

Statement of Accounts

2019 - 2020

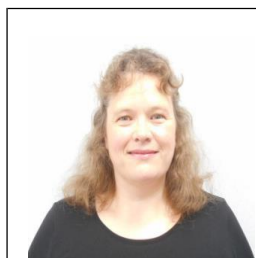


London Borough of Harrow
Statement of Accounts
2019 - 2020

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1. Narrative Report

Message from the Director of Finance



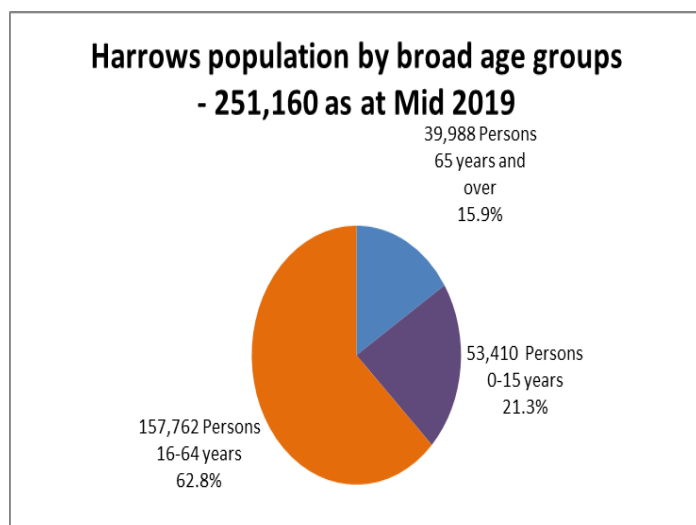
As the Council's statutory Chief Finance Officer, I have pleasure in writing the Narrative Report to Harrow Council's Statement of Accounts for 2019-20. The Narrative Report provides an analysis of Council performance during the year, an explanation of the financial results included in the Statement of Accounts and an overview of the future outlook beyond 2019-20.

The Statement of Accounts has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA). The purpose of the Statement of Accounts is to provide information on the Council's financial position and performance, and to give confidence to stakeholders that public money has been used to provide value for money services and has been accounted for in an appropriate manner.

This report includes the following sections:

- 1.1 An Introduction to Harrow
- 1.2 Review of the year including Financial Performance of the Council
- 1.3 Outlook for the Future
- 1.4 Explanation of the Financial Statements
- 1.5 Statement of Accounts
- 1.6 Receipt of Further Information and Acknowledgements

1.1 An Introduction to Harrow



Harrow is one of the most diverse places in the country. It is the 12th largest London Borough in terms of geographical area with a population of approximately 251,160 as at 30th June 2019. Harrow covers an area of approximately 50 sq km (just under 20 square miles) and over a quarter of the borough consists of open space, much of which is designated green belt or Metropolitan Open Land. Harrow has a strong entrepreneurial tradition with over 15,215 businesses located in the borough. It is well connected to London and the rest of the UK via the M1, M25 and M40 motorways and easily accessible for Heathrow Airport.

Key Facts about the Council

Harrow Council provides a range of services to the local community. Its vision and priorities are directed by the political leadership and implemented by the Corporate Strategic Board (CSB).

Harrow, in common with the majority of authorities in England, operates a 'Leader and Cabinet' model as its political management structure. This means that a Councillor is elected Leader of the Executive (Cabinet) by the Authority. The Leader has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions.

Organisational Structure

The Corporate Strategic Board (CSB) comprises the Council's Senior Management Team. This team is made up of the Council's Corporate Directors and Statutory Officers. The structure of the Senior Management Team has not changed in 2019/20 and comprises:

Chief Executive

Corporate Director - Community and Regeneration

Corporate Director - People's

Corporate Director - Resources

Director of Finance

Director of Legal & Governance

Director of Adult Social Services

Director of Public Health

The CSB manages the delivery of Council services, improvements and future plans for Harrow. It provides managerial leadership and supports the elected Members in developing strategies and reviewing the Council's effectiveness of providing value for money services to the public. The Council is structured as follows:

| Resources Directorate | People's Directorate |
|------------------------------|---------------------------------------|
| Revenues and Benefits | Adult Social Care |
| Customer Services and IT | Public Health |
| Finance and Assurance | Commissioning and Schools |
| Strategic Commissioning | Children and Young People's Services |
| Procurement | Community |
| Human Resources | |
| Legal and Governance | |
| | |
| | Environment and Culture |
| | Commissioning and Commercial |
| | Housing |
| | Regeneration, Enterprise and Planning |

1.2 Summary of the Financial Performance of the Council

Revenue Budget

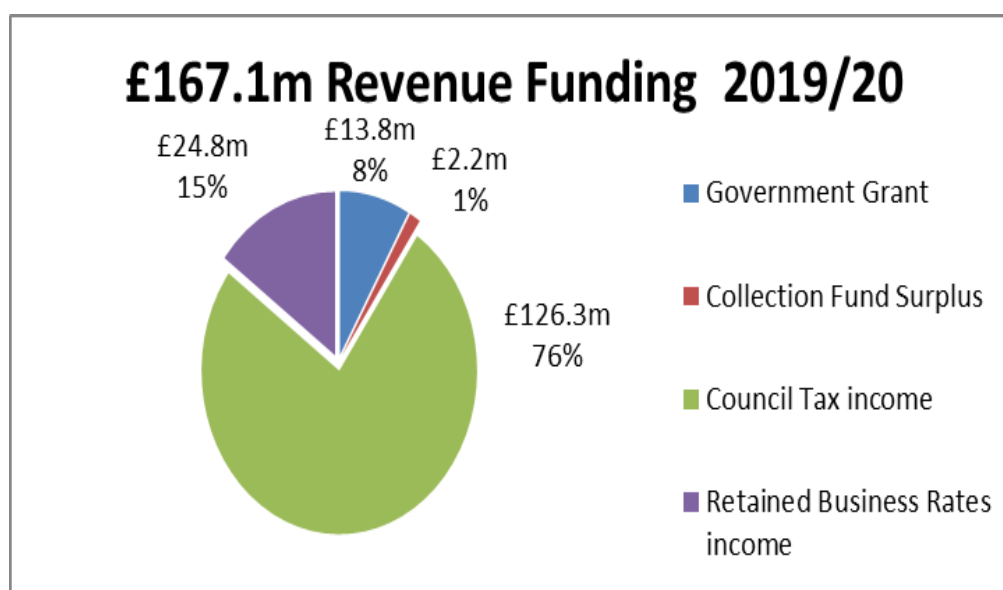
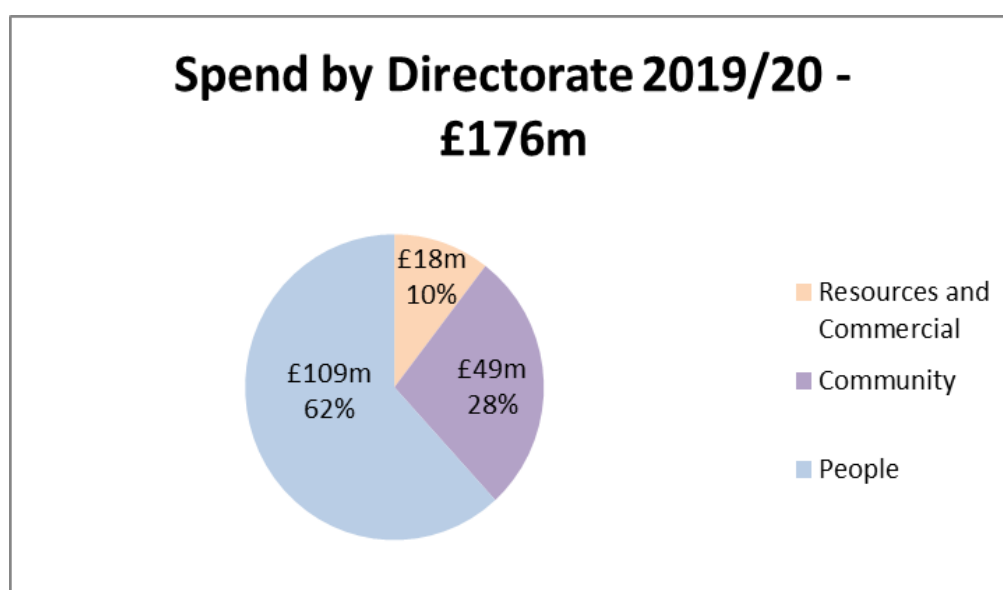
The outbreak of the Coronavirus has only had a minor impact upon the 2019-20 financial performance of the Council, with the main impact affecting 2020-21 and beyond as set out in section 1.3, the Financial outlook section.

During the year the Council delivered its services within the approved budget of £167.1m, contained the pressures arising from the challenging financial environment and managed the risks around demand pressures. This resulted in a balanced outturn position after contributing just under £6.1m into reserves, which after allowing for £3.2m which has been carried forward to be spent in 2020-21, leaves the remainder of £2.9m earmarked to help fund the 2020-21 budget and to fund capacity needed to implement future savings and organisational transformation.

The Council has maintained its General Fund Balances at just over £10m in 2019-20. This maintains the Council's capacity to manage risks arising in future years from continuing demographic pressures, the economy, welfare reforms and further changes to Central Government funding. Earmarked Reserves have decreased from £52.3m to £43.6m in 2019-20 as set out in note 5.7. The final outturn position for the year compared to the revised budget is set out below:

| | 2019-20 | | |
|---|------------------|------------------|-------------------|
| | Budget £000 | Actuals £000 | Variation £000 |
| Directorate costs | | | |
| People - Adult Services and Public Health | 66,026 | 66,356 | 330 |
| People - Children and Families | 41,906 | 42,469 | 563 |
| Community | 44,510 | 49,095 | 4,585 |
| Resources and Commercial | 18,779 | 18,389 | (390) |
| Total - Directorate | 171,221 | 176,309 | 5,088 |
| Other operating income | | | |
| Contingencies, Corporate Items and Non-service grants | (8,960) | (15,051) | (6,091) |
| Capital Financing and Interest | 7,921 | 2,781 | (5,140) |
| Net Expenditure | 170,182 | 164,039 | (6,143) |
| Use of Capital Receipts Flexibility | (3,100) | (3,100) | 0 |
| Net Expenditure | 167,082 | 160,939 | (6,143) |
| Transfer to Reserves: | | | |
| Unspent sums Carried Forward to 2020-21 | 0 | 3,171 | 3,171 |
| Contribution to Reserves | 0 | 2,972 | 2,972 |
| Net Expenditure | 167,082 | 167,082 | 0 |
| Funded by : | | | |
| Government Grant | (13,753) | (13,753) | 0 |
| Collection Fund Surplus | (2,200) | (2,200) | 0 |
| Council Tax income | (126,295) | (126,295) | 0 |
| Business Rates income | (24,834) | (24,834) | 0 |
| Total | (167,082) | (167,082) | 0 |
| Surplus for the year | | 0 | |
| General Fund balance at 31 March 2020 | | 10,008 | |

The following pie charts break down actual total expenditure and revenue funding as per the final outturn position:



Capital Programme 2019-20

During 2019-20 the Council invested £90.6m on developing or acquiring capital assets. This was mainly funded from £66m borrowing and the balance of £24.6m funded from external grants, section 106/CIL contributions, revenue contributions and capital receipts.

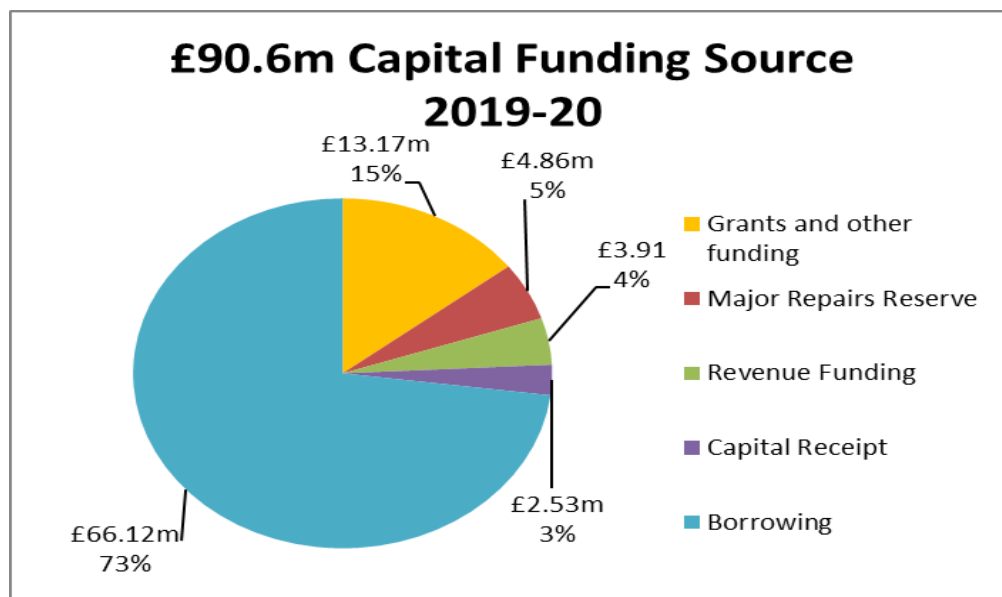
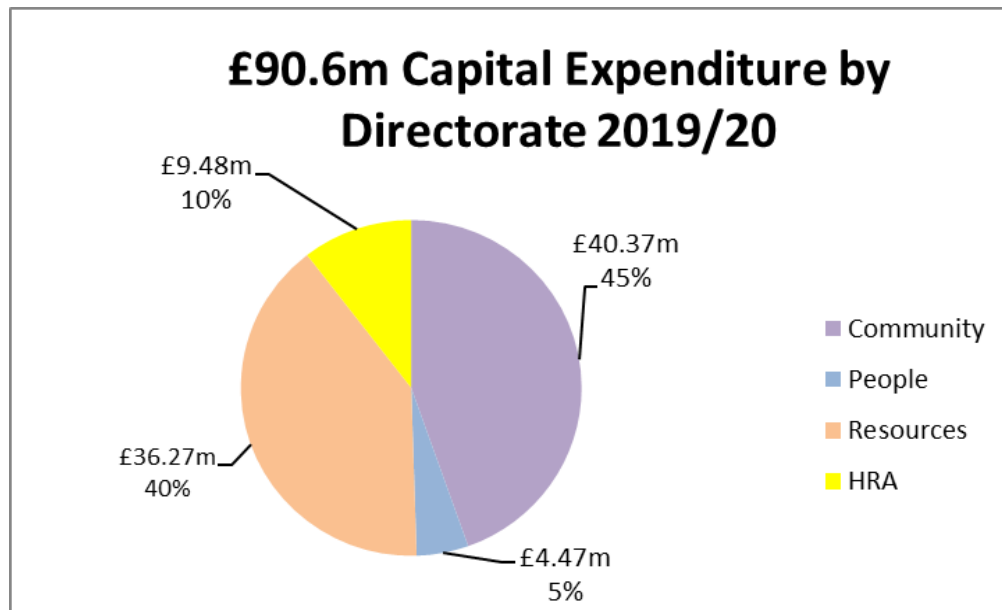
Major projects included in the capital programme were:

- Continued investment in new technology to improve Council Services;
- Acquisition of 1 Investment Property and an Office block in Central Harrow;
- Continuation of the Schools expansion programme including SEN provision;
- Highways improvement programme and Street Lighting Improvements;
- Continuation of the programme to redevelop the central depot;
- Redevelopment of Vernon Lodge and Atkins House;
- Improvements to parks and playgrounds;
- Upgrade of the CCTV Infrastructure;
- Purchase of new transport fleet;
- Provision of disabled facility grants to private sector tenants;

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- Purchase of homes in Harrow for temporary accommodation;
- Improvements to the Council's housing stock;
- Provision of new Council Homes

The following charts show how the £90.6m was spent by Directorate and also how the Capital Programme was funded:



Housing Revenue Account (HRA)

Housing supply from all providers increased by some 1,226 homes across Harrow in 2019-20. This is the highest increase in any year over the past 30 years and includes, for the first time in decades, a net increase in Council housing stock as a result of new house building in accordance with the Mayor of London's Building Council Homes for Londoners' Programme. 73% of the Heart of Harrow's new 2,800 homes have been completed within five years of the 15-year target. Contractors were also appointed to deliver Phase 1 of the Grange Farm regeneration, comprising 68 homes for social rent and 21 for shared ownership.

Collection Fund

The in-year Council tax collection rate for 2019-20 was 97.57% which compared favorably with the target of 97.25%. Business rate collection was 96.67% which was below the target of 97%. Collection of Business rates income is challenging due to the large number of small businesses in the borough. The overall position for the Collection Fund is a net surplus of £3.026m against an estimated surplus of £2.638m. This net variance of £0.388m was mainly as a result of slightly higher collection of council tax arrears.

Treasury Management

The main focus for Treasury Management is to maintain the value of investments, to ensure cash balances are maintained in a way to support the capital programme and maintain an adequate level of working capital, to seek optimum returns within these parameters and to minimize borrowing costs. The investment portfolio achieved an average return of 0.49% reflecting the short duration of investments held during the year.

During 2019-20, there was a net increase in borrowing of £76m. A £12m loan was repaid on maturity. £32m of short-term borrowing taken in 2018-19 was repaid on maturity. There was new borrowing of £120m mostly through PWLB. Total Borrowing at year end was £422m and the average interest rate was 3.5%. The strategy to fund capital expenditure was to use cash balances in-year, in recognition of the unfavorable gap between investment returns and borrowing costs.

Pensions

The Pension Fund is maintained at a level to meet the Council's long-term liability for pension benefits. The Fund's net assets decreased to £777.8m, almost entirely due to the decrease of £73.6m in the market value of investments. The Fund's investment performance for the year was -8.1%. This was largely due to a significant fall in the value of the Fund's investment assets in the quarter ended 31 March 2020. This fall in value was a consequence of the upheaval in investment markets caused by the Covid-19 global pandemic. The date of the accounts (31 March 2020) was shortly after the beginning of "lockdowns" in many of the larger developed world economies. There has been a recovery in asset valuations in the subsequent months, and at 31 July 2020 the value of the Fund's net assets valuation had recovered to £877.3m.

The financial statements include the relevant pension costs and provisions required to reflect the pension accounting arrangements under the International Accounting Standards (IAS19). For balance sheet purposes, the Council's estimated liabilities for retirement benefits exceeded the assets in the relevant funds by £407m at 31st March 2020. This is £1m more than the net liabilities of £406m twelve months earlier (see note 5.38.5).

The impact on council tax, however, is dependent on the actuarial valuation of the Pension Fund carried out every three years. The strategy is to achieve 100% funding over 20 years and to provide stability in employer contribution rates by spreading increases over a period of time. At the last valuation, carried out in March 2019, the fund was assessed as being 94% funded, corresponding to a shortfall of £52m. The Council's contribution rate for the financial year 2019-20 was 16%, plus a cash contribution of £7.3m, which brought the overall contribution rate to 24.87% for the year.

Harrow's 2019-20 Achievements

The Council's key achievements for the year are set out below and follow the Council's priorities:

Build a Better Harrow

Some 1,226 net housing completions were achieved in 2019-20 – the highest number of completions in any year over the past 30 years. 73% of the Heart of Harrow's new 2,800 homes completed within five years of the 15-year target. Contractors were appointed to deliver Phase 1 of the Grange Farm regeneration, comprising 68 homes for social rent and 21 for shared ownership.

Harrow is the lead commissioner for first Regional Adoption Agency in London and has been commended by the Minister of State for Children and Families at the Department for Education for achieving this important new configuration to maximise permanent positive outcomes for children and young people.

Demand for our successful cultural services continues to grow. Bookings for classes and workshops at Harrow Arts Centre saw a 13% increase compared with Q1 2018-19. The pantomime at the Arts Centre (Aladdin) was the most successful to date, with excellent audience feedback. New library opening hours were introduced and there has been an increase in physical and online visits, compared to last year.

Works on the installation of a full-size 3G Artificial Grass Pitch at Bannister Sports Centre will start in summer 2020, supported by a £407k grant from by the Premier League and the FA Facilities Fund received in 2019-20.

Substantial improvements in waste collection, including the extension of food waste collections to flats, were confirmed by reduced complaints levels. The garden waste service for 2020 has been simplified. Improved performance was also noted in the areas of street cleanliness and compliant food establishments.

Supporting Those Most in Need

A Peer Review focusing on Adolescent Safeguarding identified a number of areas of strength for the Council, and a positive Ofsted report was published on Special Educational Needs and Disabilities provision, which is an excellent achievement against a background of financial constraints and confirms the delivery of positive outcomes for service users of these complex services.

Despite the significant challenges in adult services as a result of rising costs and demand, there has been significant progress this year on the Transformation of Adult Services with continued progress made in the "Resilient Communities" programme which was initially launched in 2018-19.

The all-ages disability service was successfully launched; and the health visitors and the infant feeding coordinator gained a Unicef Baby Friendly award. Harrow welcomed its first two families under the Vulnerable Persons Resettlement Scheme.

Preserving Vital Public Services

The Council secured £1.1m from the Department for Education, principally to cover the emergency works in the excellent response that the Council led when chalk mines were discovered under Pinner Wood School.

Ofsted awarded the Children and Families service a judgement of Good, highlighting positive outcomes for children, strong leadership and good partnerships. Attainment in 2019 in schools and Early Years settings at all Key Stages has improved or been sustained at a high level overall and recent school inspections under the new framework have led to positive outcomes

The Council also continues to collaborate with Transport for London to improve transport access across the borough, which will see positive impacts on resident journeys in the borough.

A Strong Local Economy for All

A Business Skills Accelerator Programme was launched to support Harrow enterprises to grow and sustain their business through improving and developing their skills, knowledge and operations. Coupled with this, the Skills Escalator programme also started, to help residents earning less than the London Living Wage to increase their earnings through the provision of short accredited industry-recognised training courses. A record number of Harrow residents achieved a Skills for Life qualification in English and Maths with Adult Community Learning (Learn Harrow), with a 31% increase in achievements on last year.

Modernising Harrow Council

The Council's new transformation programme "Modernising How We Work" was launched. The HR team returned to direct employment by Harrow Council from the shared service with Buckinghamshire County Council in October 2019, and the Legal Services arrangement with the same Council also ended.

Building Control secured plan checking services on five major residential projects and the filming service more than achieved its planned income for the year.

The new Council Tax Support scheme, following the introduction of Universal Credit, was successfully consulted upon and was approved by Council in January 2020.

The Council's new website launched in October 2019, offering a personalised approach to accessing Council services online, and a further programme of work is ongoing.

1.3 Outlook for the Future

The Council, along with the rest of local government, is facing an unprecedented crisis following the outbreak of the global coronavirus pandemic that has impacted the lives of so many people in Harrow, the UK and worldwide and which resulted in the Country going into lockdown in March 2020.

The national and local response to the Covid-19 crisis has been unprecedented. For the Council this has involved action across many spheres of activity both with regard to our community leadership role and as provider of universal and specialist services.

The Council's response has been focused on ensuring that the core objectives of reducing the spread of the virus while protecting the most vulnerable members of our community have been achieved. In delivering this response much of this activity has been in partnership with other organisations including the NHS, care providers, local business and the voluntary and community sector.

The Covid-19 emergency is having a significant impact on the Council's financial position both for 2020-21 and the subsequent financial years. Given the size and scale of the potential impact on the Council's finances this will remain a key focus for the organisation going forward.

The Council has received a number of income streams from various central government departments to support its response to, and required additional duties in light of the, COVID 19 pandemic. Income streams include Grants to Small Businesses, Track & Trace, Infection Control, Clinically Extremely Vulnerable and Reopening High Streets Safely. Such funding sources have been deployed in accordance with funding conditions to support residents, businesses, care providers and the voluntary sector.

The direct impact of the pandemic on the Council's 2020-21 revenue budget is being supported by 2 incomes streams. The first is Emergency Funding to support additional expenditure incurred and the loss of income. Currently four tranches of Emergency Funding have been received by the Council totaling £17.761m as at the end of November 2020. The second is the Income Compensation Scheme which will be paid in three instalments following the submission of three claims, the first instalment being due by the end of November 2020. The Council is estimating to receive a total of £4.7m and this estimate remains under review. Both these income streams are for 2020-21 only whilst the impacts of the pandemic will continue into the next financial year. The Council is waiting for the results of the Comprehensive Spending Review to understand its funding settlement for 2021-22 including funding for the legacy impacts of COVID 19.

Prior to the Covid-19 crisis the Council was already facing substantial financial challenges as a result of ongoing annual reductions in funding received from Central Government as well as additional spending pressures caused by the increase in the cost of living and an increased demand for services in Adult Social Care as a result of having an ageing population. If Government support is not adequate to cover the financial impact of the Covid-19 emergency the Council's ability to deliver services in an ongoing way may be severely compromised.

The Council responded to these pre-Covid-19 challenges by identifying efficiencies and looking at ways to innovate service delivery in accordance with a savings programme agreed by Full Council in February 2020 for the Financial Years 2020-21 to 2022-23. Over this period, further savings of £12.2m have been included in the Medium-Term Financial Strategy (MTFS). Even with these savings already identified, the Council faces budget gaps of £11.4m in 2021-22 and £11.2m in 2022-23. The financial impact of the Covid-19 emergency is being considered alongside the published MTFS and existing gaps totaling £22.6m.

In 2020-21 a revenue budget of £174.8m was set along with a 3.99% increase in Council Tax which was approved by the Council in February 2020. The 3.99% increase reflected a 1.99% increase in respect of the traditional council tax increase and 2.0% for the Adult Social Care precept (ASC).

The General Fund Balance as at 31st March 2020 remains just above £10m (£10.008m) and the Earmarked Reserves are £43.6m at 31st March 2020, which compares with £52.3m at the 1st April 2019. As pressures on the Council's finances continue, it is anticipated that these reserves will need to be monitored closely to ensure that they are adequate and proportionate to the risks faced by Harrow.

All councils, not just Harrow, continue to find themselves in a very uncertain and volatile situation as a result of external events, beyond the Council's control, adversely impacting on funding and demand for Harrow services. Apart from the significant impact of Covid-19, the impact of Brexit also still remains uncertain.

There is no likelihood of any positive change expected in Central Government's funding levels to Local Government from either the fair funding or spending review which have now been delayed further beyond 2021-22. This continues to create a challenging environment for the very real role that local government plays in the local community and the positive impact that the Council can have on people's quality of life.

The 3 year budget (2020-21 to 2022-23) was set to address the financial challenges faced by the Council and to set out its plans for financial sustainability. This 3 year budget will be refreshed annually to ensure it accurately reflects the ongoing challenges faced.

1.4 Explanation of the Financial Statements

The Statements are prepared on a going concern basis, that is, they are prepared on the assumption that the Council will continue in operational existence for the foreseeable future. The Statements have been prepared in accordance with proper accounting practices and all relevant statutory requirements. Proper accounting practices represent compliance with the following:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2019-20;
- All relevant International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

1.5 The Statement of Accounts

- **Statement of Responsibilities for the Statement of Accounts** sets out the respective responsibilities of the Council and the Chief Finance Officer.
- **Comprehensive Income and Expenditure Statement (CIES)** shows the true economic cost of providing services in the year, valued in accordance with proper accounting practices. Differences between the true economic cost of providing services and the level of expenditure allowed by regulations to be funded by local taxation and dwelling rents are explained in the EFA.
- **Movement in Reserves Statement (MiRS)** shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The Total Comprehensive Expenditure and (Income) line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES.
- **Balance Sheet** shows the value of the assets and liabilities recognised by the Council as at 31st March 2020, valued in accordance with proper accounting practices. The net value of these assets and liabilities is matched by the value of the Council's reserves. Usable Reserves can be used to provide services, subject to any statutory limitations on their use. Unusable Reserves cannot be used to provide services. These include reserves holding unrealised gains and losses on assets, which will only become available to provide services if the assets are sold, and reserves holding timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.
- **Cash Flow Statement** shows the changes in cash and cash equivalents of the Council during the year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing or financing activities. Cash flows from operating activities show how the operations of the Council are funded by way of taxation, grant income and receipts from services provided by the Council. Cash flows from investing activities shows cash flows intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
- **Housing Revenue Account (HRA)** shows the true economic cost in the year of providing housing services, valued in accordance with proper accounting practices. Differences between the true economic cost of providing housing services and the level of expenditure allowed by regulations to be funded by rental income is explained in the Statement of Movement on the HRA Balance.
- **The Collection Fund** is an agent's statement reflecting the Council's statutory obligation to maintain a separate Collection Fund. The statement shows tax income collected from local taxpayers and the distribution of this money to the Council, the Government and the GLA.
- **Annual Governance Statement** sets out the framework within which the effectiveness of the Council's internal controls (including financial controls) are managed and reviewed each year. The review reports on significant weaknesses, areas identified for improvement and the actions taken to strengthen these areas.
- **The Pension Fund Account** provides information about the financial position, performance and financial adaptability of the Fund. It shows contributions to the Council's Pension Fund for employees during the year, together with the pensions and other benefits paid from it, movements in investments during the year and the financial position of the Fund.

1.6 Receipt of further Information and acknowledgements

If you would like to receive further information about these accounts, please do not hesitate to contact me at the Finance Division, Resources and Commercial Directorate, Harrow Council (Dawn.Calvert@harrow.gov.uk).

The production of the Statement of Accounts would not have been possible without the exceptional hard work and dedication of staff across the Council. I would like to express my gratitude to all colleagues from the Finance Team and other services, who assisted in the preparation of this document. I would also like to thank them for all their support during the financial year.

A handwritten signature in purple ink, reading "D. Calvert". The signature is written in a cursive style with a large, stylized 'D'.

**Dawn Calvert CPFA
Director of Finance
30th November 2020**

2 Statement of Responsibilities

The Council's Responsibilities

The Council 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 Harrow, that officer is the Director of Finance;
- Manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets; and
- Approve the statement of accounts (delegated to the Governance, Audit, Risk Management and Standards Committee (GARMS Committee)).

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Council'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 Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the local authority Code.

The Director of Finance has also:

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

Certification by the Director of Finance:

I certify that the Statement of Accounts as set out in this document presents a true and fair view of the financial position of the Council as at 31st March 2020 and its income and expenditure for the year ended 31st March 2020.



Dawn Calvert CPFA
Director of Finance
30th November 2020

Governance, Audit, Risk Management and Standards Committee Certificate for the Approval of Accounts

These accounts were considered and approved by the Governance, Audit, Risk Management and Standards Committee (GARMSC) at the meeting held on 22nd October 2020.

Signed on behalf of London Borough of Harrow Council.

A handwritten signature in black ink that reads "David Perry". The signature is written in a cursive style with a horizontal line underneath the name.

**Councillor David Perry
Chairman (GARMSC)
22nd October 2020**

3 Audit Opinion & Certificate

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

Report on the financial statements

Opinion

We have audited the financial statements of the London Borough of Harrow (the Council) for the year ended 31 March 2020, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the London Borough of Harrow as at 31st March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – the valuation of land, buildings and, investment property and pension fund pooled property investments

We draw attention to Note 5.3 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land, buildings and investment property, and the valuation of the Council's share of the Harrow Pension Fund pooled property investments. As disclosed in Note 5.3 to the financial statements, the Council's and Pension Fund valuers included a 'material valuation uncertainty' declaration in their reports as a result of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance is responsible for the other information. The other information comprises the the Annual Governance Statement and information included in the Statement of Accounts, other than the London Borough of Harrow Statement of Accounts 2019-20

financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Finance for the financial statements

As explained more fully in the Statement of the Director of Finance Responsibilities, the Director of Finance 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 2019/20, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, the London Borough of Harrow has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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 Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of the London Borough of Harrow, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council 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 Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Lucy Nutley

Lucy Nutley
For and on behalf of Mazars LLP

Tower Bridge House
St Katharine's Way
London, E1W 1DD

6th July 2021

4 Presentation of Financial Statements

4.1 Comprehensive Income and Expenditure Statement

| 2018-19 | | | | 2019-20 | | | |
|-------------------|--------------|--------------------------|---|---------|-------------------|--------------|--------------------------|
| Gross Expenditure | Gross Income | Net Expenditure/(Income) | | Notes | Gross Expenditure | Gross Income | Net Expenditure/(Income) |
| £000 | £000 | £000 | | | £000 | £000 | £000 |
| 103,799 | (38,181) | 65,618 | People - Adult Services and Public Health | | 106,782 | (38,464) | 68,318 |
| 218,301 | (167,324) | 50,977 | People - Children and Families | | 203,483 | (153,497) | 49,986 |
| 93,019 | (49,065) | 43,954 | Community | | 96,252 | (50,431) | 45,821 |
| 184,473 | (164,006) | 20,467 | Resources | | 176,601 | (149,842) | 26,759 |
| 25,892 | (31,554) | (5,662) | Housing Revenue Account | 6.1 | 25,949 | (31,940) | (5,991) |
| 625,484 | (450,130) | 175,354 | Cost of Services | | 609,067 | (424,174) | 184,893 |
| 42,398 | 0 | 42,398 | Other Operating Income and Expenditure | 5.8 | 13,243 | (5,917) | 7,326 |
| 31,458 | (5,564) | 25,894 | Financing and Investment Income and Expenditure | 5.9 | 38,252 | (1,635) | 36,617 |
| 0 | (186,932) | (186,932) | Taxation and Non-Specific Grant Income | 5.10 | 0 | (204,079) | (204,079) |
| | | 56,714 | (Surplus) Deficit on Provision of Services | | | | 24,757 |
| | | 14,720 | (Surplus) Deficit on revaluation of property, plant & equipment | 5.23.1 | | | (38,781) |
| | | 30,239 | Remeasurements of net pension liability | 5.23.4 | | | (23,607) |
| | | 44,959 | Other Comprehensive (Income) and Expenditure | | | | (62,388) |
| | | 101,673 | Total Comprehensive (Income) and Expenditure | | | | (37,631) |

4.2 Movement in Reserves Statement (MiRS)

| | General Fund Balance £000 | Housing Revenue Account £000 | Earmarked Reserves £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|------------------------------------|---------------------------------------|-------------------------------|--|-------------------------------------|--|-------------------------------------|------------------------------|--|
| Balance at 31 March 2018 brought forward | (10,008) | (7,474) | (43,312) | (18,619) | (4,242) | (27,538) | (111,193) | (422,390) | (533,583) |
| <u>Movement in reserves during 2018-19</u> | | | | | | | | | |
| Total Comprehensive Expenditure and (Income) (Note 4.1) | 52,428 | 4,286 | 0 | 0 | 0 | 0 | 56,714 | 44,959 | 101,673 |
| Adjustments between accounting basis & funding basis under regulations (Note 5.6) | (75,177) | (4,460) | 0 | 481 | (1,471) | 997 | (79,630) | 79,630 | 0 |
| Net (Increase)/Decrease | (22,749) | (174) | 0 | 481 | (1,471) | 997 | (22,916) | 124,589 | 101,673 |
| Other movements | 22,749 | 174 | (22,923) | 0 | 0 | 0 | 0 | 0 | 0 |
| (Increase)/Decrease in 2018-19 | 0 | 0 | (22,923) | 481 | (1,471) | 997 | (22,916) | 124,589 | 101,673 |
| Balance at 31 March 2019 carried forward (Note 4.3) | (10,008) | (7,474) | (66,235) | (18,138) | (5,713) | (26,541) | (134,109) | (297,801) | (431,910) |
| Balance at 31 March 2019 brought forward (Note 4.3) | (10,008) | (7,474) | (66,235) | (18,138) | (5,713) | (26,541) | (134,109) | (297,801) | (431,910) |
| <u>Movement in reserves during 2019-20</u> | | | | | | | | | |
| Total Comprehensive Expenditure and (Income) (Note 4.1) | 31,187 | (6,430) | 0 | 0 | 0 | 0 | 24,757 | (62,388) | (37,631) |
| Adjustments between accounting basis & funding basis under regulations (Note 5.6) | (22,012) | 6,289 | 0 | (567) | (2,028) | (8,847) | (27,165) | 27,165 | 0 |
| Net (Increase)/Decrease | 9,175 | (141) | 0 | (567) | (2,028) | (8,847) | (2,408) | (35,223) | (37,631) |
| Other movements | (9,175) | 89 | 9,086 | 0 | 0 | 0 | 0 | 3 | 3 |
| (Increase)/Decrease in 2019-20 | 0 | (52) | 9,086 | (567) | (2,028) | (8,847) | (2,408) | (35,220) | (37,628) |
| Balance at 31 March 2020 carried forward (Note 4.3) | (10,008) | (7,526) | (57,149) | (18,705) | (7,741) | (35,388) | (136,517) | (333,021) | (469,538) |

4.3 Balance Sheet

| 31-Mar-19 £000 | | Notes | 31-Mar-20 £000 |
|-------------------|------------------------------------|--------|-------------------|
| 1,162,918 | Property Plant and Equipment | 5.11 | 1,230,673 |
| 34,728 | Investment Property | 5.13 | 72,927 |
| 39,075 | Long Term Debtors | 5.15 | 16,017 |
| <u>1,236,721</u> | Long Term Assets | | 1,319,617 |
| 11,105 | Short Term Investments | 5.14 | 23,615 |
| 33,399 | Short Term Debtors | 5.16 | 37,659 |
| 12,652 | Cash and Cash Equivalents | 5.17 | 38,606 |
| <u>57,156</u> | Current Assets | | 99,880 |
| (47,564) | Short Term Borrowing | 5.18 | (4,765) |
| (74,298) | Short Term Creditors | 5.19 | (80,873) |
| (5,780) | Provisions | 5.20 | (4,393) |
| <u>(127,642)</u> | Current Liabilities | | (90,031) |
| (6,052) | Provisions | 5.20 | (5,907) |
| (302,451) | Long Term Borrowing | 5.14 | (422,403) |
| (420,507) | Other Long Term Liabilities | 5.21 | (424,484) |
| (5,315) | Capital Grants Receipts in Advance | 5.33.3 | (7,134) |
| <u>(734,325)</u> | Long Term Liabilities | | (859,928) |
| <u>431,910</u> | Net Assets | | 469,538 |
| (134,109) | Usable Reserves | 5.22 | (136,517) |
| (297,801) | Unusable Reserves | 5.23 | (333,021) |
| <u>(431,910)</u> | Total Reserves | | (469,538) |

4.4 Cash Flow Statement

| 2018-19 £000 | | Notes | 2019-20 £000 |
|-----------------|--|--------|-----------------|
| (56,714) | Net (deficit)/surplus on the provision of services | 4.1 | (24,757) |
| 94,649 | Adjustments to net deficit on the provision of services for non cash movements | 5.24.1 | 71,645 |
| (11,012) | Adjustments for items included in the net deficit on the provision of services that are investing and financing activities | 5.24.1 | (32,801) |
| 26,923 | Net cash flow from Operating Activities | | 14,087 |
| (40,118) | Investing Activities | 5.24.2 | (67,398) |
| 20,707 | Financing Activities | 5.24.3 | 79,265 |
| 7,512 | Net increase/(decrease) in cash and cash equivalents | | 25,954 |
| 5,140 | Cash and cash equivalents at the beginning of the reporting period | 5.17 | 12,652 |
| 12,652 | Cash and cash equivalents at the end of the reporting period | 5.17 | 38,606 |

5 Notes to the Financial Statements

5.1 Accounting Policies

5.1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2019-20 financial year and its position as at 31st March 2020. The Council is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit (England) Regulations 2015, which require preparation in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 supported by International Financial Reporting Standards (IFRS).

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. The Council makes use of estimation techniques as deemed appropriate to specific circumstances and these are disclosed in the accounts where material.

The accounts have been prepared in accordance with three fundamental concepts:

- Going Concern;
- Primacy of Legislative Requirements; and
- Accruals of Income and Expenditure.

Going Concern

The Statement of Accounts have been prepared on a going concern basis, that is, the accounts have been prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

Primacy of Legislative Requirements

Local Councils derive their powers from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that treatments are prescribed by law the accounting concepts outlined above may not apply in all cases. It is a fundamental principle of the Council's accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall take precedence.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue is recognised when goods or services are transferred to an external customer in accordance with the performance obligations in the contract;
- Expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms;
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be collected due to non-payment or default, the balance not expected to be collected is written down and a charge made to revenue.

London Borough of Harrow Statement of Accounts 2019-20

5.1.2 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months 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 Council's cash management.

5.1.3 Material Items of Income and Expense

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

5.1.4 Prior Period Adjustments, Changes in Accounting Policies, 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 prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Where a change in accounting policies 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.

5.1.5 Charges to Revenue for Non-Current Assets

Services, support services, trading accounts and the Housing Revenue Account (HRA) are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation or amortisation attributable to the assets used by the relevant service; and
- 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.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make Minimum Revenue Provision (MRP) from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses are therefore replaced by the MRP contribution in the General Fund, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Capital charges to the HRA are made in accordance with the Item 8 Determination. The HRA is not required to contribute MRP. Instead, depreciation charged to the HRA is transferred to the Major Repairs Reserve to be used to fund future HRA capital expenditure.

5.1.6 Accounting for Council Tax and NDR

Billing Authorities in England are required by statute to maintain a separate Collection Fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR). Billing Authorities act as an agent in respect of that proportion of Council Tax and NDR Income collected on behalf of preceptors.

Council Tax collected belongs proportionately to the Council and the Greater London Authority. NDR collected by the Council belongs to the Council (48%), to the Ministry of Housing, Communities and Local Government (25%) and to the Greater London Authority (27%).

The Council's share of Council Tax and NDR is recognised in the Comprehensive Income and Expenditure Statement. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

5.1.7 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries and wages, paid annual leave, paid sick leave and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to (Surplus) or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs of a restructuring which include the payment of termination benefits.

Post-Employment Benefits

Employees of the Council are members of the following pension schemes:

- The Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education (DfE);
- The Local Government Pensions Scheme, administered by the Council.

The schemes provide defined benefits to members earned as employees who worked for the Council.

However, the arrangements for the teachers' scheme mean that the Council's share of net liabilities for these benefits cannot ordinarily be separately identified. The scheme is therefore accounted for as if it was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Comprehensive Income and Expenditure Statement is charged with employer contributions payable in the year.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefit scheme.

The liabilities of Harrow Council Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. 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 projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate determined by the Actuary (based on the indicative rate of return on high quality corporate bonds).

The assets of Harrow Council Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price;
- Unquoted securities – professional estimate;
- Unitised securities – current bid price; and
- Property – market value current bid price.

The change in the net pension liability is analysed into the following components:

- Current Service Cost – the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the service segments for which the employees worked;
- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement;
- Net Interest Cost – the change during the period in the net defined benefit liability (asset) that arises from the passage of time. This is charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Expected return on assets – excluding amounts included in net interest on the net defined benefit liability (asset). This is charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited or credited to the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement;
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This is debited or credited to the Pensions Reserve; and
- Contributions paid to the Councils' pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

Statutory provisions require the General Fund Balance to be charged with the actual pension amounts payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. This means that there are appropriations in the Movement in Reserves Statement 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 to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

London Borough of Harrow Statement of Accounts 2019-20

Discretionary Benefits

The Council 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.

5.1.8 Events After the Reporting Period

Events after the Balance Sheet date 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. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. 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; and
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but 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.

5.1.9 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure 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.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure 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 Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. Regulations allow the impact on the General Fund Balance of these gains and losses to be spread over future years. The Council has a policy of spreading the gain or 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 Comprehensive Income and Expenditure 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.

Financial Assets

Financial assets are classified and measured on a basis that reflects the business model for holding the financial assets and their cash flow characteristics. The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Losses on debtors are recognised collectively on a lifetime basis.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

5.1.10 Intangible Assets

The Council does not hold material intangible assets.

5.1.11 Government Grants, Contributions and Donated Assets

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

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that must be met by the recipient as specified, or the grant must be repaid.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (Creditors or Capital Grants Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the relevant service segment line (revenue grants and contributions attributable to specific services) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where revenue grants that have been credited to the Comprehensive Income and Expenditure Statement are intended to meet specific service expenditure that has not yet been incurred, an equivalent amount is transferred from the General Fund Balance to an Earmarked Reserve in the Statement of Movement in Reserves. A transfer back is made in future years to match expenditure as it is incurred.

Where capital grants are credited to the Comprehensive Income and Expenditure 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. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

5.1.12 Investment Property

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 revalued annually at fair value, based on the amount at which the asset could be sold in an orderly transaction between market participants at the measurement date. Investment 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 Comprehensive Income and Expenditure 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.

5.1.13 Joint Operations

The Council discloses pooled budgets and other joint operations where they are material. The pooled budget notes disclose all income and expenditure incurred under the arrangements. The Comprehensive Income and Expenditure Statement and the Balance Sheet include only the Council's share of income and expenditure.

5.1.14 Leases

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 do not have the legal status of a lease 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.

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a contribution equal to the amount applied to write down the lease liability is made from revenue funds in accordance with statutory requirements. Depreciation and revaluation and impairment losses are transferred to the Capital Adjustment Account in the Movement in Reserves Statement so that there is no charge against Council Tax.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. 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. if there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal.

Operating Leases

Where the Council 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 Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if 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.

5.1.15 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

5.1.16 Heritage Assets

A heritage asset is an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Heritage Assets are generally recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below:

- Scheduled ancient monuments and war memorials are excluded from the balance sheet as there is either no information available on cost, or it is not practicable to obtain a valuation at reasonable cost; and
- Civic insignia are de-minimis for inclusion in the balance sheet.

5.1.17 Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as PPE.

Recognition

Expenditure on the acquisition, creation or enhancement of PPE is capitalised on an accruals basis, provided that it increases the value of the asset and that it yields benefits to the council and the services it provides for more than one financial year.

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 Council does not capitalise borrowing costs incurred whilst assets are under construction.

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 and Expenditure line of the Comprehensive Income and Expenditure Statement.

The gain is then reversed out of the General Fund 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 assets and assets under construction – depreciated historical cost;
- Council dwellings – current value, determined using the basis of existing use value for social housing (Existing Use Value - Social Housing (EUV-SH));
- Surplus assets – current value, determined as fair value based on the amount at which the asset could be sold in an orderly transaction between market participants;
- All other property assets – current value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value – EUV); and
- Assets that the local Council intends to hold in perpetuity and have no determinable useful life and may have restrictions in their disposal are classified as community assets, and in this instance are generally valued at a nominal £1.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, for example community schools, Depreciated Replacement Cost (DRC) is used as an estimate of fair value.

The Council has a rolling programme that ensures all PPE included in the Balance Sheet at fair value are revalued at least every five years and are reviewed at the year end to ensure that their carrying amount is not materially different from their fair value. Assets Under Construction are valued in the year that they come into use. Increases in valuations are usually 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.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the

carrying amount of the asset is written down against the relevant service segment line(s) in the Comprehensive Income and Expenditure Statement; and

- Amounts written down against the relevant service segments are transferred to the Capital Adjustment Account in the Movement in Reserves Statement so that there is no charge against Council Tax or the HRA.

Impairment

Assets are reviewed at 31st March each year to determine whether there is any indication that their carrying amounts are greater than their recoverable amount. Where differences between the two amounts are estimated to be material an impairment loss is recognised.

Where impairment losses are identified, they are accounted for in the same way as revaluation decreases.

Where an impairment loss is reversed subsequently, the reversal is credited to the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic 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). Newly acquired or completed assets are depreciated in the year following acquisition or completion.

Depreciation is calculated on the following basis:

- Council dwellings – straight-line allocation over the useful life of the property as estimated by the valuer: generally 90 years, with the exception of material components: 15–20 years;
- Other buildings – straight-line allocation over the useful life of the property as estimated by the valuer: 20-80 years;
- Vehicles, plant, furniture and equipment: straight- line allocation 5 years;
- Infrastructure assets – straight-line allocation: 10-80 years;
- Freehold land - not depreciated;
- Community assets are held at nominal value and therefore are not depreciated; and
- Newly acquired or completed assets are depreciated in the year following acquisition or completion.

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.

Componentisation

Material components are identified, valued at DRC, and depreciated separately. For Council Dwellings the Council identified the following material components:

| Component | Valuation basis | Useful economic life when new |
|-----------------|---------------------------------|-------------------------------|
| Central heating | 1.2% of building net book value | 15 years |
| Double glazing | 1.7% of building net book value | 15 years |
| Flat roof | Ranges £2,750 to £6,300 | 20 years |
| Kitchen | £5,000 | 15 years |
| Bathroom | £3,000 | 15 years |

The Council applies the following de-minimis criteria to General Fund properties to identify material components to be depreciated:

| | Criteria | De-minimis threshold |
|---|---------------------------------|--|
| 1 | Main building value | The value of the building must be greater than £4m. |
| 2 | Main asset Useful Economic Life | The main asset life must be 20 years or more. |
| 3 | Component value | The value of the component must be 20% or more of the value of the main asset. |
| 4 | Component Useful Economic Life | The life of the component must be 60% or less of the life of the main asset. |

Disposals

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

5.1.18 Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest and will use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The inputs to valuation techniques used are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

5.1.19 Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. PFI non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service segment in the Comprehensive Income and Expenditure Statement;
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease); and
- Lifecycle replacement costs – recognised as additions to Property, Plant and Equipment when the relevant works are carried out.

5.1.20 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate of the amount of the obligation can be made, but where the timing of the transfer is uncertain.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and where it becomes less 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.

Contingent Liabilities

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

Contingent Assets

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

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

5.1.21 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service segment in that year against the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance.

Some reserves such as the Revaluation Reserve, Capital Adjustment Account, Collection Fund Adjustment Account, Financial Instruments Adjustment Account, Employee Benefit Reserve and Pensions Reserve are maintained for purely accounting purposes and do not represent usable resources available to the Council. Their use is governed by statutory and / or CIPFA guidance and are explained in the relevant policies.

5.1.22 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service segment in the Comprehensive Income and Expenditure Statement in the year. A transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account is then made so that there is no charge against Council Tax.

5.1.23 Accounting for Schools

Community schools and voluntary aided schools are funded through Dedicated Schools Grant.

Community schools are recognised on the balance sheet as Property, Plant and Equipment. Expenditure, income, asset and liability balances for community schools are fully consolidated in the Statement of Accounts. Unspent funds belonging to the schools are included within the balance of Earmarked Reserves.

The Council does not have control over voluntary aided schools. Their assets and liabilities are not therefore included in the Council's accounts. Unspent funds belonging to the schools are included within the balance of Earmarked Reserves.

The Council does not have control over academy schools. Their asset, liability, income and expenditure balances are not included in the Council's accounts. Community schools that achieve academy status are derecognised in the balance sheet.

5.1.24 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenues and Customs. VAT receivable is excluded from income.

5.1.25 Group Accounts

The Council has interests in subsidiary companies. These interests are not material to the accounts therefore group accounts have not been prepared. The Council's interests in subsidiary companies are disclosed in the single-entity accounts as financial assets at cost, less any provision for losses.

5.2 Critical Judgements in Applying Accounting Policies

In applying accounting policies, the Council has made certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Funding

There is a high degree of uncertainty about future levels of funding for Local Government coupled with severe pressures on public expenditure. The Council has, however, put in place a financial strategy to mitigate these risks. As a consequence, it is the Council's view that the level of uncertainty is not significant enough in terms of its anticipated impact to warrant an impairment of assets due to reduced levels of service provision, or a need to close facilities.

5.3 Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council 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 assumptions and estimates.

The items on the Council's Balance Sheet for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| Property, Plant and Equipment | <p>Assets are depreciated over useful lives that are dependent on assumptions about the levels of repairs and maintenance that will be incurred in relation to individual assets. Adjustments to valuations and remaining useful economic lives have also been made on the basis of approved regeneration proposals.</p> <p>Assets valued at fair value are estimated based on quoted prices in active markets or other observable inputs for the type of asset being valued (fair value hierarchy levels 1 and 2).</p> <p>The fair value of some of the Council's investment properties and surplus assets cannot be estimated based on quoted prices in active markets or other observable inputs such as similar assets in active markets. In these cases fair value is measured using the most recent valuations adjusted to current valuation by the use of indexation and impairment review (fair value hierarchy level 3).</p> | <p>If the useful lives of assets are reduced, depreciation expense increases and the carrying amounts of the assets fall.</p> <p>Any reduction in asset values will result in a reduction in the Council's overall net asset position.</p> |
| Land, Buildings and Investment Property | <p>The outbreak of Covid-19 has impacted global financial markets. As at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Valuation - Global Standards. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the impact of Covid-19 on the economy. Values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.</p> | <p>The Authority's balance sheet includes a significant value of property, plant and equipment. Small variations in assumptions made can have a significant impact on the assigned value. Movements in valuation, however, do not affect Council tax levels, but are reflected in changes to the Capital Adjustment Account or Revaluation Reserve, as appropriate.</p> |
| Provisions | <p>Provisions are estimated on the basis of current knowledge of the amount that will eventually be paid. It is possible that the amounts eventually paid may be more than expected.</p> | <p>If future liabilities exceed the amounts set aside, the additional amounts would have to be met from the Council's general fund.</p> |

| | | |
|--------------------|--|---|
| Outstanding Debts | Provisions have been made for debt owed to the Council for which payment is doubtful. In the current economic climate, it is not certain that the amount provided for will be adequate. The economic impact of the Covid-19 pandemic has made the estimation of the level of provisions needed more difficult. There is greater uncertainty about the economic viability of debtors and hence their ability to settle their debts. | Provisions may not be adequate where there is a deterioration in collection rates caused by default i.e. debtors not being able to pay the amounts they owe the Council. These additional costs of default would have to be met from the Council's general fund. |
| Business Rates | The Council must meet its relevant share of backdated business rate appeals. A provision has been made within the accounts, utilising Valuation Office data and the analysis of successful appeals to date as at the end of the reporting period. | If the refunds payable are higher than the provision, the difference will reduce the balance on the Collection Fund and reduce the Council's share of business rates income in future years. |
| 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. Pooled property funds within the Pension Fund are valued by the asset managers using professional valuers as set out in the fund arrangements. The outbreak of Covid-19 has impacted global markets and therefore our fund managers have advised that valuations have been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book, meaning less certainty and a higher degree of caution should be attached to valuations of pooled property fund assets than would normally be the case. | 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. |

5.4 Accounting Standards that have been issued but have not yet been adopted

The following accounting standard changes are not yet reflected in the 2019-20 Code of Practice. They are not therefore reflected in the Statement of Accounts:

- IFRS 16 Leases (replaces IAS 17);
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015–2017 Cycle;
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

None of these changes are expected to have a material impact on the accounts.

5.5 Expenditure and Funding Analysis

Expenditure and Funding Analysis (EFA) shows how resources and expenditure are allocated for decision making purposes between the Council's directorates. It shows how expenditure in the year is applied and funded, and compares this with the true economic cost of providing services valued in accordance with proper accounting practices as shown in the CIES. The true economic cost is different from resources and expenditure allocated for decision making purposes because amounts charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes are specified by regulations.

| 2018-19 | | | 2019-20 | | |
|---|--|---|---|--|---|
| Net Expenditure Chargeable to General Fund and HRA Balances £000 | Adjustments between Funding and Accounting Basis Note 5.5.1 £000 | Net Expenditure in Comprehensive Income and Expenditure Statement £000 | Net Expenditure Chargeable to General Fund and HRA Balances £000 | Adjustments between Funding and Accounting Basis Note 5.5.1 £000 | Net Expenditure in Comprehensive Income and Expenditure Statement £000 |
| 67,687 | (2,069) | 65,618 | 66,356 | 1,962 | 68,318 |
| 40,971 | 10,006 | 50,977 | 42,469 | 7,517 | 49,986 |
| 45,618 | (1,664) | 43,954 | 49,095 | (3,274) | 45,821 |
| 14,641 | 5,826 | 20,467 | 9,214 | 17,545 | 26,759 |
| 0 | (5,662) | (5,662) | (52) | (5,939) | (5,991) |
| 168,917 | 6,437 | 175,354 | 167,082 | 17,811 | 184,893 |
| (168,917) | 50,277 | (118,640) | (167,082) | 6,946 | (160,136) |
| 0 | 56,714 | 56,714 | 0 | 24,757 | 24,757 |
| | | | | | |
| (17,482) | | | (17,482) | | |
| | | | | | |
| 0 | | | (52) | | |
| | | | | | |
| (17,482) | | | (17,534) | | |

* For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement

5.5.1 Note to the Expenditure and Funding Analysis - adjustments between funding basis and accounting basis under regulations

| 2019-20 | | | | |
|---|--|--|--|--|
| | Adjustments for Capital Purposes £000 (Note a) | Net Pension Adjustments £000 (Note b) | Other Differences £000 (Note c) | Total Adjustments £000 (Note d) |
| People - Adult Services and Public Health | (954) | 1,677 | 1,239 | 1,962 |
| People - Children and Families | (6,758) | 6,868 | 7,407 | 7,517 |
| Community | 4,828 | 4,172 | (12,274) | (3,274) |
| Resources and Commercial | 8,476 | 1,867 | 7,202 | 17,545 |
| Housing Revenue Account | (6,887) | 646 | 302 | (5,939) |
| Cost Of Services | (1,295) | 15,230 | 3,876 | 17,811 |
| Other income and expenditure | (4,844) | (9,907) | 21,697 | 6,946 |
| (Surplus)/Deficit and Comprehensive Income and Expenditure Statement Provision of Services | | | | |
| (Surplus)/Deficit on Provision of Services | (6,139) | 5,323 | 25,573 | 24,757 |

| 2018-19 | | | | |
|---|--|--|--|--|
| | Adjustments for Capital Purposes £000 (Note a) | Net Pension Adjustments £000 (Note b) | Other Differences £000 (Note c) | Total Adjustments £000 (Note d) |
| People - Adult Services and Public Health | (1,429) | 1,433 | (2,073) | (2,069) |
| People - Children and Families | 6,635 | 6,841 | (3,470) | 10,006 |
| Community | 4,105 | 3,642 | (9,411) | (1,664) |
| Resources and Commercial | 15,133 | (1,830) | (7,477) | 5,826 |
| Housing Revenue Account | 155 | 604 | (6,421) | (5,662) |
| Cost Of Services | 24,599 | 10,690 | (28,852) | 6,437 |
| Other income and expenditure | 22,719 | 9,369 | 18,189 | 50,277 |
| (Surplus)/Deficit and Comprehensive Income and Expenditure Statement Provision of Services | | | | |
| (Surplus)/Deficit on Provision of Services | 47,318 | 20,059 | (10,663) | 56,714 |

Note a: Adjustments for Capital Purposes - this column includes capital grants, the minimum revenue provision, gains and losses on the sale of property, plant and equipment, movements on the balance of investment properties, depreciation, amortisation, impairments, revaluation and other gains and losses charged to services.

Note b: Adjusts for the amount of pension current service cost charged to services which are in excess of the actual pension contributions paid.

Note c: Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

Note d: The total difference is analysed by nature in the first two columns of note 5.6: Note to the Movement in Reserves Statement.

5.6 Note to the Movement in Reserves Statement - adjustments between accounting basis and funding basis under regulations

| 2019-20 | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|--|----------------------------|-------------------------------|--------------------------------|-----------------------------|--------------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments to Revenue Resources: | | | | | | |
| Pension costs transferred to the Pensions Reserve | (24,492) | (646) | 0 | 0 | 0 | 25,138 |
| Depreciation | (27,861) | (7,659) | 0 | 0 | 0 | 35,520 |
| Impairment | 7,274 | 111 | 0 | 0 | 0 | (7,385) |
| Premiums and Discounts on Debt Restructure | 403 | 45 | 0 | 0 | 0 | (448) |
| Movements in market value of Investment Properties | (14,307) | 0 | 0 | 0 | 0 | 14,307 |
| Council Tax and NDR transfer to/from the Collection Fund Adjustment Account | (442) | 0 | 0 | 0 | 0 | 442 |
| Holiday pay transfer to/from the Accumulating Compensating Absences Adjustment Account | 571 | 0 | 0 | 0 | 0 | (571) |
| Revenue expenditure funded from capital | (3,268) | 0 | 0 | 0 | 0 | 3,268 |
| Non Current assets written out on disposal | (1,271) | (3,213) | 0 | 0 | 0 | 4,484 |
| Total Adjustments to Revenue Resources | (63,393) | (11,362) | 0 | 0 | 0 | 74,755 |
| Adjustments between Revenue and Capital Resources: | | | | | | |
| Minimum Revenue Provision | 21,978 | 8 | 0 | 0 | 0 | (21,986) |
| Capital expenditure funded from revenue balances | 3,681 | 0 | 0 | 0 | 0 | (3,681) |
| Capital grants and contributions | 15,152 | 7,523 | 0 | 0 | (14,201) | (8,474) |
| Transfer of sale proceeds credited to the CIES | 3,689 | 6,437 | (10,126) | 0 | 0 | 0 |
| Administrative cost of non-current asset disposals | (19) | (82) | 101 | 0 | 0 | 0 |
| Payment to the Housing Capital Receipts Pool | 0 | (3,882) | 3,882 | 0 | 0 | 0 |
| Use of capital receipts to fund revenue expenditure | (3,100) | 0 | 3,100 | 0 | 0 | 0 |
| Transfer of HRA resources to the Major Repairs Reserve | 0 | 7,647 | 0 | (7,647) | 0 | 0 |
| Total Adjustments between Revenue and Capital Resources | 41,381 | 17,651 | (3,043) | (7,647) | (14,201) | (34,141) |
| Adjustments to Capital Resources: | | | | | | |
| Use of the Major Repairs Reserve to fund capital expenditure | 0 | 0 | 0 | 5,619 | 0 | (5,619) |
| Use of the Capital Receipts Reserve to fund capital expenditure | 0 | 0 | 2,476 | 0 | 0 | (2,476) |
| Use of Capital Grants Unapplied Account to fund capital expenditure | 0 | 0 | 0 | 0 | 5,354 | (5,354) |
| Total Adjustments to Capital Resources | 0 | 0 | 2,476 | 5,619 | 5,354 | (13,449) |
| Total Adjustments | (22,012) | 6,289 | (567) | (2,028) | (8,847) | 27,165 |

2018-19

| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Movement in Unusable Reserves |
|---|----------------------------|-------------------------------|--------------------------------|-----------------------------|--------------------------------|--|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Adjustments to Revenue Resources: | | | | | | |
| Pension costs transferred to the Pensions Reserve | (19,454) | (605) | 0 | 0 | 0 | 20,059 |
| Depreciation | (25,160) | (7,534) | 0 | 0 | 0 | 32,694 |
| Impairment | 392 | (100) | 0 | 0 | 0 | (292) |
| Premiums and Discounts on Debt Restructure | (3,779) | (1,837) | 0 | 0 | 0 | 5,616 |
| Movements in market value of Investment Properties | 676 | 0 | 0 | 0 | 0 | (676) |
| Council Tax and NDR transfer to/from the Collection | | | | | | |
| Fund Adjustment Account | (3,879) | 0 | 0 | 0 | 0 | 3,879 |
| Holiday pay transfer to/from the Accumulating | | | | | | |
| Compensating Absences Adjustment Account | (416) | 0 | 0 | 0 | 0 | 416 |
| Unwinding of discount on deferred capital receipts | 921 | 0 | 0 | 0 | 0 | (921) |
| Revenue expenditure funded from capital | (11,441) | (55) | 0 | 0 | 0 | 11,496 |
| Non Current assets written out on disposal | (31,420) | (4,114) | 0 | 0 | 0 | 35,534 |
| Total Adjustments to Revenue Resources | (93,560) | (14,245) | 0 | 0 | 0 | 107,805 |
| Adjustments between Revenue and Capital Resources: | | | | | | |
| Minimum Revenue Provision | 10,918 | 0 | 0 | 0 | 0 | (10,918) |
| Capital expenditure funded from revenue balances | 660 | 0 | 0 | 0 | 0 | (660) |
| Capital grants and contributions | 7,834 | 180 | 0 | 0 | (3,563) | (4,451) |
| Transfer of sale proceeds credited to the CIES | 171 | 2,862 | (6,330) | 0 | 0 | 3,297 |
| Administrative cost of non-current asset disposals | 0 | (34) | 34 | 0 | 0 | 0 |
| Payment to the Housing Capital Receipts Pool | 0 | (757) | 757 | 0 | 0 | 0 |
| Use of capital receipts to fund revenue expenditure | (1,200) | 0 | 1,200 | 0 | 0 | 0 |
| Transfer of HRA resources to the Major Repairs Reserve | 0 | 7,534 | 0 | (7,534) | 0 | 0 |
| Total Adjustments between Revenue and Capital Resources | 18,383 | 9,785 | (4,339) | (7,534) | (3,563) | (12,732) |
| Adjustments to Capital Resources: | | | | | | |
| Use of the Major Repairs Reserve to fund capital expenditure | 0 | 0 | 0 | 6,063 | 0 | (6,063) |
| Use of the Capital Receipts Reserve to fund capital expenditure | 0 | 0 | 4,820 | 0 | 0 | (4,820) |
| Use of Capital Grants Unapplied Account to fund capital expenditure | 0 | 0 | 0 | 0 | 4,560 | (4,560) |
| Total Adjustments to Capital Resources | 0 | 0 | 4,820 | 6,063 | 4,560 | (15,443) |
| Total Adjustments | (75,177) | (4,460) | 481 | (1,471) | 997 | 79,630 |

5.7 Earmarked reserves

| | Balance at 31-Mar-18 | Transfers Out 2018-19 | Transfers In 2018-19 | Balance at 31-Mar-19 | Transfers Out 2019-20 | Transfers In 2019-20 | Balance at 31-Mar-20 |
|---------------------------------|-------------------------|-----------------------------|----------------------------|-------------------------|-----------------------------|----------------------------|-------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Earmarked Reserves: | | | | | | | |
| Transformation Reserve | 0 | 0 | (7,526) | (7,526) | 0 | 0 | (7,526) |
| Business Rates Pool Reserve | 0 | 0 | (4,279) | (4,279) | 4,279 | (1,800) | (1,800) |
| Budget Planning Reserve | (6,184) | 0 | (645) | (6,829) | 4,200 | 0 | (2,629) |
| Capacity Building Reserve | (1,198) | 937 | (4,000) | (4,261) | 2,212 | (1,172) | (3,221) |
| PFI Sinking Funds | (3,874) | 0 | (49) | (3,923) | 0 | (114) | (4,037) |
| Projects in progress | (454) | 454 | (2,384) | (2,384) | 2,384 | (3,224) | (3,224) |
| Revenue Grant Reserve | (3,100) | 1,330 | (3,156) | (4,926) | 719 | (2,862) | (7,069) |
| Public Health | (2,202) | 500 | (425) | (2,127) | 280 | 0 | (1,847) |
| MTFS Implementation Cost | (2,441) | 374 | 0 | (2,067) | 292 | 0 | (1,775) |
| CIL - Harrow | (5,886) | 343 | (3,405) | (8,948) | 3,612 | (2,452) | (7,788) |
| Dedicated Schools Grant Reserve | 0 | 0 | 0 | 0 | 2,944 | 0 | 2,944 |
| Other earmarked reserves | (5,862) | 3,465 | (2,636) | (5,033) | 618 | (1,207) | (5,622) |
| Total Earmarked Reserves | (31,201) | 7,403 | (28,505) | (52,303) | 21,540 | (12,831) | (43,594) |
| Locally Managed School Balances | (11,580) | 0 | (1,647) | (13,227) | 466 | 0 | (12,761) |
| HRA earmarked Reserves | (531) | 24 | (198) | (705) | 127 | (217) | (794) |
| Total | (43,312) | 7,427 | (30,350) | (66,235) | 22,133 | (13,048) | (57,149) |

Transformation, Budget Planning and Capacity Building Reserves: Resources set aside as additional contingency to support the budget.

Business Rates Pool Reserve: Income from the London Business Rates Pool that will be used to support the budget.

PFI Sinking Funds: The balance of unspent PFI grants. These will be used to fund future payments to PFI contractors.

Projects in Progress: Resources set aside for revenue expenditure committed but not yet incurred as at the balance sheet date.

Revenue Grants Reserve: Unspent balances of revenue grants restricted for specific purposes.

Public Health Reserve: Unspent balance of public health grant restricted to fund future public health expenditure.

MTFS Implementation Cost: Covers one off implementation and redundancy costs related to delivering the savings identified in the Medium Term Financial Strategy.

CIL – Harrow Reserve: Holds unspent Community Infrastructure Levy planning charges collected under the Planning Act 2008. The balance is restricted to fund local infrastructure projects.

Dedicated Schools Grant Reserve: The negative balance represents current year's schools expenditure eligible to be funded from Dedicated Schools Grant but that will be funded from future years grant payments.

Locally Managed School Balances: Unspent balances of school funding which schools can carry forward to fund future expenditure. These balances are not available to the Council for general use.

5.8 Other operating income and expenditure

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|--|-----------------|
| | Levies | |
| 189 | London Boroughs Grants Committee | 188 |
| 295 | London Pension Fund Authority | 296 |
| 8,226 | West London Waste Authority (WLWA) | 8,475 |
| 204 | Lee Valley Regional Park Authority | 205 |
| 192 | Environment Agency | 197 |
| 9,106 | Sub Total Levies | 9,361 |
| 757 | Payments to the Government Housing Capital Receipts Pool | 3,882 |
| 32,535 | Losses/(gains) on the disposal of non current assets | (5,917) |
| 42,398 | Total | 7,326 |

5.9 Financing and investment income and expenditure

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|---|-----------------|
| 16,011 | Interest payable and similar charges | 16,864 |
| 6,078 | Premium on debt restructure | 0 |
| 9,369 | Net interest on the net defined benefit liability | 9,907 |
| (1,351) | Interest receivable and similar income | (1,635) |
| (4,213) | Income in relation to investment properties & changes in their fair value | 11,481 |
| 25,894 | Total | 36,617 |

5.10 Taxation and non- specific grant income

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|--|-----------------|
| (120,857) | Council tax income | (127,958) |
| (33,599) | Business Rates Retention | (24,955) |
| (10,578) | Business Rates Top-Up Grant | (13,753) |
| (2,998) | London Business Rates Pool | (1,044) |
| (3,482) | New Home Bonus Grant | (4,345) |
| (3,366) | Section 31 Grants | (3,198) |
| (2,014) | Flexible Homeless Support Grant | (1,478) |
| (2,024) | Other General Grants | (4,673) |
| (8,014) | Capital grants and contributions (Note 5.33.2) | (22,675) |
| (186,932) | Total | (204,079) |

5.11 Property, plant and equipment

| 2019-20 | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Assets Under Construction | Surplus Assets | Total Property, Plant, IT and Equipment | PFI Assets Included in Property, Plant, IT and Equipment |
|--|-------------------|--------------------------|--|-----------------------|------------------|---------------------------|----------------|---|--|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | | | | |
| At 1 April 2019 | 411,604 | 550,281 | 52,597 | 212,871 | 1 | 49,507 | 16,922 | 1,293,783 | 44,762 |
| Reversal of accumulated depreciation on revaluation | (6,518) | (7,818) | 0 | 0 | 0 | 0 | 0 | (14,336) | 0 |
| Additions | 2,478 | 7,356 | 10,699 | 8,635 | 95 | 31,411 | 0 | 60,674 | 266 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 26,739 | 10,968 | 0 | 0 | 0 | 0 | 1,075 | 38,782 | 790 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 0 | 7,760 | 0 | 0 | (256) | 0 | 0 | 7,504 | 0 |
| Derecognition - Disposals | (3,807) | (707) | 0 | 0 | 0 | 0 | 0 | (4,514) | 0 |
| Derecognition - Other* | 0 | 0 | (5,380) | (8,292) | 0 | 0 | 0 | (13,672) | 0 |
| Reclassifications/ Transfer | 19,159 | (8,857) | 796 | 7 | 161 | (9,966) | (1,300) | 0 | 0 |
| At 31 March 2020 | 449,655 | 558,983 | 58,712 | 213,221 | 1 | 70,952 | 16,697 | 1,368,221 | 45,818 |
| Accumulated Depreciation | | | | | | | | | |
| At 1 April 2019 | (6,518) | (9,547) | (25,910) | (88,718) | 0 | 0 | (172) | (130,865) | (1,825) |
| Reversal of accumulated depreciation on revaluation | 6,518 | 7,818 | 0 | 0 | 0 | 0 | 0 | 14,336 | 0 |
| Depreciation charges for 2019-20 | (7,362) | (9,067) | (8,215) | (10,876) | 0 | 0 | 0 | (35,520) | (958) |
| Derecognition - Depreciation on Disposal | 607 | 222 | 0 | 0 | 0 | 0 | 0 | 829 | 0 |
| Derecognition - Other* | 0 | 0 | 5,380 | 8,292 | 0 | 0 | 0 | 13,672 | 0 |
| At 31 March 2020 | (6,755) | (10,574) | (28,745) | (91,302) | 0 | 0 | (172) | (137,548) | (2,783) |
| Net Book Value | | | | | | | | | |
| At 31 March 2020 | 442,900 | 548,409 | 29,967 | 121,919 | 1 | 70,952 | 16,525 | 1,230,673 | 43,035 |
| At 31 March 2019 | 405,086 | 540,734 | 26,687 | 124,153 | 1 | 49,507 | 16,750 | 1,162,918 | 42,937 |

* The gross book value of fully depreciated assets that are no longer in use.

| 2018-19 | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Assets Under Construction | Surplus Assets | Total Property, Plant, IT and Equipment | PFI Assets Included in Property, Plant, IT and Equipment |
|--|----------------------|--------------------------------|--|--------------------------|---------------------|------------------------------|-------------------|--|--|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | | | | | | |
| At 1 April 2018 | 443,085 | 526,552 | 41,098 | 205,005 | 1 | 103,570 | 17,603 | 1,336,914 | 37,404 |
| Reversal of accumulated depreciation on revaluation | (6,998) | (10,305) | 0 | 0 | 0 | 0 | 0 | (17,303) | 0 |
| Additions | 342 | 9,667 | 12,964 | 11,576 | 428 | 2,114 | 0 | 37,091 | 299 |
| Donated assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (21,524) | 6,869 | 0 | 0 | 0 | 0 | (65) | (14,720) | 1,791 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (100) | 885 | 0 | 0 | (493) | 0 | 0 | 292 | |
| Derecognition - Disposals | (4,844) | (33,718) | 0 | 0 | 0 | 0 | 0 | (38,562) | 0 |
| Derecognition - Other* | 0 | 0 | (6,198) | (3,731) | 0 | 0 | 0 | (9,929) | 0 |
| Reclassifications/ Transfer | 1,643 | 50,331 | 4,733 | 21 | 65 | (56,177) | (616) | 0 | 5,268 |
| At 31 March 2019 | 411,604 | 550,281 | 52,597 | 212,871 | 1 | 49,507 | 16,922 | 1,293,783 | 44,762 |
| Accumulated Depreciation | | | | | | | | | |
| At 1 April 2018 | (6,998) | (12,304) | (27,417) | (81,497) | 0 | 0 | (213) | (128,429) | (1,271) |
| Reversal of accumulated depreciation on revaluation | 6,998 | 10,305 | 0 | 0 | 0 | 0 | 0 | 17,303 | 0 |
| Depreciation charges for 2018-19 | (7,248) | (9,805) | (4,691) | (10,952) | 0 | 0 | 0 | (32,696) | (554) |
| Derecognition - Depreciation on Disposal | 730 | 2,298 | 0 | 0 | 0 | 0 | 0 | 3,028 | 0 |
| Derecognition - Other* | 0 | 0 | 6,198 | 3,731 | 0 | 0 | 0 | 9,929 | 0 |
| Reclassification of assets | 0 | (41) | 0 | 0 | 0 | 0 | 41 | 0 | 0 |
| At 31 March 2019 | (6,518) | (9,547) | (25,910) | (88,718) | 0 | 0 | (172) | (130,865) | (1,825) |
| Net Book Value | | | | | | | | | |
| At 31 March 2019 | 405,086 | 540,734 | 26,687 | 124,153 | 1 | 49,507 | 16,750 | 1,162,918 | 42,937 |
| At 31 March 2018 | 436,087 | 514,248 | 13,681 | 123,508 | 1 | 103,570 | 17,390 | 1,208,485 | 36,133 |

* The gross book value of fully depreciated assets that are no longer in use.

5.11.1 Depreciation

The following useful lives have been used in the calculation of depreciation:

- Council dwellings – 90 years, with the exception of material components: 15–20 years;
- Other buildings – 20-80 years;
- Vehicles, plant, furniture and equipment: 5-10 years;
- Infrastructure assets – 10-80 years; and
- Freehold land - not depreciated.

5.11.2 Capital commitments

The Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment at a budgeted cost of £53.1m (£20.9m as at 31st March 2019). This expenditure will be incurred in 2020-21 and future years. The major capital commitments are as follows:

- HRA Building Council Homes for London scheme £29.0m (nil as at 31st March 2019)
- Redevelopment of the Council's central depot £13.6m (£9m as at 31st March 2019)
- Redevelopment of Waxwell Lane £4.7m (£nil as at 31st March 2019)

5.11.3 Revaluations

The Council has a rolling programme that ensures all Property, Plant and Equipment (PPE) included in the Balance Sheet at fair value is revalued at least every five years and reviewed at year-end to ensure that the carrying amount is not materially different from fair value. Valuations were carried out internally at 1st April 2019 except for surplus and investment properties and properties with greater than £400k of capital expenditure spent on them in-year, which were valued at 31st March 2020. Specialist and out of borough investment properties have been valued by Crosthwaites, Fleurets, Gerald Eve and Knight Frank. 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. In estimating fair value, regard has been given to the nature of the property by reference to its use, location, size, method of construction, age, all other relevant matters, and the prevailing market forces.

The HRA portfolio is valued in line with the 5 year rolling programme as at 1st April 2019. The Land Registry Index is used to calculate the movement in property values between 1st April 2019 and 31st March 2020. The movement in HRA asset values has been analysed in note 6.2.3.

Rolling revaluation programme:

| | Council Dwellings £000 | Other Land & Buildings £000 | Vehicles, Plant and Equipment £000 | Infra- structure Assets £000 | Asset Under Construction £000 | Surplus Assets £000 | Total £000 | Investment Property £000 |
|--|------------------------------|-----------------------------------|---|---------------------------------------|-------------------------------------|---------------------------|------------------|--------------------------------|
| Valued at historical cost | 0 | 0 | 29,967 | 121,919 | 70,952 | 0 | 222,838 | 0 |
| Valued at fair value: | | | | | | | | |
| As at 31st March 2020 | 442,900 | 320,546 | 0 | 0 | 0 | 16,525 | 779,971 | 72,927 |
| As at 31st March 2019 | 0 | 75,703 | 0 | 0 | 0 | 0 | 75,703 | 0 |
| As at 31st March 2018 | 0 | 88,765 | 0 | 0 | 0 | 0 | 88,765 | 0 |
| As at 31st March 2017 | 0 | 45,927 | 0 | 0 | 0 | 0 | 45,927 | 0 |
| As at 31st March 2016 | 0 | 17,468 | 0 | 0 | 0 | 0 | 17,468 | 0 |
| Total Cost or Valuation as at 31st March 2020 | 442,900 | 548,409 | 29,967 | 121,919 | 70,952 | 16,525 | 1,230,672 | 72,927 |

This table excludes community assets valued at £1K

5.11.4 Trust, Foundation, Voluntary Aided and Academy Schools

The Council has a number of schools that are operated by various trusts, are classed as voluntary aided schools, or have transferred to Academy status. The Council is responsible for providing funding to the schools from the Dedicated Schools Grant (DSG) and Capital Resources, with the exception of the Academies who receive funding direct from the Government.

The Trustees of these schools have control of the school buildings and associated land. The assets are therefore not shown on the Council's Balance Sheet.

5.12 Heritage assets

The Council's heritage assets are as detailed below. With the exception of the Headstone Manor Listed Buildings which are operational assets valued at Existing Use Value, these assets are not included on the balance sheet as it is either not practical to obtain a valuation, historical cost information is not available or the value of the assets is insignificant.

1. Headstone Manor Moated Site and Listed Buildings: The moat is complete and water filled, varying in width between 7m and 14m. It is believed to date from the 14th Century. Headstone Manor (Grade I) was built circa 1310 and altered/added to in the 17th and 18th Centuries. The Tithe Barn (Grade II) dates from 1506 and the Small Barn has 14th century foundations.

2. Grim's Dyke Earthwork: A linear bank and ditch which had formed a continuous earthwork from the Harrow Weald Ridge, within the grounds of the Grim's Dyke Hotel, to Cuckoo Hill (and possibly beyond).

3. Pinner Hill Ice House: Believed to date from the mid 19th Century, it represents one of only two well preserved surviving ice houses in the Greater London area.

4. Pear Wood Earthwork: This earthwork is a linear bank and ditch, similar to Grim's Dyke, located within Pear Wood at Stanmore.

5. Pinner Deer Park: This represents a rare survival of ancient landscape in Greater London.

6. Civic Insignia: The Council owns items of Civic Insignia. There is a formal policy for the safe keeping and security of these items. These items are held at the Civic Centre and can be viewed by appointment through the Mayor's Office.

7. War Memorials: There are a number of war memorials situated within the Borough. The Imperial War Museum publishes a full list of all memorials on its website.

5.13 Investment properties

| 2018-19 | | 2019-20 |
|---------------|--|---------------|
| £000 | | £000 |
| 27,448 | Balance at start of the year | 34,728 |
| 6,194 | Additions | 53,426 |
| 0 | Disposals | (920) |
| 1,086 | Net gains/(losses) from fair value adjustments | (14,307) |
| <u>34,728</u> | Balance at end of the year | <u>72,927</u> |

Reference is made of the Investment Property rental income at note 5.36.2 – The Council as Lessor (Operating Leases).

5.14 Financial instruments

The following categories of financial instrument are carried in the Balance Sheet at amortised costs:

| | Long-term | | Current | |
|---|------------------|------------------|-----------------|-----------------|
| | 31-Mar-20 | 31-Mar-19 | 31-Mar-20 | 31-Mar-19 |
| | £000 | £000 | £000 | £000 |
| Investments | | | | |
| Short term investments | 0 | 0 | 23,615 | 11,105 |
| Cash and cash equivalents | 0 | 0 | 40,982 | 15,306 |
| Total investments | 0 | 0 | 64,597 | 26,411 |
| Debtors | | | | |
| Long term debtors | 16,017 | 16,373 | 0 | 0 |
| Financial assets carried at amortised cost | 0 | 0 | 28,880 | 22,484 |
| Total Debtors | 16,017 | 16,373 | 28,880 | 22,484 |
| Borrowings | | | | |
| Financial liabilities at amortised cost | (422,403) | (302,451) | (7,141) | (50,218) |
| Total borrowings | (422,403) | (302,451) | (7,141) | (50,218) |
| Other Liabilities | | | | |
| PFI and finance lease liabilities | (17,364) | (14,918) | (1,156) | (583) |
| Total other liabilities | (17,364) | (14,918) | (1,156) | (583) |
| Creditors | | | | |
| Financial liabilities carried at amortised cost | 0 | 0 | (55,548) | (43,653) |
| Total creditors | 0 | 0 | (55,548) | (43,653) |

The balances of debtors and creditors disclosed in the above note differ from the balance sheet because they include only balances relating to contractual arrangements and exclude balances relating to statutory debts that do not arise from contracts. Thus balances relating to Council Tax, NDR, government grants, housing benefits and outstanding parking fines etc. are excluded. The balance of short term debtors excludes £8.8m (£10.9m in 2018-19). The creditors balance excludes £24.2m (£30.1m in 2018-19). The cash and cash equivalents and current (short term) borrowings figures differ from the balance sheet because the £2.4m bank overdraft balance has been treated as current borrowings for the purposes of this note.

Gains and losses on financial instruments

Gains and losses on financial instrument balances during the year are as follows:

| Financial Liabilities Measured at amortised cost | Financial Assets Loans and receivables | Total | | Financial Liabilities Measured at amortised cost | Financial Assets Loans and receivables | Total |
|--|--|---------|---|--|--|----------------|
| 2018-19 | 2018-19 | 2018-19 | | 2019-20 | 2019-20 | 2019-20 |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 15,322 | 0 | 15,322 | Interest Expenses | 16,131 | 0 | 16,131 |
| 6,078 | 0 | 6,078 | Premium on debt restructure | 0 | 0 | 0 |
| 0 | 690 | 690 | Impairment Losses | 0 | 733 | 733 |
| 21,400 | 690 | 22,090 | Interest payable and similar charges | 16,131 | 733 | 16,864 |
| 0 | (1,360) | (1,360) | Interest income | 0 | (1,635) | (1,635) |
| 0 | (1,360) | (1,360) | Interest and investment income | 0 | (1,635) | (1,635) |
| 21,400 | (670) | 20,730 | Net gain/(loss) for the year | 16,131 | (902) | 15,229 |

Impairment losses on financial assets excludes losses relating to statutory debts that do not arise from contracts.

Fair value of assets and liabilities

The fair value of an instrument is an estimate of its current market value. Fair value calculations have been made using the following methodology and assumptions:

- Valuations make use of level 2 inputs i.e. inputs other than quoted market prices that are observable for the financial asset/liability;
- Accrued interest has been included in the fair value calculations;
- The fair value of trade and other receivables is taken to be the carrying value or invoiced or billed amount;
- The fair value of fixed term deposits is calculated by comparing the fixed term investment with a comparable investment with the same or similar lender for the remaining period of the deposit;
- The fair value of loans receivable is calculated using the appropriate benchmark market rate;
- The fair value of borrowing has been calculated using the appropriate premature redemption discount rate.

The comparison of carrying value with fair value is given below:

| Carrying Amount 2018-19 £000 | Fair Value 2018-19 £000 | Difference 2018-19 £000 | | Carrying Amount 2019-20 £000 | Fair Value 2019-20 £000 | Difference 2019-20 £000 |
|---------------------------------------|-------------------------------|-------------------------------|-----------------------|---------------------------------------|-------------------------------|-------------------------------|
| 11,105 | 11,105 | 0 | Investments | 23,615 | 23,615 | 0 |
| 16,373 | 33,331 | 16,958 | Loans and receivables | 16,016 | 29,474 | 13,458 |
| 15,306 | 15,306 | 0 | Cash and Cash | 40,982 | 40,982 | 0 |
| (350,015) | (562,532) | (212,517) | Borrowing | (427,168) | (831,618) | (404,450) |

5.15 Long term debtors

| 31-Mar-19 £000 | | 31-Mar-20 £000 |
|-------------------|-------------------------------------|-------------------|
| 16,137 | West London Waste Authority | 15,864 |
| 22,703 | Deferred proceeds on sale of assets | 0 |
| 235 | Other Loans | 153 |
| <u>39,075</u> | Total | <u>16,017</u> |

5.16 Short term debtors

| 31-Mar-19 £000 | | 31-Mar-20 £000 |
|-------------------|------------------------------|-------------------|
| 2,414 | Business Rates & Council Tax | 1,047 |
| 27,505 | Trade debtors | 34,738 |
| 3,480 | Other debtors | 1,874 |
| <u>33,399</u> | Total | <u>37,659</u> |

5.17 Cash and cash equivalents

| 31-Mar-19 £000 | | 31-Mar-20 £000 |
|-------------------|---|-------------------|
| 82 | Cash held by the Authority | 65 |
| (2,654) | Bank current accounts | (2,376) |
| 15,224 | Short-term deposits with Banks and Building Societies | 40,917 |
| <u>12,652</u> | Total Cash and Cash Equivalents | <u>38,606</u> |

5.18 Short term borrowing

| 31-Mar-19 £000 | | 31-Mar-20 £000 |
|-------------------|------------------------------|-------------------|
| (1,717) | Public Works Loan Board | (2,791) |
| (12,714) | Other Financial Institutions | (573) |
| (989) | Pension Fund | (1,289) |
| (32,144) | Other Loans | (112) |
| (47,564) | Total | (4,765) |

5.19 Short term creditors

| 31-Mar-19 £000 | | 31-Mar-20 £000 |
|-------------------|------------------------------|-------------------|
| (8,770) | Business Rates & Council Tax | (8,714) |
| (51,790) | Trade Creditors | (57,766) |
| (13,738) | Other Creditors | (14,393) |
| (74,298) | Total | (80,873) |

5.20 Provisions

| | Insurance £000 | Business Rate Appeals £000 | Other Provisions £000 | Total £000 |
|--------------------------------|-------------------|----------------------------------|-----------------------------|----------------|
| Short Term | | | | |
| Balance at 1 April | (1,100) | (2,880) | (1,800) | (5,780) |
| Additional provisions made | (982) | (912) | (978) | (2,872) |
| Transferred to/from Long Term | (145) | 0 | 0 | (145) |
| Amounts used | 1,127 | 2,880 | 282 | 4,289 |
| Unused amounts reversed | 0 | 0 | 115 | 115 |
| Balance at 31 March | (1,100) | (912) | (2,381) | (4,393) |
| Long Term | | | | |
| Balance at 1 April | (6,052) | 0 | 0 | (6,052) |
| Transferred to/from Short Term | 145 | 0 | 0 | 145 |
| Balance at 31 March | (5,907) | 0 | 0 | (5,907) |

Insurance: This provision is the estimated liability for insurance claims that the Council self funds, including actual claims submitted, and events for which the Council has not received a claim (incurred but not reported IBNR). The Council's insurance programme consists of a range of insurance covers in three broad classes; liability, property and motor. The Council's maximum potential liability is limited by a series of aggregate stop loss covers with the Council's insurers that are triggered when the total of all claims under the cover exceeds that amount for the period of insurance. It is Council policy not to insure "pound swapping" items (e.g. theft and "all risks" on equipment), or tree related subsidence claims. All IBNR (Incurred but not reported) amounts are calculated by the Council's actuary. The provision includes £1.53m to cover the cost of payments to Municipal Mutual Insurance in respect of future claims.

Business Rate Appeals: The provision covers the Council's share of the estimated business rate income that will be repaid due to successful appeals against the rateable value of business premises.

5.21 Other long term liabilities

| 31-Mar-19 | | 31-Mar-20 |
|------------------|--|------------------|
| £000 | | £000 |
| 0 | Finance Lease Liability (Note 5.36.1) | (3,092) |
| (14,918) | PFI Lease Liability (Note 5.37) | (14,272) |
| (405,589) | IAS19 Pension Liability (Note 5.38.5) | (407,120) |
| <u>(420,507)</u> | Total | <u>(424,484)</u> |

5.22 Usable reserves

| 31-Mar-19 | | Note | 31-Mar-20 |
|------------------|--|--------|------------------|
| £000 | | | £000 |
| (10,008) | General Fund | 4.2 | (10,008) |
| (66,235) | Earmarked Reserves | 5.7 | (57,149) |
| (7,474) | Housing Revenue Account | 6.1 | (7,526) |
| (5,713) | Major Repairs Reserve | 6.2.4 | (7,741) |
| (18,138) | Capital Receipts Reserve | 5.22.1 | (18,705) |
| (26,541) | Capital Grants and Contributions Unapplied | 5.22.2 | (35,388) |
| <u>(134,109)</u> | Total Usable Reserves | | <u>(136,517)</u> |

5.22.1 Capital receipts reserve

The Capital Receipts Reserve accumulates proceeds from the disposals of land or other assets. Statute permits capital receipts to be used to fund new capital expenditure or to reduce Council indebtedness. The balance on the reserve shows the resources that have yet to be applied for these purposes at year end.

| General Fund | HRA | Total | | General Fund | HRA | Total |
|----------------|-----------------|-----------------|---|----------------|-----------------|-----------------|
| 2018-19 | 2018-19 | 2018-19 | | 2019-20 | 2019-20 | 2019-20 |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| (5,031) | (13,588) | (18,619) | Balance unapplied at 1 April | (4,002) | (14,136) | (18,138) |
| (3,468) | (375) | (3,843) | Receipts in year - Others | (3,689) | (1,750) | (5,439) |
| 0 | (2,487) | (2,487) | Receipts in year - Right to Buy | 0 | (4,687) | (4,687) |
| 0 | 34 | 34 | Disposal Costs | 19 | 82 | 101 |
| 0 | 757 | 757 | Pooling payment to the MHCLG | 0 | 3,882 | 3,882 |
| 1,200 | 0 | 1,200 | Use of capital receipts to fund revenue expenditure | 3,100 | 0 | 3,100 |
| 3,297 | 0 | 3,297 | Applied during the year - others | 0 | 0 | 0 |
| 0 | 1,523 | 1,523 | Applied during the year - Right to Buy | 0 | 2,476 | 2,476 |
| <u>(4,002)</u> | <u>(14,136)</u> | <u>(18,138)</u> | Balance unapplied at 31 March | <u>(4,572)</u> | <u>(14,133)</u> | <u>(18,705)</u> |

5.22.2 Capital grants and contributions unapplied

The Council receives various grants and contributions towards the financing of its capital programme each year. The following table details the transactions posted to the account for the period:

| General Fund | HRA | Total | | General Fund | HRA | Total |
|-----------------|----------------|-----------------|--------------------------------------|-----------------|----------------|-----------------|
| 2018-19 | 2018-19 | 2018-19 | | 2019-20 | 2019-20 | 2019-20 |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| (24,729) | (2,809) | (27,538) | Balance unapplied at 1 April | (23,792) | (2,749) | (26,541) |
| (3,383) | (180) | (3,563) | Receipts in year | (10,323) | (3,878) | (14,201) |
| 4,320 | 240 | 4,560 | Applied during the year | 4,563 | 791 | 5,354 |
| <u>(23,792)</u> | <u>(2,749)</u> | <u>(26,541)</u> | Balance unapplied at 31 March | <u>(29,552)</u> | <u>(5,836)</u> | <u>(35,388)</u> |

5.23 Unusable reserves

| 31-Mar-19 £000 | | Notes | 31-Mar-20 £000 |
|-------------------|--|--------|-------------------|
| (146,598) | Revaluation Reserve | 5.23.1 | (182,432) |
| (548,291) | Capital Adjustment Account | 5.23.2 | (571,335) |
| 12,021 | Financial Instruments Adjustment Account | 5.23.3 | 11,573 |
| 405,589 | Pensions Reserve | 5.23.4 | 407,120 |
| (2,937) | Collection Fund Adjustment Account | 5.23.5 | (2,495) |
| 5,126 | Accumulating Compensated Absences Adjustment Account | 5.23.6 | 4,556 |
| (22,711) | Deferred Capital Receipts Reserve | 5.23.7 | (8) |
| <u>(297,801)</u> | Total Unusable Reserves | | <u>(333,021)</u> |

5.23.1 Revaluation reserve

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

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

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

| 2018-19 | | | | 2019-20 | | |
|----------------------|-----------------|------------------|---|----------------------|-----------------|------------------|
| General Fund £000 | HRA £000 | Total £000 | | General Fund £000 | HRA £000 | Total £000 |
| (97,006) | (68,765) | (165,771) | Balance at 1 April | (99,480) | (47,118) | (146,598) |
| (31,873) | (1,318) | (33,191) | Upward revaluation of property, plant & equipment | (31,338) | (27,433) | (58,771) |
| 14,025 | 0 | 14,025 | Less: reversal of past impairments charged to Provision of Services | 15,895 | 372 | 16,267 |
| (17,848) | (1,318) | (19,166) | Upward revaluation of assets charged to the revaluation reserve | (15,443) | (27,061) | (42,504) |
| 25,713 | 21,905 | 47,618 | Impairment of property, plant & equipment | 12,409 | 77 | 12,486 |
| (13,632) | (100) | (13,732) | Less: impairments charged to Provision of Services | (8,694) | (69) | (8,763) |
| 12,081 | 21,805 | 33,886 | Impairments charged to the revaluation reserve | 3,715 | 8 | 3,723 |
| | | | (Surplus) / Deficit on revaluation of non-current assets not posted to | | | |
| (102,773) | (48,278) | (151,051) | (Surplus) / Deficit on the Provision of Services | (111,208) | (74,171) | (185,379) |
| | | | Difference between fair value depreciation and historical cost depreciation | 2,017 | 765 | 2,782 |
| 1,424 | 253 | 1,677 | Accumulated gains on assets sold or scrapped | 248 | (83) | 165 |
| 3,293 | 1,160 | 4,453 | Amount written off to the Capital Adjustment Account | 2,265 | 682 | 2,947 |
| <u>(99,480)</u> | <u>(47,118)</u> | <u>(146,598)</u> | Balance at 31 March | <u>(108,943)</u> | <u>(73,489)</u> | <u>(182,432)</u> |

5.23.2 Capital adjustment account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements, and 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 Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

The Account also contains net revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

| 2018-19 | | | | 2019-20 | | |
|--------------|-----------|-----------|---|--------------|-----------|-----------|
| General Fund | HRA | Total | | General Fund | HRA | Total |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| (325,494) | (268,513) | (594,007) | Balance at 1 April | (282,595) | (265,696) | (548,291) |
| 25,158 | 7,534 | 32,692 | Reversal of depreciation charged to the CIES | 27,861 | 7,659 | 35,520 |
| (392) | 100 | (292) | Asset Impairment/ (Reversal of Impairment) | (7,274) | (111) | (7,385) |
| 31,420 | 4,114 | 35,534 | Non Current assets written out on Disposal | 1,271 | 3,213 | 4,484 |
| 11,441 | 55 | 11,496 | Revenue expenditure funded from capital under statute | 3,268 | 0 | 3,268 |
| (3,293) | (1,160) | (4,453) | Amounts written off from the revaluation reserve | (2,265) | (682) | (2,947) |
| 0 | 0 | 0 | Deferred credit on transfer of fixed asset | (22,703) | 0 | (22,703) |
| (3,297) | (1,523) | (4,820) | Use of the Capital Receipts Reserve | 0 | (2,476) | (2,476) |
| 0 | (6,063) | (6,063) | Use of the Major Repairs Reserve | 0 | (5,619) | (5,619) |
| (8,771) | (240) | (9,011) | Capital grants credited to the Cl&E | (9,389) | (4,437) | (13,826) |
| 3,297 | 0 | 3,297 | Reversal of use of the Capital Receipts Reserve | 0 | 0 | 0 |
| (10,918) | 0 | (10,918) | Minimum Revenue Provision | (21,978) | (8) | (21,986) |
| (660) | 0 | (660) | Revenue Contribution to Capital Outlay | (3,681) | 0 | (3,681) |
| (1,086) | 0 | (1,086) | Movements in the market value of Investment Properties debited/credited to the Cl&E Statement | 14,307 | 0 | 14,307 |
| (282,595) | (265,696) | (548,291) | Balance at 31 March | (303,178) | (268,157) | (571,335) |

5.23.3 Financial instruments adjustment account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums and discounts paid on the early redemption of loans. Premiums are debited and discounts credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the balance is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|---|-----------------|
| 6,405 | Balance at 1 April | 12,021 |
| 6,079 | Premiums incurred in the current year and charged to the CIES | 0 |
| | Premiums and Discounts incurred in previous years to be charged against the General Fund and HRA in accordance with statutory requirements: | |
| (443) | General Fund | (403) |
| (20) | HRA | (45) |
| <u>12,021</u> | Balance at 31 March | <u>11,573</u> |

5.23.4 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 Council 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 Council makes employer's contributions to pension funds, or pays 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 Council 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, by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|--|-----------------|
| 355,291 | Balance at 1 April | 405,589 |
| 30,239 | Remeasurement of the net defined benefit liability | (23,607) |
| | 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 | |
| 42,803 | Employer's pensions contributions and direct payments to pensioners payable in the year | 48,470 |
| (22,744) | | (23,332) |
| <u>405,589</u> | Balance at 31 March | <u>407,120</u> |

5.23.5 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.

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|--|-----------------|
| (6,815) | Balance at 1 April | (2,937) |
| | Amount by which council tax and NNDR income credited to CIES is different from income calculated for the year in accordance with Statute | |
| 3,878 | | 442 |
| <u>(2,937)</u> | Balance at 31 March | <u>(2,495)</u> |

5.23.6 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 e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|---|-----------------|
| 4,710 | Balance at 1 April | 5,126 |
| (4,710) | Settlement or cancellation of accrual made at the end of the preceding year | |
| | | (5,126) |
| 5,126 | Amounts accrued at the end of the current year | 4,556 |
| <u>5,126</u> | Balance at 31 March | <u>4,556</u> |

5.23.7 Deferred capital receipts reserve

The Deferred Capital Receipts Reserve holds gains recognised on the disposal of non-current assets but for which settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable to finance new capital expenditure until they are received, at which point they are transferred to the Capital Receipts Reserve.

| Regeneration | | | Regeneration | | |
|-----------------|------------|-------------------------------------|--------------|------------|------------|
| projects | Other | Total | projects | Other | Total |
| 2018-19 | 2018-19 | 2018-19 | 2019-20 | 2019-20 | 2019-20 |
| £000 | £000 | £000 | £000 | £000 | £000 |
| (22,192) | (11) | (22,203) | (22,703) | (8) | (22,711) |
| (921) | 0 | (921) | | 0 | 0 |
| 410 | 0 | 410 | 22,703 | 0 | 22,703 |
| 0 | 3 | 3 | 0 | 0 | 0 |
| | | of proceeds | | | |
| <u>(22,703)</u> | <u>(8)</u> | <u>(22,711)</u> | <u>0</u> | <u>(8)</u> | <u>(8)</u> |
| | | Balance deferred at 31 March | | | |

The Council sold land assets to developers in 2016-17 in consideration for a number of newly-constructed dwellings and other property assets. These were transferred to Council ownership in 2019-20 on completion of the development. The amount disclosed as 'Regeneration Projects' was the fair value of the assets the Council was to receive, adjusted to account for the time value of money. The balance has now been transferred to the Capital adjustment account.

5.24 Notes to the Cash Flow Statement

5.24.1 Operating activities

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|--|-----------------|
| | The cash flows for operating activities include the following items: | |
| 16,011 | Interest payable & similar charges | 16,864 |
| (1,351) | Interest and Investment income | (1,635) |
| (4,213) | Other investment income | 11,480 |
| | The surplus or deficit on the provision of services has been adjusted for the following non cash movements: | |
| 20,059 | Adjustment for pension funding | 25,138 |
| 5,018 | Increase/(Decrease) in Provision | (1,532) |
| 32,402 | Impairment and Depreciation | 28,135 |
| 416 | Accumulated Absence | (571) |
| 35,534 | Carrying amount of non-current assets disposed | 4,484 |
| (921) | Unwinding of discount | 0 |
| 270 | Other non cash items charged to CIES | 907 |
| (676) | Movement in the value of investment properties | 14,307 |
| (9,608) | Billing authority Collection Fund adjustments | 685 |
| | Items on an accrual basis | |
| 6,919 | (Increase)/Decrease in Debtors | (4,260) |
| 5,236 | Increase/(Decrease) in Creditors | 4,352 |
| 94,649 | Adjustments for non cash movements | 71,645 |
| (2,999) | Proceeds from the sale of non-current assets | (10,126) |
| (8,013) | Capital grants credited to surplus or deficit on the provision of services | (22,675) |
| (11,012) | Adjustments for investment and financing activities | (32,801) |

5.24.2 Investing activities

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|---|-----------------|
| (41,829) | Purchase of property, plant and equipment and investment property | (89,864) |
| (6,194) | Purchase of short-term and long-term investments | 0 |
| 7,733 | Capital grants received in year | 24,494 |
| | Proceeds from the sale of property, plant and equipment and investment property | 10,126 |
| (3,357) | Proceeds from short-term and long-term investments | (12,511) |
| 530 | Other long term loans granted | 357 |
| (40,118) | Net cash flows from Investing Activities | (67,398) |

5.24.3 Financing activities

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|--|-----------------|
| | Cash receipts/ (payments) for the Increase/ (reduction) of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 3,018 |
| 21,380 | Cash receipts of short-term and long-term borrowing | 76,247 |
| 20,707 | Net cash flows from financing activities | 79,265 |

5.25 Expenditure and income analysed by nature

The analysis of income and expenditure by service segment on the face of the Comprehensive Income and Expenditure Statement matches the Council's Directorate structure. Alternatively, total income and total expenditure can be analysed by nature.

| 2018-19 | | | 2019-20 |
|------------------|---|------------|------------------|
| £000 | Expenditure/Income | Notes | £000 |
| | Expenditure | | |
| 211,821 | Employee benefits expenditure | | 209,601 |
| 136,069 | Housing benefits | | 124,371 |
| 210,112 | Other service expenses | | 217,732 |
| 25,028 | Support service recharges (excl. employee costs) | | 25,076 |
| 42,453 | Depreciation and impairment | | 32,288 |
| 73,857 | Other expenditure | 5.8 - 5.9 | 51,495 |
| 699,340 | Total expenditure | | 660,563 |
| | Income | | |
| (128,525) | Fees, charges and other service income | | (128,630) |
| (321,605) | Revenue grants included within cost of services | 5.33.1 | (295,545) |
| (192,496) | Other income | 5.8 - 5.10 | (211,631) |
| (642,626) | Total income | | (635,806) |
| 56,714 | (Surplus) Deficit on Provision of Services | | 24,757 |

5.26 Road charging schemes under the Transport Act 2000

The Council must keep a separate account of any income or expenditure related to parking enforcement.

| 2018-19 | | 2019-20 |
|-----------------|--|-----------------|
| £000 | | £000 |
| (9,203) | Penalty Charge Notices | (9,456) |
| (2,911) | On street meters | (1,180) |
| (1,003) | Residents Permits | (730) |
| (13,117) | Total income | (11,366) |
| 3,320 | Enforcement contract/costs | 2,496 |
| 2,823 | Other expenditure | 1,179 |
| 6,143 | Total expenditure | 3,675 |
| (6,974) | Total (surplus) for the year ending 31 March 2020 | (7,691) |
| | <u>Utilisation of Surplus</u> | |
| 6,974 | Concessionary fares | 7,691 |
| 6,974 | | 7,691 |

5.27 Pooled budgets – Better Care Fund

The Council is the lead body for the Better Care Fund (BCF) with the NHS Harrow Clinical Commissioning Group (CCG). The BCF is managed by the Health & Wellbeing Board with representatives from the Council, CCG and voluntary organisations. The purpose of the BCF is to provide care and support for vulnerable people:

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|---|-----------------|
| | Funding provided to the pooled budget | |
| (11,974) | · Harrow Contribution | (13,127) |
| (10,142) | · NHS Harrow CCG Contribution | (9,377) |
| <u>(22,116)</u> | | <u>(22,504)</u> |
| | Revenue Expenditure met from the pooled budget: | |
| 10,568 | · Harrow Council | 11,610 |
| 10,142 | · NHS Harrow CCG | 9,377 |
| <u>20,710</u> | | <u>20,987</u> |
| | Capital Expenditure met from the pooled budget: | |
| 1,406 | · Harrow Council - Disabled Facilities | 1,517 |
| <u>1,406</u> | | <u>1,517</u> |
| <u>0</u> | Surplus for the year | <u>0</u> |

5.28 Members' Allowances

Information on the Members' Allowance Scheme may be found on the Council's website.

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|------------|-----------------|
| 827 | Allowances | 872 |
| <u>827</u> | Total | <u>872</u> |

5.29 Remuneration

The remuneration paid to the Council's senior employees is as follows:

5.29.1 Remuneration bands

The number of employees whose remuneration, excluding pension contributions was £50,000 or more is detailed below in bands of £5,000. The bandings include only the remuneration of employees that have not been disclosed separately in the 'Senior officer remuneration' note. The number of employees that exceeded the £50,000 including redundancy or voluntary severance payments is shown in the separate 'Due to Lump Sum' column.

| Remuneration band | Number of Council Employees | | | |
|---------------------|-----------------------------|-----------------|----------------|-----------------|
| | Number in band | Due to Lump Sum | Number in band | Due to Lump Sum |
| | 2019-20 | 2019-20 | 2018-19 | 2018-19 |
| £50,000 - £54,999 | 119 | 0 | 122 | 4 |
| £55,000 - £59,999 | 74 | 0 | 51 | 1 |
| £60,000 - £64,999 | 43 | 0 | 48 | 0 |
| £65,000 - £69,999 | 30 | 1 | 25 | 1 |
| £70,000 - £74,999 | 10 | 0 | 33 | 0 |
| £75,000 - £79,999 | 31 | 0 | 10 | 1 |
| £80,000 - £84,999 | 3 | 0 | 6 | 0 |
| £85,000 - £89,999 | 6 | 0 | 4 | 0 |
| £90,000 - £94,999 | 6 | 0 | 9 | 1 |
| £95,000 - £99,999 | 5 | 0 | 2 | 0 |
| £100,000 - £104,999 | 4 | 0 | 5 | 0 |
| £105,000 - £109,999 | 1 | 1 | 2 | 0 |
| £110,000 - £114,999 | 4 | 1 | 1 | 0 |
| £115,000 - £119,999 | 1 | 0 | 0 | 1 |
| £120,000 - £124,999 | 0 | 0 | 1 | 0 |
| £140,000 - £144,999 | 0 | 1 | 0 | 0 |
| £255,000 - £259,999 | 0 | 1 | 0 | 0 |
| | 337 | 5 | 319 | 9 |

5.29.2 Senior officer remuneration

Remuneration Disclosures for employees defined by Regulation as Senior Employees whose salary is £150,000 or more per year

| Position Held | Notes | Salary (including Fees and Allowances) | | Employers Pension Contribution | | Exit payments | | Total Remuneration including employers pension contributions | |
|--------------------------------|-------|--|---------------|--------------------------------|----------|---------------|----------|--|---------------|
| | | £ | £ | £ | £ | £ | £ | £ | £ |
| | | 2019-20 | 2018-19 | 2019-20 | 2018-19 | 2019-20 | 2018-19 | 2019-20 | 2018-19 |
| Sean Harriss (Chief Executive) | 1 | 220,291 | 35,357 | 0 | 0 | 0 | 0 | 220,291 | 35,357 |
| | | 220,291 | 35,357 | 0 | 0 | 0 | 0 | 220,291 | 35,357 |

Remuneration disclosures for Senior Officers whose salary is less than £150,000 but more than £50,000

| Position Held | Notes | Salary (including Fees and Allowances) | | Employers Pension Contribution | | Exit payments | | Total Remuneration including employers pension contributions | |
|--|-------|--|----------------|--------------------------------|----------------|---------------|----------|--|----------------|
| | | £ | £ | £ | £ | £ | £ | £ | £ |
| | | 2019-20 | 2018-19 | 2019-20 | 2018-19 | 2019-20 | 2018-19 | 2019-20 | 2018-19 |
| Corporate Director - Community | 2 | 146,733 | 150,856 | 0 | 0 | 0 | 0 | 146,733 | 150,856 |
| Corporate Director - Resources | 3 | 135,032 | 0 | 32,435 | 0 | 0 | 0 | 167,467 | 0 |
| Corporate Director - People | | 146,733 | 128,416 | 18,246 | 30,820 | 0 | 0 | 164,979 | 159,236 |
| Acting Chief Executive | 4 | 0 | 131,402 | 0 | 31,536 | 0 | 0 | 0 | 162,938 |
| Director Legal and Governance | 5 | 160,224 | 153,319 | 38,579 | 35,549 | 0 | 0 | 198,803 | 188,868 |
| Director of Finance | | 130,460 | 121,471 | 32,445 | 29,153 | 0 | 0 | 162,905 | 150,624 |
| Acting Director of Adult Social Services | 6 | 20,815 | 129,794 | 4,216 | 31,151 | 88,001 | 0 | 113,032 | 160,945 |
| Director of Adult Social Services | 7 | 110,089 | 0 | 27,379 | 0 | 0 | 0 | 137,468 | 0 |
| | | 850,086 | 815,258 | 153,300 | 158,209 | 88,001 | 0 | 1,091,387 | 973,467 |

Note 1 Sean Harriss commenced on 3rd February 2019. He is not a member of the pension scheme.

Note 2 The Corporate Director is not a member of the pension scheme.

Note 3 The Corporate Director commenced on 20th May 2019.

Note 4 The Acting Chief Executive left the Council on 3rd February 2019.

Note 5 The Director's salary includes a payment of £16,972 for undertaking duties as the Council's Returning Officer.

Note 6 The Acting Director left the Council on 30th April 2019.

Note 7 The Director commenced on 27th May 2019.

5.30 Termination benefits

The number of exit payments split between compulsory and other redundancies and the total cost per band are set out below:

| Exit Payments cost band (including special payments) | Number of compulsory redundancies | | Number of other departures agreed | | Total number of Exit Payments by cost band | | Total cost of Exit Payments in each band | |
|--|-----------------------------------|---------|-----------------------------------|---------|--|---------|--|---------|
| | 2019-20 | 2018-19 | 2019-20 | 2018-19 | 2019-20 | 2018-19 | 2019-20 | 2018-19 |
| | | | | | | | £000 | £000 |
| £0 - £20,000 | 3 | 16 | 28 | 25 | 31 | 41 | 146 | 287 |
| £20,001 - £40,000 | 0 | 9 | 4 | 4 | 4 | 13 | 124 | 358 |
| £40,001 - £60,000 | 1 | 4 | 0 | 0 | 1 | 4 | 57 | 187 |
| £60,001 - £80,000 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 63 |
| £80,001 - £100,000 | 0 | 0 | 2 | 0 | 2 | 0 | 187 | 0 |
| £100,001 - £120,000 | 0 | 0 | 1 | 0 | 1 | 0 | 111 | 0 |
| Total | 4 | 29 | 35 | 30 | 39 | 59 | 625 | 895 |

'Other departures agreed' in the above table are under the Council's Voluntary Severance Scheme.

The net value of termination benefits charged to the Cost of Services in the Comprehensive Income and Expenditure Statement is as follows:

Exit payment liabilities

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|---|-----------------|
| 895 | Exit payments not provided for in 2018-19 | 595 |
| 0 | Employment provision (within note 5.20) | 30 |
| 895 | Included in cost of services | 625 |

5.31 External audit costs

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

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|---|-------------------|
| | Fees payable to external auditors in respect of: | |
| 116 | External audit services carried out by the appointed auditor for the year | 117 |
| 24 | Certification of grant claims and returns for the year | 25 |
| <u>140</u> | Total | <u>142</u> |

5.32 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by Department for Education and known as the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the local authority area. 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 2018.

Details of the deployment of DSG receivable for 2019-20 are as follows:

| | Central Expenditure £000 | Individual Schools Expenditure £000 | Total £000 |
|--|-----------------------------|---|---------------------|
| Final DSG allocation 2019-20 | | | 217,324 |
| Less: Academy recoupment | | | (89,312) |
| Final DSG after recoupment 2019-20 | | | <u>128,012</u> |
| Plus: Brought forward from 2018-19 | | | 2,614 |
| Less: Carry forward to 2020-21 agreed in advance | | | (1,702) |
| Agreed budgeted distribution in 2019-20 | 52,249 | 76,675 | 128,924 |
| In-year adjustments | 415 | 0 | 415 |
| Final budget distribution for 2019-20 | 52,664 | 76,675 | <u>129,339</u> |
| Less: Actual central expenditure | (54,318) | | (54,318) |
| Less: Actual ISB deployed to schools | | (76,454) | (76,454) |
| Carry forward to 2020-21 | (1,654) | 221 | (1,433) |
| Total surplus carry forward to 2020-21 | | | <u>(269)</u> |

5.33 Grants income

5.33.1 Revenue grants included within the cost of services

The following revenue grants have been included within the cost of services in the comprehensive Income and Expenditure Account:

| 2018-19 £000 | Grant | Awarding Body | 2019-20 £000 |
|------------------|--|---|------------------|
| (141,770) | Dedicated Schools Grant | Department for Education | (129,339) |
| (4,587) | Pupil Premium | Department for Education | (3,810) |
| (3,029) | Universal Infant Free School Meals | Department for Education | (2,274) |
| (2,744) | Private finance initiative | Various | (2,744) |
| (10,808) | Public Health | Department of Health | (10,523) |
| (113,997) | Rent Allowance | Department of Work and Pensions | (100,497) |
| (24,948) | HRA Rent Rebate | Department of Work and Pensions | (24,444) |
| (1,576) | New burdens | Department of Work and Pensions | (2,127) |
| (1,146) | Unaccompanied Asylum Seekers Grant | Home Office - UK Border Agency | (1,998) |
| (2,811) | EFA 6th Form Funding | Young People's Learning Agency | (4,352) |
| (4,679) | Improved Better Care Fund | Ministry of Housing, Communities and Local Gov. | (5,498) |
| (9,510) | Other Grants | Various | (7,939) |
| (321,605) | Total Revenue Grants included in the Comprehensive Income and Expenditure Account | | (295,545) |

5.33.2 Capital grants included within taxation and non-specific grant income

The following capital grants have been included within the taxation and non-specific grant income line in the Comprehensive Income and Expenditure Account:

| 2018-19 £000 | Grant | Awarding Body | 2019-20 £000 |
|-----------------|--|--------------------------|-----------------|
| (3,822) | LA Capital Maintenance and Basic Need Grant | Department for Education | (8,535) |
| 0 | HRA Affordable Housing Grant | Greater London Authority | (3,073) |
| 0 | HRA Grange Farm Phases 1 & 2 | Greater London Authority | (2,644) |
| (277) | Section 20 & 106 income | Various | (1,423) |
| (3,915) | Other | Various | (7,000) |
| (8,014) | Total Capital Grants included in Comprehensive Income and Expenditure Account | | (22,675) |

5.33.3 Capital grants receipts in advance

| 2018-19 £000 | Grant - Capital | Awarding Body | 2019-20 £000 |
|-----------------|--------------------------------|--------------------------|-----------------|
| (3,750) | Borough Intervention Agreement | Greater London Authority | (3,750) |
| (751) | Section 106 Capital Receipts | Various | (696) |
| (814) | Other Capital Grants | Various | (2,688) |
| (5,315) | | | (7,134) |

5.34 Related parties

The Council 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 Council 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 Council.

5.34.1 United Kingdom Government and other Public Bodies

Central government has significant influence over the general operations of the Council by providing the statutory framework within which the Council operates, significant funding in the form of grants and by prescribing the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received and payments to levying bodies are disclosed in the notes to the accounts. Payments to precepting bodies are detailed in the Collection Fund and Comprehensive Income and Expenditure Statement. The Better Care Fund pooled budget is disclosed in note 5.27.

Members and senior officers

Members of the Council have direct control over the Council's financial and operating policies.

The Register of Interests for Members can be viewed on the Harrow Council website. The register shows that Members hold various positions on the governing bodies of a number of organisations including charities, associations, academy schools and companies. In no case does the Council control any of these organisations by virtue of Members controlling their governing bodies.

The Council has significant influence over the decisions of a local charity due to a significant number of Members also being trustees on the governing body of the charity.

In 2019-20, the Council made the following payments for grants and services to the charity:

| Organisation | Amount £000 |
|--------------------------------------|-------------|
| West House and Heath Robinson Museum | 9 |

Senior officers had no material transactions with related parties to disclose during the financial year.

5.34.2 London Borough of Harrow Pension Fund

The Council is the Administering Authority for the Pension Fund.

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|---|-----------------|
| 22,579 | Employers Pension Contributions to the Fund | 22,893 |
| (846) | Administration expenses paid by the Fund | (906) |
| 989 | Cash Due to the Fund | 1,289 |

5.35 Capital Financing

Total capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources used to finance it. Capital expenditure results in an increase in the Capital Financing Requirement (CFR). CFR is thus a measure of the capital expenditure incurred historically by the Council that has yet to be financed. CFR is analysed in the bottom part of the note.

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|---|-----------------|
| 494,223 | Opening Capital Financing Requirement | 517,532 |
| | <i>Capital Investment</i> | |
| 37,091 | Property, Plant and Equipment | 60,674 |
| 6,194 | Investment Property | 53,426 |
| 11,496 | Revenue Expenditure Funded from Capital under Statute | 3,268 |
| | <i>Sources of finance</i> | |
| (4,820) | Capital receipts | (2,476) |
| (9,011) | Government grants and other contributions | (13,825) |
| 0 | Deferred capital receipts | (22,703) |
| | Sums set aside from revenue: | |
| (660) | · Direct revenue contributions | (3,681) |
| (10,918) | · Minimum Revenue Provision | (21,986) |
| (6,063) | · Major Repairs Reserve | (5,619) |
| 517,532 | <i>Closing Capital Financing Requirement</i> | 564,610 |
| | <i>Explanation of movements in year</i> | |
| 34,227 | Increase in unsupported borrowing | 69,064 |
| (10,918) | Minimum Revenue provision | (21,986) |
| 23,309 | <i>Increase in Capital Financing Requirement</i> | 47,078 |

5.36 Leases

5.36.1 The Council as Lessee

Finance Leases

The Council entered into new leases of vehicles and machinery in 2019-20.

Assets acquired under finance leases are included as part of Vehicles, Plant, Furniture and Equipment in the Property, Plant and Equipment balance in the Balance Sheet. The book value of these assets is £3.488m (nil in 2018-19). Outstanding lease liabilities are £3.601m (nil in 2018-19) and minimum lease payments of £4.831m (nil in 2018-19) will be made over the next 1 to 7 years.

Operating Leases

The Council enters into operating leases, principally in respect of properties. Properties leased include Premier House, Wealdstone, with the local Primary Care Trust, as well as some libraries and car parks. In addition, the Council leases residential properties from the private sector (PSLs) for homelessness needs. Contract end dates vary, with some of the properties being long leases in excess of twenty years. PSLs are generally between 2 to 5 years in length.

The expenditure relating to minimum lease payments charged to the Comprehensive Income and Expenditure Statement during the year in relation to the operating leases is analysed below.

| 31-Mar-19 £000 | | 31-Mar-20 £000 |
|-------------------|---|-------------------|
| 2,816 | Not later than one year | 3,473 |
| 1,395 | Later than one year and not later than five years | 1,335 |
| 2,215 | Later than five years | 2,150 |
| 6,426 | | 6,958 |
| 3,710 | Min. lease payments charged to revenue in 19-20 | 2,816 |

5.36.2 The Council as Lessor

Finance Leases

The Council has granted 125 year peppercorn leases in respect of 14 maintained schools which transferred to Academy status prior to 2019-20 under the provisions of the Academies Act 2010.

Although the legal form of the transfer arrangement is a lease, and the Council retains the freehold, the transfer of schools to Academy status are treated as in substance a disposal in the Council's balance sheet. No maintained schools transferred to Academy status in 2019-20.

Operating Leases

The Council leases out property under operating leases for the provision of community services, such as sports facilities and community centres and for economic development purposes. The Council also leases out a number of investment properties.

Operating leases have been classified as Investment Properties or Property, Plant and Equipment, generating a rental stream of £4.2m in 2019-20 (£3.0m in 2018-19).

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

| 31-Mar-19 | | 31-Mar-20 |
|---------------|---|---------------|
| £000 | Land and Buildings | £000 |
| 3,138 | Not later than one year | 4,730 |
| 9,892 | Later than one year and not later than five years | 16,283 |
| 18,939 | Later than five years | 21,518 |
| <u>31,969</u> | | <u>42,531</u> |

5.37 Private Finance Initiative (PFI)

The Council has two PFI contracts: special schools and Neighbourhood Resource Centres (NRCs). Both contracts fall within the scope of service concession arrangements under IFRIC 12 as the use of the assets is controlled by the Council and the assets revert back to the Council on the expiration of the contracts.

Under these contracts, the Council pays a unitary charge which is subject to payment deductions for service and availability failures, and increases each year for inflation based on RPI. The Council receives an annual PFI grant from the government for each scheme. Unused amounts of grant are transferred to sinking funds to finance future PFI payments.

At the end of the contracts the assets and all rights under the agreements revert to the Council at no additional cost. The providers are required to undertake regular benchmarking exercises for certain operational costs and market test these where necessary. In the event of default by the provider the Council has the option to either re-tender the contract and pay the contractor the highest compliant tender price, or to take over the contract and pay the contractor the estimated fair value of the agreement. In the event of voluntary termination the provider is entitled to a termination sum based on the debt outstanding. The Council is entitled to receive a 50% share of any refinancing gains.

Outstanding PFI lease liabilities are as follows:

Special schools

| 2018-19 | | 2019-20 |
|-----------------|--------------------------------------|-----------------|
| £000 | | £000 |
| (10,777) | Balance outstanding at start of year | (10,406) |
| 1,361 | Lease repayments during the year | 1,332 |
| (990) | Finance charge | (956) |
| <u>(10,406)</u> | Balance outstanding at year end | <u>(10,030)</u> |

NRCs

| 2018-19 | | 2019-20 |
|----------------|--------------------------------------|----------------|
| £000 | | £000 |
| (5,272) | Balance outstanding at start of year | (5,095) |
| 615 | Lease repayments during the year | 630 |
| (438) | Finance charge | (423) |
| <u>(5,095)</u> | Balance outstanding at year end | <u>(4,888)</u> |

5.37.1 Special schools

The contract relates to two new schools for pupils with learning disabilities, and the refurbishment of a first and middle school. The contract is for the provision of the facilities on Council sites under licence to the provider. The works were phased in and the three schools were fully operational by February 2006.

The Council is committed to make the following payments to the contractor for the duration of the contract:

| | Payment for Services £000 | Interest £000 | Principal Repayment £000 | Contingent Rent £000 | Total £000 |
|-------------------------------|---------------------------------|------------------|--------------------------------|----------------------------|---------------|
| Schools | | | | | |
| Payable in 2020-21 | 1,239 | 921 | 453 | 90 | 2,703 |
| Payable within 2 to 5 years | 5,962 | 3,228 | 1,909 | 84 | 11,183 |
| Payable within 6 to 10 years | 8,167 | 2,959 | 3,518 | 245 | 14,889 |
| Payable within 11 to 14 years | 5,492 | 936 | 4,150 | 788 | 11,366 |
| Total | 20,860 | 8,044 | 10,030 | 1,207 | 40,141 |

5.37.2 Neighbourhood Resource Centres (NRC)

Three Centres have been provided under the Local Improvement Finance Trust (LIFT) initiative on Council sites under licence to the provider. These became operational in May 2009.

The Council is committed to make the following payments to the contractor for the duration of the contract:

| | Payment for Services £000 | Interest £000 | Principal Repayment £000 | Contingent Rent £000 | Total £000 |
|-------------------------------|---------------------------------|------------------|--------------------------------|----------------------------|---------------|
| NRC | | | | | |
| Payable in 2020-21 | 294 | 406 | 193 | 230 | 1,123 |
| Payable within 2 to 5 years | 1,136 | 1,437 | 1,037 | 1,167 | 4,777 |
| Payable within 6 to 10 years | 1,951 | 1,265 | 1,607 | 1,851 | 6,674 |
| Payable within 11 to 15 years | 1,754 | 440 | 2,051 | 2,086 | 6,331 |
| Total | 5,135 | 3,548 | 4,888 | 5,334 | 18,905 |

5.38 Defined benefit pension schemes

5.38.1 Participation in pension scheme

The Council offers retirement benefits as part of the terms and conditions under which staff are employed. Although these benefits will not actually be paid until after employees retire, commitments to make the payments are recognised in the accounts at the time that the entitlements are earned.

The Council participates in the Local Government Pension Scheme (LGPS). This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to ensure that sufficient funds are held to ensure that pension liabilities are paid when they are due.

5.38.2 Transactions relating to post-employment benefits

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

Cumulative actuarial remeasurement losses of £233m have been recognised in the Movement in Reserves Statement up to and including 2019-20 (£257m in 2018-19).

Expected employer contributions for 2020-21 are £20.5m, excluding any contributions in respect of unfunded benefits.

| 2018-19 8000 | | 2019-20 £000 |
|-----------------|--|-----------------|
| | Cost of Services: | |
| 33,253 | • current service cost | 35,950 |
| 181 | • past service costs | 2,613 |
| | Financing and Investment Income and Expenditure | |
| 29,056 | • interest cost | 29,192 |
| (19,687) | • interest income on scheme assets | (19,285) |
| 42,803 | Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services | 48,470 |
| | Other Post Employment Benefit Charged to the CIES | |
| | Remeasurements in net liability due to | |
| 0 | • changes in demographic assumptions | (11,365) |
| 62,359 | • changes in financial assumptions | (87,719) |
| (33,029) | • return on plan assets | 118,818 |
| 909 | • changes in other experience | (43,341) |
| 30,239 | | (23,607) |
| 73,042 | Total Post Employment Benefit Charged to the CIES | 24,863 |
| 22,744 | Actual amount charged to the General Fund balance in the year | 23,332 |

5.38.3 Reconciliation of present value of the scheme liabilities

The weighted average duration of the defined benefit obligation for scheme members is 19 years.

| 2018-19 £000 | | 2019-20 £000 |
|--------------------|---|--------------------|
| (1,116,211) | Opening balance at 1 April | (1,212,805) |
| (33,253) | Current service cost | (35,950) |
| (29,056) | Interest cost | (29,192) |
| (5,548) | Contributions by scheme participants | (5,519) |
| | Remeasurement (gains)/losses arising from changes in: | |
| 0 | Demographic Assumptions | 11,365 |
| (62,359) | Financial Assumptions | 87,719 |
| (909) | Other Experience | 43,341 |
| 34,712 | Benefits paid | 39,581 |
| (181) | Past service costs | (2,613) |
| <u>(1,212,805)</u> | Closing balance at 31 March | <u>(1,104,073)</u> |

5.38.4 Reconciliation of fair value of the scheme (plan) assets

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

The actual return on scheme assets in the year was -£99.5m (2018-19: £53m).

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|--------------------------------------|-----------------|
| 760,920 | Opening balance at 1 April | 807,216 |
| 19,687 | Interest income on plan assets | 19,285 |
| 33,029 | Remeasurement gain/(loss) | (118,818) |
| 22,744 | Employer contributions | 23,332 |
| 5,548 | Contributions by scheme participants | 5,519 |
| (34,712) | Benefits paid | (39,581) |
| <u>807,216</u> | Closing balance at 31 March | <u>696,953</u> |

5.38.5 Scheme history

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the LGPS will be made good by investment returns in excess of the assumed discount rate and by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

| | 2019-20 £000 | 2018-19 £000 | 2017-18 £000 | 2016-17 £000 | 2015-16 £000 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Present value of liabilities | (1,104,073) | (1,212,805) | (1,116,211) | (1,102,110) | (933,174) |
| Fair value of assets | 696,953 | 807,216 | 760,920 | 732,652 | 594,189 |
| Net deficit in the scheme | (407,120) | (405,589) | (355,291) | (369,458) | (338,985) |

5.38.6 Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the Projected Unit Method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Scheme liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the Fund being based on the latest full valuation of the scheme as at 31st March 2019.

The principal assumptions used by the actuary have been:

| 2018-19 | | 2019-20 |
|---------|--|---------|
| | Long-term expected rate of return on assets in the scheme: | |
| 7.0% | Equity investments | 8.3% |
| | Mortality assumptions: | |
| | Longevity at 65 for current pensioners: | |
| 22.2 | Men | 22.0 |
| 24.4 | Women | 24.3 |
| | Longevity at 65 for future pensioners: | |
| 24.0 | Men | 23.1 |
| 26.4 | Women | 26.3 |
| | Financial assumptions: | |
| 2.8% | Rate of increase in salaries | 2.6% |
| 2.5% | Rate of increase in pensions (CPI) | 1.9% |
| 2.4% | Rate for discounting scheme liabilities | 2.3% |
| | Take-up of option to convert annual pension into retirement lump sum: | |
| 50.0% | - Pre April 2008 Service | 50.0% |
| 75.0% | - Post April 2008 Service | 75.0% |

5.38.7 Scheme assets

LGPS assets consist of the following categories, by proportion of the total assets held. All categories are quoted in active markets:

| 31-Mar-19 | | 31-Mar-20 |
|-------------|-----------------------------------|-------------|
| 13.0% | Debt Securities - Corporate Bonds | 13.0% |
| 2.0% | Private Equity | 1.0% |
| 9.0% | Real Estate: UK Property | 7.0% |
| | Investment Funds and Unit Trusts: | |
| 53.0% | Equities | 53.0% |
| 22.0% | Other | 23.0% |
| 1.0% | Cash and Equivalents | 3.0% |
| <u>100%</u> | | <u>100%</u> |

5.38.8 History of experience gains and losses

| | 2019-20 | 2018-19 | 2017-18 | 2016-17 | 2015-16 |
|--|---------|---------|---------|---------|---------|
| | % | % | % | % | % |
| Differences between the expected and actual return on assets | -17.05 | 4.09 | 2.22 | 17.35 | -3.20 |
| Experience gains and (losses) on liabilities | -3.93 | 0.07 | -0.02 | 1.79 | 1.55 |

5.38.9 Sensitivity of the defined benefit obligation to changes in actuarial assumptions

| | Increase in present value of scheme liabilities | |
|---|---|-----------------|
| | % | £000 |
| 0.5% decrease in the real discount rate | 8 | 93,208 |
| 0.5% increase in rate of increase in salaries | 1 | 6,893 |
| 0.5% increase in the rate of increase in pensions | 8 | 85,696 |
| 1 year increase in member life expectancy | 3 - 5 | 33,122 - 55,204 |

The sensitivity analysis has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. Changes in some assumptions may however be interrelated. Estimations in the sensitivity analysis follow the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

5.39 Teachers' Pension Scheme

The Teachers' Pension Agency (TPA) provides retirement benefits for teachers on behalf of the Department for Innovation, Universities and Skills and the Department for Children, Schools and Families.

The assets and liabilities for the Teachers' Pension Scheme cannot be identified at individual employer level. It is therefore accounted for on the same basis as a defined contribution scheme.

In 2019-20 the Council made £7.40m (£6.86m in 2018-19) of employer contributions to the TPA. The current contribution rate is 23.68%. The rate increased from 16.48% on 1st September 2019 (16.48% in 2018-19).

5.40 Nature and extent of risks arising from financial instruments

The Council has adopted CIPFA's Code of Practice on Treasury Management and complies with The Prudential Code for Capital Finance in Local Authorities. As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the Ministry of Housing, Communities and Local Government's Investment Guidance for Local Authorities. In order to minimise the risk to Council resources the Strategy gives priority to security and liquidity, rather than yield.

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

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

Credit risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with non-UK banks and financial institutions unless they are rated independently with a minimum score of AA- sovereign rating, A- long term rating, F1 short term rating. The Council does not rely solely on the credit ratings but also has regard to other measures including credit default swaps and equity prices when selecting commercial organisations for investment. Investments are diversified across institutions to ensure a spread of risk throughout the counterparty list. Information relating to the counterparties is constantly monitored and action taken should any institution fail to meet the minimum criteria.

The table below shows a summary of institutions with which the Council has deposits:

| | Amount at 31-Mar-20 | Historical experience of default | Historical experience adjusted for market conditions at 31-Mar-20 | Estimated maximum exposure to default and uncollectability 31-Mar-20 |
|-----------------------|------------------------|--|---|---|
| | £000 | % | % | £000 |
| UK Banks | 62,917 | 0.00 | 0.00 | 0 |
| UK Money Market Funds | 1,615 | 0.00 | 0.00 | 0 |
| Customers | 13,733 | 3.52% | 22.64% | 4,019 |
| Total | 78,265 | | | 4,019 |

The Council does not allow credit for customers. The financial instruments short term debtors balance is analysed by age as follows:

| Amount at 31-Mar-19 | | Amount at 31-Mar-20 |
|------------------------|------------------------|------------------------|
| £000 | | £000 |
| 8,623 | Less than three months | 11,390 |
| 635 | Three to six months | 555 |
| 977 | Six months to one year | 711 |
| 323 | More than one year | 1,077 |
| 10,558 | Total Debtors | 13,733 |

Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets to cover any day to day cash flow need and the Public Works Loans Board (PWLb) and money market for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future with Prudential Indicators included in the Treasury Management Strategy setting maximum levels of debt to mature within any financial year. This also aims to minimise the financial impact of re-borrowing at a time of unfavourable interest rates.

The maturity structure of long term borrowing is as follows:

| 31-Mar-19 £000 | | 31-Mar-20 £000 |
|-------------------|---------------------------------------|-------------------|
| | Source of Loan: | |
| (248,461) | Public Works Loan Board | (348,461) |
| (53,800) | Market Loans | (73,800) |
| (190) | Other financial institutions | (142) |
| <u>(302,451)</u> | Total | <u>(422,403)</u> |
| | Analysis of loans by maturity: | |
| (48) | 1-2 years (1.4.2021 - 31.3.2022) | (46) |
| (5,098) | 2-5 years (1.4.2022 - 31.3.2025) | (5,070) |
| (10,044) | 5-10 years (1.4.2025 - 31.3.2030) | (20,027) |
| (287,261) | More than 10 years (1.4.2030 onwards) | (397,260) |
| <u>(302,451)</u> | Total | <u>(422,403)</u> |

The more than ten years category in the above analysis includes a £20.8m LOBO – Lender Option Borrower Option loan where the lender may ask for the rate payable to be changed. The Council has the option to either accept this increase or repay the loan in full, without penalty. In the current economic climate it is not anticipated that any of these will be called and require repayment. However, if the lender does exercise its rights, this loan can be repaid from prudential borrowing.

Market risk

Interest rate risk

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

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

Borrowings are not carried at fair value, 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.

The Council has a number of strategies for managing interest rate risk. The Council seeks to minimise this risk through expert advice on forecasts of interest rates received from our treasury management consultants. This is used to formulate a strategy for the year for both investments and borrowing. The Treasury Team monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed. Also, where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The long term borrowing of the Council is held at a fixed rate and thus there would be no effect on the Comprehensive Income and Expenditure Statement, if interest rates were different from those that prevailed on the Balance Sheet date.

The average balance of investments was £90m (£39m in 2018-19). With the base rate currently fixed at 0.10%, the risk of exposure from a downwards move is low. A positive movement of 1% in rates received on average investment balances would generate additional investment income of £0.90m.

5.41 Trust funds

Trust funds do not represent assets of the Council and are therefore not included in the Balance Sheet.

The Council acts as a custodian for various trust funds. The balance of these trust funds in 2019-20 was £216k (£223k in 2018-19).

In addition the Council acts as administrator for the Edward Harvist Charity. Charity funds are held in a permanent endowment fund. Income from the investment is distributed to 5 Boroughs who then make grants to appropriate organisations and individuals for the public benefit to improve the lives of their residents. The value of Charity funds in 2019-20 was £9.6m (£10.6m in 2018-19).

5.42 Post balance sheet date events

The impact of the COVID-19 pandemic started to take effect from late March 2020 and is not therefore considered to be a post balance sheet date event. The pandemic is however expected to have a significant impact on the financial position of the Council in 2020-21. Impacts on the 2019-20 accounts and on future years are considered in the narrative report. Uncertainties arising from the pandemic in respect of the valuations of Property, Plant & Equipment and impairment of Short Term Debtors are discussed in note 5.3.

6 Housing Revenue Account

6.1 Housing Revenue Account (HRA)

The account is maintained in accordance with the provisions of the Local Government and Housing Act 1989 to show all the transactions relating to the provision, maintenance and management of the Council's housing stock.

| 2018-19 £000 | | Note | 2019-20 £000 | £000 |
|-----------------|---|-------|-----------------|-----------------|
| | Expenditure | | | |
| 8,351 | Repairs and maintenance | | 8,428 | |
| 9,057 | Supervision and management | | 9,289 | |
| 373 | Rents, rates, taxes and other charges | | 108 | |
| 7,534 | Depreciation of non current assets | 6.2.3 | 7,647 | |
| 100 | Impairment of non-current assets | | 0 | |
| 37 | Debt management costs | | 37 | |
| <u>25,452</u> | Total Expenditure | | | <u>25,509</u> |
| | Income | | | |
| (27,650) | Dwelling rents (gross) | 6.2.1 | (28,002) | |
| (591) | Non-dwelling rents (gross) | 6.2.2 | (549) | |
| (2,038) | Charges for services and facilities | | (2,060) | |
| (1,275) | Contributions towards expenditure | | (1,218) | |
| 0 | Reversal of impairment of non-current assets | | (111) | |
| <u>(31,554)</u> | Total Income | | | <u>(31,940)</u> |
| | Net cost of HRA Services as included in the Whole Authority Comprehensive Income and Expenditure Statement | | | (6,431) |
| 440 | HRA's share of Corporate and Democratic Core | | | <u>440</u> |
| <u>(5,662)</u> | Net cost of HRA Services | | | <u>(5,991)</u> |
| | HRA share of operating income & expenditure included in the Whole Authority Comprehensive Income & Expenditure Statement | | | |
| 1,286 | Loss (Gain) on sale of HRA Fixed Assets | | (3,143) | |
| 757 | Pooling payments in respect of Right to Buy disposals | | 3,882 | |
| 8,126 | Interest payable and similar charges | | 6,380 | |
| (41) | Interest & investment income | | (51) | |
| (180) | Capital grants & contributions receivable | | (7,507) | |
| <u>4,286</u> | (Surplus) Deficit for the year on HRA services | | | <u>(6,430)</u> |

Statement of Movement on the HRA Balance

| 2018-19 £000 | | Note | 2019-20 £000 |
|-----------------|--|-------|-----------------|
| (7,474) | Balance on HRA at end of the previous year | | (7,474) |
| 4,286 | (Surplus)/deficit for the year on the HRA Income & Expenditure Statement | | (6,430) |
| (3,123) | Adjustment between accounting basis and funding basis under regulations | 6.2.9 | 3,188 |
| 1,163 | Net increase or decrease before transfers from reserves | | (3,242) |
| (1,163) | Transfer to reserves | 6.2.9 | 3,190 |
| 0 | Increase in year on the HRA | | (52) |
| (7,474) | Balance on HRA at end of the current year | | (7,526) |

6.2 Notes to the Housing Revenue Account**6.2.1 Dwelling Rents Income**

This is the total income due for the year after allowance is made for voids etc. At year end 0.88% of lettable properties were vacant (0.71% in 2018-19). The average de-pooled rents were £110.46 per week (£111.57 in 2018-19). There was an average rent reduction of 1% over the previous year. The average reduction, after taking into account service charges, was 0.88%.

6.2.2 Non-dwelling Rents

This includes garages. At the year-end 51.54% of garages were vacant (56.5% in 2018-19).

6.2.3 HRA Fixed Assets

| | Land £000 | Dwellings £000 | Assets under construction £000 | Shops £000 | Garages £000 | Community Halls £000 | Total 2019-20 £000 |
|--------------------------------------|--------------|-------------------|---|---------------|-----------------|----------------------------|--------------------------|
| Net book value as at 1 April 2019 | 216,759 | 188,327 | 9,746 | 4,594 | 4,996 | 7,290 | 431,712 |
| Revaluations and additions | (2,468) | 50,843 | (2,029) | 508 | 323 | 612 | 47,789 |
| Disposals | (1,258) | (1,942) | 0 | 0 | (14) | 0 | (3,214) |
| Gross book value as at 31 March 2020 | 213,033 | 237,228 | 7,717 | 5,102 | 5,305 | 7,902 | 476,287 |
| Depreciation for year | 0 | (7,362) | 0 | (35) | (161) | (89) | (7,647) |
| Net book value as at 31 March 2020 | 213,033 | 229,866 | 7,717 | 5,067 | 5,144 | 7,813 | 468,640 |

The HRA portfolio has been revalued in line with the 5 year rolling programme of valuations as set out in the Accounting Policies and Revaluations note 5.11.3.

The valuation of HRA fixed assets has been prepared on the basis of Existing Use Value and calculated in accordance with the RICS Valuation – Professional Standards dated January 2014 but subject to amendment in accordance with the Department of Communities and Local Government (DCLG) Guidance for Stock Valuation for Resource Accounting 2016 (published November 2016).

A vacant possession valuation for dwellings at 1st April 2019 would have been £1,497m (£1,525m at 1st April 2018), therefore recognising the economic cost to the Government of providing Council housing at less than open market value of £1,092m (2018-19 £1,117m).

Depreciation has been charged on a straight line basis over the useful life of the property. Material components are depreciated separately. Please refer to the Accounting Policies for details.

6.2.4 Major Repairs Reserve

Councils are required to maintain a Major Repairs Reserve to fund capital expenditure. The main credit to the reserve is an amount equal to the total depreciation charge for HRA Assets.

| | Balance 31-Mar-19 £000 | Transfer to Reserve £000 | Capital Expenditure £000 | Debt Repayment £000 | Balance 31-Mar-20 £000 |
|--------------------------|------------------------------|--------------------------------|--------------------------------|---------------------------|------------------------------|
| Analysis of the Movement | (5,713) | (7,647) | 4,860 | 759 | (7,741) |

6.2.5 Capital Expenditure and Funding Statement

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|---|-----------------|
| | HRA Capital Expenditure | |
| 4,233 | Dwellings & garages | 5,151 |
| 2,858 | New build | 4,333 |
| <u>7,091</u> | Total | <u>9,484</u> |
| | Financed by: | |
| 6,063 | Major Repairs Reserve | 4,860 |
| 1,120 | Capital receipts - Right to Buy, Affordable Housing & other | 187 |
| 240 | Contributions & Grants | 4,437 |
| (332) | Borrowing | 0 |
| <u>7,091</u> | Total | <u>9,484</u> |

6.2.6 Capital Receipts

Under the Local Government and Housing Act 1989 a proportion of receipts relating to housing disposals is payable to the Government. The balance can be used for new capital investment, construction of replacement housing or set aside to reduce the Council's underlying need to borrow.

Further details are provided in note 5.22.1.

6.2.7 Pensions (IAS 19)

The HRA is charged with its share of current and past service pension costs. To ensure there is no net effect on the HRA both entries are reversed out and replaced by employers' contributions payable via an appropriation to the Pension Reserve after net operating expenditure.

Further details are provided in note 5.38.

6.2.8 Housing Revenue Account Statistics

| 2018-19 Total | Housing Stock | Houses | Flats | Bungalows | 2019-20 Total |
|------------------|---|--------|-------|-----------|------------------|
| 105 | 4 or more bedrooms | 101 | 2 | 2 | 105 |
| 1,337 | 3 bedrooms | 1,245 | 103 | 1 | 1,349 |
| 1,406 | 2 bedrooms | 541 | 877 | 26 | 1,444 |
| 1,914 | 1 bedroom | 3 | 1,788 | 134 | 1,925 |
| 4,762 | LBH managed stock as at 31 March | 1,890 | 2,770 | 163 | 4,823 |
| 745 | Garages | | | | 743 |
| 1,192 | Leaseholders | | | | 1,201 |
| | Summary of change in stock | | | | |
| 4,813 | Stock as at 1 April | | | | 4,762 |
| | Add/ (Less) | | | | |
| (55) | Sales | | | | (25) |
| 4 | New builds & Acquisitions | | | | 15 |
| 0 | Transfer from General Fund | | | | 71 |
| 4,762 | Total HRA stock at 31 March | | | | 4,823 |
| | Measures of performance & information for disclosure notes to HRA | | | | |
| £60.20 | Average weekly costs per dwelling of management and maintenance | | | | £56.83 |
| £1.370m | Rent arrears (current and former tenants) | | | | £1.830m |
| 98.78% | Rent collection rate (BVPI 66a) | | | | 97.41% |
| 2.00% | Current tenant arrears as percentage of rent roll (whether dwellings occupied or not) | | | | 2.04% |
| 0.71% | Rent loss through voids | | | | 0.70% |
| £58k | Write offs in year | | | | £96k |
| £651k | Provision for bad debts | | | | £747k |

6.2.9 Statement of Movement on the HRA Balance

| 2018-19 £000 | | 2019-20 £000 |
|-----------------|--|-----------------|
| | Adjustment between accounting basis and funding basis under regulations | |
| (1,837) | Difference between amortisation of premiums & discounts determined in accordance with the Code and those determined in accordance with statute | 45 |
| | Difference between any other item of income & expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements | |
| (1,286) | Gain (Loss) on sale of HRA fixed assets | 3,143 |
| (3,123) | | 3,188 |
| | Transfer to / (from) earmarked reserves | |
| | HRA share of contributions to/from Pensions reserve : | |
| (604) | Net charges made for retirement benefits in accordance with IAS19 | (646) |
| | Sums directed by the Secretary of State to be credited to the HRA that are not expenditure in accordance with the Code | |
| | Transfer to / (from) the Capital Adjustment Account | |
| (100) | Impairment | 111 |
| (55) | Revenue expenditure funded from capital resources under statute | 0 |
| 0 | Minimum revenue provision | 8 |
| 180 | Capital grants and contributions | 7,523 |
| (7,534) | Depreciation transfer | (7,660) |
| 7,534 | Transfer to the Major Repairs Reserve | 7,647 |
| | Transfers to/from Capital Reserves | |
| (757) | Pooling payments to MHCLG financed through capital reserves | (3,882) |
| 173 | Other | 89 |
| (1,163) | | 3,190 |
| (4,286) | | 6,378 |

7 Collection Fund

This Collection Fund is an agent's statement that reflects the statutory obligations for the London Borough of Harrow, as billing authority, to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from tax payers and distribution to Local Authorities (London Borough of Harrow and the GLA).

7.1 Statement of Income and Expenditure

| 2018-19 | | 2019-20 | | |
|---|--|----------------------------|------------------|------------------|
| | | Business Rates & Crossrail | Council Tax | Total |
| £000 | | £000 | £000 | £000 |
| Income | | | | |
| (148,207) | Income from Council Tax | 0 | (158,621) | (158,621) |
| (60,897) | Income Collectable from Business Ratepayers | (55,839) | 0 | (55,839) |
| (1,113) | Income Collectable from Business Ratepayers - BRS | (1,083) | 0 | (1,083) |
| (210,217) | Total Income | (56,922) | (158,621) | (215,543) |
| Expenditure | | | | |
| Apportionment of Previous year surplus / deficit | | | | |
| 3,117 | Central Government | 29 | 0 | 29 |
| 6,093 | Harrow Council | (779) | 3,003 | 2,224 |
| 4,172 | Greater London Authority | (421) | 633 | 212 |
| Precepts, demands and shares | | | | |
| 0 | Central Government | 12,935 | 0 | 12,935 |
| 152,242 | Local Demand (Harrow) | 24,836 | 126,295 | 151,131 |
| 45,331 | Greater London Authority | 15,047 | 27,644 | 42,691 |
| Impairment of debts / appeals | | | | |
| 0 | | | | 0 |
| 7,843 | Write offs of uncollectable amounts | 6,463 | 1,201 | 7,664 |
| 1,459 | Increase in bad debt provisions | (243) | 1,456 | 1,213 |
| 700 | Increase / (decrease) in provision for appeals | (2,600) | 0 | (2,600) |
| 251 | Costs of Collection | 250 | 0 | 250 |
| 221,208 | Total Expenditure | 55,517 | 160,232 | 215,749 |
| 10,991 | Movement on Fund balance: (Surplus) / Deficit for the year | (1,405) | 1,611 | 206 |
| (14,223) | (Surplus) / Deficit brought forward | 1,225 | (4,457) | (3,232) |
| (3,232) | (Surplus) / Deficit carried forward | (180) | (2,846) | (3,026) |

Notes to the Collection Fund

7.1.1 Income from Council Tax

The Council tax is levied on domestic properties and the charge is based on the valuation band assessed for each dwelling. The council tax base, which is used in the tax calculations, is based on the number of dwellings in each band. This is adjusted for exemptions, discounts, disabled banding changes and council tax support. The Council Tax, as shown, reflects both Harrow Council and GLA services:

| 2018-19 | | | | 2019-20 | | |
|-----------------|---------------------|------------------|-------------------------------|-----------------|---------------------|------------------|
| Band D Ratio | Property Numbers | Council Tax £ | | Band D Ratio | Property Numbers | Council Tax £ |
| Valuation Bands | | | | | | |
| 6/9 | 307 | 1,125.95 | A = Not exceeding £40,000 | 6/9 | 358 | 1,189.86 |
| 7/9 | 1,728 | 1,313.61 | B = £40,001 - £52,000 | 7/9 | 1,901 | 1,388.18 |
| 8/9 | 13,773 | 1,501.26 | C = £52,001 - £68,000 | 8/9 | 14,448 | 1,586.49 |
| 1 | 24,305 | 1,688.92 | D = £68,001 - £88,000 | 1 | 24,872 | 1,784.80 |
| 11/9 | 23,683 | 2,064.23 | E = £88,001 - £120,000 | 11/9 | 23,931 | 2,181.42 |
| 13/9 | 10,503 | 2,439.55 | F = £120,001 - £160,000 | 13/9 | 10,619 | 2,578.05 |
| 15/9 | 9,567 | 2,814.86 | G = £160,001 - £320,000 | 15/9 | 9,559 | 2,974.66 |
| 2 | 2,324 | 3,377.84 | H = £320,001 + | 2 | 2,324 | 3,569.60 |
| | 86,190 | | Total | | 88,012 | |
| | (1,724) | | Adjustment for non-collection | | (1,760) | |
| | 84,466 | | Council tax base | | 86,252 | |

7.1.2 Business Rates

Business Rates are levied on non-domestic properties with the charge based on the rateable value assessed for each property. The Council acts both as an agent, collecting business rates on behalf of the GLA, and also collecting business rates for itself. From 2018-19 the Council became part of the London Business Rates Pool. Business rates collected in the Borough are, for the year 2019-20, split between relevant preceptors at the following percentages: the Council (48%), the GLA (27%) and MHCLG (25%).

The total non-domestic rateable value for the London Borough of Harrow at the year-end was £138.6m (£141.1m in 2018-19). The national non-domestic rate multiplier for 2019-20 was 50.4p (49.3p in 2018-19) with a lower multiplier for small businesses at 49.1p (48.0p in 2018-19)).

7.1.3 Business Rate Supplement - Crossrail

The Business Rate Supplement (BRS) is levied by the Greater London Authority to help fund Crossrail. The levy has remained at 2p on non domestic properties since its introduction in April 2010. The rateable value of properties to which it applies is £70,000 or above.

8 Annual Governance Statement

8.1 Introduction

Members and staff working for Harrow Council strive to achieve the Council's vision, priorities, values and outcomes as outlined in the Harrow Ambition Plan. Arrangements are in place to ensure that the intended positive outcomes for residents are achieved. To ensure good governance these arrangements are agreed and documented and together form the authority's governance structure.

8.2 Responsibility

Elected Members are collectively responsible for the governance of the council. The full council's responsibilities include:

- agreeing the council's constitution, comprising the key governance documents including the executive arrangements and making major changes to reflect best practice
- agreeing the policy framework including key strategies and agreeing the budget
- appointing the chief officers
- appointing committees responsible for overview and scrutiny functions, audit and regulatory matters and also for appointing Members to them.

Under the Local Government Act 2000 Harrow Council has adopted a leader and cabinet model and has established an overview and scrutiny function for Members outside the cabinet through which they can question and challenge policy and the performance of the executive and promote public debate.

The authority's governance structure is comprised of a number of key documents that aim to ensure that resources are directed in accordance with agreed policy and according to priorities as set out in the Harrow Ambition Plan, that there is sound and inclusive decision making and that there is clear accountability for the use of resources in order to achieve the desired outcomes for Harrow service users and local communities.

The governance structure, details of the annual review of governance including management assurance and partnership self-assessments that feed into the review and the Annual Governance Statement can be found on the Council's website at

<https://www.harrow.gov.uk/council/governance>

Covid-19 Impact on Governance

As a result of the COVID 19 (Coronavirus) crisis, the Government instituted 'lockdown' on Monday 23 March 2020. All Member level meetings including Cabinet were either postponed or cancelled and the Civic Centre was closed to all staff, with the exception of those delivering priority services. The Council implemented its emergency planning arrangements which included daily key Member briefings, a gold, silver and bronze command structure, and telephone briefings to staff.

Decision Making

Due to the COVID 19 crisis and the instructions and directions of the Government, it was not possible for Members to meet and take decisions between 23 March 2020 and 21 May 2020 due to the 'lockdown' and the requirement to maintain social distancing. Officers therefore took a number of operational decisions to comply with the Government's instructions and directions that Members were asked to ratify at the first Cabinet meeting since the lockdown on 21 May 2020.

Given the nature of the crisis, decisions needed to be made as a matter of urgency with risks being assessed on a daily basis by Chief Officers meeting via a gold, silver and bronze command structure with daily key Member briefings, weekly Cabinet briefings and a range of additional briefings with other Members.

Whilst it was not possible to follow the Council's agreed decision making process the risk that decisions made by Chief Offices during this time would not be supported has been mitigated by these briefings to Members and by the Cabinet report to ratify these decisions.

Risk Management

Three risks relating to COVID 19 were included on the Quarter 4 Corporate Risk Register, covering the impact of the pandemic on the delivery of core services, a risk relating to the delivery of services to vulnerable people specifically susceptible to the virus and a risk that encompassed the financial impact on the Council, all of which were red rated.

Risks were assessed on a daily basis by Chief Officers meeting via a gold, silver and bronze command structure.

The on-going risks to the provision of services, to the financial impact on the Council as well as the risks associated with the recovery of Council operations post pandemic will be included in the Quarter 1/2 Corporate Risk Register.

Capacity & Capability

As the crisis developed, Harrow moved to ensure the resilience of its priority services to support vulnerable residents and to look after its staff. This response was influenced by concern about the impact of staff absences, the limitations of Harrow's IT system to allow staff to work remotely and its lean organisational capacity.

Managing the crisis, establishing the new services required by Government and ensuring priority service resilience absorbed considerable organisational capacity. Accordingly, non-priority activities or projects were halted or postponed and a 'Talent Hub' established to facilitate the voluntary redeployment of staff into priority areas. This strategy was successful and priority services were maintained. Residents and Members were advised that responses to service queries and complaints might be delayed.

Financial Impact

The Covid-19 emergency is having a significant financial impact on the Council's financial position both for 2020/21 and the subsequent financial years. Given the size and scale of the potential impact on the Council's finances this will remain a key focus for the organisation going forward as without adequate short and medium term financial support from the Government the impact on the Council's ability to deliver services in an ongoing way will be severely compromised. Prior to the Covid-19 crisis the Council was already facing substantial financial challenges as a result of ongoing annual reductions in funding received from Central Government as well as additional spending pressures caused by the increase in the cost of living and an increased demand for services in Adult Social care as a result of having an ageing population. The Council responded to these pre-Covid-19 challenges by identifying efficiencies and looking at ways to innovate service delivery in accordance with a savings programme agreed by Full Council in February 2020 for the Financial Years 2020-21 to 2022-23. Over this period, further savings of £12.2m have been included in the Medium-Term Financial Strategy (MTFS). Even with these savings already identified, the Council faces budget gaps of £11.4m in 2021/22 and £11.2m in 2022/23.

Qtr1 reporting does indicate that in the current financial year, as a result of receiving emergency funding, the co-payment mechanism and robust control of the in year budget, that the Council can manage a balanced budget position. However, there are continued grave concerns about the legacy impact of Covid-19 over the MTFS. Council Officers and Members are linked into numerous lobbying forums to ensure the Government fully understands the financial impact of the emergency on Harrow Council, not only in the current year but over the three years of the MTFS as current events will carry legacy issues into future years. These concerns are heightened by the lack of clarity on Council funding and the continuation of schemes, such as emergency funding and co-payment mechanism, to support the legacy issues.

Full Council approved the Medium Term Financial Strategy (2020/21 to 2022/23) in February 2020. The financial impact of the COVID 19 emergency is being worked through in detail alongside the published MTFS. As government announcements on the funding of local government are now not anticipated until very late in the calendar year, the work being undertaken around financial sustainability is intended to be presented to October Cabinet, in advance of the draft budget and MTFS being presented to Cabinet in December 2020.

Impact on the production of the Annual Governance Statement

Whilst the review of governance is an ongoing process there is an annual process that requires assurances from officers across the Council which usually takes place in April and May each year. This year's process was disrupted due to the Covid 19 crisis as staff working in priority areas were unable during April to contribute to the process, other staff were also seconded to priority areas or dealing with new priorities, the limitations of the IT system to allow staff to work remotely and Council's overall lean organisational capacity. The process was begun in May and although the majority of the assurances were received it was still not been possible to obtain assurance on some elements of the Council's governance structure in place during 2019/20 or to complete the analysis of the assurances and as a consequence a 1st draft AGS was produced to include in the Draft Statement of Accounts and a 2nd draft of the AGS was produced once all the assurances had been obtained.

8.3 Effectiveness of Key Elements of the Governance Framework

Each year the Council undertakes a review of its governance arrangements to ensure the delivery of good governance in accordance with the requirements of the Accounts and Audit Regulations 2015 and in accordance with Delivering Good Governance in Local Government: Framework 2016 published by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (Solace).

The 2019/20 annual review of governance comprised a review of governance arrangements in place against the core and sub-principles of good governance contained in the CIPFA Framework, Management Assurance provided by each Directorate on the operation of key elements of governance during 2019/20 and a review of a selection of joint working arrangements, undertaken during 2019/20. This was achieved via a self-assessment process co-ordinated and independently reviewed by the Council's Internal Audit Service. The effectiveness of key elements during 2019/20 is covered below:

8.3.1 Behaviour of Members and Staff

Codes of Conduct that define standards of behaviour for Members and staff have been developed and are included in the Council's Constitution. Mechanisms are in place to deal with Member and staff transgressions from these codes and policies are also in place for dealing with whistleblowing and conflicts of interest. Training on the Code of Conduct for Members took place after the local elections in May 2018 and was attended by 68% of Members, further training took place in January 2019 when a further 10% attended.

The Council values were developed through workshops with staff and Members and endorsed by Cabinet and Council in February 2016. They were launched and communicated to all staff in March 2016 and have been incorporated into the staff induction programme as well as the performance appraisal process and the staff are measured against these values annually although the annual appraisal process usually undertaken in April/May has been delayed due to the Covid-19 crisis.

8.3.2 Compliance with Laws and Regulations

Responsibility to comply with relevant laws and regulations and internal policies and procedures rests with the Council's managers some of whom have specific statutory obligations e.g. the Head of Paid Service, Director of Children's Services, Director of Adult Social Services, the Chief Finance Officer (Section 151 Officer), the Monitoring Officer and the Director of Public Health which are outlined in Article 12 of the Council's constitution. The Statutory Monitoring

Officer functions to report on likely contravention of any enactment or rule of law and the Chief Finance Officer is responsible for identifying any proposal, decision or course of action that will involve incurring unlawful expenditure. No significant contraventions of law or course of action that would involve incurring unlawful expenditure occurred in 2019/20.

From 25th May 2018 the main provisions of the Data Protection Act 2018 (DPA) came into force to implement the EU General Data Protection Regulation (GDPR). This is an evolution of the data protection law rather than a revolution as many of the GDPR's concepts and principles are the same as under the DPA. However, there are new elements and significant enhancements of individual rights that must be taken into account. In compliance with the requirements of the legislation a Data Protection Officer was appointed in August 2018 who during 2019/20 continued to embed the rights of data subjects and the requirements for the Council as a data controller. The Data Protection officer reports to the Senior Information Risk Officer, currently the Corporate Director of Resources, who reports to CSB.

In addition mandatory online training for all staff on information governance, cyber security and the new Data Protection legislation has been developed and was introduced across the Council in October 2018. The completion rates for this training at the end of 2019/20 were slightly higher than for 2018/19 however still disappointing at 65%. Now that the workload to respond to Covid-19 is stabilising consideration will be given to how the uptake of this training can be addressed. Members also received this training via a mix of face to face with the DPO and online training, 83% of all members have now had training within the last 12 months a significant improvement on the 2018/19 completion rate of 29%.

The Freedom of Information Act (FOI) is a key piece of legislation that the Council is required to comply with and during the first 3 quarters of 2019/20 94% of FOI requests were dealt with within the 20 day timescale (Q4 data is not currently available).

In January 2019 the Committee on Standards in Public Life published its report on local government ethical standards and this was presented to the GARMS Committee in July 2019. The report looks at the current framework governing the behaviour of local government councillors and executives in England and makes a number of recommendations to promote and maintain the standards expected by the public. The report recommends a number of changes to legislation that may come into force in due course and makes some best practice recommendations for local authorities to consider as a benchmark of good ethical practice which they expect all local authorities can and should implement. The Committee resolved that steps be taken to introduce all the best practice recommendations set out in the Committee on Standards in Public Life report subject to, in relation to best practice recommendation 14, officers providing guidance on an appropriate mechanism for accountability of the separate bodies established by the Council and intends to review the implementation of these in 2020.

Best practice 14 states that: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness and publish their board agendas and minutes and annual reports in an accessible place.

Paragraph 8.3.20 below outlines the separate bodies set up by the Council and their relationship with the Council however the annual review of governance has highlighted that not all of these bodies are yet publishing their board agenda, minutes and annual reports.

8.3.3 Acting in the Public Interest

The annual review of governance 2019/20 confirmed that the Council can demonstrate a commitment to openness and acting in the public interest. This is achieved via the implementation of a governance structure which includes codes of conduct, a corporate appraisal process, a Standards Committee, registers of interests, gifts and hospitality, a whistleblowing policy, a corporate complaints process, a Corporate Anti-fraud & Corruption Strategy, Financial Regulations and Contract Procedure Rules and a Scrutiny Function. The Council's Financial Regulations were refreshed during 2018/19, agreed by Council and included in the constitution in February 2019. Staff was made aware of the refreshed regulations in the

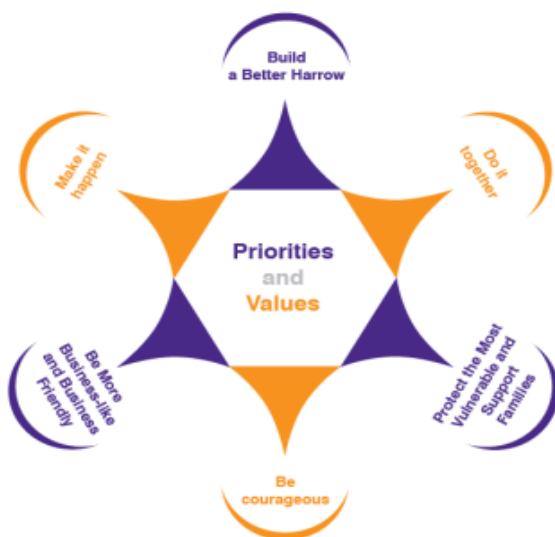
May 2019 staff newsletter and a training scheme is currently in development.

The Constitution was updated in July 2019 in respect of the following:

- Changes required to put in place a disciplinary procedure for statutory chief officers
- Inserting terms of reference for the Corporate Strategic Board and the Building a Better Harrow Board
- Principles of Decision Making
- Code of Conduct for Members
- Officer Employment Procedure rules
- Chief Officers Employment Panel

8.3.4 Communication and Consultation

Whilst a Communication Strategy/Plan was again not in place for 2019/20, the Council's Communications Team worked with all parts of the Council and a wide range of partner organisations and external stakeholders on media relations, marketing, campaigns, consultations, events, publications and social media in order to assist the Council in improving its relationship with its public. This includes keeping residents informed of Council activities, engaging them in dialogue around service delivery and soliciting their views to drive change.



8.3.5 The Council's Vision

The Council's vision and intended outcomes for residents have been developed and are contained within the Harrow Ambition Plan 2020 which was refreshed for 2019/20 with no significant changes. In February 2020 the Council adopted its Borough Plan, and a new Council Delivery Plan will succeed the Harrow Ambition Plan for 2020/21 onwards.

The original plan was communicated widely across the Council and the refreshed version is available on the Council's external website. This diagram, included in the plan, illustrates the 'golden thread' between the Council's vision and the Council's plans.

The majority of the Council's Divisions had service plans in place for 2019/20 linked to the Corporate Priorities contained in the Harrow Ambition Plan and the corporate annual appraisal process requires all individual objectives to be aligned to the Harrow Ambition plan and its strategic aims.



8.3.6 Putting the Vision into Practice

The original Harrow Ambition Plan 2020, 2019 refresh, contains courses of action to be taken by the Council to implement the vision during 2019/20. Usually an annual update on progress against the plan is reported to Cabinet and Council however due to the Covid-19 Pandemic the Policy Team, who undertake the review, were re-deployed to the Community Hub and thus there was no capacity to undertake the review. A report on the new Council Delivery Plan is due to be presented to Cabinet in November 2020 and will cover progress during 2019/20 against the Harrow Ambition Plan.

8.3.7 Decision-making

The Council's decision-making framework, including delegation arrangements, is outlined in the Constitution. Report templates are in use to ensure appropriate information is provided to decision makers including options considered, why a change is needed, implications of recommendations as well as risk management, legal, finance, and equalities implications. Decision reports are cleared by, or on behalf of, the Council's Monitoring Officer (legal) and the Chief Financial Officer and also by the relevant Corporate Director before they are presented to the decision makers (Council, Cabinet, Committees).

8.3.8 Measuring Performance

Throughout 2019/20 the Council's strategic performance has been tracked through a quarterly cycle of:

- Performance Briefings
- CSB performance discussions
- Joint Cabinet/CSB discussions
- Strategic Performance Reports to Cabinet

Capital and revenue financial performance was also reported quarterly to the Corporate Strategic Board, Cabinet and all Members with Treasury Management reported to Cabinet three times during the year.

The 2019/20 Management Assurance exercise confirmed that key performance indicators were in place for all Divisions within the Community, People and Resources Directorates and that these were reported in the quarterly Strategic Performance reports to CSB and Cabinet throughout 2019/20.

Her Majesty's Passport Office, General Register Office – Compliance & Performance Unit issued two reports during 2019/20, a Stock and Security Assurance Assessment of the Council's Registrars Service in May 2019 that concluded that overall Harrow Council maintains 'High' security in relation to the security arrangements around the receipt, storage and use of the secure certificate stock (marriage, birth and death certificates) and an Annual Report 2018/19 issued in June 2019 that concluded that 'It is pleasing to note the very high level of service achieved by the local authority during the past year'.

The Law Society issued a report in February 2020 entitled Lexcel - Excellence in Legal Practice Management and Client Care that concluded that HB Public Law are to be commended in that 19 areas of good practice were identified during the assessment. These evidence either a diligent approach to complying with the requirements or identify areas in which the minimum Lexcel requirement has been exceeded and are also to be commended as no non-compliances were identified during the assessment.

In Adults Service a Harrow Peer Review – Commissioning for Better Outcomes was undertaken during 2019/20. This was a light touch review of the micro commissioning practices and wider intentions of the Directorate. Overall the practice and commitment was judged to be well embedded and evidenced. There was encouragement that Harrow's draft plans for change were on the correct track to further improve the commissioning processes.

Two reports from Ofsted were received during 2019/20 one on The Firs short Breaks Unit giving an outstanding assurance rating and the other on the Inspection of Local Authority Children Services giving a GOOD in all graded areas. Two further reviews were carried out in the Children and Young People Division during the year one from Ofsted and Care Quality Commission on SEND identifying 36 strengths and 18 areas for development and the other carried out by the London Innovation and Improvement Alliance on Adolescent Safeguarding Peer Review copy outstanding.

8.3.9 External Audit

During 2019/20 the authority provided timely support, information and responses to the Council's external auditors, Mazars, and properly considered their audit findings in relation to the 2018/19 draft accounts completed in May 2019. An unqualified opinion was given on the 2018/19 accounts and no recommendations were made by the auditors in relation to these accounts.

8.3.10 Roles and Responsibilities

The roles and responsibilities of Members, the most senior managers and statutory officers have been defined and documented in the constitution. After the local elections in May 2018 the new Leader of the Council made a number of changes to the roles and responsibilities of the Portfolio Holders and these were updated and included in the Constitution in May 2018. The roles and responsibilities of other managers and staff are defined and documented in Role Profiles attached to each post.

8.3.11 Financial Management

The Council's financial management arrangements during 2019/20 conformed with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015). During 2019/20 the Council delivered its services within the approved budget of £167.1m, contained the pressures arising from the challenging financial environment and managed the risks around demand pressures. This resulted in a balanced outturn position after contributing just under £6.1m into reserves, which after allowing for £3.2m which has been carried forward to be spent in 2020/21, leaves the remainder of £2.9m earmarked to help fund the 2020/21 budget and to fund capacity needed to implement future savings and organisational transformation.

8.3.12 Monitoring Officer Function

The Statutory Monitoring Officer functions to report on likely contravention of any enactment or rule of law. The duties of the Monitoring Officer are outlined in Article 12 of the Council's constitution and are undertaken by the Council's Director of Legal and Governance Services. Effective arrangements were in place during 2019/20 to discharge these duties and no reports were made on any contraventions.

8.3.13 Head of Paid Service Function

The requirements of the Head of Paid Service function are also outlined in Article 12 of the Council's constitution and effective arrangements were in place for the discharge of these duties by the Chief Executive throughout 2019/20.

8.3.14 Development Needs

Following the local government elections in May 2018, new Members received a Members Induction pack and a welcome evening was arranged for all elected Members on 8 May, to cover Council values, conduct and Member interests plus a Members Marketplace was held on the 15 May to explain key Council services together with a programme of Member training in May/June 2018.

During 2019/20 member training was also conducted on how to use social media, homelessness and rough sleeping and EU settled status.

The Council runs Corporate Induction sessions to ensure all new members of staff, including Agency staff, are inducted in a timely manner. HR policy has been changed to ensure that new members of staff should not pass probation unless they have attended induction.

For 2019/20 there were 7 Induction sessions held and 107 staff attended.

The Corporate Induction covers:

- Welcome from Leader and Chief Executive (their expectations from staff)
- Vision and priorities
- Values and Behaviours for both Staff and Managers
- Organisation structure
- Equalities and Diversity
- Completion of Mandatory training (for staff who do not have IT access)

The organisational Development agenda has been an area of focus during 2019/20 with work to build line manager capabilities a priority. Work to develop effective metrics and measures for the new in-house Human Resources and Organisational Development service and to develop a People Strategy is also underway.

8.3.15 Managing Risks

The framework for identifying and managing risks was updated during 2016/17 and consists of a series of Directorate risk registers that feed into an overarching Corporate Register that clearly identifies the owner of each risk. The Corporate Risk Register was reviewed and updated four times during 2019/20 for Q1, Q2, Q3 and Q4 with updates undertaken within each quarter. Q1, Q2 and Q3 updates were presented to the Corporate Strategic Board (CSB) for review and challenge and Q2 and Q3 updates were presented to the Governance, Audit, Risk Management & Standards (GARMS) Committee to assist the Committee in monitoring progress on risk management in accordance with their Terms of Reference. The reporting of the Q4 Corporate Risk Register to both CSB and the GARMS Committee was disrupted due to the COVID-19 crisis.

8.3.16 Counter Fraud and Anti-corruption Arrangements

The Council has a Corporate Anti-Fraud Strategy 2016-19 outlining its approach to tackling fraud that is reviewed annually. However no changes were made to the strategy in 2019/20. The refreshed Local Government Fighting Fraud & Corruption Locally Strategy (FFCL) was published online on 26th March 2020 and during 2020-21 the authorities' own strategy will be reviewed and updated to reflect any changes and best practice that the new FFCL Strategy recommends. The Council's Corporate Anti-Fraud Team undertook a self-assessment against the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014), during 2019/20, that reviewed progress against the five main principles within the code to improve the Council's arrangements. The result was a compliance level of 78%, unchanged from 2018/19, indicating that the authority has reached a 'good level' of performance against the code. Further work is currently being undertaken to determine the barriers preventing further improvement.

8.3.17 Scrutiny

The scrutiny function comprises an Overview and Scrutiny Committee (O&S), a Performance and Finance Sub-Committee (P&F), a Health and Social Care (H&SC) Sub-Committee and lead scrutiny councillors for:

- Health
- Community
- People
- Resources

The function is driven by the need to hold the Council and our partners to account for their performance and the establishment of the performance and finance sub-committee as the driver of scrutiny is a key component in ensuring that the function is focused on the issues of the greatest importance to the Council. The lead Members ensure that expertise to tackle particular areas of service delivery is maintained.

The structure is subject to regular review and is supported by meetings of the scrutiny leadership group, comprising the leads and the chairs and vice chairs of the committees, which considers agenda and review programmes, provides strategic direction for the function and overall co-ordination between the leads and committees.

During 2019/20 O&S met 9 times, P&F 2 times (with one meeting cancelled in March 2020 due to the Covid-19 crisis) and H&SC 4 times.

8.3.18 Internal Audit

A new Statement on the Role of the Head of Internal Audit was issued by CIPFA in 2019. It states that 'The head of internal audit (HIA) occupies a critical position in any organisation, helping it to achieve its objectives by evaluating the effectiveness of governance, risk management and internal control arrangements and playing a key role in promoting good corporate governance. The aim of this Statement is to set out the role of the HIA in public service organisations and to help ensure organisations engage with and support the role effectively.' The Statement contains 5 principles with organisational and HIA responsibilities attached to each one. Overall throughout 2019/20 these principles were complied with however a small number of the organisational responsibilities need to be clarified and strengthened. The Internal Audit Service is also required to comply with the Public Sector Internal Audit Standards and to be reviewed externally against these standards every five years and internally regularly. An external peer review in June 2017 confirmed that the service 'generally complies' with the Public Sector Internal Audit Standards and the 2019 internal review against these standards confirmed this assessment.

8.3.19 Audit Committee

The duties of the audit committee are undertaken by the Governance, Audit, Risk Management & Standards Committee and an Internal Audit review undertaken during 2018/19 has established it generally operates in-line with the core functions of an audit committee as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2017). Two key actions coming out of the review was the update the Committee's Terms of Reference which were approved by Council and included in the constitution in February 2019 and the introduction of an Annual Report describing the work of the Committee throughout the year and demonstrating that the Committee has undertaken its role effectively, the first of which, for 2018/19 was presented to Council in January 2020.

8.3.20 Joint Working

Joint working, working in partnership with other local authorities and other bodies, and the use of alternative delivery vehicles has increased over recent years as local government generally, and Harrow Council specifically, has coped with less resources.

Throughout 2019/20 the Council's trading structure consisted of five separate legal entities as shown in the table below:

| Harrow Council trading Structure | | |
|---|-------------------------------|-----------------------------|
| Name | Legal Structure | Date Started Trading |
| Concilium Group Limited (Holding Company) | UK Limited Company | November 2015 |
| Concilium Business Services Limited | UK Limited Company | November 2015 |
| Sancroft Community Care Limited | UK Limited Company | January 2018 |
| Concilium Assets LLP | Limited Liability Partnership | January 2019 |
| HB Public Law Limited | UK Limited Company | April 2015 |

These entities have been set up to provide a financial or other benefit to the council whilst enabling it to undertake specific commercial activities. Harrow Council therefore either directly or indirectly holds a 100% controlling interest in each of the five trading entities.

Concilium Group Ltd. is a wholly owned commercial subsidiary of the council, set up with the dual purpose of consolidating the financials of its subsidiaries and to act as the minority partner in a council controlled Limited Liability partnership (Concilium Assets LLP). In effect, Concilium

Group is a council owned holding vehicle.

Concillium Business Services Ltd (CBS - previously trading as Smart Lettings) is a wholly owned subsidiary of Concillium Group Ltd. with the principal aim of providing private lettings, property management, property administration and a tenant referencing service. Until February 2019 its principal source of revenue came from the property management of 100 homes, managed on behalf of Harrow Council. During 2019/20 CBS Ltd has undergone a strategic change of direction and as a result, CBS Ltd. is now only responsible for the legal ownership of 6 homes. CBS Ltd. shall retain 5% of the income collected from these tenants, distributing the remaining 95% back to the council.

Sancroft Community Care Ltd. Is another wholly owned subsidiary of Concilium Group Ltd. and was set up to take over the operation of the now 62 bed residential care home for the elderly. 45 of these beds are block contracted with the London Borough of Harrow under a five-year contract.

Concilium Assets LLP (The LLP) is a Limited Liability Partnership owned 95% by Harrow and 5% by Concilium Group Ltd. and was set up to enable direct private rental sector (PRS) property investment activities. 53 PRS units on Gayton Road were transferred to the LLP in July 2019 on a 10-year lease for rent to the private market.

The formation of HB Public Law Ltd. was formally approved by Cabinet on 13th November 2014 (began trading in 2015) and is set up as a council owned company which has been granted an Alternative Business Structure (ABS) licence from the Solicitor's Regulatory Authority. This was in order to be able to carry out legal work which the Legal shared service, as a local authority, is prevented from undertaking by professional conduct rules. There was however minimal work going through the ABS in 2019/20, hence there were no board meetings, policies etc. and therefore the decision was taken to wind it up as the volumes of work did not justify the additional costs that running the ABS entailed. It will formally cease to exist in the next few weeks once it has been processed by Companies House.

The Council also runs a shared legal services (HBPL) for which it is the lead authority.

The importance of good governance within these arrangements is recognised and as part of the 2019/20 annual review of governance the governance arrangements for the shared legal service (HBPL), Concillium Business Services and Sancroft Community Care Ltd have been reviewed and updated and assurance obtained that reasonable governance arrangements are in place. Governance arrangements have not been reviewed for Concilium Group Limited as it is merely a holding company and the governance arrangements for Concilium Assets LLP will be reviewed in 2020/21.

On 30th September 2018 Buckinghamshire County Council (BCC) gave one year's notice, in compliance with the Inter Authority Agreements, of its intention to exit both the Human Resources & Development (for which they were the lead authority) and the Legal Services shared service. The reason given by BCC for the notice was to enable them to concentrate on preparation for the upcoming Unitary announcement. Consequently the HR service transferred back in-house from October 2019.

8.3.21 Health & Safety

Following on from the peer review of Health & Safety Management undertaken during 2016/17 a Corporate Health & Safety Strategy was developed for 2017/18 with the stated purpose to implement the findings of the peer review to ensure that the aims, objectives and outcomes are met. The strategy, approved by the GARMS Committee in July 2018, contains an action plan setting out how, when and by whom this will be achieved.

The Corporate Health & Safety Board was re-established in December 2017 chaired by the Corporate Director of Community and comprising of the Director of Finance, Divisional Directors, representatives from UNISON and GMB trades union, and Corporate Human Resources. The Board has met monthly throughout 2019/20.

An annual H&S report was presented to the Corporate Health & Safety Board at the end of May 2019, CSB in June 2019 and to the GARMS Committee meeting in July 2019 at which the Corporate Health & Safety Strategy 2019-2022, including an action plan, and the Corporate Health & Safety Policy 2019-2020 were approved.

Mid-year progress against the H&S Strategy action plan and the H&S risk action plan reported to CSB in October 2019 showed good progress against both had been made in the first half of the year.

8.4 Level of Assurance

The analysis of assurances from the annual review of governance 2019/20 indicates that a reasonable level of governance is in place across the Council and that, other than the significant gap identified in paragraph 8.6, arrangements continue to be fit for purpose in accordance with the governance framework.

The Head of Internal Audit's overall opinion on the adequacy and effectiveness of the organisation's framework of governance, risk management and control based on the annual review of governance and the assurance work of Internal Audit throughout 2019/20 is: **Good with improvements required in a few areas:** The outputs from the programme of work completed by Internal Audit, based on the agreed risk-based Internal Audit Plan, demonstrate that the Council's framework of governance, risk management and control is generally good with 94% of reports issued being amber, green/amber or green assurance. One red assurance report has been issued identifying significant weakness and/or non-compliance in the framework which could potentially put the achievement of objectives in this area at risk and one significant governance gap was identified as part of the annual review of governance process. However overall, the direction of assurance travel over the past three years is positive with fewer red/amber and red assurance reports issued each year. Improvements have been recommended in areas where weaknesses were identified of which 98% have been agreed by management.

8.5 Previous Governance Issues

8.5.1 Health & Safety

A significant governance gap was identified in the 2016/17, 2017/18 and the 2018/19 statement in relation to the Corporate Health & Safety arrangements.

A new policy and three year strategy incorporating a new Corporate H&S Plan for 2019/20 with clear performance measures and a clearer understanding of the tasks to be undertaken and the timescale in which they will be undertaken was submitted and approved by the GARMS Committee in July 2019 along with the annual report for 2018/19.

The good progress reported against both the H&S Strategy action plan and the H&S risk action plan reduced the Corporate Risk of 'Failure to fulfil the Council's Health & Safety duties leading to a harmful event for an individual/individuals for which the Council is responsible leading to litigation' from a red risk in Q1 and Q2 to an amber risk in Q3 and Q4 of 2019/20. As a consequence Health & Safety is no longer considered a significant governance issue.

8.6 Significant Governance Issue 2019/20

8.6.1 Depot Redevelopment Project

A new governance gap has been identified during 2019/20 in relation to the Depot Redevelopment Project as a significant overspend has been projected along with the identification of several breaches of the Council's Financial Regulations and Contract Procedure Rules. Poor governance contributed to the overspend and the delay in reporting it corporately. Initial action has been taken by management and Finance to identify the extent of the overspend and it has been established that this can be contained within the approved Capital Programme funding. A report on the full extent of the governance issues, recommendations to improve the governance weaknesses and agreed management action was presented to the GARMS Committee meeting in October 2020.

8.7 Conclusion

Updates on the implementation of the agreed actions to address the significant governance gap identified in paragraph 6 above will be provided to the Governance, Audit, Risk Management and Standards Committee throughout 2020/21 until fully implemented and will be formally reported upon as part of the next annual review of governance.

8.8 Declaration

The Leader and the Chief Executive are signing the Annual Governance Statement on behalf of the authority having gained assurance from the annual review of the authority’s governance arrangements supported by evidence provided by management including the Chief Finance Officer and the Monitoring Officer, from the Management Assurance Statements provided by Corporate Directors and independent assurance provided by the Head of Internal Audit, and a number of external assurance bodies as detailed in paragraph 8.3.8.



.....
Graham Henson
Leader
Date: 3rd November 2020



.....
Sean Harriss
Chief Executive
Date: 3rd November 2020

Pension Fund Financial Statements

Pension Fund Certificate

Harrow Council

Pension Fund Accounts 2019-20

I certify that the Financial Statements set out in Section 9 present fairly the financial position of the Pension Fund as at 31st March 2020 and its income and expenditure for the year.

A handwritten signature in purple ink that reads "D. Calvert". The signature is written in a cursive style with a large initial 'D'.

Dawn Calvert CPFA
Director of Finance
30th November 2020

Harrow Pension Fund Account as at 31 March 2020

| 2018/19 | | Notes | 2019/20 |
|------------------|---|-------|------------------|
| £'000 | | | £'000 |
| | Dealings with members, employers and others directly involved in the fund | | |
| (31,757) | Contributions | 7 | (34,229) |
| (3,247) | Transfers in from other pension funds | 8 | (1,366) |
| (44) | Other income | | (70) |
| (35,048) | | | (35,665) |
| 33,527 | Benefits | 9 | 35,905 |
| 3,097 | Payments to and on account of leavers | 10 | 2,470 |
| 0 | Other Expenditure | | 0 |
| 36,624 | | | 38,375 |
| 1,576 | Net (additions)/withdrawals from dealings with members | | 2,710 |
| 5,731 | Management expenses | 11 | 5,405 |
| 7,307 | Net (additions)/withdrawals including fund management expenses | | 8,115 |
| | Return on investments | | |
| (8,907) | Investment income | 12 | (9,059) |
| (33,601) | (Profit)/losses on disposal of investments and changes in the market value of investments | 14A | 74,518 |
| (42,508) | Net return on investments | | 65,459 |
| (35,201) | Net (increase)/decrease in the net assets available for benefits during the year | | 73,574 |
| (816,131) | Opening net assets of the scheme | | (851,332) |
| (851,332) | Closing net assets of the scheme | | (777,758) |

Net Assets Statement as at 31 March 2020

| 31 March 2019 | | Notes | 31 March 2020 |
|------------------|--|-------|------------------|
| £'000 | | | £'000 |
| | Investment assets | | |
| 846,294 | Investments | 14 | 749,955 |
| 3,156 | Derivative contracts | 14 | 1,092 |
| 45 | Cash with investment managers | 14 | 28,153 |
| 849,495 | | | 779,200 |
| 3,068 | Cash deposits | 14 | 2,641 |
| 852,563 | | | 781,841 |
| | Investment liabilities | | |
| (2,400) | Derivative contracts | 14 | (5,852) |
| 850,163 | | | 775,989 |
| 1,579 | Current assets | 21 | 2,005 |
| (410) | Current liabilities | 22 | (236) |
| | Net assets of fund available to fund benefits at the period end | | 777,758 |

The accounts summarise the transactions of the Fund and deal with the net assets. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed at note 20.



Dawn Calvert – CPFA
Director of Finance
30th November 2020

Notes to the Harrow Pension Fund

Accounts for the year ended

31 March 2020

NOTE 1: DESCRIPTION OF FUND

The Harrow Pension Fund ('the Fund') is part of the Local Government Pension Scheme ("LGPS") and is administered by the London Borough of Harrow. The Council is the reporting entity for the Fund.

a) General

The Scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme designed to provide pensions and other benefits for pensionable employees of the Council and a range of other scheduled and admitted bodies. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Harrow Pension Fund Committee, which is a committee of the Council.

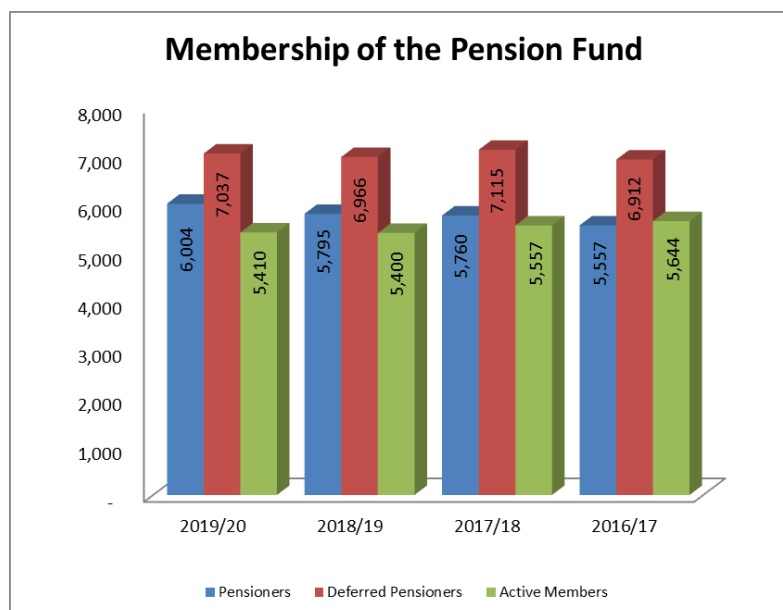
b) Membership

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.

Organisations participating in the Fund include the following:

- **Scheduled bodies:** These are the local authority and similar bodies whose staff, are automatically entitled to be members of the Fund.
- **Admitted bodies:** These are other organisations that participate in the Fund under an admission agreement. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing.

There are 39 employer organisations within the Harrow Pension Fund including the Council itself, as detailed below.



| Employer | Status | Pensioners | Deferred | Actives | Total | % |
|-----------------------------|--------------------------|--------------|--------------|--------------|---------------|------------|
| Harrow Council | Scheduled Body | 5675 | 5880 | 3655 | 15,210 | 82.43 |
| Stanmore College | Scheduled Body | 86 | 154 | 79 | 319 | 1.73 |
| Nower Hill High School | Scheduled Body | 22 | 145 | 143 | 310 | 1.68 |
| Heathland and Whitefriars | Scheduled Body | 7 | 74 | 172 | 253 | 1.37 |
| Hatch End High School | Scheduled Body | 28 | 133 | 71 | 232 | 1.26 |
| Rooks Heath College | Scheduled Body | 19 | 90 | 109 | 218 | 1.18 |
| Park High School | Scheduled Body | 12 | 77 | 109 | 198 | 1.07 |
| Canons High School | Scheduled Body | 15 | 73 | 105 | 193 | 1.05 |
| Bentley Wood School | Scheduled Body | 8 | 89 | 55 | 152 | 0.82 |
| NLCS | Community Admission Body | 35 | 48 | 54 | 137 | 0.74 |
| Harrow High School | Scheduled Body | 11 | 57 | 63 | 131 | 0.71 |
| St Dominics College | Scheduled Body | 40 | 37 | 53 | 130 | 0.70 |
| Aylward Primary School | Scheduled Body | 7 | 25 | 65 | 97 | 0.53 |
| Salvatorian Academy | Scheduled Body | 20 | 54 | 15 | 89 | 0.48 |
| Priestmead School | Scheduled Body | 1 | 0 | 80 | 81 | 0.44 |
| St Georges Primary | Scheduled Body | 2 | 1 | 62 | 65 | 0.35 |
| Pinner High Academy | Scheduled Body | 0 | 4 | 57 | 61 | 0.33 |
| St John Fisher | Scheduled Body | 0 | 3 | 56 | 59 | 0.32 |
| St Josephs Primary | Scheduled Body | 0 | 3 | 53 | 56 | 0.30 |
| Earlsmead Academy | Scheduled Body | 1 | 9 | 43 | 53 | 0.29 |
| Welldon Park School | Scheduled Body | 0 | 2 | 42 | 44 | 0.24 |
| Alexandra School | Scheduled Body | 2 | 16 | 22 | 40 | 0.22 |
| St Bernadettes | Scheduled Body | 3 | 3 | 34 | 40 | 0.22 |
| Sacred Heart High School | Scheduled Body | 2 | 3 | 30 | 35 | 0.19 |
| Krishna Avanti Primary | Scheduled Body | 0 | 14 | 20 | 34 | 0.18 |
| Avanti House Primary School | Scheduled Body | 1 | 12 | 20 | 33 | 0.18 |
| Jubilee Academy | Scheduled Body | 0 | 15 | 18 | 33 | 0.18 |
| Avanti House Secondary Sch | Scheduled Body | 0 | 3 | 30 | 33 | 0.18 |
| St Jerome | Scheduled Body | 1 | 1 | 27 | 29 | 0.16 |
| Moriah Jewish School | Scheduled Body | 1 | 0 | 20 | 21 | 0.11 |
| Chartwells | Admitted Body | 1 | 4 | 12 | 17 | 0.09 |
| Sopria Steria | Admitted Body | 3 | 4 | 5 | 12 | 0.07 |
| Avanti School Trust | Scheduled Body | 0 | 0 | 10 | 10 | 0.05 |
| Wates (Linbrook) | Admitted Body | 1 | 0 | 4 | 5 | 0.03 |
| Govindas | Admitted Body | 0 | 3 | 2 | 5 | 0.03 |
| Evergreen Harrow High | Admitted Body | 0 | 0 | 5 | 5 | 0.03 |
| ISS Catering | Admitted Body | 0 | 1 | 3 | 4 | 0.02 |
| Evergreen Aylward | Admitted Body | 0 | 0 | 4 | 4 | 0.02 |
| Evergreen LBH | Admitted Body | 0 | 0 | 3 | 3 | 0.02 |
| Total | | 6,004 | 7,037 | 5,410 | 18,451 | 100 |

c) Funding

Full-time, part-time and casual employees, where there is a mutuality of obligation and who have a contract of more than three months, are brought into the Fund automatically but have the right to “opt out” if they so wish. Casual employees with no mutuality of obligation are not eligible for membership.

Employee contribution rates are set by regulations and are dependent upon each member’s full time equivalent salary. Employee contributions attract tax relief at the time they are deducted from pay.

Employers participating in the Fund pay different rates of contributions depending on their history, their staff profile and any deficit recovery period agreed with the Fund. Employer contribution rates are reviewed as part of the triennial actuarial valuation. The last valuation took place as at 31 March 2019 and showed that the Fund was 94% funded. The deficit is to be recovered by additional employer contributions over the course of 20 years.

Benefits are funded by contributions and investment earnings. 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. Employee contributions are matched by employers’ contributions which are set based on triennial actuarial funding valuations. Currently almost all, employer contribution rates fall within the range 18.0% to 26.5% of pensionable pay with the largest employers paying between 19.3% and 19.9%.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

| | Service pre 1 April 2008 | Service post 31 March 2008 |
|-----------------|---|---|
| Pension | Each year worked is worth 1/80 x final pensionable salary | Each year worked is worth 1/60 x final pensionable salary |
| Lump Sum | Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up | No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up |

From 1 April 2014, the Scheme became a career average (CARE) scheme, whereby members accrue benefits based on their pensionable pay in each year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the Scheme including early retirement, disability pensions and death benefits.

NOTE 2: BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2019-20 financial year and its position as at 31 March 2020. The Accounts have been prepared on a going concern basis in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2019-20' issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based on International Financial Reporting Standards as amended for the UK public sector.

The Accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The Accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund account – Revenue Recognition

a) Contributions income

Normal contributions, both from the members and from employers, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the financial year to which they relate.

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

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years, if significant, are classed as long term financial assets.

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 Local Government Pension Scheme Regulations 2013 (see notes 8 and 10).

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase Scheme benefits are accounted for on a receipts basis and are included in transfers in (see note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

- i) 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.
- ii) 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 asset statement as a current financial asset.
- iii) Changes in the net market value of investments are recognised as income and comprise all realised and unrealised gains/losses during the year.

Fund account – Expense items

a) 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.

b) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. 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 if it arises.

c) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However in the interest of greater transparency, the Fund discloses its Pension Fund management expenses in accordance with CIPFA's *Accounting for Local Government Pension Scheme Management Expenses (2016)*.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the Pension's Administration Team are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and recharged as expenses to the Fund.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All staff costs relating to the oversight and governance of the Fund's investments are recharged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and recharged as expenses to the Fund.

Investment management expenses

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

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the values of these investments change. Where an investment manager's fee invoice or fee information has not been received by the balance sheet date an estimate based on the market value of their mandate as at the end of the year is used for inclusion in the Fund account in 2019-20.

Net Assets Statement

a) Financial assets

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of an asset are recognised in the Fund account.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (See note 16). For the

purposes of disclosing levels of fair value hierarchy, the fund had adopted the classification guidelines recommended in '*Practical Guidance on Investment Disclosures (PRAG/Investment association, 2016)*'

The Fund became a shareholder in the London LGPS CIV Ltd (the organisation set up to run pooled LGPS investments in London) in 2015 and holds £150,000 of regulatory capital in the form of unlisted UK equity shares.

b) 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. (See note 15)

c) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers and custodians.

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.

d) 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.

e) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the Fund actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (Note 20).

f) Additional Voluntary Contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential Assurance, Clerical Medical and Equitable Life Assurance Society as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically intended 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 section 4 (1)(b) of the Local Government Pension Scheme (Management and Investments of Funds) Regulations 2016 but are disclosed as a note only (Note 23).

g) Contingent Liabilities

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

h) Contingent Assets

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

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

Accounting Standards Issued but not yet fully adopted

The following accounting standard changes are not yet reflected in the 2019-20 Code of Practice. They are not therefore reflected in the Pension Fund Statement of Accounts:

- IFRS 16 Leases (replaces IAS 17);
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015–2017 Cycle;
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

None of these changes are expected to have a material impact on the accounts

NOTE 4: CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**Pension Fund liability**

The net 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.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in notes 19 and 20.

These actuarial revaluations are used to set the future contributions rates and underpin the Fund's most significant management policies.

Unquoted private equity investments

It is important to recognise the subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors.

NOTE 5: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION 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.

The items in the net assets statement at 31 March 2020 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 (Note 20) | 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. | <p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance:</p> <ul style="list-style-type: none"> • a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £93m • a 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £7m • a 0.5% increase in Pension benefits would increase the liability by approximately £86m |
| Private equity (Note 16C) | Private equity investments are valued at fair value in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines (2012)</i> . These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | Private equity investments are valued at £8.0m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. |
| Fair value – basis of valuation (Note 16) | The outbreak of Covid-19 has impacted global financial markets. As at the valuation date, less weight can be attached to previous market evidence to inform opinions of value on level 3 investments. As a consequence, less certainty and a higher degree of caution should be attached to level 3 valuations. At the current time, it is not possible to accurately predict the impact of Covid-19 on the economy. Values have been based on the situation prior to Covid-19 on the assumption that values will be restored once global markets recover. | Any reduction in investment values will result in a reduction in the Fund's net asset position. |

**Pooled Property Fund
(Note 14)**

Revaluation of Pension Fund assets within the pooled property funds are undertaken by the asset managers using professional valuers as set out in the fund agreements. The outbreak of Covid-19 has impacted global markets and therefore our fund managers have advised that valuations have been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book, meaning that less weight can be applied to previous market evidence to inform opinions of value. Consequently, less certainty – and a higher degree of caution – should be attached to valuations of pooled property fund assets than would normally be the case.

The total pooled investments in the financial accounts are £64.140m. There is a risk that these investments may be understated or overstated in the accounts. A 5% decrease in value would decrease the total valuation by £3.207m.

NOTE 6: EVENTS AFTER THE REPORTING DATE

These are events that occur between the end of the reporting period and the date when the financial statements are authorised for issue that provide new information about conditions that did not exist as of the balance sheet date. There were no material events after the reporting date for 2019-20.

NOTE 7: CONTRIBUTIONS RECEIVABLE**By category**

| 2018-19 | | 2019-20 |
|-----------------|---------------------------------------|-----------------|
| £'000 | | £'000 |
| (6,875) | Employees' contributions | (7,162) |
| | Employers' contributions: | |
| (17,551) | Normal contributions | (18,643) |
| (7,085) | Deficit recovery contributions | (8,211) |
| (246) | Pension strain contributions | (213) |
| (24,882) | Total employers' contributions | (27,067) |
| (31,757) | Total contributions receivable | (34,229) |

By type of employer

| 2018-19 | | 2019-20 |
|-----------------|-----------------------------|-----------------|
| £'000 | | £'000 |
| (25,346) | Administering Authority | (26,159) |
| (5,403) | Scheduled bodies | (7,131) |
| (784) | Community admission body | (777) |
| (224) | Transferee admission bodies | (162) |
| (31,757) | | (34,229) |

NOTE 8: TRANSFERS IN FROM OTHER PENSION FUNDS

| 2018-19 | | 2019-20 |
|----------------|----------------------|----------------|
| £'000 | | £'000 |
| (3,247) | Individual transfers | (1,366) |
| (3,247) | | (1,366) |

NOTE 9: BENEFITS PAYABLE**By category**

| 2018-19 | | 2019-20 |
|---------------|--|---------------|
| £'000 | | £'000 |
| 28,765 | Pensions | 29,973 |
| 4,343 | Commutation and lump sum retirement benefits | 4,999 |
| 419 | Lump sum death benefits | 933 |
| 33,527 | | 35,905 |

By type of employer

| 2018-19 | | 2019-20 |
|---------------|-----------------------------|---------------|
| £'000 | | £'000 |
| 32,012 | Administering Authority | 33,753 |
| 1,236 | Scheduled bodies | 1,906 |
| 190 | Community admission body | 202 |
| 89 | Transferee admission bodies | 44 |
| 33,527 | | 35,905 |

NOTE 10: PAYMENTS TO AND ON ACCOUNT OF LEAVERS

| 2018-19 | | 2019-20 |
|--------------|------------------------------------|--------------|
| £'000 | | £'000 |
| 95 | Refunds to members leaving service | 125 |
| 3,002 | Individual transfers | 2,345 |
| 3,097 | | 2,470 |

NOTE 11: MANAGEMENT EXPENSES

| 2018-19 | | 2019-20 |
|--------------|--------------------------------|--------------|
| £'000 | | £'000 |
| 656 | Administrative costs | 721 |
| 4,509 | Investment management expenses | 4,050 |
| 566 | Oversight and governance costs | 634 |
| 5,731 | | 5,405 |

NOTE 11A: INVESTMENT MANAGEMENT EXPENSES

| 2018-19 | | 2019-20 |
|--------------|-------------------|--------------|
| £'000 | | £'000 |
| 3,478 | Management fees | 3,457 |
| 90 | Custody fees | 134 |
| 941 | Transaction costs | 459 |
| 4,509 | | 4,050 |

NOTE 12: INVESTMENT INCOME

| 2018-19 | | 2019-20 |
|----------------|---|----------------|
| £'000 | | £'000 |
| (4,156) | Private equity investments | (3,882) |
| (1,845) | Pooled property investments | (2,026) |
| (2,906) | Pooled investments - units trusts and other managed funds | (3,151) |
| (8,907) | | (9,059) |

NOTE 13: EXTERNAL AUDIT COSTS

| 2018-19 | 2019-20 |
|---|---------|
| £'000 | £'000 |
| (16) Payable in respect of external audit | (16) |
| (16) | (16) |

NOTE 14: INVESTMENTS

| Market value | | Market value |
|-------------------------------|--|----------------|
| 31 March 2019 | | 31 March 2020 |
| £'000 | | £'000 |
| Investment assets | | |
| 467,263 | Pooled equities investments | 394,247 |
| 108,159 | Pooled bonds investments | 111,463 |
| 191,029 | Pooled alternative investments | 171,230 |
| 0 | Pooled infrastructure | 700 |
| 68,171 | Pooled property investments | 64,140 |
| 150 | Equity in London CIV | 150 |
| 11,522 | Private equity | 8,025 |
| 3,156 | Derivative contracts: forward currency | 1,092 |
| 45 | Cash with investment managers | 28,153 |
| 849,495 | | 779,200 |
| 3,068 | Cash deposits | 2,641 |
| 852,563 | Total investment assets | 781,841 |
| Investment liabilities | | |
| (2,400) | Derivative contracts: forward currency | (5,852) |
| (2,400) | Total investment liabilities | (5,852) |
| 850,163 | Net investment assets | 775,989 |

NOTE 14A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

| | Market value 31 March 2019 | Purchases during the year and derivative payments | Sales during the year and derivative receipts | Net change in market value during the year | Market value 31 March 2020 |
|--|----------------------------|---|---|--|----------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Investment assets | | | | | |
| Pooled equities investments | 467,263 | 0 | (33,102) | (39,914) | 394,247 |
| Pooled bonds investments | 108,159 | 3,062 | (39) | 281 | 111,463 |
| Pooled alternative investments | 191,029 | 95,000 | (96,850) | (17,949) | 171,230 |
| Pooled property investments | 68,171 | | (426) | (3,605) | 64,140 |
| Pooled infrastructure | 0 | 700 | | | 700 |
| Equity in London CIV | 150 | | | | 150 |
| Private equity | 11,522 | | (249) | (3,248) | 8,025 |
| Derivative contracts: forward currency | 756 | 7,932 | (3,365) | (10,083) | (4,760) |
| | 847,050 | 106,694 | (134,031) | (74,518) | 745,195 |
| Cash with investment managers | 45 | | | | 28,153 |
| Cash deposits | 3,068 | | | | 2,641 |
| | 3,113 | | | | 30,794 |
| Net investment assets | 850,163 | | | | 775,989 |

| | Market value 31 March 2018 | Purchases during the year and derivative payments | Sales during the year and derivative receipts | Net change in market value during the year | Market value 31 March 2019 |
|--|----------------------------|---|---|--|----------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Investment assets | | | | | |
| Pooled equities investments | 430,168 | 218,594 | (220,722) | 39,223 | 467,263 |
| Pooled bonds investments | 102,445 | 2,916 | (41) | 2,839 | 108,159 |
| Pooled alternative investments | 189,579 | | (1,263) | 2,714 | 191,029 |
| Pooled property investments | 67,656 | | (303) | 818 | 68,171 |
| Equity in London CIV | 150 | | | | 150 |
| Private equity | 13,844 | | (598) | (1,724) | 11,522 |
| Derivative contracts: forward currency | 5,865 | 8,880 | (3,720) | (10,269) | 756 |
| | 809,707 | 230,390 | (226,647) | 33,601 | 847,050 |
| Cash with investment managers | 53 | | | | 45 |
| Cash deposits | 4,643 | | | | 3,068 |
| | 4,696 | | | | 3,113 |
| Net investment assets | 814,403 | | | | 850,163 |

NOTE 14B: ANALYSIS OF INVESTMENTS

| 31 March 2019 | | 31 March 2020 | |
|----------------------|-------------------------------------|---------------------------|----------------|
| £'000 | | £'000 | |
| | Pooled Funds | | |
| | UK | | |
| 86,080 | Fixed Interest Securities | Corporate | 87,635 |
| 22,079 | Index Linked Securities | Public Sector | 23,828 |
| 108,159 | | | 111,463 |
| 68,171 | Managed Funds - Property | Unit Trusts | 64,140 |
| 68,171 | | | 64,140 |
| | Global | | |
| 217,821 | Managed Funds - Equities | Unitised Insurance Policy | 177,589 |
| 249,442 | Managed Funds - Equities | Other | 216,658 |
| 467,263 | | | 394,247 |
| 95,229 | Managed Funds - Alternatives | Unit Trusts | 0 |
| 95,800 | Managed Funds - Alternatives | Other | 171,230 |
| 0 | Managed Funds - Infrastructure | Other | 700 |
| 191,029 | | | 171,930 |
| 11,522 | Managed Funds - Private Equity | Other | 8,025 |
| | Other Funds | | |
| 3,156 | Derivatives | | 1,092 |
| 150 | Equity in London CIV | | 150 |
| 45 | Cash with investment managers | | 28,153 |
| 3,068 | Cash Deposits | | 2,641 |
| 852,563 | Total Investment Assets | | 781,841 |
| | Investment Liabilities | | |
| (2,400) | Derivatives | | (5,852) |
| (2,400) | Total Investment Liabilities | | (5,852) |
| 850,163 | Net Investment Assets | | 775,989 |

NOTE 14C: INVESTMENTS ANALYSED BY FUND MANAGER

| Market value 31 March 2019 | Percentage of Fund | Manager | Investment assets | Market value 31 March 2020 | Percentage of Fund |
|--|-----------------------|-----------------|----------------------------------|----------------------------------|-----------------------|
| £'000 | % | | | £'000 | % |
| Investments managed by London CIV | | | | | |
| 105,031 | 12 | LCIV - Longview | Developed world equities-active | 91,705 | 12 |
| 0 | 0 | LCIV - CQS | Multi Asset Credit | 80,816 | 10 |
| 0 | 0 | LCIV | Infrastructure | 700 | 0 |
| 217,821 | 26 | BlackRock | Global equities-passive | 177,589 | 23 |
| 322,852 | 38 | | Total LCIV | 350,810 | 45 |
| Investments managed outside of the London CIV | | | | | |
| 68,171 | 8 | LaSalle | Pooled property | 64,140 | 8 |
| 44 | 0 | BlackRock | Cash with investment managers | 25,128 | 3 |
| 86,080 | 10 | BlackRock | Fixed interest securities | 87,635 | 11 |
| 22,079 | 3 | BlackRock | Index-linked securities | 23,828 | 4 |
| 3,068 | 0 | Cash Deposits | | 2,641 | 0 |
| 73,784 | 9 | GMO | Emerging markets equities-active | 67,577 | 9 |
| 95,800 | 11 | Insight | Diversified growth fund | 90,414 | 12 |
| 1 | 0 | JP Morgan | Cash with investment managers | 3,025 | 0 |
| 150 | 0 | LCIV | UK equities-passive | 150 | 0 |
| 70,627 | 8 | Oldfields | Developed world equities-active | 57,376 | 7 |
| 11,522 | 2 | Pantheon | Private equity | 8,025 | 2 |
| 756 | 0 | Record | Forward currency contracts | (4,760) | (1) |
| 95,229 | 11 | Aberdeen Std | Diversified growth fund | 0 | 0 |
| 527,311 | 62 | | Total - Managers | 425,179 | 55 |
| 850,163 | 100 | | Total Investments | 775,989 | 100 |

The following investments represent more than 5% of the net assets of the Fund:

| Market value 31 March 2019 | % of total fund | Investment assets | Market value 31 March 2020 | % of total fund |
|----------------------------|-----------------|--|----------------------------|-----------------|
| £'000 | | | £'000 | |
| 95,229 | 11 | SLI Global Absolute Return Strategies Fund | 0 | 0 |
| 95,800 | 11 | Insight Broad Opportunities Fund | 90,414 | 12 |
| 105,031 | 12 | LCIV LV Global Equity Fund (Longview) | 91,705 | 12 |
| 0 | 0 | LCIV Multi Asset Credit (CQS) | 80,816 | 10 |
| 86,080 | 10 | BlackRock Institutional Bond Fund - Corp Bond 10 yrs | 87,635 | 11 |
| 73,784 | 9 | GMO Emerging Domestic Opportunities Equity Fund | 67,577 | 9 |
| 68,171 | 8 | LaSalle Investors UK Real Estate Fund of Funds | 64,140 | 8 |
| 70,627 | 8 | Overstone Global Equity CCF (USD Class A1 Units) | 57,376 | 7 |
| 217,821 | 26 | Blackrock Equity Beta Portfolio | 177,589 | 23 |
| 812,543 | 95 | Total over 5% holdings | 717,252 | 92 |

NOTE 14D: STOCK LENDING

Within the Investment Strategy Statement stock lending is permitted within pooled funds. At present, use of this facility is restricted to the Blackrock Portfolio.

The Blackrock lending programme covers equity and fixed income assets around the world and is designed to generate incremental returns for investors with appropriate risk controls.

The programme benefits from a counterparty default indemnity from Blackrock pursuant to its Securities Lending Authorisation Agreement

Value of Stock on Loan as at 31 March 2020 £23.8m (8.24%) compared to £40.3m (13.3%) as at 31 March 2019.

NOTE 15: ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place managed by Record Currency Management Limited. The Fund hedges 50% of the exposure in various developed world currencies within the equities portfolio.

Analysis of Open forward currency contracts:-

| Settlement | Currency bought | Local value | Currency sold | Local value | Asset value | Liability value |
|---|-----------------|-------------|---------------|-------------|--------------|-----------------|
| | | 000 | | 000 | £'000 | £'000 |
| Up to one month | NOK | 2,337 | GBP | (178) | 2 | |
| Up to one month | SEK | 10,339 | GBP | (838) | 4 | |
| Up to one month | SGD | 708 | GBP | (401) | 0 | |
| Up to one month | USD | 78,064 | GBP | (62,904) | 61 | |
| One to six months | CHF | 1,098 | GBP | (865) | 51 | |
| One to six months | EUR | 427 | GBP | (364) | 14 | |
| One to six months | GBP | 4,122 | AUD | (8,006) | 171 | |
| One to six months | GBP | 8,563 | CAD | (14,854) | 146 | |
| One to six months | GBP | 3,744 | CHF | (4,426) | 39 | |
| One to six months | GBP | 4,741 | HKD | (45,608) | 2 | |
| One to six months | GBP | 203 | NOK | (2,356) | 22 | |
| One to six months | GBP | 159 | NZD | (320) | 6 | |
| One to six months | GBP | 768 | SEK | (9,386) | 3 | |
| Over six months | EUR | 427 | GBP | (365) | 13 | |
| Over six months | GBP | 27,940 | EUR | (31,192) | 266 | |
| Over six months | GBP | 15,657 | JPY | (2,071,200) | 136 | |
| Over six months | GBP | 60,496 | USD | (74,810) | 155 | |
| Up to one month | AUD | 4,003 | GBP | (1,992) | | (15) |
| Up to one month | CAD | 7,427 | GBP | (4,239) | | (30) |
| Up to one month | CHF | 4,426 | GBP | (3,733) | | (41) |
| Up to one month | EUR | 15,134 | GBP | (13,513) | | (115) |
| Up to one month | HKD | 45,608 | GBP | (4,751) | | (5) |
| Up to one month | JPY | 1,080,000 | GBP | (8,090) | | (18) |
| Up to one month | NZD | 160 | GBP | (78) | | (1) |
| One to six months | GBP | 4,349 | CHF | (5,524) | | (259) |
| One to six months | GBP | 4,450 | HKD | (45,608) | | (297) |
| One to six months | GBP | 674 | JPY | (95,700) | | (41) |
| One to six months | GBP | 178 | NOK | (2,337) | | (2) |
| One to six months | GBP | 916 | SEK | (11,292) | | (5) |
| One to six months | GBP | 801 | SGD | (1,416) | | (2) |
| One to six months | GBP | 5,535 | USD | (7,297) | | (351) |
| One to six months | NOK | 19 | GBP | (2) | | (0) |
| Over six months | EUR | 497 | GBP | (446) | | (6) |
| Over six months | GBP | 13,372 | EUR | (15,561) | | (434) |
| Over six months | GBP | 7,590 | JPY | (1,080,000) | | (501) |
| Over six months | GBP | 122,013 | USD | (156,128) | | (3,720) |
| Over six months | JPY | 6,900 | GBP | (53) | | (1) |
| Over six months | USD | 4,043 | GBP | (3,271) | | (10) |
| Open forward currency contracts at 31 March 2020 | | | | | 1,091 | (5,854) |
| Net forward currency contracts at 31 March 2020 | | | | | | (4,763) |
| <u>Prior year comparative</u> | | | | | | |
| Open forward currency contracts at 31 March 2019 | | | | | 3,156 | (2,400) |
| Net forward currency contracts at 31 March 2019 | | | | | | 756 |

NOTE 16: FAIR VALUE – BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the most appropriate price available at the reporting date

| Description of Asset | Valuation Hierarchy | Basis of Valuation | Observable and unobservable inputs | Key sensitivities affecting the valuations provided |
|--|---------------------|---|--|--|
| Market quoted investments including pooled funds for global equities, corporate and UK index linked bonds and diversified growth funds | Level 1 | Published bid market price ruling on the final day of the accounting period | Not required | Not required |
| Market quoted investments including pooled funds for global equities and diversified growth funds | Level 1 | Published market price or other value ruling on the final day of the accounting period | Not required | Not required |
| Forward foreign exchange derivatives | Level 2 | Market forward exchange rates at the year end. | Exchange rate risk | Not required |
| Pooled Investment - Multi asset credit | Level 2 | Fixed income securities are priced based on evaluated prices provided by Independent pricing services | Not required | Not required |
| Pooled investments - property funds | Level 3 | Closing bid price where bid and offer prices are published | Net Asset Value-based pricing set on a forward pricing basis | Not required |
| Pooled investments - Infrastructure | Level 3 | Valued by Fund Managers | Manager valuation statements are prepared in accordance with ECVA guidelines | Not required |
| Unquoted equity | Level 3 | Comparable valuation of similar companies in accordance with <i>International Private Equity and Venture Capital Valuation (2012)</i> | EBITDA multiple, Revenue multiple, Discount for lack of marketability, Control premium | Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts |

Sensitivity of assets valued at Level 3

The Fund has determined that the sensitivity of the level 3 investments should be at the level determined by independent advisers for equity investments generally. Set out below is the consequent potential impact on the closing value of investments held at 31 March 2020 using data provided by PIRC.

| | Assessed valuation range (+/-) | Valuation at 31 March 2020 | Value on increase | Value on decrease |
|-------------------------------------|--------------------------------------|----------------------------------|----------------------|----------------------|
| | | £000 | £000 | £000 |
| Private Equity | 9.10% | 8,025 | 8,755 | 7,295 |
| Pooled investments - property funds | 1.90% | 64,140 | 65,359 | 62,921 |
| | | 72,165 | 74,114 | 70,216 |

NOTE 16A: FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted 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.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Pension Fund Financial Statement

| | Quoted market price | Using observable inputs | With significant unobservable inputs | |
|--|------------------------|-------------------------------|--|----------------|
| Values at 31 March 2020 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
| Financial assets at fair value through profit and loss | 596,124 | 81,908 | 72,165 | 750,197 |
| Financial liabilities at fair value through profit and loss | 0 | (5,852) | 0 | (5,852) |
| Net Investment asset | 596,124 | 76,056 | 72,165 | 744,345 |

| | Quoted market price | Using observable inputs | With significant unobservable inputs | |
|--|------------------------|-------------------------------|--|----------------|
| Values at 31 March 2019 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
| Financial assets at fair value through profit and loss | 766,451 | 3,156 | 79,693 | 849,300 |
| Financial liabilities at fair value through profit and loss | 0 | (2,400) | 0 | (2,400) |
| Net Investment asset | 766,451 | 756 | 79,693 | 846,900 |

The following assets have been carried at cost.

| | Quoted market price | Using observable inputs | With significant unobservable inputs | |
|--------------------------|---------------------------|-------------------------------|---|----------------|
| Values at 31 March 2020 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
| Investment in London CIV | | | 150 | 150 |
| LCIV Infrastructure | | | 700 | 700 |

NOTE 16B: TRANSFERS BETWEEN LEVELS 1 AND 2

There were no transfers between levels 1 and 2 during the financial year.

NOTE 16C: RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

| Period 2019/20 | Market Value 31 March 2019 | Transfers into level 3 | Transfers out of level 3 | Purchases during the year and derivative payments | Sales during the year and derivative receipts | Unrealised gains/(losses) | Realised gains/(losses) | Market Value 31 March 2020 |
|-------------------|-------------------------------------|------------------------------|--------------------------------|---|---|------------------------------|----------------------------|-------------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Private Equity | 11,522 | 0 | 0 | 0 | (249) | 0 | (3,248) | 8,025 |
| Pooled - property | 68,171 | 0 | 0 | 0 | (426) | (3,605) | 0 | 64,140 |
| | 79,693 | 0 | 0 | 0 | (675) | (3,605) | (3,248) | 72,165 |

NOTE 17: FINANCIAL INSTRUMENTS**NOTE 17A: CLASSIFICATION OF FINANCIAL INSTRUMENTS**

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

| 31 March 2019 | | | 31 March 2020 | | |
|---|-----------------------------------|--|---|-----------------------------------|--|
| Fair value through profit and loss £'000 | Assets at amortised cost £'000 | Liabilities at amortised cost £'000 | Fair value through profit and loss £'000 | Assets at amortised cost £'000 | Liabilities at amortised cost £'000 |
| Financial assets | | | | | |
| | | | | | |
| 467,263 | 0 | 0 | | | |
| 108,159 | 0 | 0 | 394,247 | 0 | 0 |
| | | | 111,463 | 0 | 0 |
| | | | | | |
| 191,029 | 0 | 0 | | | |
| 0 | 0 | 0 | 171,230 | 0 | 0 |
| | | | 700 | 0 | 0 |
| | | | | | |
| 68,171 | 0 | 0 | 64,140 | 0 | 0 |
| 150 | 0 | 0 | 150 | 0 | 0 |
| 11,522 | 0 | 0 | 8,025 | 0 | 0 |
| 3,156 | 0 | 0 | 1,092 | 0 | 0 |
| 0 | 4,103 | 0 | 0 | 32,083 | 0 |
| 0 | 589 | 0 | 0 | 716 | 0 |
| 849,450 | 4,692 | 0 | 751,047 | 32,799 | 0 |
| Financial liabilities | | | | | |
| (2,400) | 0 | 0 | (5,852) | 0 | 0 |
| 0 | 0 | (410) | 0 | 0 | (236) |
| (2,400) | 0 | (410) | (5,852) | 0 | (236) |
| 847,050 | 4,692 | (410) | 745,195 | 32,799 | (236) |
| 851,332 | | | 777,758 | | |
| Grand Total | | | | | |

NOTE 17B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

| 31 March 2019 | 31 March 2020 |
|------------------------------|-----------------|
| £'000 | £'000 |
| Financial assets | |
| 43,870 | (64,435) |
| Financial liabilities | |
| (10,269) | (10,083) |
| 33,601 | (74,518) |
| Total | |

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

NOTE 18: 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). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its 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 Committee. The Committee reviews the Fund's risk register on an annual basis.

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 equities holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

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's investment managers mitigate this price risk through diversification.

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's advisers, the Council has determined that the following movements in price risk are reasonably possible.

| Assets type | Potential market movements (+/-) % |
|--|---------------------------------------|
| Total equities | 12.00 |
| Fixed interest & index linked securities | 6.90 |
| Alternative investments | 6.30 |
| Pooled property investments | 1.90 |
| Private Equity | 9.10 |

Had the market price of the Fund investments increased/decreased in line with the above the change in the net assets available to pay benefits would have been as follows:

| Asset type | Value as at 31 March 2020 | Percentage change | Value on increase | Value on decrease |
|--|------------------------------|----------------------|----------------------|----------------------|
| | £'000 | % | £'000 | £'000 |
| Investment portfolio assets: | | | | |
| Total equities (inc Hedging) | 389,487 | 12.00 | 436,225 | 342,749 |
| Fixed interest & index linked securities | 111,463 | 6.90 | 119,154 | 103,772 |
| Alternative investments | 171,230 | 6.30 | 182,017 | 160,443 |
| Pooled property investments | 64,140 | 1.90 | 65,359 | 62,921 |
| Private Equity | 8,025 | 9.10 | 8,755 | 7,295 |
| Infrastructure | 700 | 0.00 | 700 | 700 |
| Equity - London CIV | 150 | 0.00 | 150 | 150 |
| Total | 745,195 | | 812,360 | 678,030 |

| Asset type | Value as at 31 March 2019 | Percentage change | Value on increase | Value on decrease |
|--|------------------------------|----------------------|----------------------|----------------------|
| | £'000 | % | £'000 | £'000 |
| Investment portfolio assets: | | | | |
| Total equities (inc Hedging) | 468,019 | 9.20 | 511,077 | 424,961 |
| Fixed interest & index linked securities | 108,159 | 7.30 | 116,055 | 100,263 |
| Alternative investments | 191,029 | 3.30 | 197,333 | 184,725 |
| Pooled property investments | 68,171 | 1.90 | 69,466 | 66,876 |
| Private Equity | 11,522 | 10.00 | 12,674 | 10,370 |
| Equity - London CIV | 150 | 0.00 | 150 | 150 |
| Total | 847,050 | | 906,755 | 787,345 |

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 because of changes in market interest rates.

The Council recognises that interest rates can vary and can affect both income to the Fund and the carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits

The Fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2019 and the impact of a 1% movement in interest rates are as follows:

| Assets exposed to interest rate risk | Carrying amount as at 31 March 2020 | Potential movement on 1% change in interest rates | Value on increase | Value on decrease |
|---|---|--|----------------------|----------------------|
| | £'000 | | £'000 | £'000 |
| Cash and cash equivalents | 30,794 | 0 | 30,794 | 30,794 |
| Fixed interest securities | 87,635 | 876 | 88,511 | 86,759 |
| Total change in assets available | 118,429 | 876 | 119,305 | 117,553 |

| Assets exposed to interest rate risk | Carrying amount as at 31 March 2019 | Potential movement on 1% change in interest rates | Value on increase | Value on decrease |
|---|-------------------------------------|---|-------------------|-------------------|
| | £'000 | | £'000 | £'000 |
| Cash and cash equivalents | 3,113 | 0 | 3,113 | 3,113 |
| Fixed interest securities | 86,080 | 861 | 86,941 | 85,219 |
| Total change in assets available | 89,193 | 861 | 90,054 | 88,332 |

This analysis demonstrates that changes in interest rates do not impact on the value of cash and cash equivalents balances but do affect the fair value on fixed interest securities.

Changes in interest rates affect interest income received on cash balances but have no effect on income from fixed income securities.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on its global equities pooled fund investments, some of which are denominated in currencies other than Sterling. To mitigate this risk, the Fund uses derivatives and hedges 50% of the overseas equity portfolio arising from the developed market currencies.

Following analysis of historical data in consultation with the Fund's advisers the Council considers the likely volatility associated with foreign exchange rate movements to be 7.4%

A 7.4% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available as follows.

| Currency Exposure - asset type | Asset Value as at 31 March 2020 | Change to net assets | |
|--------------------------------|---------------------------------|----------------------|----------------|
| | £'000 | +7.4% £'000 | -7.4% £'000 |
| Overseas Pooled Equities | 367,462 | 394,654 | 340,270 |

| Currency Exposure - asset type | Asset Value as at 31 March 2019 | Change to net assets | |
|--------------------------------|---------------------------------|----------------------|----------------|
| | £'000 | +8.8% £'000 | -8.8% £'000 |
| Overseas Pooled Equities | 426,328 | 463,845 | 388,811 |

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 assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions. However the selection of high quality counterparties, brokers and financial institutions by Fund managers should minimise the credit risk that may occur.

Cash deposits are not made with banks and financial institutions unless they are rated independently and meet the Council's Treasury Management investment criteria.

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five years.

The Fund's cash holding at 31 March 2020 was £30.8m (31 March 2019: £3.1m). This was held with the following institutions.

| Summary | Balances at 31 March 2019 | Balances at 31 March 2020 |
|------------------------|---------------------------|---------------------------|
| | £'000 | £'000 |
| Bank accounts | | |
| Royal Bank of Scotland | 3,068 | 2,641 |
| JP Morgan | 1 | 3,025 |
| BlackRock | 44 | 25,128 |
| | 3,113 | 30,794 |

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments.

The Council has immediate access to its Pension Fund cash holdings.

The Fund considers liquid assets to be those that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert in to cash. As at 31 March 2020 the value of illiquid assets was £72.9m. This represented 9% of the total Fund assets (31 March 2019: £79.7m).

All financial liabilities at 31 March 2020 are due within one year.

Refinancing risk

The Pension Fund does not have any financial instruments that have a refinancing risk.

NOTE 19: FUNDING ARRANGEMENTS

In line with The Local Government Pension Scheme Regulations 2013, the Fund's Actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019. The next valuation takes place as at 31 March 2022.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable.

At the 2019 actuarial valuation, the Fund was assessed as 94% funded (74% at the March 2016 valuation). This corresponded to a deficit of £52m (2016 valuation: £228m).

Contribution increases are being phased in over the 3 year period ending 31 March 2023.

Individual employers' rates vary depending on the demographic and actuarial factors particular to each employer.

The valuation of the Fund has been undertaken using the projected unit method under which the salary for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows:

Financial assumptions

| Other financial assumptions | 2016 % | 2019 % |
|-----------------------------|-----------|-----------|
| Price inflation (CPI) | 2.1 | 2.3 |
| Salary increases | 2.4 | 3.0 |
| Pension increases | 2.1 | 2.3 |
| Funded basis discount rate | 3.8 | 4.3 |

Demographic assumptions

The life expectancy assumptions are based on the Fund's Hymans Robertson's Vita Curves in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of improvement of 1.25% p.a. for women and men.

Future life expectancy based on the Actuary's Fund-specific mortality review is as follows:

| | Male | Female |
|---|------------|------------|
| Current pensioners | 22.0 years | 24.3 years |
| Future pensioners (assumed to be aged 45) | 23.1 years | 26.3 years |

Commutation assumption

It is assumed that 50% of future retirees will elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 and 75% for service from 1 April 2008.

NOTE 20: ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the Actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 19). The actuary has also valued ill health and death benefits in line with IAS 19.

| 31 March 2019 | | 31 March 2020 |
|---------------|---|---------------|
| £m | | £m |
| (1,213) | Present value of promised retirement benefits | (1,104) |
| 807 | Fair value of scheme assets | 697 |
| (406) | Net Liability | (407) |

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

IAS19 Assumptions used

| | 2018-19 | 2019-20 |
|---|---------|---------|
| | % pa | % pa |
| Inflation/pensions increase rate assumption | 2.5 | 1.9 |
| Salary increase rate | 2.8 | 2.6 |
| Discount rate | 2.4 | 2.3 |

NOTE 21: CURRENT ASSETS

| 31 March 2019 | | 31 March 2020 |
|------------------|-------------------------------|------------------|
| £'000 | | £'000 |
| | Debtors: | |
| 526 | Contributions due - employers | 661 |
| 63 | Sundry debtors | 55 |
| 990 | Cash owed to Fund | 1,289 |
| 1,579 | | 2,005 |

Analysis of Debtors:

| 31 March 2019 | | 31 March 2020 |
|------------------|--------------------------------|------------------|
| £'000 | | £'000 |
| 0 | Central Government bodies | 0 |
| 990 | Other local authorities | 1,289 |
| 4 | NHS bodies | 4 |
| 526 | Scheduled/Admitted bodies | 661 |
| 59 | Other entities and individuals | 51 |
| 1,579 | | 2,005 |

NOTE 21A: LONG TERM DEBTORS

There are currently no long term debtors

NOTE 22: CURRENT LIABILITIES

| 31 March 2019 | | 31 March 2020 |
|------------------|------------------|------------------|
| £'000 | | £'000 |
| (344) | Sundry creditors | (156) |
| (66) | Benefits payable | (80) |
| (410) | | (236) |

Analysis of Creditors:

| 31 March 2019 | | 31 March 2020 |
|------------------|--------------------------------|------------------|
| £'000 | | £'000 |
| (5) | Central government bodies | (4) |
| (10) | Scheduled/Admitted bodies | 0 |
| (395) | Other entities and individuals | (232) |
| (410) | | (236) |

NOTE 23: ADDITIONAL VOLUNTARY CONTRIBUTIONS

AVC contributions of £0.50m were paid directly to the providers during the year (2018/19: £0.51m)

| Market value 31 March 2019 | | Market value 31 March 2020 | |
|-------------------------------|----------------------------------|----------------------------------|--|
| £'000 | | £'000 | |
| 2,011 | Prudential Assurance | 2,268 | |
| 599 | Clerical Medical | 553 | |
| 219 | Equitable Life Assurance Society | 224 | |
| 2,829 | | 3,045 | |

NOTE 24: AGENCY SERVICES

There were no payments of this type

NOTE 25: RELATED PARTY TRANSACTIONS**Harrow Council**

The Fund is required under IAS24 to disclose details of material transactions with related parties. The Council is a related party to the Pension Fund. Details of the contributions made to the Fund by the Council and expenses refunded to the Council are set out below.

The Pension Fund has operated a separate bank account since April 2011. However to avoid any undue cost to the Fund some minor transactions continue to be processed through the Council's bank account. These are reconciled on a monthly basis and settlement of any outstanding balance is adjusted when the Council pays its contributions to the fund.

| 31 March 2019 | | 31 March 2020 | |
|---------------|--|---------------|--|
| £'000 | | £'000 | |
| (19,770) | Employer's Pension Contributions to the Fund | (20,634) | |
| 846 | Administration expenses paid to the Council | 906 | |
| 990 | Cash held by the Council | 1,289 | |

Governance

Each member of the Pension Fund Committee is required to declare their interests at each meeting.

NOTE 25A: KEY MANAGEMENT PERSONNEL

The key management personnel of the fund are the Councils' Director of Finance (S151 Officer) and the Treasury & Pension Fund Manager.

Total remuneration payable from the Pension Fund to these key management personnel is set out below:

| 31 March 2019 | | 31 March 2020 | |
|---------------|----------------------|---------------|--|
| £'000 | | £'000 | |
| 86 | Short-term benefits | 91 | |
| 0 | Termination benefits | 0 | |

NOTE 26: CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments at 31 March 2020 totalled £65.8m (31 March 2019: £2.7m).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held by Pantheon Ventures and LCIV Infrastructure Fund.

NOTE 27: CONTINGENT ASSETS

One admitted body employer in the Fund holds an insurance bond/guarantee to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Fund and payment will only be triggered in the event of employer default.



London Borough of Harrow Pension Fund ("the Fund") Actuarial Statement for 2019/20

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2020. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still at least a 72% likelihood that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £851 million, were sufficient to meet 94% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £52 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2022 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

| Financial assumptions | 31 March 2018 |
|-----------------------------------|---------------|
| Discount rate | 4.3% |
| Salary increase assumption | 3.0% |
| Benefit increase assumption (CPI) | 2.3% |

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

| | Males | Females |
|--------------------|------------|------------|
| Current Pensioners | 22.0 years | 24.3 years |
| Future Pensioners* | 23.1 years | 26.3 years |

*Aged 45 at the 2018 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2018

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.



Laura McInroy FFA

5 May 2020

For and on behalf of Hymans Robertson LLP

Appendices

Glossary of Terms

The glossary's definitions are intended to provide a clear and concise explanation of the technical terms used in this publication.

Accounting Standards: By law Local Authorities are required to follow "proper accounting practices" which are set out both in Acts of Parliament and in professional Codes including the Code of Practice on Local Authority Accounting in the United Kingdom.

Accrual: a sum included in the financial statements to cover income and expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received / made by the end of the period.

Active Member: A Pension Fund member who is paying contributions into the fund.

Actuarial Valuation: a valuation of assets held, an estimate of the present value of benefits to be paid, and an estimate of required future contributions, by an actuary, on behalf of a pension fund.

Actuary: an independent professional who advises on the financial position of the Pension Fund.

Agency Services: the provision of services by one body (the agent) on behalf of another that is legally responsible for providing the service.

Amortised Cost: a method by which a financial asset or liability is measured in the balance sheet after deducting any repayments and after adding or subtracting cumulative amortisation calculated using the effective interest rate method. The amortisation adjusts the carrying value of the instrument from its initial value to its value at maturity over the life of the contract.

Bad Debt Provisions: amount of money set aside to meet cost of monies owed to the Council that are not expected to be repaid.

Capital Expenditure: expenditure on the purchase, construction and enhancement of Council assets such as houses, offices, schools, roads etc.

Capital Grants: money received from government departments and other statutory bodies towards the Council's capital expenditure.

Community Assets: assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal, such as parks and open spaces, and historic buildings.

Contingency: money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

Contingent Liability: is either; a) 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 Council's control; or b) present obligation that arises from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core: comprises all activities that a local Council engage in specifically because they are an elected, multipurpose organisation. The cost of the activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. It includes costs relating to the corporate management and democratic representation.

Council Tax: a locally determined taxation charge based on domestic property values set by both the billing and precept authorities at a level determined by the council tax base for the area.

Creditors: amounts owed by the Council for goods and services received where payment has not been made at the end of the financial year.

Current Asset: an asset held, which will be consumed or cease to have value within the next financial year. Examples are stocks and debtors.

Current Liability: an amount which will become payable or could be called in within the next financial year. Examples are creditors and cash overdrawn.

Current Service Cost: the increase in the present value of Pension Fund liabilities expected to arise from current year service.

Debtors: amounts owed to the authority for goods and services provided but not received at the end of the financial year.

Dedicated Schools Grant (DSG): a specific grant for the funding of schools and which is ring fenced to the Schools Budget.

Deferred Member: A Pension Fund member who had left employment, or who has ceased to be an active member of the pension scheme whilst remaining in employment, but retains an entitlement to a pension from the Fund.

Depreciated Replacement Cost (DRC): the cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Depreciation: the measure used to determine the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use, passing of time or obsolescence through technological or other changes.

Earmarked Reserves: amounts set aside for a specific purpose or a particular service or type of service.

Fair Value: the price at which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Finance Leases: a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the leasee.

General Fund: the account that covers the net cost of all services other than the provision of Council housing for rent.

Housing Revenue Account (HRA): a statutory account which contains all expenditure and income relating to the provision of Council housing for rent. The HRA must be kept entirely separate from the General Fund. Local Council's are not allowed to make up any deficit on the HRA from the General Fund.

Impairment: a reduction in the carrying value of a fixed asset below it's previously assessed carrying value due to obsolescence, damage or adverse change in the statutory environment.

Infrastructure Assets: a classification of non-current assets which have no market value, and which exist primarily to facilitate transportation and communication requirements (e.g. highways and footpaths) and similar environmental works.

Levies: payments to London-wide bodies, e.g. Environment Agency, Lee Valley Regional Park and West London Waste Authority. The cost of these bodies is borne by the local Council in the area concerned, based on their Council tax base, and is met from the General Fund.

Minimum Revenue Provision (MRP): the minimum amount which must be charged to the Council's revenue account and set aside as provision for credit liabilities.

Net Realisable Value: the amount at which an asset could be sold after the deduction of any direct selling costs.

Non-Distributable Cost: these include overheads for which no user benefits and should not be apportioned to services. Examples are spare computer capacity and empty offices. These also include pension costs in relation to scheme members past service.

Non-Domestic Rate (NDR): a flat rate in the pound set by Central Government and levied on businesses in the borough. NDR is now shared between the Council (48%), Central Government (25%) and the Greater London Authority (27%).

If the Council's baseline is greater than its funding baseline, it pays tariff payments to the Government. If the Council's NDR baseline is less than its funding baseline it receives top-up payments from the Government.

Operating Lease: a lease under which the asset can never become the property of the lessee.

Precepts: a charge on the Collection Fund by another public body (a precepting authority), determined by legislation.

Pension Fund: the Fund for staff in the Local Government Pension Scheme, maintained on an actuarial basis, which makes pension payments on retirement of participants; it is financed by contributions from the employer, employees and from investment income.

Post Balance Sheet Events: are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Director of Finance signs the Statement of Accounts.

Prior Year Adjustments: those material adjustments applicable to prior years arising from changes in accounting policies or correction of fundamental errors.

Property, Plant and Equipment: tangible assets that yield benefit to the Council and the services it provides for a period of more than one year.

Provisions: monies set aside for liabilities and losses which are likely to be incurred but where exact amounts or dates are uncertain.

Private Finance Initiative (PFI): PFI is the procurement of public services and assets by a public body where the private sector is responsible for the design, construction, finance and operation of an asset or service for a specified time after which it is transferred back into the public sector.

Public Works Loan Board (PWLb): a government agency that provides long term and medium term loans to Local Authorities at interest rates only slightly higher than those at which the government itself can borrow.

Related Party: the relationship between a senior officer, elected Member, and their families, with another body that has, or might develop a business relationship with the Council.

Revenue Expenditure: the day-to-day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. These costs would include salaries and wages, premises and the costs of supplies and services.

Revenue Support Grant: the main grant received from central government to support the Council's revenue expenditure.

Taxbase: the number of Band D equivalent properties in a local authority's area. The council tax base is taken into account when it calculates its council tax, and when central government calculates entitlement to Formula Grant.

Trust Funds: money held in trust by the Council for a specified purpose.

The Code of Practice (The Code): aims to specify the principles and practices of accounting required to prepare a Statement of Accounts which presents fairly the financial position and transactions of the Council.

Abbreviations

| | |
|--------|--|
| ASB | Accounting Standards Board |
| AVC | Additional Voluntary Contributions |
| BCF | Better Care Fund |
| BRS | Business Rate Supplement |
| CCG | Clinical Commissioning Group |
| CFR | Capital Financing Requirement |
| CIES | Consolidated Income & Expenditure Statement |
| CIL | Community Infrastructure Levy |
| CIPFA | Chartered Institute of Public Finance and Accountancy |
| CSB | Corporate Strategic Board |
| DSG | Dedicated Schools Grant |
| DRC | Depreciated Replacement Cost |
| EFA | Expenditure Funding Analysis |
| EUV | Existing Use Value |
| EUV-SH | Existing Use Value – Social Housing |
| GARMS | Governance, Audit, Risk Management and Standards Committee |
| HRA | Housing Revenue Account |
| IASB | International Accounting Standards Board |
| IAS | International Accounting Standards |
| IFRS | International Financial Reporting Standards |
| LIBID | London Interchange Bid Rate |
| LGPS | Local Government Pension Scheme |
| LOBO | Lenders Option Borrowers Option |
| MiRS | Movement in Reserves Statement |
| MMI | Municipal Mutual Insurance |
| MRP | Minimum Revenue Provision |
| MTFS | Medium Term Financial Strategy |
| NDR | Non-Domestic Rates |
| NPV | Net Present Value |
| PFI | Private Finance Initiative |
| PPE | Property, Plant & Equipment |
| PWLB | Public Works Loan Board |
| RCCO | Revenue Contribution to Capital Outlay |
| RICS | Royal Institute of Chartered Surveyors |
| RSG | Revenue Support Grant |
| VAT | Value Added Tax |
| WLWA | West London Waste Authority |