charity.

Chiswick House and Gardens Trust received grants of £263k in 2014/15 (£251k in 2013/14). 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 £500k in 2014/15 for administrative services provided to the Pension Fund (£710k in 2013/14). As at 31 March 2015 the Authority was owed £520k by the Pension Fund. At 31 March 2014 the Authority owed £1.5m to the Pension Fund.

The Authority made payments of £8.1m in 2014/15 (£8.3m in 2013/14) to the National Health Service, and received income of £6.8m in 2014/15 (£5.1m in 2013/14) 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 Mann was the Authority's representative on the WLWA since June 2014, succeeding from Councillor Mann who held the position up to then. The Authority made payments of £9.1m in 2014/15 (£9.4m in 2013/14). The Authority also received income of £148k from WLWA during 2014/15, the majority of which related to rental income.

Entities Controlled or Significantly Influenced by the Authority

The Council controls Hounslow Homes and paid the company £26.4m in 2014/15 (£36.2m in 2013/14) for managing and maintaining its stock. During 2014/15 the majority of Hounslow Homes' activities has been transferred back to the Council. As at 31 March 2015 the balance owed by the Hounslow Homes to the Council was £2.9m. Hounslow Homes Ltd is consolidated with the Authority's own accounts to create the group accounts.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. Holders of these posts include:

- Councillor Mann (since 12/06/14)
- Councillor Curran (since 12/06/14)
- Chief Executive (since 23/04/13)
- Director of Regeneration, Economic Development and Environment (since 17/12/14)
- Councillor Ellar (ceased beiong a director 12/06/14)
- Councillor Sharma (ceased beiong a director 12/06/14)
- Former Director of Corporate Resources (ceased beiong a director 22/10/14)

The Council owns 25% of Feeding Futures with Chartwells, a leading school meals operator. The Assistant Director of Strategic Finance and Assistant Director of Children's Services hold two of the four Director posts. Feeding Futures started trading from 1 August 2014 following the transfer of the Council's catering service, DS Catering. In 2014/15, payments of £2.0m were made to Feeding Futures.

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 2015 was £422k (£327k at 31 March 2014). The balance owed by Bedfont Lakes Trust to the authority as at 31 March 2015 was £204k (£155k at 31 March 2014). Small administration fees are charged to each of these trusts.

Note 15. External audit costs

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

- £205k in relation to the audit of the Statement of Accounts for 2014/15 (£197k for 2013/14);
- £19k in relation to certification of grant claims and returns for 2014/15 (£31k for 2013/14).

About the Authority's Grant Income

Note 16. Grant income

In 2014/15 the authority credited grants, contributions and donations to the comprehensive income and expenditure account as follows:

	2014/15	2013/14
	£m	£m
Credited to Services		
Dedicated Schools grant (DSG)	(149.4)	(150.0)
Pupil Premium Grant	(8.6)	(6.5)
YPLA	(5.2)	(4.5)
Housing Benefits subsidy	(153.5)	(153.2)
The Private Finance Initiative (PFI)	(12.3)	(10.8)
Public Health Grant	(14.1)	(12.8)
Other grants	(17.2)	(13.4)
Total of Grants Credited to Services	**(360.3)**	**(351.2)**

	2014/15	2013/14
	£m	£m
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(54.0)	(64.7)
Non domestic rates redistribution	(1.7)	0.0
Retained business rates	(42.6)	(40.0)
New Homes Bonus	(5.2)	(5.1)
Other revenue grants	(1.1)	(2.2)
Basic Needs and Primary Capital Grants	(20.8)	(22.4)
s106 Developer Contributions - Capital	(1.6)	(5.1)
Other Capital Grants	(14.1)	(10.3)
Total of grants credited to taxation and non-specific grant	**(141.1)**	**(149.8)**

Note 17. 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	New School Improvement Model	ISB	Total
	£000s	£000s	£000s	£000s	£000s
Final DSG for 2014/15					220,744
Academy Recoup 2014/15					71,394
Total DSG after Recoup					**149,350**
Plus: DSG brought forward from 2013/14					6,622
Less: carry forward of DSG to 2015/16 agreed in advance					3,641
Agreed Initial budgeted distribution in 2014/15	**34,563**	**2,381**	**600**	**114,787**	**152,331**
In Year Adjustments					0
Final budget distribution for 2014/15	**34,563**	**2,381**	**600**	**114,787**	**152,331**
Less: actual central expenditure	33,270	1,137			34,407
Less: actual ISB deployed to schools				114,787	114,787
Plus: local authority contribution for 2014/15	1,006				1,006
Total Carry Forward to 2015/16	**2,299**	**1,244**	**600**	**0**	**7,784**

About the Movement in Reserves Statement

Note 18. Adjustments between accounting and funding basis

	2014/15							
	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	(16.6)	(15.8)	0.0	0.0	0.0	0.0	(32.4)	32.4
Revaluation losses on Property, Plant and Equipment	(57.7)	18.0	0.0	0.0	0.0	0.0	(39.7)	39.7
Movements in the market value of investment properties	4.6	0.0	0.0	0.0	0.0	0.0	4.6	(4.6)
Amortisation of intangible assets	(1.1)	0.0	0.0	0.0	0.0	0.0	(1.1)	1.1
Capital grants and contributions that have been applied to capital financing	20.3	0.0	0.0	0.0	0.0	0.0	20.3	(20.3)
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	(13.4)	(0.1)	0.0	0.0	0.0	0.0	(13.5)	13.5
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	(8.9)	0.0	0.0	0.0	0.0	0.0	(8.9)	8.9
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment	3.3	0.0	0.0	0.0	0.0	0.0	3.3	(3.3)
Voluntary provision for the financing of capital investment	4.9	0.0	0.0	0.0	0.0	0.0	4.9	(4.9)
Capital expenditure charged against the General Fund and HRA balances	15.0	9.4	0.0	0.0	0.0	0.0	24.4	(24.4)
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	20.6	0.0	0.0	(20.6)	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	11.3	0.0	0.0	11.3	(11.3)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(1.8)	0.0	0.0	1.8	0.0	0.0	0.0	0.0

	2014/15							
	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	14.5	0.0	0.0	(14.5)	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	14.2	0.0	14.2	(14.2)
Adjustments involving the Capital Grants Unapplied Grant:								
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	17.1	0.0	0.0	0.0	0.0	(17.1)	0.0	0.0
Application of grants to capital financing	0.0	0.0	0.0	0.0	0.0	41.2	41.2	(41.2)
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	(34.5)	(14.5)	0.0	0.0	0.0	0.0	(49.0)	49.0
Employer's pensions contributions and direct payments to pensioners payable in the year	18.3	0.0	0.0	0.0	0.0	0.0	18.3	(18.3)
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	2.1	0.0	0.0	0.0	0.0	0.0	2.1	(2.1)
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	(0.9)	0.0	0.0	0.0	0.0	0.0	(0.9)	0.9
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.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Adjustments	(28.7)	11.5	0.0	(7.5)	(0.3)	24.1	(0.9)	0.9

	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

	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
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	(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)

Note 19. Transfers between and from earmarked reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14 and 2014/15.

The main earmarked reserves created by the Authority are:

- Up until 2014/15 the Authority held a general contingency reserve to hold amounts set aside by the Authority to cover future major unforeseen contingencies. With the creation of the specific contingency reserve together with the current level of the general fund balance being judged sufficient to cover most conceivable emergency cost pressures, Members agreed to use the majority of the genral contingency reserve to fund the investment required to deliver savings.
- The specific contingency reserve represents the amounts set aside for specific expenditure pressure in 2015/16 and future years.
- 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 holds unspent amounts awarded to the Authority 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 partly from government grant and partly from Hounslow's general revenue budget.
- Savings and improvement reserves have been set up to cover costs associated with developing and improving services, together with a new reserve created at the end of 2014/15 to meet costs expected to arise as part of the delivery of savings.
- 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 2013	2013/14		Balance at 31 March 2014	2014/15		Balance at 31 March 2015
		Transfers out	Transfers in		Transfers out	Transfers in	
	£m	£m	£m	£m	£m	£m	£m
General Fund Earmarked Reserves							
General contingency	(6.2)	0.3	(4.5)	(10.4)	10.4	0.0	0.0
Specific contingency	(5.6)	0.0	(3.8)	(9.4)	3.0	0.0	(6.4)
Capital funding	(10.7)	1.4	(14.2)	(23.5)	8.0	(5.7)	(21.2)
Government grants received but not yet spent	(17.9)	11.2	(3.6)	(10.3)	1.4	(4.1)	(13.0)
Insurance reserve	(2.9)	0.3	(0.5)	(3.1)	0.0	(1.1)	(4.2)
IT development and improvement reserves	(5.8)	3.7	(2.9)	(5.0)	3.8	0.0	(1.2)
New homes grant	(4.7)	0.0	(4.7)	(9.4)	7.2	(5.2)	(7.4)
PFI reserves	0.0	0.0	(3.9)	(3.9)	0.0	(3.6)	(7.5)
Savings and improvement reserve	(3.9)	2.6	(2.3)	(3.6)	1.7	(9.0)	(10.9)
Special parking fund	(1.8)	0.1	0.0	(1.7)	0.1	0.0	(1.6)
Schools reserves	(17.1)	15.2	(12.2)	(14.1)	12.5	(14.2)	(15.8)
Public health and adult social care reserves	0.0	0.0	(2.0)	(2.0)	0.0	(7.6)	(9.6)
Other reserves	(17.4)	7.2	(3.4)	(13.6)	2.7	(2.8)	(13.7)
Total General Fund Earmarked Reserves	**(94.0)**	**42.0**	**(58.0)**	**(110.0)**	**50.8**	**(53.3)**	**(112.5)**

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

Note 20. Usable Reserves

Movements in the Authority's usable reserves are set out in the Movement in Reserves Statement and detailed in Note 19.

Note 21. Unusable Reserves

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

	2014/15	2013/14
	£m	£m
Revaluation reserve	(143.2)	(120.2)
Capital adjustment account	(1,009.4)	(980.7)
Deferred capital receipts reserve	(3.0)	(3.0)
Pensions reserve	481.1	330.3
Collection fund adjustment account	(2.2)	(1.0)
Accumulated absences account	4.3	4.3
Total of unusable reserves at 31 March	**(672.5)**	**(770.3)**

<u>Revaluation Reserve</u>

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment.

	2014/15	2013/14
	£m	£m
Balance at 1 April	**(120.2)**	**(154.1)**
Upward revaluation of assets	(75.1)	(12.8)
Downward revaluation of assets and impairment losses not charged to the surplus or deficit on the provision of services	50.7	28.0
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	**(24.4)**	**15.2**
Difference between fair value depreciation and historical cost depreciation	1.4	4.9
Accumulated gains on assets sold or scrapped	0.0	13.8
Amount written off to the capital adjustment account	**1.4**	**18.7**
Balance at 31 March	**(143.2)**	**(120.2)**

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.

	2014/15	2013/14
	£m	£m
Balance at 1 April	**(980.7)**	**(890.8)**
Charges for depreciation and impairment of non-current assets	33.8	39.7
Revaluation losses on property, plant and equipment	39.7	(89.3)
Amortisation of intangible assets	1.1	0.0
Revenue expenditure funded from capital under statute	13.5	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	8.9	60.5
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	**97.0**	**15.4**
Adjusting amounts written out of the revaluation reserve	(1.4)	(18.7)
Net written out amount of the cost of non-current assets consumed in the year	**95.6**	**(3.3)**
Use of the capital receipts reserve to finance new capital expenditure	(11.3)	(3.8)
Use of the Major Repairs Reserve to finance new capital expenditure	(14.2)	(14.1)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(20.3)	(22.0)
Application of grants to capital financing from the Capital Grants Unapplied Account	(41.3)	(29.3)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(3.3)	(3.4)
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	(4.9)	(5.7)
Capital expenditure charged against the General Fund and HRA balances	(24.4)	(8.6)
Capital financing applied in the year	**(119.7)**	**(86.9)**
Movement in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement	(4.6)	0.3
Balance at 31 March	**(1,009.4)**	**(980.7)**

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.

	2014/15	2013/14
	£m	£m
Balance at 1 April	**330.3**	**283.6**
Actuarial gains or losses on pensions assets and liabilities	120.2	36.7
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	49.0	28.6
Employer's pensions contributions and direct payments to pensioners payable in the year	(18.3)	(18.6)
Balance at 31 March	**481.2**	**330.3**

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.

	2014/15	2013/14
	£m	£m
Balance at 1 April	**(3.0)**	**(3.1)**
Transfer to the Capital Receipts Reserve upon receipt of cash	0.1	0.1
Balance at 31 March	**(2.9)**	**(3.0)**

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.

	2014/15	2013/14
	£m	£m
Balance at 1 April	**(1.0)**	**(1.7)**
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	(2.1)	(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	0.9	1.8
Balance at 31 March	**(2.2)**	**(1.0)**

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.

	2014/15	2013/14
	£m	£m
Balance at 1 April	**4.3**	**4.7**
Settlement or cancellation of accrual made at the end of the preceding year	(4.3)	(4.7)
Amounts accrued at the end of the current year	4.3	4.3
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	**0.0**	**(0.4)**
Balance at 31 March	**4.3**	**4.3**

About the Authority's Non-Current Assets

Note 22. Leases

Authority as lessee:

Finance leases

The only material finance relates to the PFI contract, details of which are set out in Note 31.

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 15	31 Mar 14
	£m	£m
Not later than one year	2.6	2.7
Later than one year and not later than five years	6.4	9.0
Later than five years	6.0	4.6
	15.0	**16.3**

The minimum lease payments are based on current rents at 31 March 2015 and do not include any assumptions for future rent changes.

Note 23. Intangible Assets

The net book value of intangible assets as at 31 March 2015 is £5.7m (£3.2m at 31 March 2014). This increase relates to expenditure incurred during 2014/15 on the implementation of the Authority’s new ICT strategy, less any acculumated depreciation.

Note 24. 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 2014	771.0	537.0	40.7	143.4	7.6	5.4	21.4	1,526.5
Additions	14.4	42.2	2.5	25.2	1.0	1.2	27.6	114.1
Accumulated Depreciation Written Out to Gross Carrying Amount	(14.7)	(19.3)	0.0	0.0	0.0	0.0	0.0	(34.0)
Revaluation increases/(decreases) recognised in Revaluation Reserve	59.2	(35.5)	0.0	0.0	1.7	0.0	0.0	25.4
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	18.0	(55.1)	0.0	0.0	0.0	0.0	(2.6)	(39.7)
Derecognition - disposals	(8.6)	0.0	0.0	0.0	0.0	(0.3)	0.0	(8.9)
Assets reclassified (to)/from Investment Property	0.0	(1.5)	0.0	0.0	0.0	(0.1)	0.0	(1.6)
Other movements in cost or valuation	0.0	1.6	0.0	0.0	0.0	(1.6)	0.0	0.0
At 31 March 2015	**839.3**	**469.4**	**43.2**	**168.6**	**10.3**	**4.6**	**46.4**	**1,581.8**
Accumulated Depreciation and Impairment								
At 1 April 2014	(14.7)	(37.3)	(24.5)	(19.9)	0.0	(0.2)	(3.4)	(100.0)
Depreciation charge	(14.5)	(11.2)	(2.7)	(3.8)	0.0	(0.1)	0.0	(32.3)
Depreciation written out to the Revaluation Reserve	14.7	0.0	0.0	0.0	0.0	0.0	0.0	14.7
Accumulated Depreciation Written Out to Gross Carrying Amount	0.0	19.3	0.0	0.0	0.0	0.0	0.0	19.3
Depreciation written out to Surplus/Deficit on Provision of Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	0.0	(1.0)	0.0	0.0	0.0	0.0	0.0	(1.0)
Impairment Losses/(Reversals) recognised in the Surplus/Deficit on the Provision of Services	0.0	(1.5)	0.0	0.0	0.0	0.0	0.0	(1.5)
Derecognition - disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derecognition - to assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assets reclassified (to)/from Investment Property	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Other movements in depreciation or impairment	0.0	(0.1)	0.0	0.0	0.0	0.1	0.0	0.0
At 31 March 2015	**(14.5)**	**(31.7)**	**(27.2)**	**(23.7)**	**0.0**	**(0.2)**	**(3.4)**	**(100.7)**
Net Book Value at 31 March 2015	**824.8**	**437.7**	**16.0**	**144.9**	**10.3**	**4.4**	**43.0**	**1,481.1**
Net Book Value at 31 March 2014	**756.3**	**499.7**	**16.2**	**123.5**	**7.6**	**5.2**	**18.0**	**1,426.5**

	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	27.3	0.3	0.0	16.2	95.0
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 Held for Sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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**	**145.4**	**7.6**	**5.4**	**21.4**	**1,528.5**
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)
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
Derecognition - to assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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								
Net Book Value at 31 March 2014	**756.3**	**499.7**	**16.2**	**125.5**	**7.6**	**5.2**	**18.0**	**1,428.5**
Net Book Value at 31 March 2013	**656.0**	**565.2**	**16.9**	**101.3**	**7.3**	**2.6**	**7.8**	**1,357.1**

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, Wilks Head and Eve.

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			16.0		**16.0**
Valued at fair value as at:					
31 March 2010		18.5		1.5	**20.0**
31 March 2011		39.5		0.2	**39.7**
31 March 2012		43.6		1.0	**44.6**
31 March 2013		51.0		0.0	**51.0**
31 March 2014		68.2		1.7	**69.9**
31 March 2015	824.8	216.9		0.0	**1,041.7**
Net Book Value	**824.8**	**437.7**	**16.0**	**4.4**	**1,282.9**

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 25. Capital Commitments

At 31 March 2015 the most significant capital commitment made by the Authority relates to the PFI contract (see Note 31). Other capital commitments as at 31 March 2015 total £59.1m, the biggest relating to Housing (£40.9m), Schools (£10.2m) and other projects (£8.0m).

Note 26. Investment Properties

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

	2014/15	2013/14
	£m	£m
Balance at start of the year	**28.2**	**29.2**
Additions :		
Subsequent expenditure	0.1	0.2
Disposals	0.0	(0.7)
Net gains/losses from fair value adjustments	4.6	(0.3)
Transfers :		
To/from Property, Plant and Equipment	1.5	(0.2)
Balance at end of the year	**34.4**	**28.2**

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, Wilks Head and Eve.

Note 27. 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 listed 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 in the borough include Hogarth House, Gunnersbury Park Museum, Chiswick House and Boston Manor House.

Asset values included in the balance sheet

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

	2014/15	2013/14
	£m	£m
Cost as at 1 April	3.6	3.6
Cost as at 31 March	3.6	3.6

Note 28. Impairment losses

During 2014/15 the Authority has recognised a total impairment loss of £2.6m (£5.8m for 2013/14).

Note 29. Capital Expenditure and Capital Financing

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

	2014/15	2013/14
	£m	£m
Opening Capital Financing Requirement	**435.3**	**443.0**
Capital Investment:		
Property, Plant and equipment	94.7	71.4
Investment Properties	0.1	0.2
Intangible Assets	3.6	0.0
Revenue Expenditure Funded from Capital under statute	13.5	3.2
PFI Debt	0.0	4.5
Asset movements not reflected in Capital Adjustment Account:		
Non Dwelling HRA revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0.0	(0.2)
Sources of Finance:		
Capital receipts	(11.3)	(3.7)
Government grants and other contributions	(61.5)	(51.3)
Sums set aside from revenue:		
Direct revenue contributions	(38.6)	(22.8)
MRP/Loans Fund Principal	(2.9)	(9.0)
Closing Capital Financing Requirement	**432.9**	**435.3**

Explanation of movements in year		
Increase in need to borrow (supported by government financial assistance)	0.0	1.6
Increase in need to borrow (not supported by government financial assistance)	0.4	0.0
Repayment of borrowing	(2.9)	(9.0)
Assets acquired under finance leases	0.0	(0.1)
Assets acquired under PFI/PPP contracts	0.0	0.0
Asset movements not reflected in Capital Adjustment Account	0.0	(0.2)
Increase/(decrease) in Capital Financing Requirement	**(2.5)**	**(7.7)**

Note 30. Long-Term Debtors

	31 Mar 15	31 Mar 14
	£m	£m
Public Corporations and Trading Funds	2.8	2.8
Other Entities and Individuals	0.4	0.4
Total	**3.2**	**3.2**

Note 31. 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 2015 (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 2014/15	11.0	2.6	2.8	16.4
Payable within 1 year	13.2	2.5	2.9	18.6
Payable within 2 to 5 years	62.5	9.2	12.6	84.3
Payable within 6 to 10 years	86.8	9.4	17.8	114.0
Payable within 11 to 15 years	95.8	6.8	20.5	123.1
Payable within 16 to 20 years	106.0	3.7	23.5	133.2
Payable within 21 to 25 years	63.1	0.6	14.4	78.1
Total	438.4	34.8	94.5	567.7

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:

	2014/15	2013/14
	£m	£m
Balance outstanding at start of year	**(94.5)**	**(97.3)**
Payments during the year	2.9	2.8
Balance outstanding at year-end	**(91.7)**	**(94.5)**

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

	2014/15	2013/14
	£m	£m
Balance outstanding at start of year	**74.4**	**96.1**
Capital expenditure delivered in the year	(19.4)	(21.7)
Balance outstanding at year-end	**55.0**	**74.4**

About the Authority's Current Assets

Note 32. Debtors

	31 Mar 15	31 Mar 14
	£m	£m
Central Government bodies	9.0	11.4
Other Local Authorities	1.3	3.1
NHS Bodies	5.5	0.6
Public Corporations and Trading Funds	0.0	0.4
Other Entities and Individuals		
- Debtors	55.0	56.8
- Less Bad Debts Provision	(29.6)	(28.0)
Total	**41.2**	**44.3**

Note 33. 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 2015 (£4.3m at 31 March 2014), and is included under the category 'Other entities and individuals'.

	31 Mar 15	31 Mar 14
	£m	£m
Central Government bodies	(17.5)	(18.7)
Other Local Authorities	(12.5)	(6.7)
NHS Bodies	(1.6)	(5.3)
Public Corporations and Trading Funds	(0.3)	(5.8)
Other Entities and Individuals	(49.8)	(57.4)
Total	**(81.7)**	**(93.9)**

Note 34. Provisions

The Authority is required under IFRS to split its provisions between short term and long term on the balance sheet. The table below shows the overall provisions for the Council. The short term provisions are those estimated to be payable within one year of the balance sheet date and total £4.7m at 31 March 2015 (£4.2m at 31 March 2014). The long term provisions are those estimated to be payable in more than one year from the balance sheet date and total £6.7m at 31 March 2015 (£5.9m at 31 March 2014). The increase in provisions is largely due to the impact of business rates appeals.

	Insurance	Provision for Redundancy	Business Rates Appeals	Other Provisions	Total
	£m	£m	£m	£m	£m
Balance at 1 Apr 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 Mar 2014	**3.7**	**0.5**	**3.9**	**2.0**	**10.1**
Additional provisions made in 2014/15	0.0	0.0	4.3	0.2	4.5
Amounts used in 2014/15	(0.4)	(0.5)	(2.2)	0.0	(3.1)
Balance at 31 Mar 2015	**3.3**	**0.0**	**6.0**	**2.2**	**11.5**

Note 35. Contingent liabilities

At 31 March 2015 there were a number of legal claims outstanding against the Council. These claims are disputed and are still the subject of negotiation, and/or legal action, with the parties concerned. The Council has third party insurance which is sufficient to cover the majority of any payments likely to arise. As part of its normal accounting policies, the Council has set aside a provision to cover payments arising out of any losses or claims that are not covered by insurance. It is considered that the sums set aside are more than adequate to provide for any payments resulting from these claims.

About the Authority's Long-Term Liabilities

Note 36. Long-Term Creditors

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

	31 Mar 15	31 Mar 14
	£m	£m
Developers' contributions unapplied	(25.5)	(23.1)
Total Long Term Creditors	**(25.5)**	**(23.1)**

Note 37. Other Long term liabilities

	31 Mar 15	31 Mar 14
	£m	£m
Pension fund liability	(481.1)	(330.3)
Finance lease liability	(2.1)	(2.1)
PFI liability	(88.7)	(91.7)
Total Other Long Term Creditors	**(571.9)**	**(424.1)**

About the Authority's Financial Instruments

Note 38. Financial instruments

Categories of Financial Instruments

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

	Long-term		Current	
	31 Mar 15	31 Mar 14	31 Mar 15	31 Mar 14
	£m	£m	£m	£m
Investments				
Loans and Receivables	30.0	45.0	152.5	181.3
Total Investments	**30.0**	**45.0**	**152.5**	**181.3**
Debtors				
Loans and receivables	3.2	3.2	0.0	0.0
Financial assets carried at contract amounts	0.0	0.0	12.3	12.3
Total Debtors	**3.2**	**3.2**	**12.3**	**12.3**
Borrowings				
Financial liabilities at amortised cost	(193.5)	(205.7)	(14.1)	(37.5)
Total Borrowings	**(193.5)**	**(205.7)**	**(14.1)**	**(37.5)**
Other Long term Liabilities				
PFI and finance lease liabilities	(88.9)	(91.7)	(2.8)	(2.9)
Other Long term Liabilities	**(88.9)**	**(91.7)**	**(2.8)**	**(2.9)**
Creditors				
Financial liabilities carried at contract amount	0.0	0.0	(8.8)	(8.8)
Total Creditors	**0.0**	**0.0**	**(8.8)**	**(8.8)**

Reclassifications

In 2014/15 the Authority did not have to reclassify any of its investments.

Income, Expense, Gains and Losses

	2014/15			2013/14		
	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	11.7	0.0	**11.7**	14.2	0.0	**14.2**
Total expense in Surplus or Deficit on the Provision of Services	**11.7**	**0.0**	**11.7**	**14.2**	**0.0**	**14.2**
Interest income	0.0	2.6	**2.6**	0.0	2.6	**2.6**
Total income in Surplus or Deficit on the Provision of Services	**0.0**	**2.6**	**2.6**	**0.0**	**2.6**	**2.6**

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 2015 of 0.19% to 2.19% for loans from the PWLB and 3.16% to 3.29% for other loans receivable and payable, based on new lending rates for equivalent loans at that date. For 2013/14, 0.34% to 3.39% for loans from the PWLB and 0.38% to 4.54% 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:

	2014/15		2013/14	
	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m
Financial liabilities	207.6	265.1	244.1	266.0
Long term creditors	25.5	25.5	23.1	23.1

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 2015) arising from a commitment to pay interest to lenders above current market rates.

	2014/15		2013/14	
	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m
Loans and receivables	182.5	184.2	228.3	229.0
Long term debtors	3.2	3.2	3.2	3.2

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 2015) 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 39. Nature and extent of risks arising from financial instruments

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.

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

Credit Risk

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 2015 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 2014/15 the counterparty limit for partially nationalised banks was maintained at £100m, and the counterparty limit for other banks and building societies was maintained at £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 15	31 Mar 14
	£m	£m
Between one and two years	40.4	22.1
Between two and five years	28.3	53.4
Between five and ten years	61.4	48.0
More than ten years	54.2	67.7
Total Long Term Borrowing	**184.3**	**191.2**
Less than one year	22.4	52.0
Total	**206.7**	**243.2**

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.

The Authority has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of £50m 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 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 2015, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 Mar 15	31 Mar 14
	£m	£m
Increase in interest payable on variable rate borrowings	0.0	0.0
Increase in interest receivable on variable rate investments	(2.6)	(2.4)
Impact on Surplus or Deficit on the Provision of Services	(2.6)	(2.4)
Share of overall impact credited to the HRA	0.4	0.4
Decrease in fair value of fixed rate investment assets	0.5	1.1
Impact on Other Comprehensive Income and Expenditure	(1.7)	(0.9)

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 £33.4m (£25.5m in 2013/14).

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 40. Operating Activities

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

	2014/15	2013/14
	£m	£m
Interest Paid	14.8	17.0
Interest Received	(2.6)	(2.6)

Note 41. Cash and Cash Equivalents

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

	2014/15	2013/14
	£m	£m
Cash and bank current accounts held by the authority	5.6	6.7
Short Term deposits with financial institutions	22.2	44.3
Total of bank accounts and short term deposits	**27.8**	**51.0**
Bank overdrafts	(0.8)	(7.7)
Total cash and cash equivalents	**27.0**	**43.3**

Other Disclosures

Note 42. Acquired and Discontinued Operations

During 2014/15 the HRA activities of Hounslow Homes were transferred back to the Council.

Note 43. Events after the balance sheet date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 30 June 2015. Events taking place after this date are not reflected in the financial statements or notes.

ACCOUNTING POLICIES

1. Introduction

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). 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.

Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument.

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 and liabilities

Contingent assets and liabilities are not recognised in the Balance Sheet but are 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 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 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

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. 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.

Teachers' pensions scheme

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.

<u>(iv) Discretionary Benefits</u>

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

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 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.

Interest rate risk

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.

11. Government Grants and other contributions

Government grants and third party contributions and donations, 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.

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 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 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). Initial direct costs of the Authority are added to the carrying amount of the asset.

Property, Plant and Equipment recognised under finance leases are 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.

Operating Leases

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.

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 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

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.

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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 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 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. 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 decommissionedany 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. 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.

<u>Depreciation</u>

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.

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

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. 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 had transferred responsibility for the management of its Housing stock to Hounslow Homes, an arm’s length management company, wholly owned by the Authority. During 2014/15 the Authority took back responsibility for the management of its Housing stock from Hounslow Homes. The Authority has retained ownership of the housing stock throughout 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

	2014/15	2013/14	Note
	£m	£m	
Expenditure			
Repairs and maintenance	16.4	15.8	
Supervision and management	12.6	12.9	
Special services	11.9	11.9	
Rents, Rates, Taxes and Other Charges	1.1	1.6	
Provision for bad and doubtful debts	0.0	(0.1)	
Depreciation of Non Current Assets	15.8	16.2	5
Exceptional change in value of fixed assets following revaluation	(18.0)	(102.8)	5
Exceptional pension charge related to transfer of Hounslow Homes staff	14.5	0.0	
Total Expenditure	**54.3**	**(44.5)**	
Income			
Dwelling rents	(68.2)	(67.1)	1
Non-dwelling rents	(1.7)	(2.1)	
Charges for services and facilities	(9.9)	(10.4)	
Contributions towards expenditure (Lessees)	(3.1)	(3.5)	
Total Income	**(82.9)**	**(83.1)**	
Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement	**(28.6)**	**(127.6)**	
HRA share of Corporate and Democratic Core	0.8	0.8	
Net (income)/expenditure for HRA Services	**(27.8)**	**(126.8)**	
HRA Share of operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement			
HRA trading account (surplus) / deficit	2.5	0.0	
Interest payable and similar charges	11.2	13.1	
HRA Interest and Investment income	(0.4)	0.0	
(Surplus)/deficit for the year on provision of HRA Services	**(14.5)**	**(113.7)**	

Movement on HRA Statement

	2014/15	2013/14
	£m	£m
Balance at start of year	**(27.8)**	**(19.5)**
Surplus or (deficit) on HRA Income and Expenditure Statement	(14.5)	(113.7)
Adjustments between accounting basis & funding basis under regulations	11.5	104.1
Net Increase / Decrease before Transfers to Reserves	(3.0)	(9.6)
Transfers to / from Reserves	(1.0)	1.3
Increase / (Decrease) in Year	(4.0)	(8.3)
Balance at end of year	(31.8)	(27.8)

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 2014/15 2.42% (1.91% 2013/14) of lettable properties were vacant.

Note 2: Housing Stock

The Authority was responsible for managing on average 13,178 dwellings during 2014/15 (13,298 in 2013/14). The stock numbers at the year-end were made up as follows:

	2014/15	2013/14
	Number	Number
Houses/Bungalows	3,870	4,189
Flats/Maisonettes	9,216	9,080
Stock as at 31 March	**13,086**	**13,269**

The change in stock can be summarised as follows:

	2014/15	2013/14
	Number	Number
Stock at 1 April	13,269	13,326
Less: Sales	(159)	(58)
Less: Demolitions, Conversions etc.	(41)	1
Add: New Build Completed	17	0
Stock as at 31 March	**13,086**	**13,269**

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:

	2014/15	2013/14
	£m	£m
Operational Assets		
Dwellings	824.8	756.2
Other land and buildings	6.8	5.5
Non-operational Assets		
Other land and buildings	10.3	12.1
Total	**841.9**	**773.8**

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 2015 was £3,306m (£2,771m as at 31 March 2014).

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.

	2014/15	2013/14
	£m	£m
Balance as at 1 April	**(2.1)**	**0.0**
Amount transferred in	(14.5)	(16.2)
Amount transferred out		
Amount in respect of capital expenditure:		
Housing	14.2	14.1
Balance as at 31 March	**(2.4)**	**(2.1)**

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.

	2014/15			2013/14		
	Houses	Other Property	Total	Houses	Other Property	Total
	£m	£m	£m	£m	£m	£m
Borrowing	0.0	0.0	0.0	0.0	0.0	0.0
Usable capital receipts	8.3	0.0	8.3	1.2	0.0	1.2
Revenue contributions	9.4	0.0	9.4	1.0	0.0	1.0
Leaseholder reserves	0.0	0.0	0.0	0.0	0.0	0.0
Major Repairs Reserve	14.2	0.0	14.2	14.4	0.0	14.4
Section 106	0.0	0.0	0.0	0.6	0.0	0.6
Grants/other contributions	4.6	0.0	4.6	7.0	0.0	7.0
Capital payments on a cash basis	**36.4**	**0.0**	**36.4**	**24.2**	**0.0**	**24.2**
Accruals Adjustment			0.0	0.3	0.0	0.3
Expenditure in Year	**36.4**	**0.0**	**36.4**	**24.5**	**0.0**	**24.5**

ii) Capital Receipts

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

	2014/15	2013/14
	£m	£m
Sale of Houses and flats	16.7	6.6
Land Sales	2.2	0.0
Other receipts	0.0	17.8
Total	**19.0**	**24.4**

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.

	2014/15	2013/14
	£m	**£m**
Houses	14.5	14.7
Other land and buildings	0.4	0.5
Infrastructure assets	0.2	0.2
Vehicles, plant and equipment	0.6	0.8
Impairment - Dwellings	0.0	
Impairment - Non-Dwellings	0.0	
Expenditure in Year	**15.7**	**16.2**

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 2014/15 (25% for 2013/14). 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 5 to the Authority's main statements (page 21).

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 2015 was £5.3m (£5.5m as at 31 March 2014), and for vehicles, plant and equipment the net book value as at 31 March 2015 was £3.6m (£4.2m as at 31 March 2014).

Note 6: Rent Arrears

The gross rent arrears at 31 March 2015 was £2.4m (£2.8m at 31 March 2014). 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 2015 (£2.2m at 31 March 2014).

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 2014/15 expenditure of £3.0m was financed by customer and client receipts of £3.0m (£3.2m financed by receipts of £3.1m in 2013/14).

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 2014/15, £1.0m was transferred in to the fund (£1.3m for 2013/14). The balance will be used to fund the capital programme in 2015/16 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 IAS19 related charges wre made to the HRA in 2013/14 as most staff who spent time on HRA related activities were employed by Hounslow Homes. A transfer of staff from Hounslow Homes to the Council took place in stages during 2014/15, which has resulted in an IAS19 charge in 2014/15.

COLLECTION FUND

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2015

	2014/15				2013/14			
	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 or ratepayers	(110.6)	(154.4)	(4.8)	(269.8)	(100.0)	(147.8)	(4.8)	(252.6)
Receipt from LBH/GLA/CLG for previous year's estimated collection fund deficit		(5.9)	(0.1)	(6.0)				0.0
Total Income	**(110.6)**	**(160.3)**	**(4.9)**	(275.8)	**(100.0)**	**(147.8)**	**(4.8)**	**(252.6)**
Amounts required by statute to be debited to the Collection Fund:								
Precepts and demands from LBH	81.9	45.3	0.0	127.2	81.0	41.8		122.8
Precepts and demands from GLA	22.7	30.2	5.0	57.9	22.6	27.9	4.8	55.3
Precepts and demands from Central Government		75.4	0.0	75.4	0.0	69.6		69.6
Provision for uncollectable amounts	1.1	3.5	0.0	4.6	(6.7)	0.1		(6.6)
Provision for appeals		7.0	0.0	7.0		13.0		13.0
Payment of transitional relief		1.4	0.0	1.4		1.0		1.0
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/(deficit)	2.3		0.0	2.3	1.7	0.0	0.0	1.7
Total Expenditure	**108.0**	**163.2**	**5.0**	**276.2**	**98.6**	**153.8**	**4.8**	**257.2**
Movement on fund balance Increase/(Decrease)	**(2.6)**	**2.9**	**0.1**	**0.4**	**(1.4)**	**6.0**	**0.0**	**4.6**
Fund Balance brought forward	(3.6)	6.0	0.0	2.4	(2.2)	0.0	0.0	(2.2)
Fund Balance carried forward	**(6.2)**	**8.9**	**0.1**	**2.7**	**(3.6)**	**6.0**	**0.0**	**2.4**

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 01 April 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)**
Movement on fund balance Increase/(Decrease) during 2014/15	2.0	0.6	**2.6**	(0.9)	(0.6)	(1.4)	**(2.9)**
Fund Balance as at 31 March 2015	**4.9**	**1.4**	**6.2**	**(2.7)**	**(1.8)**	**(4.5)**	**(8.9)**

Note 2: Council Tax

The Council Tax Base set by the Authority for 2014/15 was 75,872.25 approved by Cabinet on 14 January 2014. The number of properties and tax set for each property band is shown below:

	2014/15			2013/14		
	No of Properties	Band D Equivalents	Tax Set £ p	No of Properties	Band D Equivalents	Tax Set £ p
Band A	1,229	819	919.18	1,150	767	925.47
Band B	4,552	3,540	1,072.38	4,471	3,477	1,079.71
Band C	17,419	15,484	1,225.58	17,079	15,181	1,233.95
Band D	28,564	28,564	1,378.77	28,337	28,337	1,388.20
Band E	11,961	14,619	1,685.16	11,821	14,448	1,696.69
Band F	4,744	6,852	1,991.56	4,655	6,725	2,005.18
Band G	3,490	5,817	2,297.95	3,451	5,752	2,313.67
Band H	806	1,612	2,757.54	785	1,569	2,776.40
Relevant Amount		77,307			76,256	
Adjusted for Collection Rate 98.00% / 97.75%		75,761			74,540	
Defence Property		111	1,378.77		92	1,388.20
Total	**72,765**	**75,872**		**71,749**	**74,632**	

Actual collectable income from Council Tax was:

	2014/15			2013/14		
	LBH	GLA	Total	LBH	GLA	Total
	£m	£m	£m	£m	£m	£m
Billed to Tax Payers	86.6	24.0	110.6	78.2	21.8	100.0
Total Income	**86.6**	**24.0**	**110.6**	**78.2**	**21.8**	**100.0**

The cumulative arrears of Council Tax including costs at 31 March 2015 were £21.3m and £1.1m 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 48.2p (47.1p in 2013/14) 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 2015 was £368m. The Authority is responsible for collecting rates due from the ratepayers in its area.

Under the 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.

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 69. 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.

	2014/15			2013/14		
	Expenditure	Income	Net	Expenditure	Income	Net
	£m	£m	£m	£m	£m	£m
Central services to the public	13.4	(7.0)	6.4	12.8	(8.6)	4.2
Environmental and regulatory services	16.5	(3.6)	12.9	15.0	(3.2)	11.8
Planning services	7.9	(7.6)	0.3	6.5	(7.7)	(1.2)
Cultural and related services	16.2	(0.9)	15.3	22.5	(1.5)	21.0
Education and children's services	263.3	(201.3)	62.0	259.6	(200.6)	59.0
Highways and transport services	33.5	(26.7)	6.8	35.6	(25.6)	10.0
Local authority housing (HRA)	77.5	(88.0)	(10.5)	58.9	(83.5)	(24.6)
Other housing services	287.7	(274.6)	13.1	179.7	(170.0)	9.7
Adult social care	69.8	(17.5)	52.3	68.8	(16.0)	52.8
Public Health	16.3	(13.5)	2.8	15.5	(13.6)	1.9
Exceptional costs of revaluation	39.7	0.0	39.7	(80.1)	0.0	(80.1)
Corporate and democratic core	7.1	(1.0)	6.1	5.9	(0.8)	5.1
Other non distributed costs	5.4	(0.8)	4.6	3.5	(0.6)	2.9
Cost Of Services	**854.3**	**(642.5)**	**211.8**	**604.2**	**(531.7)**	**72.5**
Other Operating Expenditure	11.4	(10.9)	0.5	3.5	(10.1)	(6.6)
Exceptional derecognition of Academy assets	0.0	0.0	0.0	45.8	0.0	45.8
Financing and Investment Income and Expenditure	25.2	(3.0)	22.2	30.0	(2.7)	27.4
Taxation and Non-Specific Grant Income	0.0	(226.8)	(226.8)	0.0	(233.2)	(233.2)
Surplus or Deficit on Provision of Services			**7.7**			**(94.1)**
Tax expenses			0.0			0.0
Group (Surplus) or Deficit			**7.7**			**(94.1)**
Surplus or deficit on revaluation of fixed assets			(23.3)			15.2
Actuarial gains / losses on pension assets / liabilities			86.0			39.5
Other Comprehensive Income and Expenditure			**62.7**			**54.7**
Total Comprehensive Income and Expenditure			**70.4**			**(39.4)**

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.

	2014/15											
	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 2014	**(14.7)**	**(110.0)**	**(27.9)**	**(9.2)**	**(23.1)**	**(2.1)**	**(56.2)**	**(243.1)**	**(770.2)**	**(1,013.3)**	**22.8**	**(990.5)**
Surplus or deficit on provision of services (accounting basis)	22.1	0.0	(14.5)	0.0	0.0	0.0	0.0	7.7	0.0	7.7	0.0	7.7
Other Comprehensive Expenditure and Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	96.9	96.9	(34.2)	62.7
Total Comprehensive Expenditure and Income	**22.1**	**0.0**	**(14.5)**	**0.0**	**0.0**	**0.0**	**0.0**	**7.7**	**96.9**	**104.6**	**(34.2)**	**70.4**
Adjustments between Group accounts and authority accounts	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.4	(0.4)	0.0
Net Increase / Decrease before Transfers	**22.5**	**0.0**	**(14.5)**	**0.0**	**0.0**	**0.0**	**0.0**	**8.1**	**96.9**	**105.0**	**(34.6)**	**70.4**
Adjustments between accounting basis & funding basis under regulations	(28.7)	0.0	11.5	0.0	(7.5)	(0.3)	24.1	(0.9)	0.9	0.0	0.0	0.0
Net Increase / Decrease before Transfers to Earmarked Reserves	**(6.2)**	**0.0**	**(3.0)**	**0.0**	**(7.5)**	**(0.3)**	**24.1**	**7.2**	**97.8**	**105.0**	**(34.6)**	**70.4**
Transfers to / from Earmarked Reserves	4.5	(2.5)	(1.0)	(1.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)
Increase / Decrease in Year	**(1.7)**	**(2.5)**	**(4.0)**	**(1.0)**	**(7.5)**	**(0.3)**	**24.1**	**7.2**	**97.8**	**105.0**	**(34.6)**	**70.4**
Balance at 31 March 2015	**(16.4)**	**(112.5)**	**(31.8)**	**(10.2)**	**(30.6)**	**(2.4)**	**(32.1)**	**(235.9)**	**(672.5)**	**(908.4)**	**(11.8)**	**(920.2)**

	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)**	**20.3**	**(951.1)**
Surplus or deficit on provision of services (accounting basis)	28.8	0.0	(122.8)	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	**28.8**	**0.0**	**(122.8)**	**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	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.3	(0.3)	0.0
Net Increase / Decrease before Transfers	**29.0**	**0.0**	**(122.8)**	**0.0**	**0.0**	**0.0**	**0.0**	**(93.8)**	**51.9**	**(41.9)**	**2.6**	**(39.4)**
Adjustments between accounting basis & funding basis under regulations	(45.9)	0.0	113.2	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	**(16.9)**	**0.0**	**(9.6)**	**0.0**	**(17.8)**	**(2.1)**	**13.5**	**(32.9)**	**(9.0)**	**(41.9)**	**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	**(0.9)**	**(16.0)**	**(8.3)**	**(1.3)**	**(17.8)**	**(2.1)**	**13.5**	**(32.9)**	**(9.0)**	**(41.9)**	**2.6**	**(39.4)**
Balance at 31 March 2014	**(14.6)**	**(110.0)**	**(27.8)**	**(9.2)**	**(23.1)**	**(2.1)**	**(56.2)**	**(243.0)**	**(770.3)**	**(1,013.3)**	**22.8**	**(990.5)**

GROUP BALANCE SHEET

	31 Mar 15	31 Mar 14
	£m	**£m**
Property, Plant & Equipment	1,492.4	1,437.5
Investment Property	34.4	28.2
Intangible Assets	5.7	3.2
Long Term Investments	30.2	45.0
Heritage Assets	3.6	3.6
Long Term Debtors	3.2	2.9
Long Term Deferred Asset Related to PFI	20.4	46.2
Long Term Assets	**1,589.9**	**1,566.6**
Short Term Deferred Asset Related to PFI	34.6	28.2
Short Term Investments	130.2	137.0
Inventories	0.3	0.5
Short Term Debtors	38.1	39.5
Cash and Cash Equivalents	31.8	57.6
Current Assets	**235.0**	**262.8**
Bank overdrafts	(0.8)	(7.7)
Short Term Borrowing	(14.1)	(37.5)
Short Term Creditors	(80.7)	(93.9)
Short Term Provisions	(4.7)	(4.2)
Current Liabilities	**(100.3)**	**(143.3)**
Long Term Creditors	(25.5)	(23.1)
Provisions	(7.6)	(7.0)
Long Term Borrowing	(193.5)	(205.7)
Other Long Term Liabilities	(571.9)	(458.3)
Capital Grants Receipts in advance	(5.9)	(1.4)
Long Term Liabilities	**(804.4)**	**(695.5)**
Net Assets	**920.2**	**990.6**
Usable reserves	(235.9)	(243.1)
Unusable Reserves	(672.5)	(770.3)
Reserves (group entities)	(11.8)	22.8
Total Reserves	**(920.2)**	**(990.6)**

GROUP CASH FLOW

	2014/15 £m	2013/14 £m
Net surplus or (deficit) on the provision of services	(7.7)	94.1
Adjust net surplus or deficit on the provision of services for noncash movements	86.6	(10.8)
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(20.5)	(20.4)
Net cash flows from Operating Activities	**58.4**	**62.9**
Investing Activities	(40.8)	(61.5)
Financing Activities	(36.3)	(7.3)
Net increase or decrease in cash and cash equivalents	**(18.7)**	**(5.9)**
Cash and cash equivalents at the beginning of the reporting period	49.9	55.8
Cash and cash equivalents at the end of the reporting period	**31.2**	**49.9**

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 28 September 2015. 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.

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015

	2014/15 £m	2013/14 £m	Note
Dealings with members, employers and others directly involved in the fund			
Contributions:			6
From Employers	26.8	25.2	
From Employees	8.4	7.9	
Individual Transfers in from Other Pension Funds	0.8	3.9	
	36.0	**37.0**	
Benefits			7
Pensions	(27.5)	(25.8)	
Commutation, Lump Sum Retirement and Death Benefits	(5.2)	(6.1)	
Payments to and on Account of Leavers			
Individual Transfers out to Other Pension Funds	(1.8)	(3.1)	
Refunds to Members Leaving Service	0.0	0.0	
	(34.5)	**(35.0)**	
Net Addititons/Withdrawals from Dealings with Members	**1.5**	**2.0**	
Management Expenses	**(2.9)**	**(3.3)**	8
Returns on Investments			9
Investment Income	18.2	19.3	
Taxes on Income (Irrecoverable Withholding Tax)	(0.2)	(0.2)	
	18.0	**19.1**	
Profit and Loss on Disposal of Investment and Change in the Market Value of Investments	**67.7**	**12.9**	14
Net Return on Investments	**85.7**	**32.0**	
Net Increase in the Net Assets Available for Benefits During the Year	**84.3**	**30.7**	
Opening net assets of the scheme	**721.0**	**690.3**	
Closing net assets of the scheme	**805.3**	**721.0**	

NET ASSETS STATEMENT AS AT 31 MARCH 2015

	31 Mar 15	31 Mar 14	Note
	£m	£m	
Investment Assets			16
Equities	536.2	493.1	11
Pooled Investment Vehicles	232.6	204.6	12
Property	0.0	0.0	
Private Equity	7.3	8.6	13
Derivative Contracts:			
Forward Currency Contracts	3.6	4.8	15
Cash Instruments	4.9	6.2	
Other Investment Balances:			
Income Due	3.3	3.9	
Amounts Receivable for Sale of Investments	3.7	1.2	
Cash Deposits	18.0	7.3	
	809.6	**729.7**	
Investment Liabilities			
Derivative Contracts:			
Forward Currency Contracts	(3.6)	(4.7)	15
Amounts Payable for Purchase of Investments	(3.1)	(2.1)	
Net Value of Investment Assets	**802.9**	**722.9**	10
Current Assets	3.2	0.5	20
Current Liabilities	(0.8)	(2.4)	21
Net Assets of the Fund Available to Fund Benefits at the Period End	**805.3**	**721.0**	

NOTES TO THE PENSION FUND ACCOUNTS 2014/15

Note 1: DESCRIPTION OF THE LONDON BOROUGH OF HOUNSLOW PENSION FUND

a) General

The Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Hounslow. The following description of the Fund is a summary only. The Fund is a contributory defined benefits scheme established in accordance with statute, which provides for the payment of benefits to employees and former employees of the London Borough of Hounslow and the admitted and scheduled bodies in the Fund. The Fund is overseen by the Pension Fund Panel, with the responsibility for deciding on the most apporopriate investment policy for the Fund.

For more detail, reference should be made to the London Borough of Hounslow Annual Report 2014/15 and the underlying statutory powers underpinning the Scheme, namely, the Public Service Pensions Act 2013 and The Local Government Pensions Scheme (LGPS) Regulations 2013 (as amended) and the LGPS (Management and Investment of Funds) Regulations 2009 (as amended).

b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. There are xx employers within the London Borough of Hounslow Pension Fund. Organisations participating in the London Borough of Hounslow Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following oursourcing to the private sector.

The following table summarises the membership of the Fund as at 31 March 2015:

	2014/15	2013/14
	No.	No.
Active members	6,574	6,519
Pensioners receiving benefits	5,941	5,800
Deferred Pensioners	7,351	6,923
	19,866	**19,242**

c) Benefits

Prior to 1 April 2014, pensions benefits under the LGPS were based on final pensions pay and length of pensionable service. From 1 April 2014, benefits payable in respect of service are now based on career average revalued earnings and the number of years of eligible service. Pensions are increased annually in line with the Consumer Price Index.

d) Funding

Benefits are funded by contributions from employees, the Council, the admitted and scheduled bodies, and the Fund's investment income. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015. Employee contributions are matched by Employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was as at 31 March 2013. Currently, employer contribution rates range from 12% to 23.8% of pensionable pay.

e) Investment Principles

The LGPS (Management and Investment of Funds) Regulations 2009 requires administering authorities to prepare and review from time to time, a written statement recording the investment policy of the Pension Fund. The Pension Fund Panel approved a Statement of Investment Principles in 2015 and this is available on the Council's website at the link below. The Statement shows the Authority's compliance with the Myners principles of investment management.

https://www.hounslow.gov.uk

The Pension Fund Panel has delegated the management of the Fund's investments to external investment managers (see Note 10), appointed in accordance with regulations, whose activities are specified in detailed investment management agreements and monitored on a quarterly basis.

NOTE 2 – BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Statement of Accounts summarise the Fund's transactions for the financial year 2014/15 and its position at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amemded for the UK public sector. The accounts have been prepared on an accruals basis, apart from transfer values which have been accounted for on a cash basis.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension fund benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset Statement, in the the notes to the accounts or by appending an actuarial report prepared for this purpose. The authority has opted to disclose this information in Note 19.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Account – Revenue Recognition

a) Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

Employer’s augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment Income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset. Investment income is reported gross of withholding tax.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund Account – Expense Items

d) Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The Fund is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. This is as a result of being a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses.

f) Management Expenses

In the interest of greater transparency, the Council discloses its pension fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs*. The profit and loss on disposal of investments and changes in the market value of investments reflect the fees which had been deducted at source.

Administrative Expenses

All administrative expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management , accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Investment Management Expenses

All investment management expenses are accounted for on an accruals basis.

The Pension Fund Committee has appointed external investment managers to manage the investments of the Fund. Fees of the investment managers and custodian are agreed in the respective mandates governing their appointments. Their fees are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change. Additionally, the fund has negotiated with BlackRock Fund managers that an element of their fee be performance related.

Where an investment manager's fee note has not been received by the balance sheet date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the fund account. In 2014/15, £0.5m of fees is based on such estimates (2013/14: £0.7m).

The costs of the Council's in-house management team are charged direct to the fund and a proportion of the Council's costs representing management time spent by officers on investment management is also charged to the fund.

Net Assets Statement

g) Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. Quoted securities and pooled investment vehicles have been valued at the bid price and fixed interest securitites are recorded at net market value based on their current yields at the balance sheet date. Quoted securities are valued by the Fund's custodian and pooled investment vehicles at the published bid prices or those quoted by their managers. Investments in private equity funds are valued based on the fund's share of the net assets in the private equity fund using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

h) Foreign Currency Transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the sport market rates at the date of transaction. Spot market exchange rates at the end of the financial year are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purhases and sales outstanding at the end of the reporting period.

i) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes. Derivatives are valued at fair value on the following bases: assets at bid price and liabilities at offer price. Changes in the fair value are included in the change in market value in the Fund Account.

The Value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.The value of forward foreign exchange contracts is based on market forward exchange rates at year-end and determined as the gain or loss that would arise if the contract were matched at year-end with an equal and opposite contract.

j) Cash and Cash Equivalent

Cash comprises cash in hand and deposits with financial institutions which are repayable on demand without penalty and includes amonts held by the fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

k) Financial Liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

l) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 (post retirement benefits) and relevant actuarial standards. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

m) Additional Voluntary Contributions

The London Borough of Hounslow provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Standard Life as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, but are disclosed as a note only (Note 20).

NOTE 4 – CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Council has had to make certain critical jusgements about complex transactions or those involving uncertainty about future events.

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 19 below.These estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

NOTE 5 – ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

Items in the net assets statement at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. An increase in assumed earnings would increase the value of liabilities and an increase in assumed life expectancy would increase the liability
Private equity	Private equity investments ae valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £7.3m. There is a risk that this investment may be understated or overstated in the accounts.

NOTE 6 – CONTRIBUTIONS RECEIVABLE

Employee contributions are calculated on a sliding scale besed on a percentage of their gross pay. The Council, scheduled and admitted bodies are required to make contributions determined by the Fund's actuary to maintain the solvency of the Fund. The following table shows a breakdown of the total amount of employers' and employees' contributions.

By Authority

	31 Mar 15	31 Mar 14
Administering Authority	25.5	23.3
Scheduled Bodies	7.6	8.1
Admitted Bodies	2.1	1.7
Total	**35.2**	**33.1**

By Type

	31 Mar 15	31 Mar 14
Employees' Normal Contributions	8.4	8.0
Employer's Contributions:		
Normal Contributions	17.4	15.9
Deficit Recovery Contributions	8.5	9.3
Augmentation Contributions	0.9	0.0
Total	**35.2**	**33.1**

NOTE 7 – BENEFITS PAYABLE

The table below shows a breakdown of the total amount of benefits payable by category.

By Authority	31 Mar 15	31 Mar 14
Adminitstering Authority	27.3	26.8
Scheduled Bodies	3.6	3.2
Admitted Bodies	1.8	1.8
Total	**32.7**	**31.8**
By Type		
Pensions	27.5	25.8
Commutation and lump sum retirement benefits	4.6	5.6
Lump sum death benefits	0.6	0.4
Total	**32.7**	**31.8**

NOTE 8 – MANAGEMENT EXPENSES

The following table shows a breakdown of the management expenses incurred during the year.

	31 Mar 15	31 Mar 14
Administration Expenses	0.7	1.5
Oversight and Governance	0.3	0.3
Investment Management Expenses	1.9	1.5
Total	**2.9**	**3.3**

Since the performance related fee arrangement started, no performance related fees have been paid to the Fund’s investment managers. In addition to the above, £0.9m was incurred in respect of transaction costs in 2014/15 (£0.9m in 2013/14).

Included in the administration expenses above are audit fees for the pension fund of £21k (£21k for 2013/14).

NOTE 9 – INVESTMENT INCOME

The table below shows a breakdown of the investment income for the year:

	2014/15	2013/14
	£m	£m
Equity Dividends	14.0	14.0
Pooled Investments - unit trusts and other managed funds	3.4	3.9
Property	0.0	0.8
Interest on cash deposits	0.7	0.6
	18.2	**19.3**

NOTE 10 – INVESTMENT MANAGEMENT ARRANGEMENTS

As at 31 March 2015, the investment portfolio was mainly managed by two external managers:

- Aberdeen Asset Management Plc
- BlackRock Investment Ltd

All managers have discretion to buy and sell investments within the constraints set by the Pension Fund Panel and their respective Investment Management Agreements. Each manager has been appointed with clear strategic benchmarks which place maximum accountability for performance against that benchmark on the investment manager.

The Pension Fund Panel appointed Northern Trust as its global custodian, with effect from February 2007. They are responsible for the safe custody and settlement of all investment transactions and collection of income. The bank account for the Fund is held with Natwest Bank.

The market value and proportion of investments managed by each fund manager at 31 March 2015 was as follows:

Fund Manager	Mandate	31 Mar 15 Market Value		31 Mar 14 Market Value	
		£m	%	£m	%
Aberdeen	Global Balanced	337.1	42.0	306.5	42.4
BlackRock	Global Balanced	416.9	51.9	368.9	51.0
Threadneedle	Property	24.3	3.0	20.5	2.8
CBRE	Property	16.2	2.0	14.6	2.0
LAMIT	Property	0.4	0.1	0.4	0.1
Private Equity	Various	8.0	1.0	9.2	1.3
Sterling Liquidity Fund	Money Market Fund	0.0	0.0	2.4	0.33
Other (Cash Deposits)	Internal	0.0	0.0	0.4	0.1
		802.9	**100.0**	**722.9**	**100.0**

NOTE 11 – EQUITIES

	31 Mar 15	31 Mar 14
	£m	£m
UK Investments (listed)	233.9	248.3
Overseas Investments (listed):		
North America	139.2	121.4
Japan	17.5	13.8
Europe	99.9	63.6
Other	45.7	46.0
	536.2	**493.1**

The top 10 equity holdings of the London Borough of Hounslow Pension Fund worldwide as at 31 March 2015 were:

	Bid value	% of Total Fund	% of Equities
	£m	%	%
Astrazeneca	15.3	1.9	2.6
British American Tobacco	12.0	1.5	2.1
Imperial Tobacco	10.9	1.4	1.9
HSBC Holdings	10.9	1.4	1.9
Royal Dutch Shell	10.7	1.3	1.8
Compass Group	10.6	1.3	1.8
Rio Tinto	9.6	1.2	1.7
Royal Dutch Shell 'B' Ord	8.1	1.0	1.4
Chevron	8.0	1.0	1.4
Actavis	7.4	0.9	1.3
	103.4	12.8	**17.9**

NOTE 12 – POOLED INVESTMENTS

	31 Mar 15	31 Mar 14
	£m	£m
UK Pooled Investments		
Bond Funds	110.8	103.6
Index Linked	40.8	28.7
Mid Cap & Smaller Companies	8.1	7.7
Property	41.0	35.6
Absolute Return	31.9	29.0
	232.6	**204.6**

The top 10 pooled investment holdings of the London Borough of Hounslow Pension Fund worldwide as at 31 March 2015 were:

	Market value	% of Total Fund	% of Pooled Investments
	£m	%	%
Merrill Lynch Fund All Stocks Corporate Bond	66.3	8.2	28.5
Threadneedle Property Fund	24.3	3.0	10.5
Aberdeen Global STG CRED BD 72 GBP CAPNAV	24.3	3.0	10.4
BlackRock Aquila Life Market Advantage Fund	22.5	2.8	9.7
Aberdeen Global Indexed Linked Bond Fund	21.8	2.7	9.4
BlackRock - Index Linked A	19.0	2.4	8.2
CBRE UK Property Fund	16.2	2.0	7.0
Aberdeen Global Funds II Sterling Bond Fund Z2	15.7	1.9	6.7
Aberdeen Diversified Growth Fund	9.4	1.2	4.1
Aberdeen Global Funds II Sterling Long-dated Bond Z2	4.5	0.6	2.0
	224.0	**27.8**	**96.3**

NOTE 13 – PRIVATE EQUITY

	31 Mar 15	31 Mar 14
	£m	£m
Private equity	7.3	8.6
	7.3	**8.6**

The top 10 private equity holdings of the London Borough of Hounslow Pension Fund as at 31 March 2015 were:

	Valuation	% of Total Fund	% of Private Equity
	£m	%	%
Environmental Technologies Fund	3.0	0.4	41.1
Advent IV	1.1	0.1	15.1
Schroder Private Equity Fund of Funds IV	0.7	0.1	9.6
Schroder Private Equity Fund of Funds III	0.6	0.1	8.2
The Chandos Fund (YFM)	0.6	0.1	8.2
Hg Capital 5th Fund	0.4	0.0	5.5
Schroder Private Equity Fund of Funds II	0.4	0.0	5.5
The Capital Fund (YFM)	0.2	0.0	2.7
Schroder Private Equity Fund of Funds	0.1	0.0	1.4
Advent III	0.1	0.0	1.4
	7.2	**0.8**	**98.7**

NOTE 14 – RECONCILIATION OF MOVEMENT IN INVESTMENTS

	Market Value as at 31 March 2015	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value as at 31 March 2014
	£m	£m	£m	£m	£m
Fixed Interest Securities	0.0	0.0	0.0	0.0	0.0
Equities	536.2	278.5	(275.0)	39.6	493.1
Pooled Investments	191.5	9.3	(6.6)	19.8	169.0
Pooled Property Investments	41.0			5.4	35.6
Private Equity	7.3	0.2	(1.5)		8.6
Cash Funds	5.0	61.2	(62.4)	0.0	6.2
Total	**781.0**	**349.2**	**(345.5)**	**64.8**	**712.5**
Derivative Contracts:					
Forward currency contracts	0.0	0.9	(1.5)	0.5	0.1
Total	**781.0**	**350.1**	**(347.0)**	**65.3**	**712.6**
Other Investment Balances:					
Cash deposits	18.0			0.4	7.3
Amount receivable for sales of investments	2.0				0.9
Investment income due	3.3				3.9
Spot FX contracts	0.0				
Amounts payable for purchases of investments	(1.4)				(1.8)
Net Investment Assets	**802.9**	**350.1**	**(347.0)**	**65.7**	**722.9**

NOTE 15 – ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

The Pension Fund Panel has authorised the use of derivatives for efficient portfolio management purposes and to reduce certain investment risks, in particular, foreign exchange risk. All uses of derivatives are outsourced to the Fund's external asset managers which must adhere to the detailed requirements set out in their investment management agreements.

Forward foreign currency

The Fund uses forward foreign exchange contracts to reduce the foreign currency exposure from overseas bond holdings that are within the portfolio.

NOTE 16a – CLASSIFICATION OF FINANCIAL INSTRUMENTS

The table below shows the classification of the Fund's financial instruments.

	31-Mar-15			31-Mar-14		
	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						
Equities	536.2			493.1		
Pooled investments	232.6			204.6		
Private equity	7.3			8.6		
Cash (Money Market Fund)	4.9			6.2		
Derivative contracts	3.6			4.8		
Short term deposits		18.0			7.3	
Other investment balances	5.3			4.8		
Debtors	1.7	1.1		0.3	0.3	
Cash at bank		2.1			0.2	
Total Financial assets	**791.6**	**21.2**	**0.0**	**722.4**	**7.8**	**0.0**
Financial liabilities						
Derivative contracts	(3.6)			(4.8)		
Other investment balances	(1.7)			(0.3)		
Outstanding settlements						
Creditors			(2.2)			(4.2)
Total Financial liabilities	**(5.3)**	**0.0**	**(2.2)**	**(5.1)**	**0.0**	**(4.2)**
Net Assets	**786.3**	**21.2**	**(2.2)**	**717.4**	**7.8**	**(4.2)**

NOTE 16b – NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The following table summarises the net gains and losses on financial instruments classified by type of instrument.

	31 March 2015	31 March 2014
	£m	£m
Financial assets		
Fair value through profit and loss	64.8	12.9
Loans and receivables	0.4	0.0
Total Financial assets	**65.2**	**12.9**
Financial liabilities		
Fair value through profit and loss	0.5	0.0
Financial liabilities measured at amortised cost	0.0	0.0
Total Financial liabilities	**0.5**	**0.0**
Total	**65.7**	**12.9**

NOTE 16c –VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1 – these are financial instruments where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities, quoted index linked securities and unit trusts). Listed investments are shown at bid prices.

Level 2 – these are financial instruments where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are significantly based on observable market data.

Level 2 – these are financial instruments where at least one input that could have a significant impact on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, neither of which the Fund currently invests in.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into the level at which fair value is observable.

	31-Mar-15				31-Mar-14			
	Quoted Market price	Using observable inputs	With significant unobservable inputs	Total	Quoted Market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
	£m	£m	£m	£m	£m	£m	£m	£m
Financial assets								
At fair value though profit and loss	544.0	229.9	11.3	785.2	504.0	204.6	8.6	717.2
Loans and receivables	27.6			27.6	13.0			13.0
Total Financial assets	**571.6**	**229.9**	**11.3**	**812.8**	**517.0**	**204.6**	**8.6**	**730.2**
Financial liabilities								
At fair value though profit and loss	(6.7)			(6.7)	(6.8)			
At amortised cost	(0.8)			(0.8)	(2.4)			
Total Financial liabilities	**(7.5)**	**0.0**	**0.0**	**(7.5)**	**(9.2)**	**0.0**	**0.0**	**(9.2)**
Total	**564.1**	**229.9**	**11.3**	**805.3**	**507.8**	**204.6**	**8.6**	**721.0**

NOTE 17 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members. The aim, therefore, 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 Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price, currency and interest rate risks) 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. Risk management policies are established to identify and analyse the risks faced by the Fund and these are regularly reviewed to reflect changes in Fund activities and market conditions. The objective of the Fund's risk management strategy is to identify, manage and control its risk exposure within acceptable parameters, whilst optimising the return on risk.

b) Market Risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. 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 asset mix.

Generally, excess volatility in market risk is managed through diversification of the portfolio in terms of asset class, geographical and industry sectors and individual securities. Regular monitoring of market conditions and benchmark analysis is undertaken by the Pension Fund Panel to mitigate market risk.

Price Risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited. The Fund's investment managers mitigate price risk through diversification and the selection of securities and other financial instruments. This is regularly monitored by the Council to ensure it is within the limits specified in the Fund investment strategy.

Following analysis of historical data and expected movement of return on investment during the financial year, the Council, in consultation with the Fund's performance measurement provider, the WM Company, has determined that the following movements in market price risk are reasonably possible for the 2014/15 reporting period:

Asset type	Value as at 31 March 2015	Percentage Change	Value on increase	Value on decrease
	£m	%	£m	£m
UK Equities	238.0	10.4	262.7	213.2
Overseas Equities	305.7	9.6	335.1	276.3
Total Bonds	110.7	6.0	117.4	104.1
ILG	40.8	9.4	44.7	37.0
Cash	29.2	0.0	29.2	29.2
Property	41.0	3.6	42.4	39.5
Alternatives	39.9	5.3	33.6	30.2
Total Investment Assets	**805.3**		**865.1**	**729.5**

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate with changes in market interest rates. The Council and its investment advisors routinely monitor the Fund's interest rate risk in accordance with the Fund's risk management strategy, including montoring the exposure to interest rates and assessment of actual interest rates against relevant benchmarks. Fixed interest securities, cash and cash equivalents are exposed to interest rate risk.

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling (the functional currency). The Fund aims to mitigate this risk through the use of derivatives (See Note 15). A strengthening/weakening of the pound sterling against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits.

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 2015	Percentage Change	Value on increase	Value on decrease
	£m	%	£m	£m
Overseas Equities	286.8	6.2	304.8	268.9
Alternatives	1.9	6.2	2.0	1.8
Total Investment Assets	**288.7**		**306.8**	**270.7**

a) 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 £4.9m in this fund at 31 March 2015. Money market funds have AAA ratings from leading ratings agencies. This fund is the £4.9m Cash Fund figure in the Net Assets Statement.

The remainder of invested cash is held in short term bank deposits. Aberdeen Asset Management Ltd held £11.5m in a call account with Standard Chartered at 31 March 2015. The balance of £6.5m invested cash is held with the Fund's Custodian, Northern Trust. As at 31 March 2015 both Standard Chartered and Northern Trust had a credit rating of AA-. These funds make up the £18.0m cash deposits the Net Assets Statement.

NOTE 18 – FUNDING ARRANGEMENTS

The LGPS Regulations require that a full actuarial valuation of the Fund is carried out every three years. The purpose of this is to establish that the London Borough of Hounslow is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last triennial valuation was carried out by Barnett Waddingham, the Fund's Actuary as at 31 March 2013 in accordance with the Funding Strategy statement of the

Fund and Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008. This was effective from 1 April 2014. The report and Funding Strategy Statement are both available on the Council's website at

https://www.hounslow.gov.uk

The common rate of contribution for the London Borough of Hounslow from 1 April 2015 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 period of 17 years.

The actuarial valuation, carried out using the projected unit method, is based on economic and statistical assumptions, the main ones being:

Future Assumed Returns at 2013	% per annum	Risk Adjusted Discount Rate
Equities	6.9	75%
Gilts	3.3	15%
Cash	3.1	0%
Property	6.0	3%
Corporate Bonds	3.9	7%
Expense Allowance	0.1	0%

Financial Assumptions	2013	2010
Discount rate	6.0% per annum	6.8% per annum
Retail price Inflation (RPI)	3.5% per annum	3.5% per annum
Consumer Price Inflation (CPI)	2.7% per annum	3.0% per annum
Pension and Deferred Pension Increases	2.7% per annum	7.0% per annum
Short -Term Pay Increases	In line with the CPI assumption for the 2 years to 31 March 2015	Pay freeze for those earning over £21k for the 2 years to 31 March 2012
Long -Term Pay Increases	4.5% per annum (RPI plus 1% per annum)	5.0% per annum

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 next actuarial revaluation of the Fund will be as at 31 March 2016 and will be published in 2017.

NOTE 19 – ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

The table below shows the total net liability of the Fund as at 31 March 2015. The figures have been prepared by Barnett Waddingham, the Fund's Actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation.

In calculating the required numbers, the Actuary adopted methods and assumptions that are consistent with IAS19.

	31 Mar 15	31 Mar 14
	£m	£m
Present Value of Promised Retirement Benefits	(1,356.7)	(1,115.3)
Fair Value of Scheme Assets (bid value)	789.3	709.3
Net Liability	**(567.4)**	**(406.0)**

Assumptions

To assess the value of the Fund's liabilities at 31 March 2015, the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2013 have been rolled forward, using financial assumptions that comply with IAS 19.

Demographic Assumptions

The demographic assumptions used are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2013. The post retirement mortality tables adopted are the SIPA tables with a multiplier of 110%, for males and 85% for females. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The assumed life expectations from age 65 are:

Life Expectancy from Age 65		31 Mar 15	31 Mar 14
Retiring today	Males	22.1	22.0
	Females	26.6	26.5
Retiring in 20 years	Males	24.2	24.1
	Females	28.9	28.8

Financial Assumptions

The main financial assumptions are:

	31 Mar 15	31 Mar 14
RPI increases	3.2	3.6
CPI increases	2.4	2.8
Salary increases	4.2	4.6
Pension increases	2.4	2.8
Discount rate	3.3	4.5

NOTE 20 – CURRENT ASSETS

	31 Mar 15	31 Mar 14
	£m	£m
Debtors:		
Amount due from the London Borough of Hounslow	0.6	0.0
Contributions due - employers	0.5	0.2
Contributions due - employees	0.1	0.1
Cash Balances	2.1	0.2
	3.3	**0.5**

Debtors

Debtors represent those sums of money owed to the Pension Fund for contributions due from scheduled and admitted bodies for 2014/15, for which payment had not been received as at 31 March 2015, and money owed to the Pension Fund from the Council's General Account as at 31 March 2015.

NOTE 21 – CURRENT LIABILITIES

	31 Mar 15	31 Mar 14
	£m	£m
London Borough of Hounslow	0.0	1.7
Management Fee Due	0.5	0.7
PAYE tax due to HMRC	0.3	0.0
	0.8	**2.4**

Creditors

Creditors represent those sums of money owed by the Pension Fund for fund management services received during 2014/15, for which payment had not been made as at 31 March 2015 and money owed to the Council's General Account from the Pension Fund as at 31 March 2015.

Investment Commitments

The Council is committed to making further investments in private equity funds. The total value of commitments outstanding at 31 March 2015 was £2.0m (£2.2m at 31 March 2014).

NOTE 22 – ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Pension's Additional Voluntary Contributions (AVC) providers are Standard Life.

Additional voluntary contributions of £28k were paid directly to Standard Life during the year (2013/14: £16k). Employees can contribute to the fund and Hounslow acts only as an agent, the contract being between the employee and Standard Life. The value of these separately invested additional voluntary contributions at 31 March 2015 was £378k.

In accordance with Regulation 4(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009, the contributions paid and the assets of these investments are not included in the Fund's accounts.

The AVC providers secure benefits on a money purchase basis for those members electing to pay AVCs. Members of the AVC schemes each receive an annual statement confirming the amounts held in their account and the movements in the year. The Fund relies on individual contributors to check that deductions are accurately reflected in the statements provided by the AVC provider.

NOTE 23 – RELATED PARTY TRANSACTIONS

The Fund is administered by the London Borough of Hounslow and the Council is a related party to the Fund. During 2014/15, some 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 2015 £0.5m was owed by the General Account to the Pension Fund (At 31 March 2014 £1.7m was owed by the Pension Fund to the General Account).

The Pension Fund incurred administrative expenses of £0.5m in 2014/15 (£0.8m 2013/14) for Council officers' time spent in administering the Fund.

No other material transactions with related parties of the Fund during 2014/15 were identified.

The Council has a significant interest in one scheduled body (Hounslow Homes) who are within the Fund. Prior to its cessation in January 2015, the Council received £2.2m in employer contributions, deficit and early retirement costs from this body (2013/14: £3.0m).

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 2015. Chief Financial Officer Dated:	I confirm that these accounts were approved at a meeting of the Audit Committee on 22 September 2015. Chair of the Audit Committee Dated:

Annual Governance Statement 2014/15

1. Scope of Responsibility

1.1 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.

1.2 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.

1.3 The council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government.

1.4 This statement explains how the council has complied with the code and also meets the requirements of regulation 4(13) and Audit Regulations 2011 in relation to the approval of the Annual Governance Statement. It also highlights how the council's financial management arrangements confirm to the governance requirements of CIPFA's Statement on the Role of the Chief Finance Officer in Local Government (2010) as set out in the December 2012 Addendum / delivering good governance in Local Government: Framework.

2. The Purpose of the Governance Framework

2.1 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.

2.2 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.

2.3 The governance framework has been in place at the London Borough of Hounslow for the year ended 31st March 2015 and up to the date of approval of the annual report and the statement of accounts.

3.0 The Governance Framework

3.1 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.

3.1.1 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 (Our Promises to You – Corporate Plan 2014 – 19) 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.

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

3.1.2 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 strong 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 the Monitoring Officer is not a formal member of CLT. The Section 151 Officer has been attending as a member of CLT since October. Up to October, 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 included:

    - Both the Monitoring Officer and the Section 151 Officer had an 'open' invitation to attend the weekly CLT meetings (this continues for the Monitoring Officer).

- In addition, all agendas and papers were circulated to both Officers (as well as the forward plan for CLT meetings) and they were 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 was required once a month, at the meeting which draft Cabinet and Council and other key decision reports are reviewed. Again, with the Section 151 now present at CLT, the above arrangements continue for the Monitoring Officer.
- 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.

3.1.3 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.

3.1.4 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 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 Corporate Plan, through service business plans to individual delivery targets, which are reported to Cabinet.

3.1.5 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.

3.1.6 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 corporate plan and annual business plan which sets out and clearly communicates the priorities for the Council to all stakeholders and local communities through multiple channels.

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

- 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.

- 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.

- An annual Overview and Scrutiny Report is taken to Borough Council and published

- 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.

4.0 Review of Effectiveness

4.1 The Council has responsibility for conducting at least annually a review of the effectiveness of its governance framework, including the system of internal control.

4.2 The council's review of the effectiveness of its system of internal control is informed by:

- Annual Assurance Opinion of the Head of Internal Audit;
- Performance against targets;
- Annual Assurance Statement; and
- A review of the previous year's Annual Governance Statement.

4.3 The review of effectiveness of the council's governance framework is informed by the work of the Corporate Leadership Team, who have responsibility for the development and maintenance of the governance framework, the Head of Audit and Investigations' annual report, comments made by the external auditors and other review agencies.

The key evidence to support the review of effectiveness is outlined below:

4.3.1 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.

4.3.2 Performance Management

The Council has in place an embedded performance management framework, first 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.

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.

4.3.3 The Cabinet

The Cabinet is responsible for most key decisions. The Cabinet meets formally at least 8 times per year and makes decisions that are in line with the Council's overall policies and budget. However, Cabinet meet informally far more frequently in order to shape and provide transparency and scrutiny to the decisions being considered. 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.

4.3.4 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.

4.3.5 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.

4.3.6 The Audit Committee

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

The Audit Committee met regularly during 2014-15 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. Although some meeting were not quorate, full agendas were published and considered. The Minutes of the Audit Committee are presented at Council meetings which are attended by the Chair of the Audit Committee.

4.3.7 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 conform to the requirements of the CIPFA Statement on the Role of the Chief Financial Officer (Section 151 Officer).

4.3.8 Management

Each Director has provided a self-assurance statement in respect of 2014-15, 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

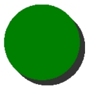
4.3.9 Internal Audit

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 2 June 2015, which was further circulated to members of the Corporate Leadership Team. This report outlined the key findings of the audit work undertaken during 2014 -15 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 2014 -15 provides moderate assurance in the effective management of risk.

4.3.10 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 2014 – 15, 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.

4.3.11 Risk Management

The Council managed its risks during 2014 - 15 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 2015 - 16 presented to the Audit Committee in February 2015 is 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 2015 / 16.

4.3.12 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.

4.3.13 Engagement

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

5.0 Significant Governance Issues

5.1 Based on the Council's established risk management approach, the issues detailed below have been assessed as being significant for the purpose of the 2014 -15 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.

- Hounslow Homes Transition – Further to the decision of Council to bring back in-house the services and functions delivered previously by Hounslow Homes. Significant scrutiny will be applied to the integration of this service into the council, including the system of internal controls within the Housing service.
- Budget overspends – Although the Council has coped well with cuts to Council funding, some key areas are struggling to deliver their services within their agreed budgets. These include Temporary Accommodation pressures and Looked After Children. Special Educational Need demand is also increasing and creating pressure on schools budgets.

Progress Against Actions Identified in the 2013 / 14 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 2014 /15 financial year. The progress made by the Council against these actions is as identified in the following table:

ANNUAL GOVERNANCE STATEMENT ACTION	CURRENT STATUS
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.	The Code of Corporate Governance adopted in 2014 has been subject to recent and ongoing review by the Monitoring Officer and who is on the process of placing this on the Hounslow website.
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.	Significant progress has been made in order for the Council to comply with the requirements of the Care Act 2014. These include i) Safeguarding Service being strengthened and put on a statutory footing; and ii) ii) Restructuring of the Adult Social Care Assessment and Care Planning pathways to support integration with health and to streamline access to adult social care. Examples of the new integrated services are:- Five GP Locality Teams, an Extended Hospital Social Work Service (7 day service), the Community Recovery Service; the Joint Commissioning Service.

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 governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically address with new actions planned are outlined in Section 5 above.

We propose over the coming year to take steps to address the above matters to 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.

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.

Signed…………………………
Councillor Steve Curran
Leader of the Council
Date:

Signed……………………………
Mary Harpley
Chief Executive
Date:

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

We have audited the financial statements of the London Borough of Hounslow for the year ended 31 March 2015. 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 2014/15.

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 2015 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 2015 and the amount and disposition of the fund's assets and liabilities as at 31 March 2015; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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 which accompanies the financial statements 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 the 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 2014, 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 2015.

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 2014, we are satisfied that, in all significant respects, the 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 2015.

Certificate

We certify that we have completed the audit of the financial statements of the London Borough of Hounslow in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Neil Thomas
for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants
15 Canada Square, London, E14 5GL
29 September 2015

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).

Available for sale assets

Assets that have a quoted market price and/or do not have fixed or determinable payments.

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.

Cash

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

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.

Contingent assets and liabilities

Contingent assets and liabilities arise 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.

Credit Risk

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

Intangible assets

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.

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.

Loans and receivables

Assets that have fixed or determinable payments but are not quoted in an active market.

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.

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.

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.

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.

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.